



# Business Strategies – Develop, Formulate and Execute a Strategy

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## 5.1. Building the Strategy

**Clarify the vision.**

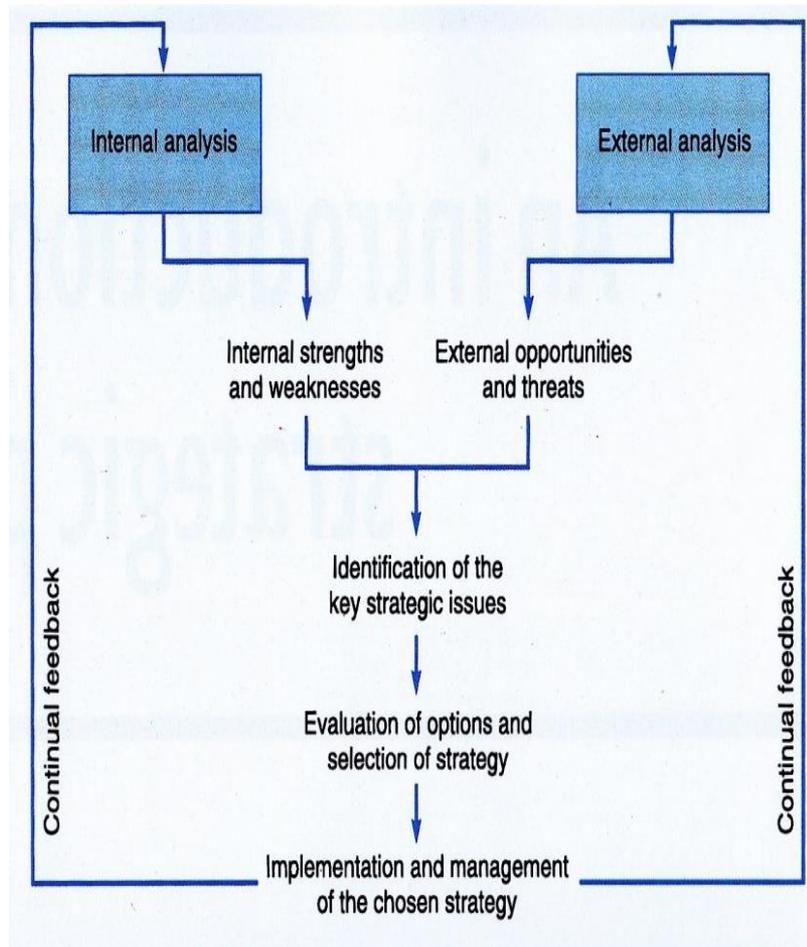
**Analyze the internal and external environment.**

**Select the strategies and formulate them (evaluation and strategic plan).**

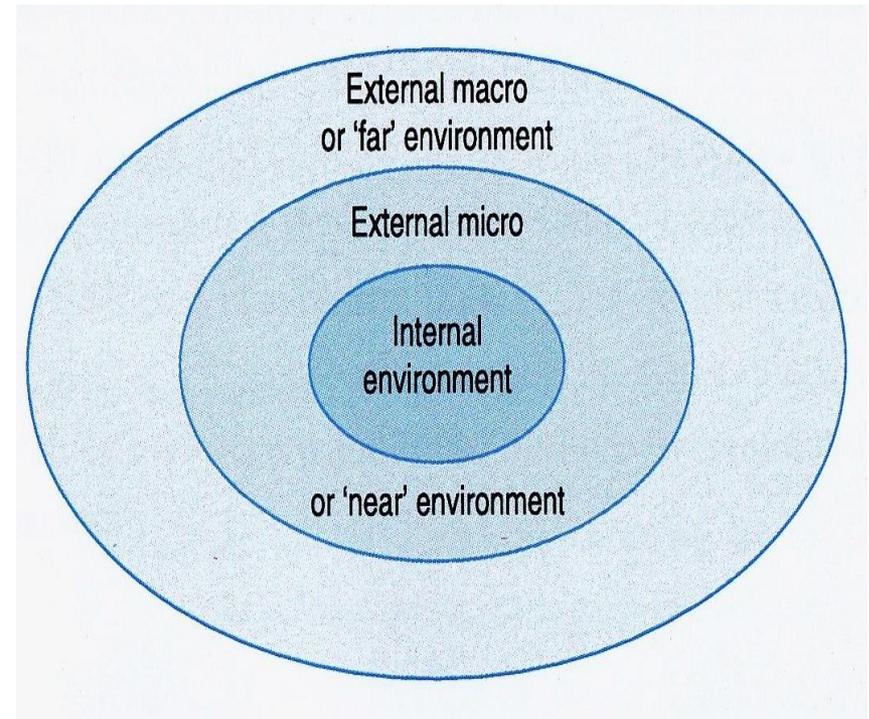
**Execute and communicate the strategies (operating plan, process).**

# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.2. Analysis as Base of Strategy I



Source: Campbell et al. 2017, p. 2



Source: Campbell et al. 2017, p. 113

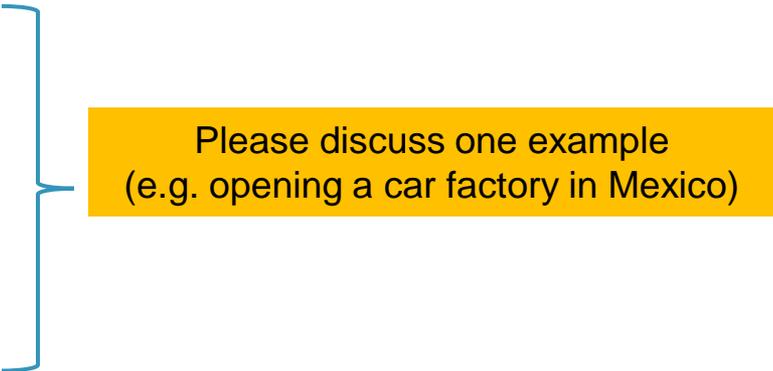
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## 5.2. Analysis as Base of Strategy II

### PESTEL framework for external analysis of **macro** environment

Political  
Economic  
Social  
Technological  
Environmental  
Legal



Please discuss one example  
(e.g. opening a car factory in Mexico)

Bkup: Kaplan/Norton, p.48

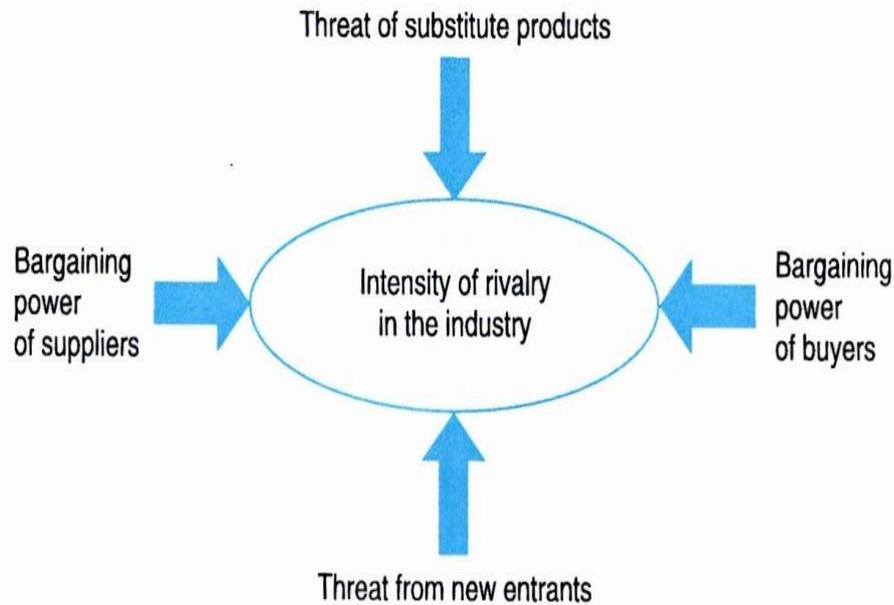
- Similar frameworks:
- SPENT (Social, Political, Economic, Natural, Technological)
  - CAGE (Culture, Administration, Geography, Economics)

IMD Competitiveness study ranks countries year by year.

# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.2. Analysis as Base of Strategy III

Michael Porter's 5 Forces framework to analyze the **micro** environment



Source: Campbell et al. 2017, p. 134

Force	Profitability will be higher if there is/are:	Profitability will be lower if there is/are:
Bargaining power of suppliers	Weak suppliers	Strong suppliers
Bargaining power of buyers	Weak buyers	Strong buyers
Threat of new entrants	High entry barriers	Low entry barriers
Threats from substitute products	Few possible substitutes	Many possible substitutes
Competitive rivalry	Little rivalry	Intense rivalry

Source: Campbell et al. 2017, p. 141

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## 5.2. Analysis as Base of Strategy IV

“Resource-based management strategy theory” uses **VRIO framework** to analyze **internal** strengths and weaknesses.

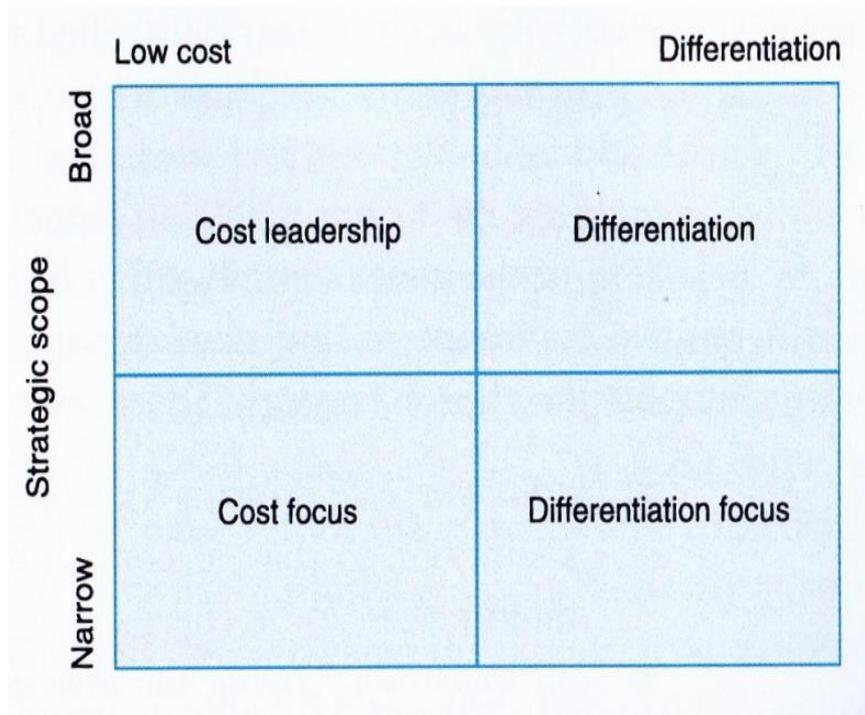
- **Value:** Company’s technology superior to competitors? Better human resources? Network of customers? Assets of high values?
- **Rarity:** How are the assets rare compared to competitors?
- **Imitability:** Is it difficult to copy the technology or the business model? Can “rarity” be maintained for a period of time?
- **Organization:** Is the organizational structure appropriate?

# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.3. Selection and Formulation of Strategies I

### Porter's generic strategic framework

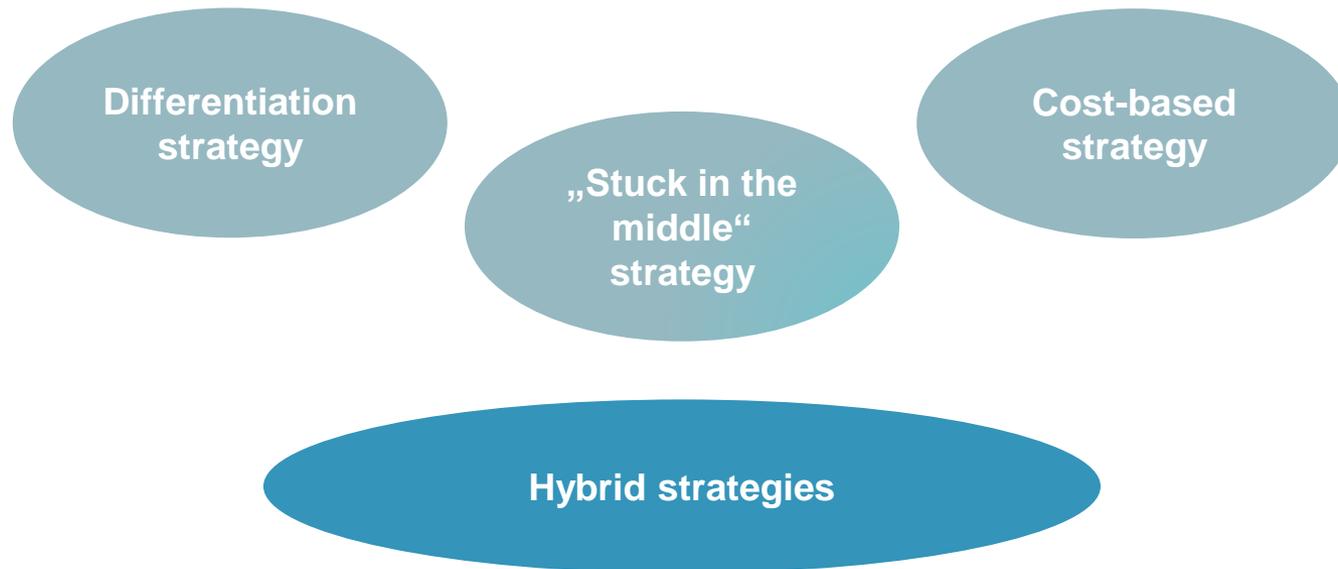
Differentiation, cost leadership or focus inside segments?



