



對外經濟貿易大學  
UNIVERSITY OF INTERNATIONAL BUSINESS AND ECONOMICS

# Chapter 1

**What Is Strategy and  
Why Is It Important?**

“ Without a strategy the organization is like a ship without a rudder.”



# Learning Objectives

- What Is Strategy?
  - Identifying a Company's Strategy
  - Strategy and the Quest for Competitive Advantage
  - Strategy Is Partly Proactive and Partly Reactive
- The Relationship Between a Company's Strategy and Its Business Model
- What Makes a Strategy a Winner?
- Why Are Crafting and Executing Strategy Important?

# Objective 1

## What Is Strategy?



# What Is Strategy?

## Concept

- Competitive moves and business approaches management employs in running a company
- Management needs strategy to?
  - Please customers
  - Position a company in its chosen market
  - Compete successfully
  - Achieve good business performance

# Difference between strategic management and operation management

- Ambiguous /uncertain
- effectiveness
- whole organization
- Market share
- Long term

- Regular/certain
- efficiency
- Parts of organization
- Cost/profit measure
- Short-term

# Thinking Strategically: The Three Big Strategic Questions

1. Where are we now?

2. Where do we want to go?

- Business(es) to be in and market positions to stake out
- Buyer needs and groups to serve
- Outcomes to achieve

3. How will we get there?

- A company's answer to "how will we get there?" is its strategy



# The *Hows* That Define a Firm's Strategy

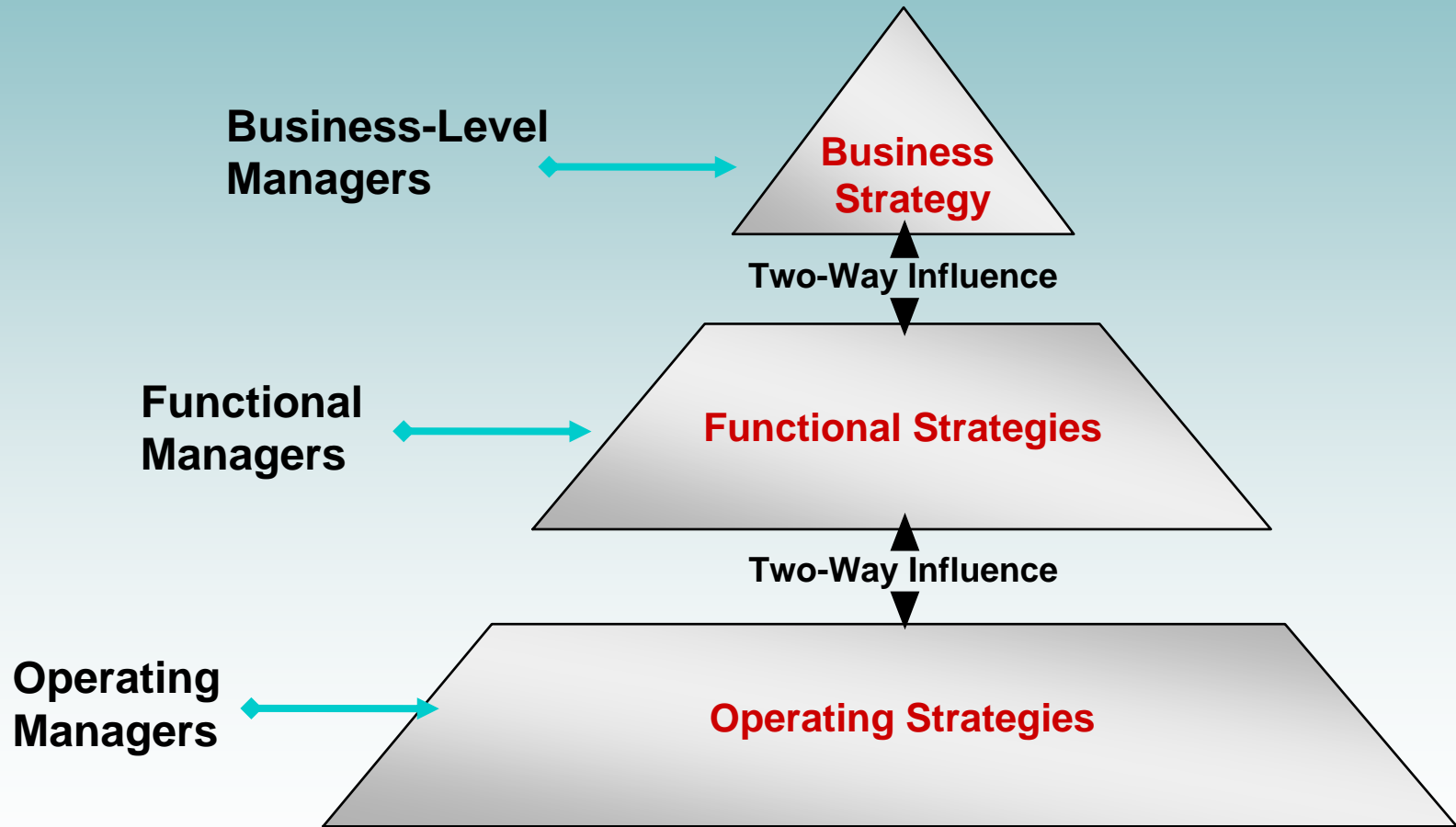
- *How* to please customers
- *How* to respond to changing market conditions
- *How* to outcompete rivals
- *How* to grow the business
- *How* to manage each functional piece of the business and develop needed organizational capabilities
- *How* to achieve strategic and financial objectives



