



# Business Strategies – Develop, Formulate and Execute a Strategy

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## 5.1. Building the Strategy

**Clarify the vision.**

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graph TD; A[Clarify the vision.] --> B[Analyze the internal and external environment.]; B --> C[Select the strategies and formulate them (evaluation and strategic plan).]; C --> D[Execute and communicate the strategies (operating plan, process).];
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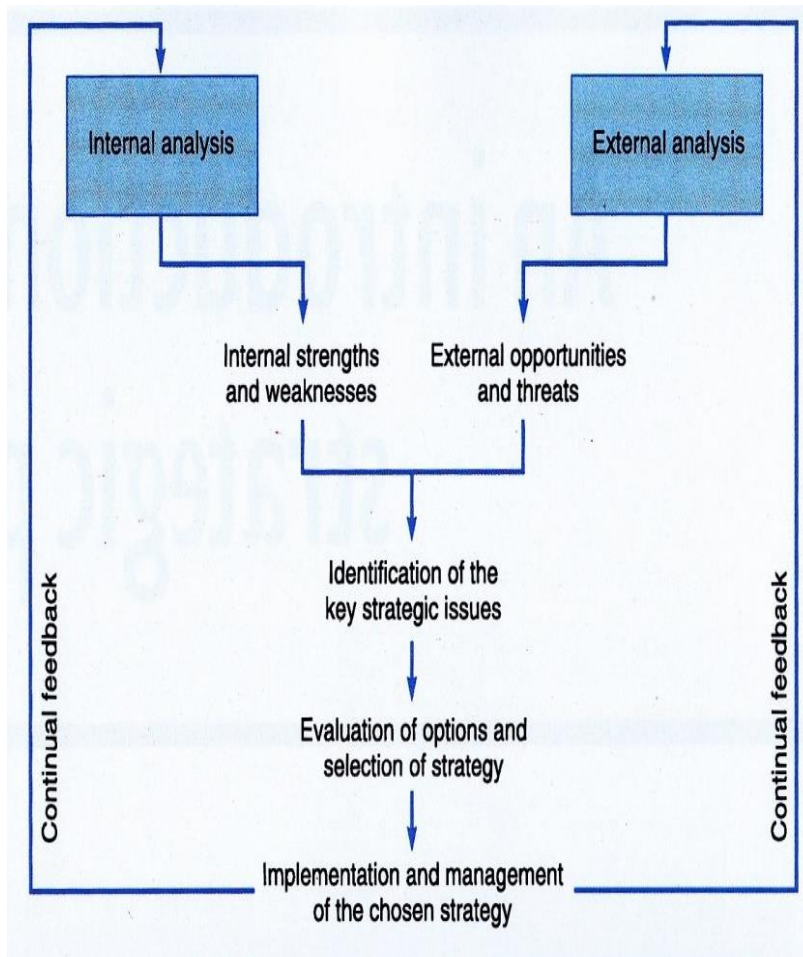
**Analyze the internal and external environment.**

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

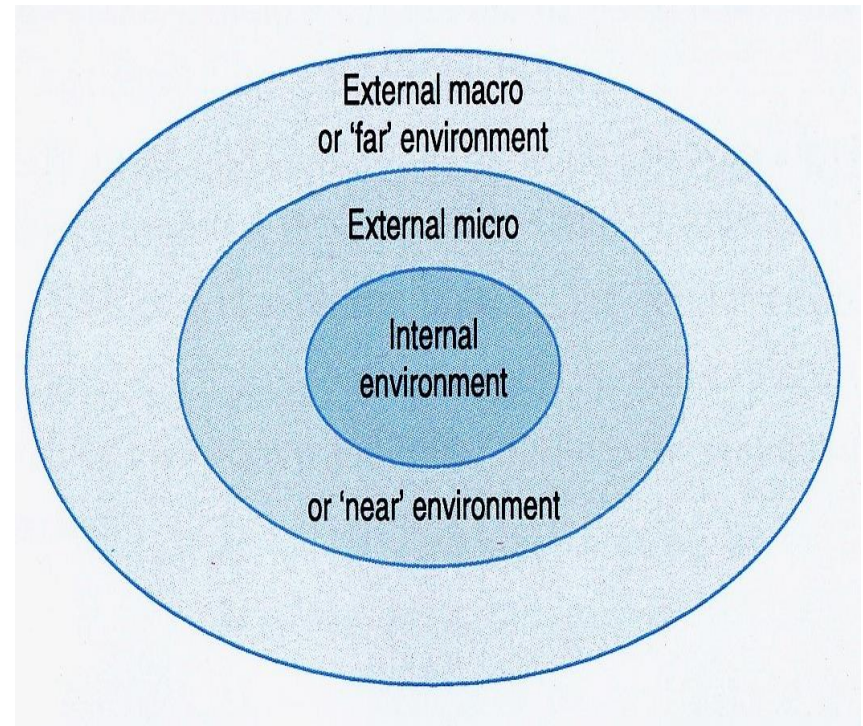
**Execute and communicate the strategies  
(operating plan, process).**