Source: Campbell et al. 2017, p. 160



## 5.3. Selection and Formulation of Strategies II



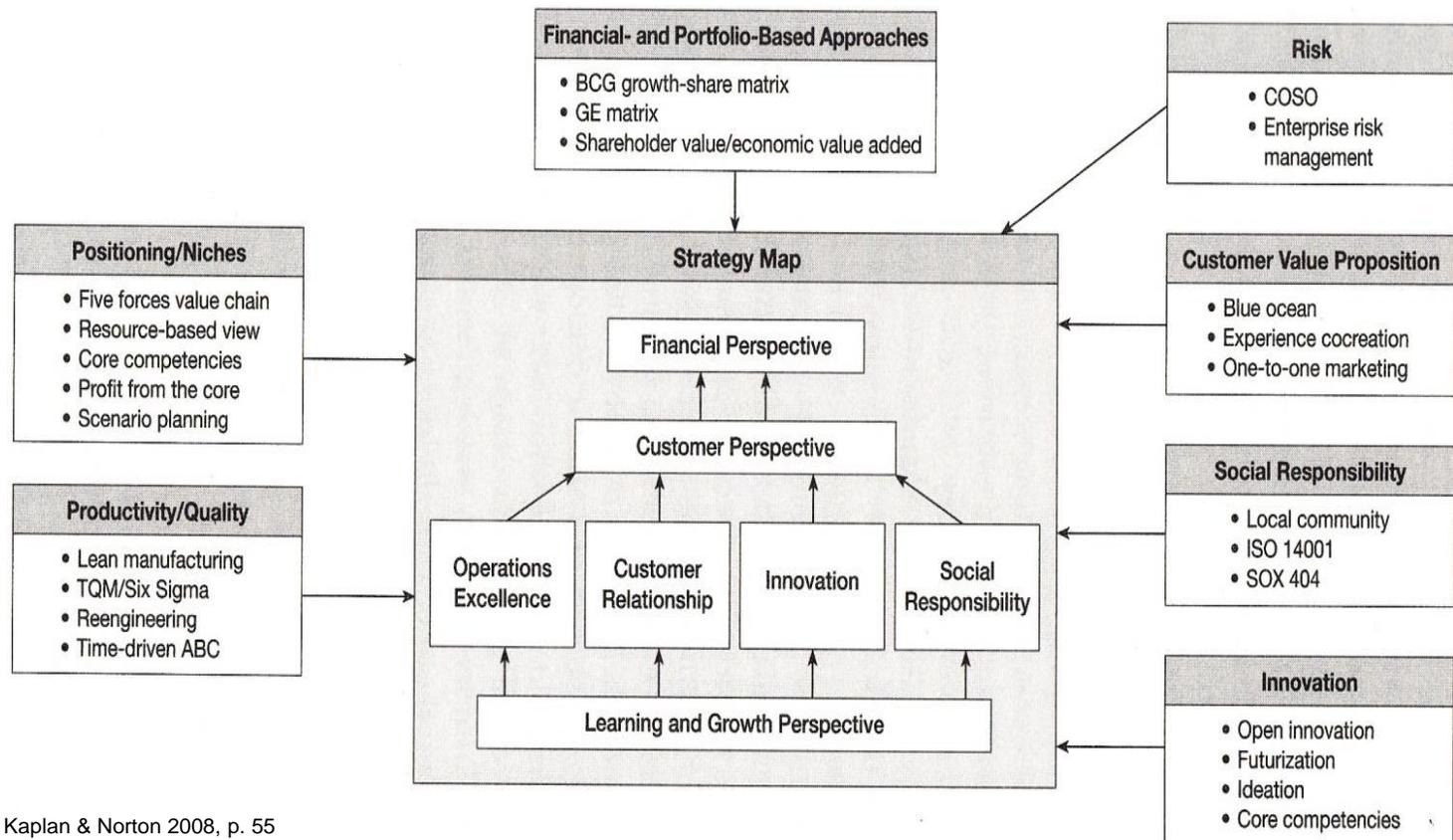
Often we see hybrid strategies because ...

- cost leadership does not sell products
- differentiation can be used to increase sales or charge a premium price
- price can be used to differentiate
- clear linkage between core competences and value adding activities
- generic approach of Porter is not reflecting the needs of different areas (e.g. HR)

# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.3. Selection and Formulation of Strategies III

Various strategy approaches, but all formulated strategies can be translated into a strategy map.

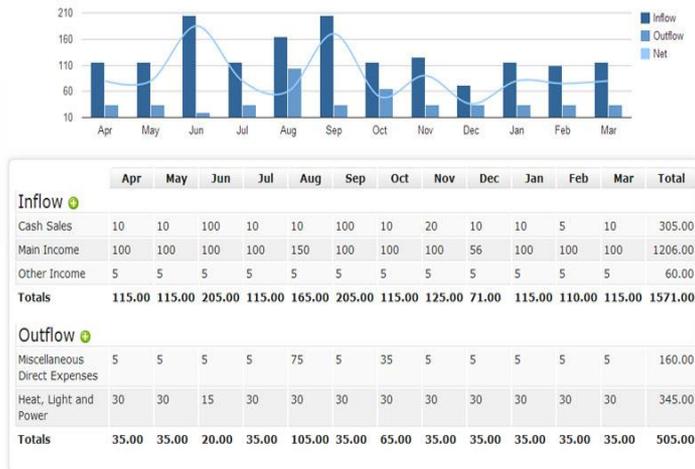


Source: Kaplan & Norton 2008, p. 55

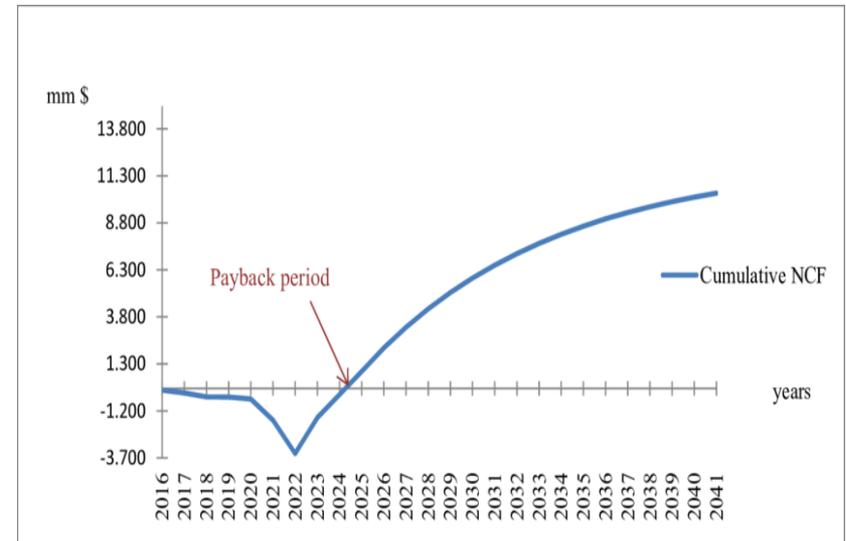
# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.4. Excursus: Tools for Strategy Selection I

- **Cashflow forecasting:** Forecast of expected income and costs of a certain option  
 net cash inflow or outflow over a certain timeframe
- **Investment appraisal:** How much money makes an investment option over a period of time?  
 pay back period including inflation factor



Net Cash Flow: 1066.00



# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.4. Excursus: Tools for Strategy Selection I

### 1. Cashflow forecasting:



Forecast of expected income and costs of a certain option  
net cash inflow or outflow over a certain timeframe



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
<b>Inflow</b> <span style="color: green;">+</span>													
Cash Sales	10	10	100	10	10	100	10	20	10	10	5	10	305.00
Main Income	100	100	100	100	150	100	100	100	56	100	100	100	1206.00
Other Income	5	5	5	5	5	5	5	5	5	5	5	5	60.00
<b>Totals</b>	<b>115.00</b>	<b>115.00</b>	<b>205.00</b>	<b>115.00</b>	<b>165.00</b>	<b>205.00</b>	<b>115.00</b>	<b>125.00</b>	<b>71.00</b>	<b>115.00</b>	<b>110.00</b>	<b>115.00</b>	<b>1571.00</b>
<b>Outflow</b> <span style="color: green;">+</span>													
Miscellaneous Direct Expenses	5	5	5	5	75	5	35	5	5	5	5	5	160.00
Heat, Light and Power	30	30	15	30	30	30	30	30	30	30	30	30	345.00
<b>Totals</b>	<b>35.00</b>	<b>35.00</b>	<b>20.00</b>	<b>35.00</b>	<b>105.00</b>	<b>35.00</b>	<b>65.00</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>	<b>35.00</b>	<b>505.00</b>