# Fig. 1.2: A Company's Strategy Is Partly Proactive and Partly Reactive



# Levels of Strategy-Making in a Single-Business Company



# Tasks of Corporate Strategy

- Moves to achieve **diversification**
- Actions to **boost performance** of individual businesses
- Capturing valuable **cross-business synergies** to provide  
1 + 1 = 3 effects!
- Establishing **investment priorities** and steering **corporate resources** into the most attractive businesses

# Tasks of Business Strategy

- Initiating approaches to ***produce successful performance*** in a specific business
- Crafting competitive moves to ***build sustainable competitive advantage***
- Developing ***competitively valuable competencies*** and ***capabilities***
- Uniting ***strategic activities*** of ***functional areas***
- Gaining ***approval of business strategies*** by corporate-level officers and directors

# Tasks of Functional Strategies

- ***Game plan*** for a strategically-relevant function, activity, or business process
- Detail ***how key activities*** will be ***managed***
- Provide ***support*** for ***business strategy***
- Specify ***how functional objectives*** are to be ***achieved***

# Tasks of Operating Strategies

- Concern **narrower strategies** for managing grassroots activities and strategically-relevant **operating units**
- Add **detail** to business and functional strategies
- **Delegation** of responsibility to frontline managers

# Objective 2

The Relationship Between a  
Company's Strategy and Its  
Business Model



# What Is a Business Model?

- A business model addresses **“How do we make money in this business?”**
  - Is the strategy capable of delivering good bottom-line results?
- Do the **revenue-cost-profit economics** of the strategy make good business sense?
  - Look at **revenue streams** the strategy is expected to produce
  - Look at associated **cost structure** and potential **profit margins**
  - Do resulting earnings streams and ROI indicate the strategy makes sense and the company has a viable business model for making money?



# Relationship Between Strategy and Business Model

**Strategy** - Deals with a company's competitive initiatives and business approaches

**Business Model** - Concerns whether revenues and costs flowing from the **strategy** demonstrate the business can be amply profitable and viable

# Objective 3

What Makes a Strategy a Winner?



# Good Strategy + Good Strategy Execution = Good Management

- Crafting and executing strategy are core management functions
- Among all things managers do, nothing affects a company's ultimate success or failure more fundamentally than how well its management team
  - Charts the company's direction,
  - Develops competitively effective strategic moves and business approaches, **and**
  - Pursues what needs to be done internally to produce good day-in/day-out strategy execution

***Excellent execution* of an excellent strategy is the *best test of managerial excellence* -- and the most reliable recipe for winning in the marketplace!**

# What Does Strategy Implementation Involve?

- Building a **capable organization**
- **Allocating resources** to strategy-critical activities
- Establishing **strategy-supportive policies**
- Instituting **best practices** and programs for **continuous improvement**
- Installing **information, communication, and operating systems**
- **Motivating** people to pursue the target objectives
- **Tying rewards** to achievement of **results**
- Creating a **strategy-supportive corporate culture**
- Exerting the **leadership** necessary to drive the process forward and keep improving

# Characteristics of Good Strategy Execution

- Involves **creating strong “fits” between strategy** and
  - Organizational capabilities
  - Reward structure
  - Internal operating systems
  - Organization’s work climate and culture
- The **stronger the “fits”** the
  - Better the execution
  - Higher a company’s odds of achieving its performance targets

# Objective 4

Why Are Crafting and  
Executing Strategy Important?



# Summary

The tasks of crafting and executing company strategies are the heart and soul of managing a business enterprise and winning in the marketplace. The central thrust of a company's strategy is undertaking moves to build and strengthen the company's long-term competitive position and financial performance and, ideally, gain a competitive advantage over rivals that then becomes a company's ticket to above-average profitability.