# 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

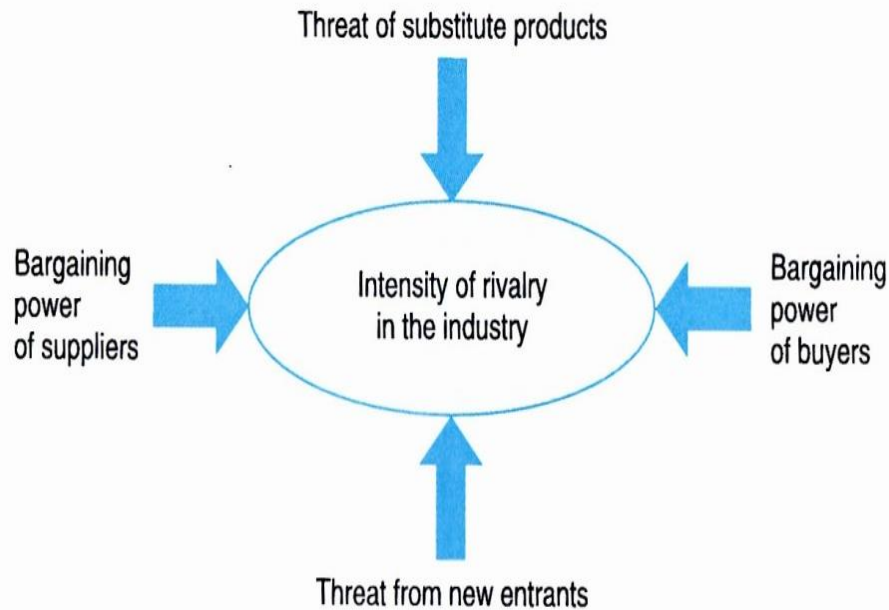
- Similar frameworks:
- SPENT (Social, Political, Economic, Natural, Technological)
  - CAGE (Culture, Administration, Geography, Economics)

IMD Competitiveness study ranks countries year by year.

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## 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

# Business Strategies – Develop, Formulate and Execute a Strategy

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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?

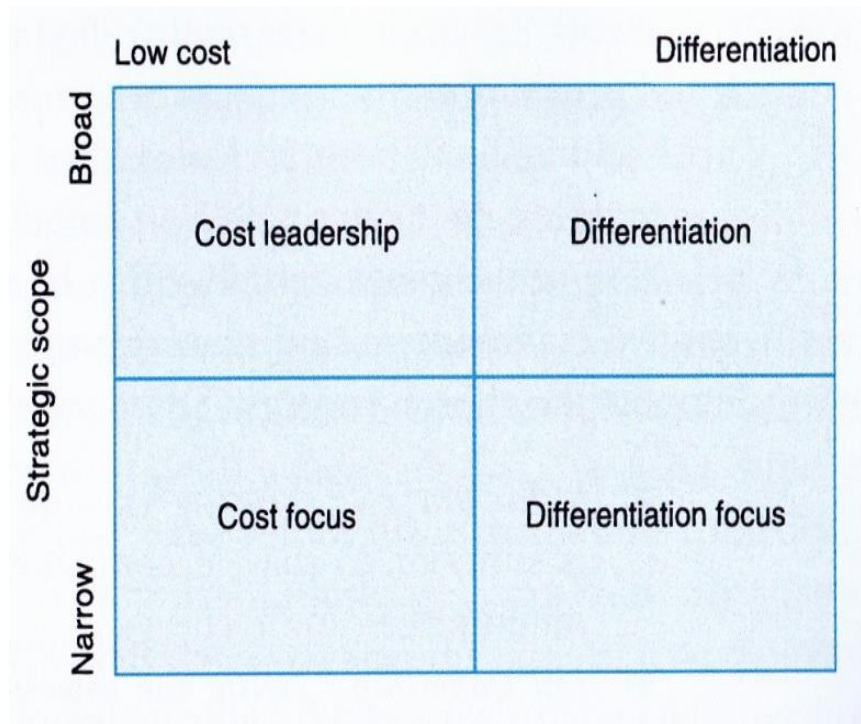
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## 5.3. Selection and Formulation of Strategies I