**Net Cash Flow: 1066.00**

# Business Strategies – Develop, Formulate and Execute a Strategy

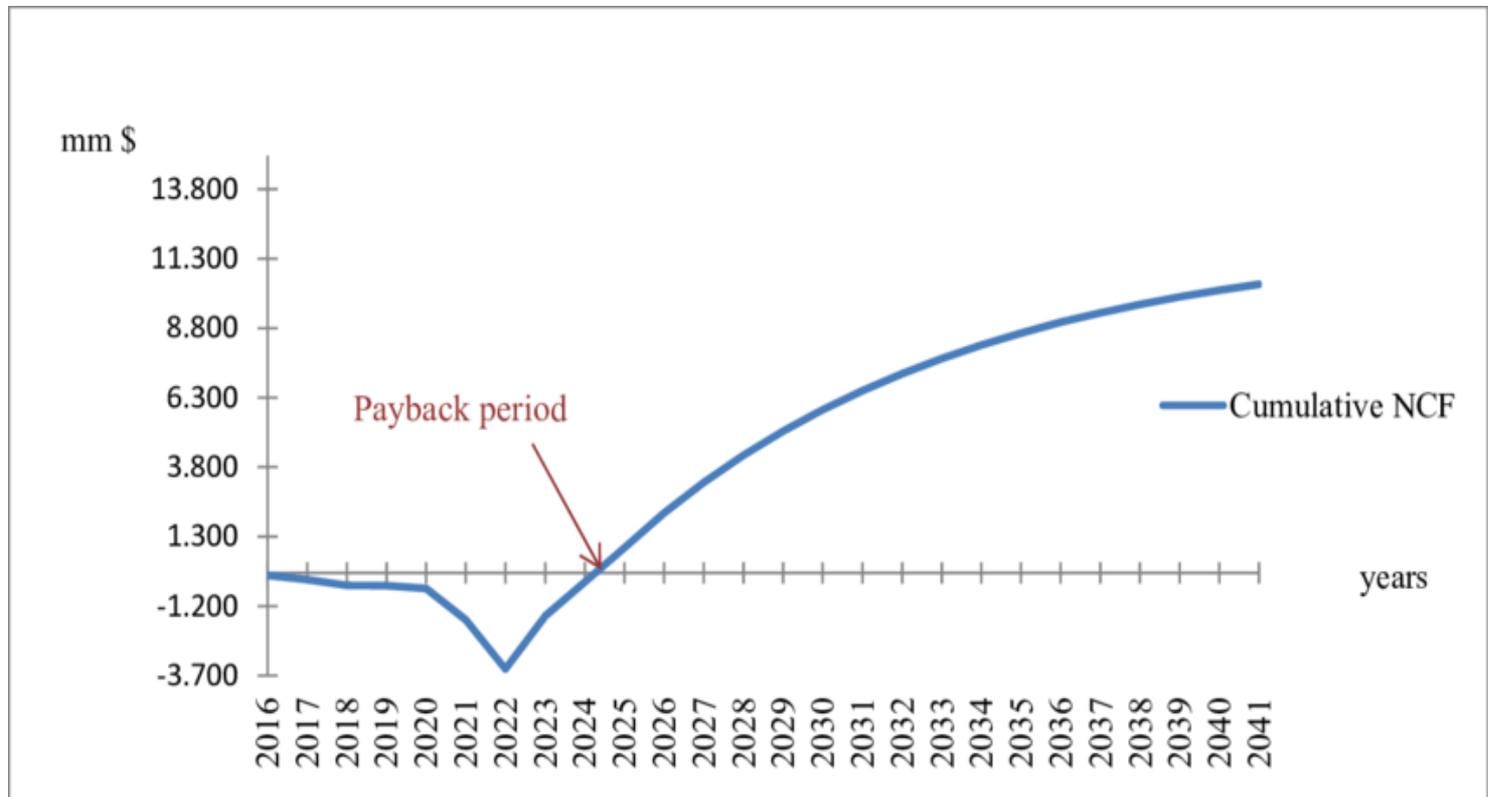
## 5.4. Excursus: Tools for Strategy Selection I

### 2. Investment appraisal:

How much money makes an investment option over a period of time?



pay back period including inflation factor



## 5.4. Excursus: Tools for Strategy Selection II

### Other Tools:

- 3. Cost-benefit analysis:** Applies to all areas of life, compares all kind of costs with the benefits, i.e. financial and non-financial items (e. g. social costs/ benefits, reputation etc.)
  
- 4. Impact analysis:** “If this option goes ahead, what will be its impact upon ...?” (e. g. impact of an investment on tourism, health, labour market, reputation etc.)
  
- 5. Benchmarking:** Comparison of own performance in certain areas against competitors; objective: best-in-class

## 5.5. Execute and Communicate a Strategy I

### Strategy Plan =

*“converts statements of strategic direction into specific objectives, measures, targets, initiatives, and budgets that guide actions and align the organization for effective strategy execution” (Kaplan & Norton 2008, S. 67)*



Source: Kaplan & Norton 2008, p. 70

# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.5. Execute and Communicate a Strategy II

The strategy translation process (model by Kaplan & Norton 2008)

Strategy Translation Process	Objective	Barriers 	Enabling Tools
<b>Create the Strategy Map</b> <i>How do we express our strategy?</i>	To develop a comprehensive integrated model of the strategy that pulls together the many diverse components of the plan	Typical strategies are built by different groups in different parts of the organization. They are not integrated.	<ul style="list-style-type: none"><li>• Strategy map (cause and effect)</li><li>• Strategic objectives</li></ul>
<b>Select Measures and Targets</b> <i>How do we measure our strategy?</i>	To convert strategic direction statements into measures and targets that can be linked to the management system	Lower-level objectives and targets are not aligned with the higher-level goals.	<ul style="list-style-type: none"><li>• Balanced Scorecard<ul style="list-style-type: none"><li>– Measures</li><li>– Targets</li><li>– Gaps</li></ul></li></ul>

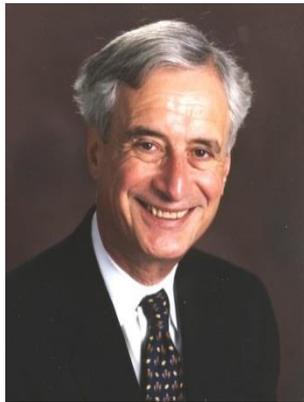
Strategic Themes  Clarify the logic of strategy and split it into distinct value creating processes (e.g., “improve productivity” affects various processes and the customer as well)

Balanced Scorecard  establishes measures and targets for each objective

# Business Strategies – Backup - BSC: An integrating Management System I

*“Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.” (Sun Tsu: The art of war)*