### **Porter's** generic strategic framework

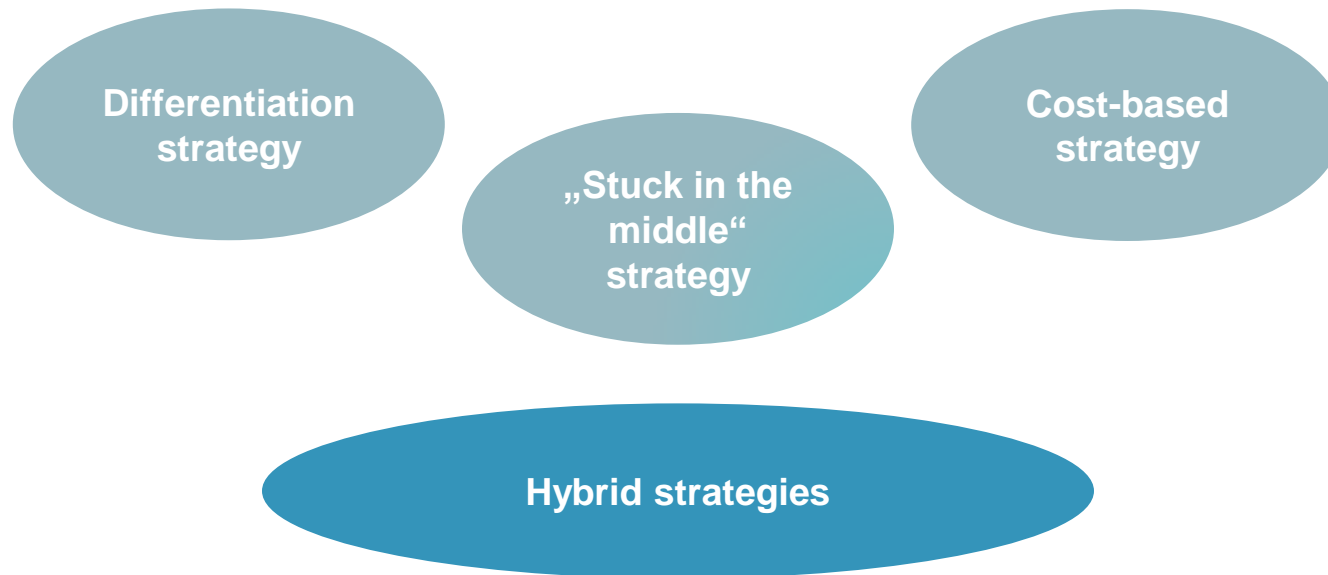
Differentiation, cost leadership or focus inside segments?



Source: Campbell et al. 2017, p. 160



## 5.3. Selection and Formulation of Strategies II



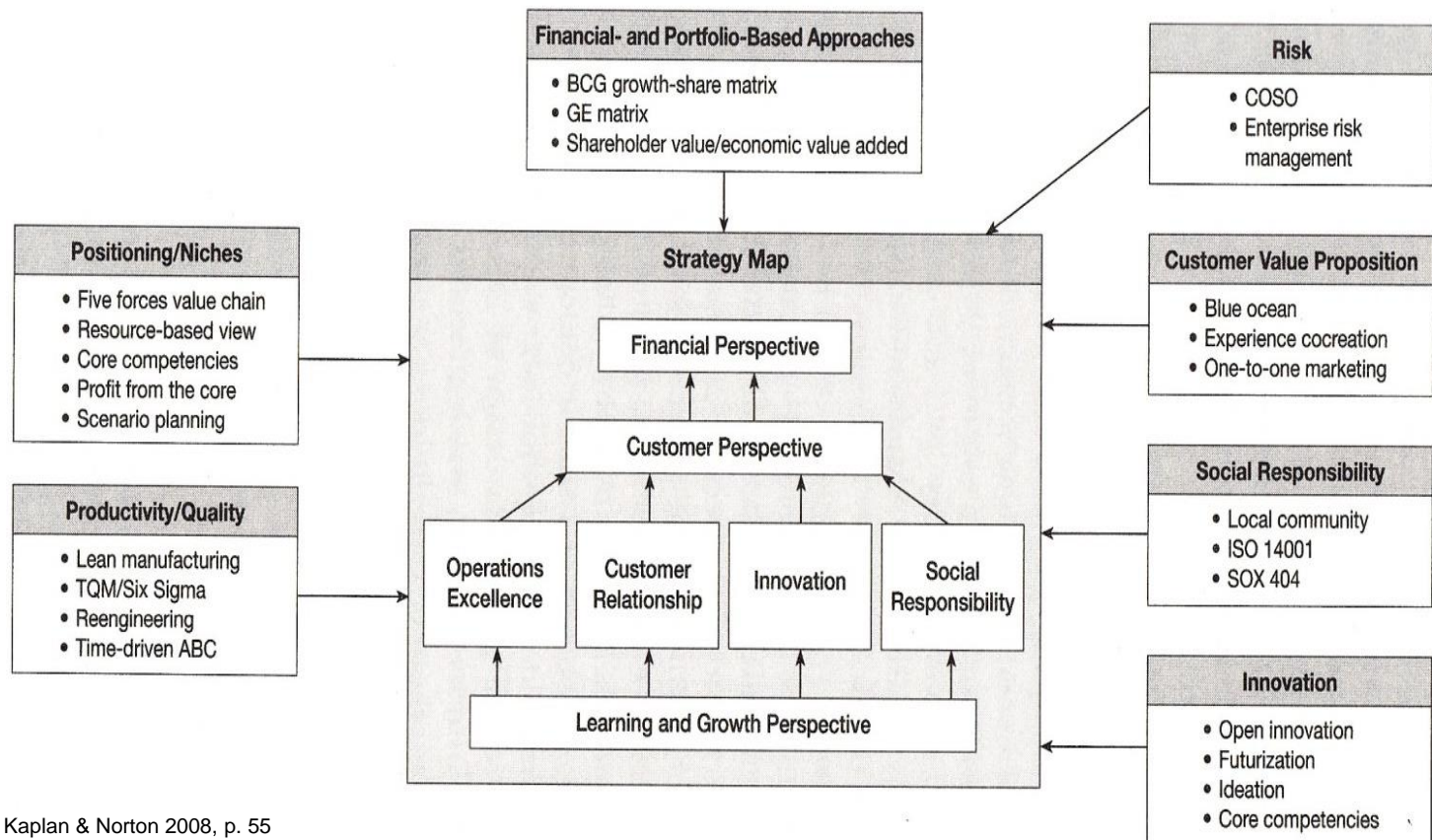
Often we see hybrid strategies because ...