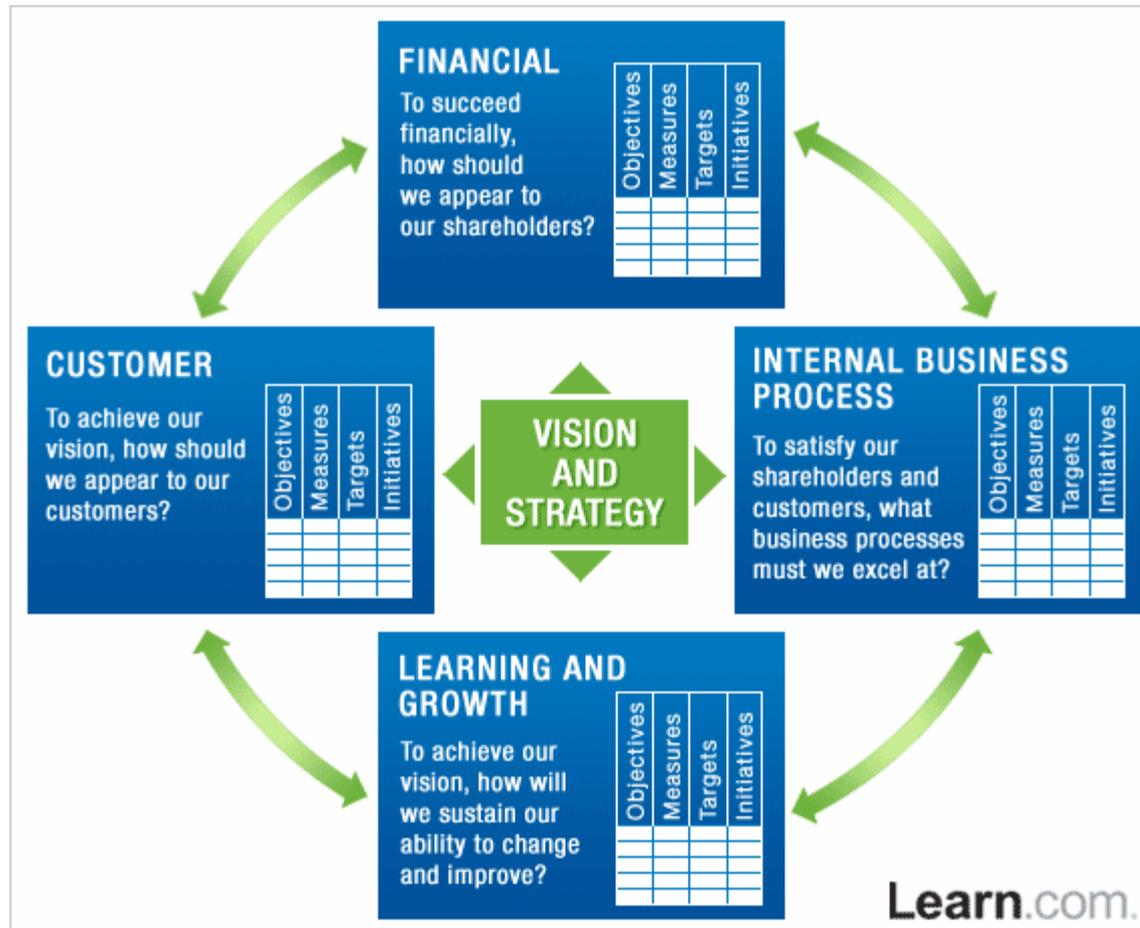
“A visionary **strategy** that is not linked to **excellent operational** and governance **processes** cannot be implemented. Conversely, operational excellence may lower costs [...], but **without a strategy** ‘s vision and guidance, a company is **not** likely to enjoy sustainable **success**” (Kaplan/ Norton 2008, p. 1)



“.....is a strategic planning and management system that is used [...] to align business activities to the vision and strategy of the organization.” (BSC Institute)

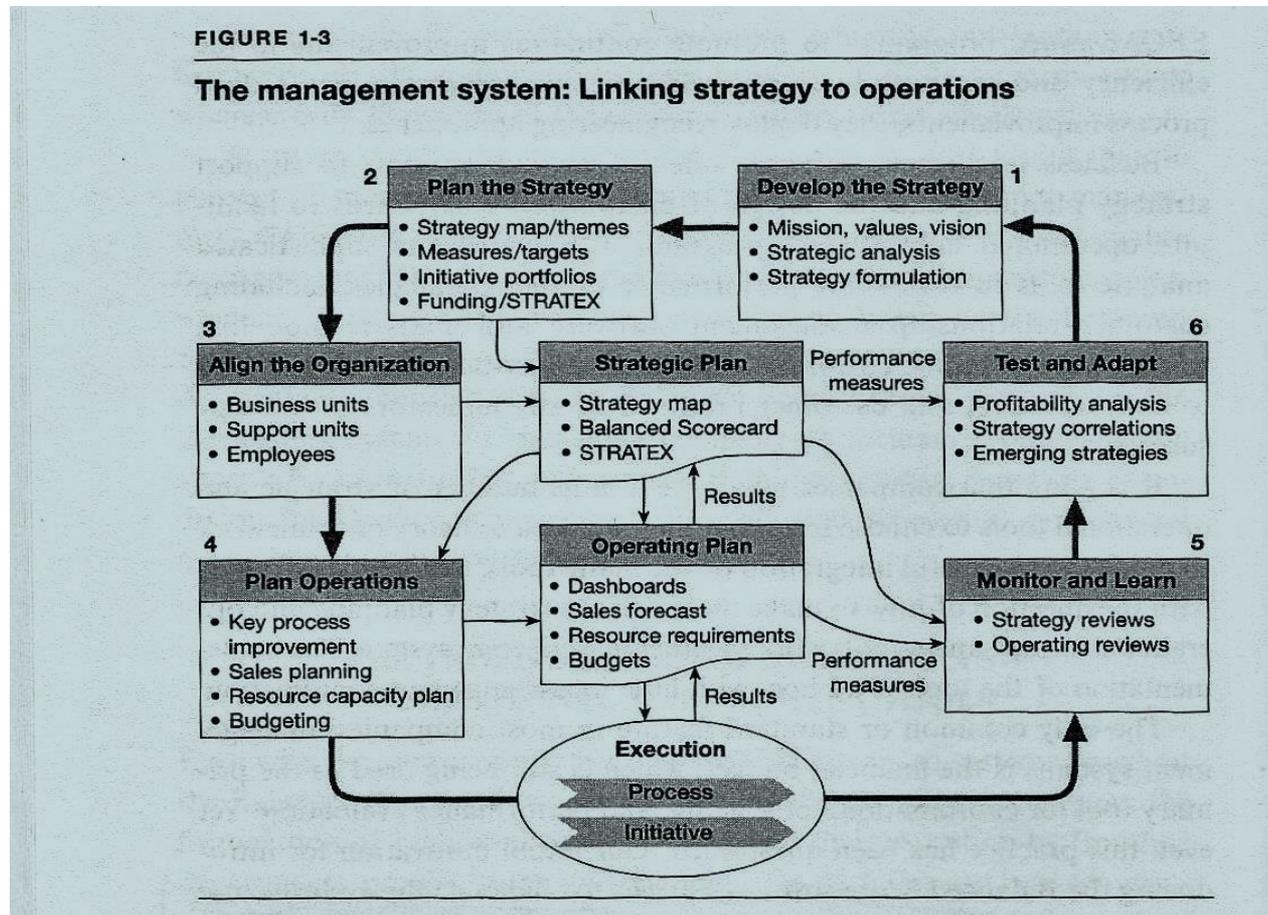
# Business Strategies – Backup - BSC: An integrating Management System II

## The four perspectives of the BSC



# Business Strategies – Backup - BSC: An integrating Management System III

Management system of Balanced Scorecard: **Integrating strategy planning and operational execution**

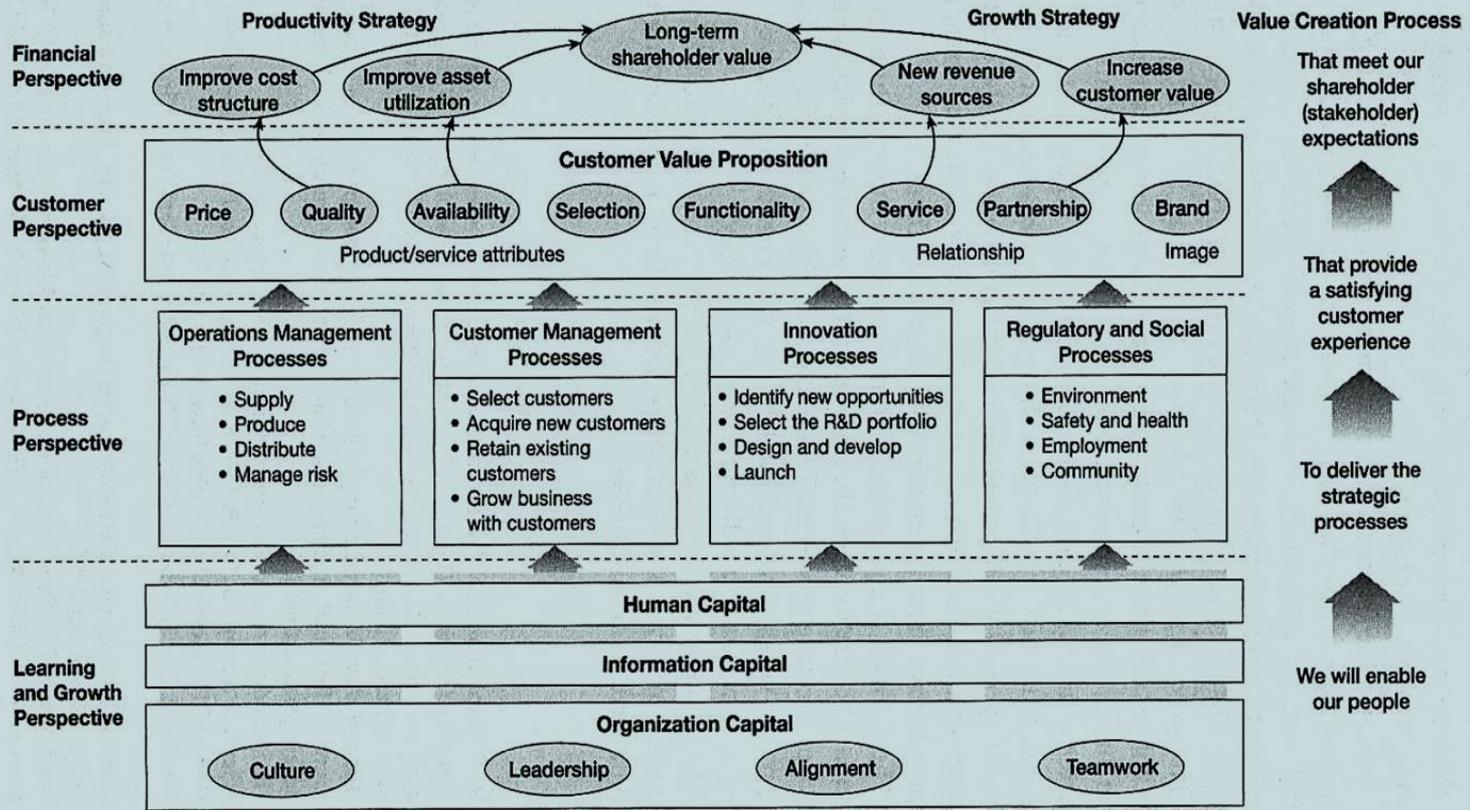


Source: Kaplan/ Norton 2008, p. 8

# Business Strategies – Backup - BSC: Strategy Map I

FIGURE 3-A1

The strategy map describes the way the organization intends to create value for its stakeholders



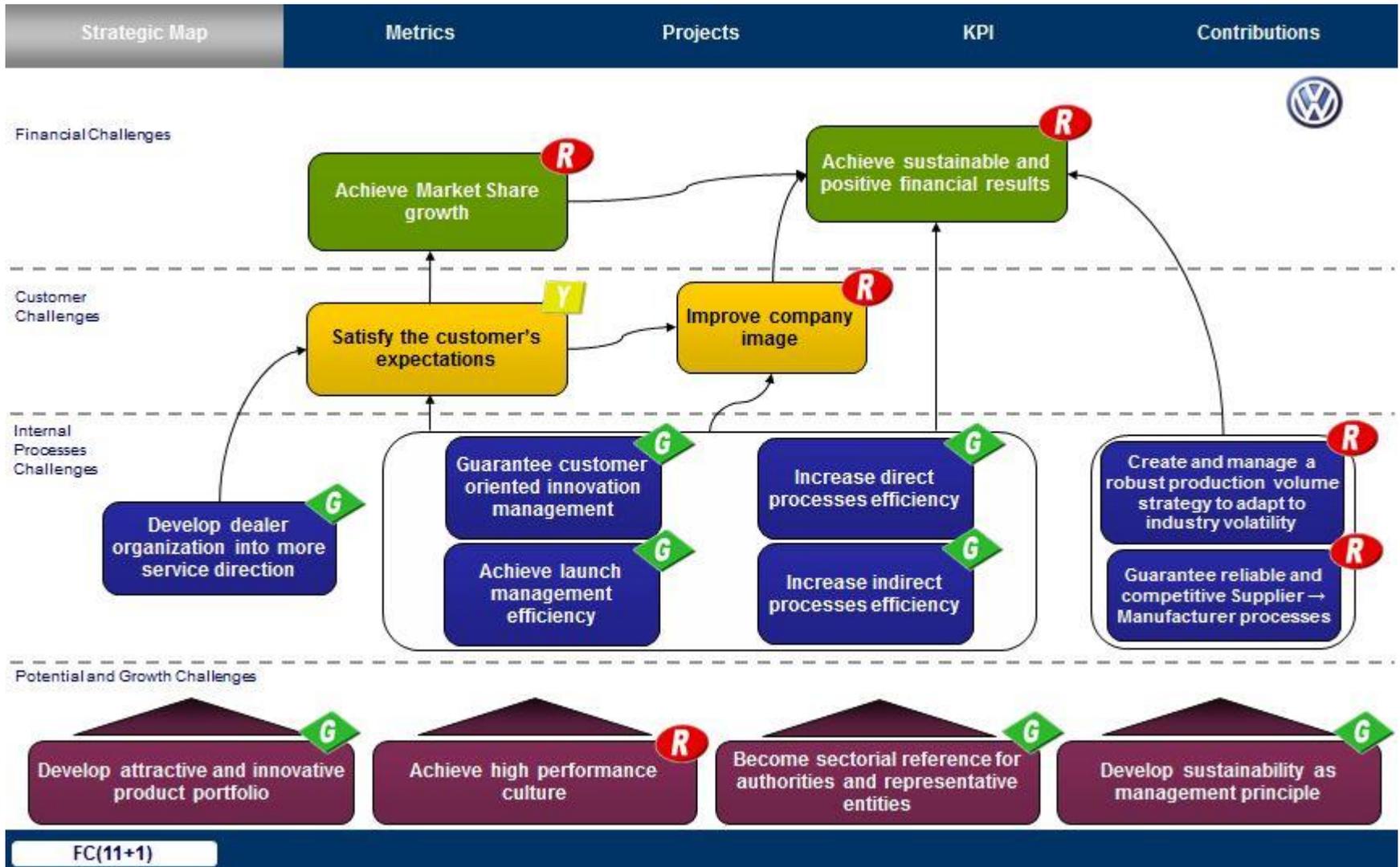
Source: Kaplan/Norton, 2008, p.99

## Business Strategies – Backup - BSC: Strategy Map II

“A strategy map describes the process of value creation through a series of cause-and-effect linkages among objectives on the four BSC perspectives” (Kaplan/ Norton 2008, p. 98)

- 1) Ultimate goal of organization: Create long term **value for shareholder** (private sector) or stakeholders (public sector).
- 2) Organization value is created by satisfying **customer value** proposition.
- 3) **Internal processes** create value for customers and contribute to financial perspective.
- 4) **People, technology and culture** drive performance improvements in the critical processes.

# Business Strategies – Backup - BSC:Strategy Map III



# Business Strategies – Backup - BSC: Select Measures and Targets

The Balanced Scorecard provides actionable measures and targets for the customer management strategic theme

Strategy Map for a Customer Management Theme	Balanced Scorecard	
Objectives	Measures	Targets
<p>Broaden revenue mix</p> <p>Increase customer confidence in our financial advice</p> <p>Cross-sell the product line</p> <p>Strategic job Financial planner</p> <p>Strategic systems Portfolio planning</p> <p>Create organization readiness</p>	<ul style="list-style-type: none"> <li>Revenue mix</li> <li>Revenue growth</li> <li>Share of segment</li> <li>Share of wallet</li> <li>Customer satisfaction</li> <li>Cross-sell ratio</li> <li>Hours with customer</li> <li>Human capital readiness</li> <li>Strategic application readiness</li> <li>Goals linked to BSC</li> </ul>	<p>New = +10%</p> <p>+25%</p> <p>25%</p> <p>50%</p> <p>90%</p> <p>2.5</p> <p>1hr/Q</p> <p>100%</p> <p>100%</p> <p>100%</p>

Objective: What the strategy is trying to achieve

Measure: How success or failure (performance) against objectives is monitored

Target: The level of performance or rate of improvement needed by the strategy

## Criteria for measures (metrics) and targets

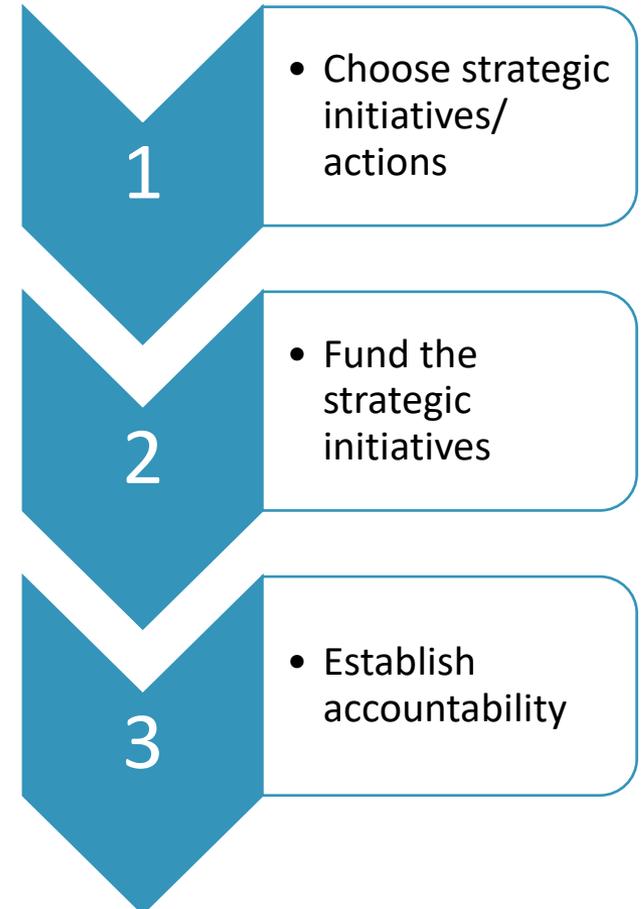
- Data available? Cost/benefit of evaluation
- Data source/ Frequency of report
- Data exists for the past and plan for the future?
- Is the metric accepted?
- Use comparisons, benchmarks and past results for target fixing
- Define targets for three year term
- Targets need to be accepted by the managers

Source: Kaplan/ Norton 2008, p. 85

# Business Strategies – Backup - BSC: Strategic Initiatives I

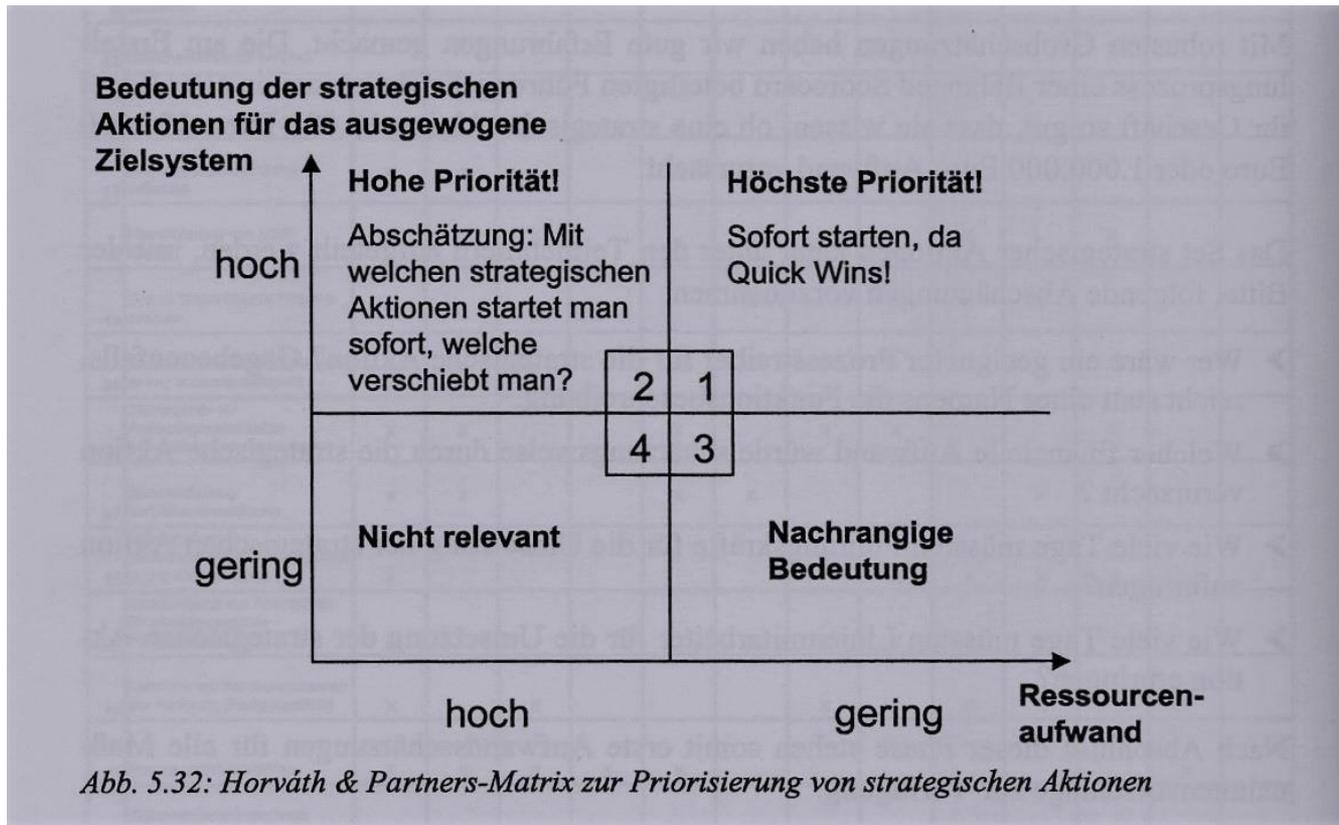
A portfolio of strategic initiatives should be developed for each theme

Strategy Map (Theme)	Balanced Scorecard		Action Plan	
	Measures	Targets	Initiative	Budget
Broaden revenue mix	• Revenue mix	New = +10%		
	• Revenue growth	+25%		
Increase customer confidence in our financial advice	• Share of segment	25%	• Segmentation initiative	\$XXX
	• Share of wallet	50%	• Satisfaction survey	\$XXX
	• Customer satisfaction	90%		\$XXX
Cross-sell the product line	• Cross-sell ratio	2.5	• Financial planning initiative	\$XXX
	• Hours with customer	1hr/Q	• Integrated product offering	\$XXX
Strategic job Financial planner	• Human capital readiness	100%	• Relationship management	\$XXX
			• Certified financial planner	\$XXX
Strategic systems Portfolio planning	• Strategic application readiness	100%	• Integrated customer file	\$XXX
			• Portfolio planning application	\$XXX
Create organization readiness	• Goals linked to BSC	100%	• MBO update	\$XXX
			• Incentive compensation	\$XXX
<b>Total Budget</b>				<b>\$XXX</b>



# Business Strategies – Backup - BSC: Strategic Initiatives II

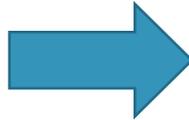
## Prioritizing of strategic actions via “Horvath & Partner”-matrix



Source: Horvath & Partners 2004, p. 254

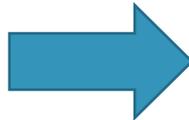
# Business Strategies – Backup - BSC: Align Organization and Employees I

- Align business units



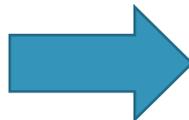
Cascade and embed corporate strategy into business unit strategies

- Align support units



Ensure that each support unit has a strategy that enhances the performance of corporate and business unit strategies.

- Align employees



All employees understand the strategy and are motivated to execute.

# Business Strategies – Backup - BSC: Align Organization and Employees II



STRATEGY MAP

Contribuições 2009 - Human Resources

Contribuição	Objetivo	Realização	Meta	Realização
Contribuição 1	Contribuição 1	100	100	100
Contribuição 2	Contribuição 2	100	100	100
Contribuição 3	Contribuição 3	100	100	100
Contribuição 4	Contribuição 4	100	100	100
Contribuição 5	Contribuição 5	100	100	100
Contribuição 6	Contribuição 6	100	100	100
Contribuição 7	Contribuição 7	100	100	100
Contribuição 8	Contribuição 8	100	100	100
Contribuição 9	Contribuição 9	100	100	100
Contribuição 10	Contribuição 10	100	100	100
Contribuição 11	Contribuição 11	100	100	100
Contribuição 12	Contribuição 12	100	100	100
Contribuição 13	Contribuição 13	100	100	100
Contribuição 14	Contribuição 14	100	100	100
Contribuição 15	Contribuição 15	100	100	100
Contribuição 16	Contribuição 16	100	100	100
Contribuição 17	Contribuição 17	100	100	100
Contribuição 18	Contribuição 18	100	100	100
Contribuição 19	Contribuição 19	100	100	100
Contribuição 20	Contribuição 20	100	100	100
Contribuição 21	Contribuição 21	100	100	100
Contribuição 22	Contribuição 22	100	100	100
Contribuição 23	Contribuição 23	100	100	100
Contribuição 24	Contribuição 24	100	100	100
Contribuição 25	Contribuição 25	100	100	100
Contribuição 26	Contribuição 26	100	100	100
Contribuição 27	Contribuição 27	100	100	100
Contribuição 28	Contribuição 28	100	100	100
Contribuição 29	Contribuição 29	100	100	100
Contribuição 30	Contribuição 30	100	100	100
Contribuição 31	Contribuição 31	100	100	100
Contribuição 32	Contribuição 32	100	100	100
Contribuição 33	Contribuição 33	100	100	100
Contribuição 34	Contribuição 34	100	100	100
Contribuição 35	Contribuição 35	100	100	100
Contribuição 36	Contribuição 36	100	100	100
Contribuição 37	Contribuição 37	100	100	100
Contribuição 38	Contribuição 38	100	100	100
Contribuição 39	Contribuição 39	100	100	100
Contribuição 40	Contribuição 40	100	100	100
Contribuição 41	Contribuição 41	100	100	100
Contribuição 42	Contribuição 42	100	100	100
Contribuição 43	Contribuição 43	100	100	100
Contribuição 44	Contribuição 44	100	100	100
Contribuição 45	Contribuição 45	100	100	100
Contribuição 46	Contribuição 46	100	100	100
Contribuição 47	Contribuição 47	100	100	100
Contribuição 48	Contribuição 48	100	100	100
Contribuição 49	Contribuição 49	100	100	100
Contribuição 50	Contribuição 50	100	100	100

AREAS CONTRIBUTIONS

Objetivos

Objetivo: Substância e qualidade financeira resultante

Objetivo de área: Objetivo financeiro baseado em metas de vendas

Objetivo de processo: Contribuição operacional Produção e Serviço

Objetivo de resultado: Meta Contribuição para o Estado do Resultado 2009

Meta: 1000000000

Meta %: 100

Meta de controle: 1000000000

Meta de controle: 1000000000

OBJECTIVES OF THE EXECUTIVES

Production Unit Curitiba - Matriz de Objetivos

Objetivo	Meta	Realização	Realização %
Objetivo 1	1000000000	1000000000	100%
Objetivo 2	1000000000	1000000000	100%
Objetivo 3	1000000000	1000000000	100%
Objetivo 4	1000000000	1000000000	100%
Objetivo 5	1000000000	1000000000	100%
Objetivo 6	1000000000	1000000000	100%
Objetivo 7	1000000000	1000000000	100%
Objetivo 8	1000000000	1000000000	100%
Objetivo 9	1000000000	1000000000	100%
Objetivo 10	1000000000	1000000000	100%
Objetivo 11	1000000000	1000000000	100%
Objetivo 12	1000000000	1000000000	100%
Objetivo 13	1000000000	1000000000	100%
Objetivo 14	1000000000	1000000000	100%
Objetivo 15	1000000000	1000000000	100%
Objetivo 16	1000000000	1000000000	100%
Objetivo 17	1000000000	1000000000	100%
Objetivo 18	1000000000	1000000000	100%
Objetivo 19	1000000000	1000000000	100%
Objetivo 20	1000000000	1000000000	100%
Objetivo 21	1000000000	1000000000	100%
Objetivo 22	1000000000	1000000000	100%
Objetivo 23	1000000000	1000000000	100%
Objetivo 24	1000000000	1000000000	100%
Objetivo 25	1000000000	1000000000	100%
Objetivo 26	1000000000	1000000000	100%
Objetivo 27	1000000000	1000000000	100%
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Objetivo 40	1000000000	1000000000	100%
Objetivo 41	1000000000	1000000000	100%
Objetivo 42	1000000000	1000000000	100%
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Objetivo 44	1000000000	1000000000	100%
Objetivo 45	1000000000	1000000000	100%
Objetivo 46	1000000000	1000000000	100%
Objetivo 47	1000000000	1000000000	100%
Objetivo 48	1000000000	1000000000	100%
Objetivo 49	1000000000	1000000000	100%
Objetivo 50	1000000000	1000000000	100%

OBJECTIVES OF THE TEAMS