- 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)

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## 5.3. Selection and Formulation of Strategies III

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

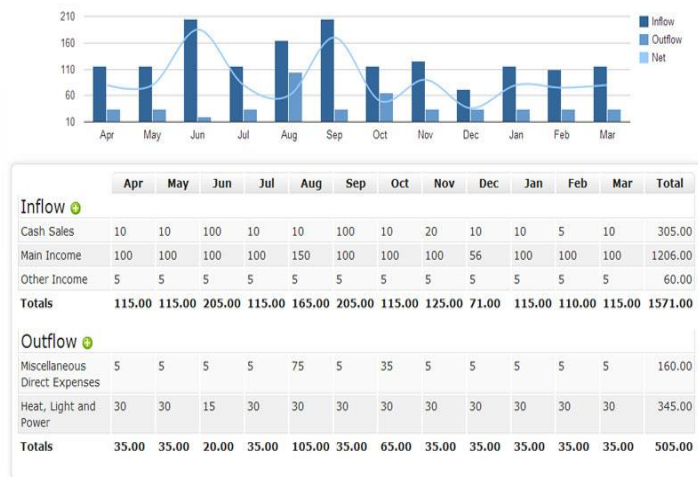


Source: Kaplan & Norton 2008, p. 55

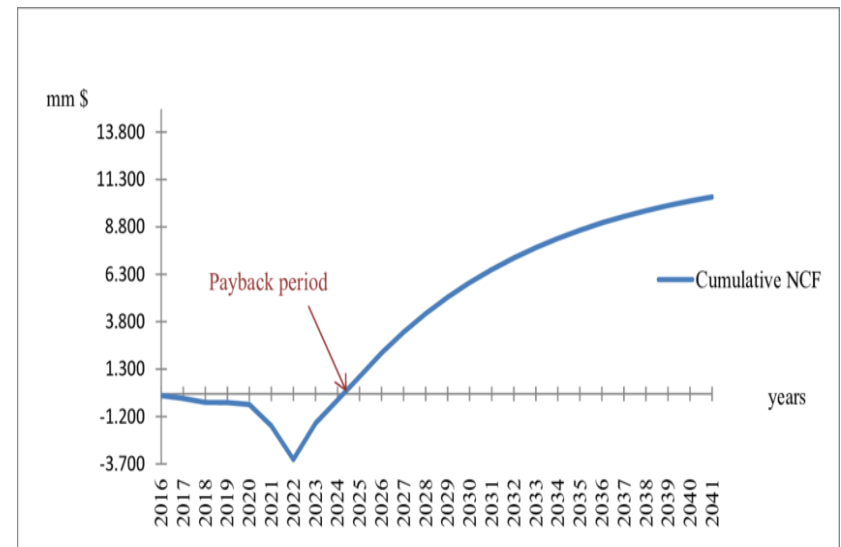
# Business Strategies – Develop, Formulate and Execute a Strategy

## 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

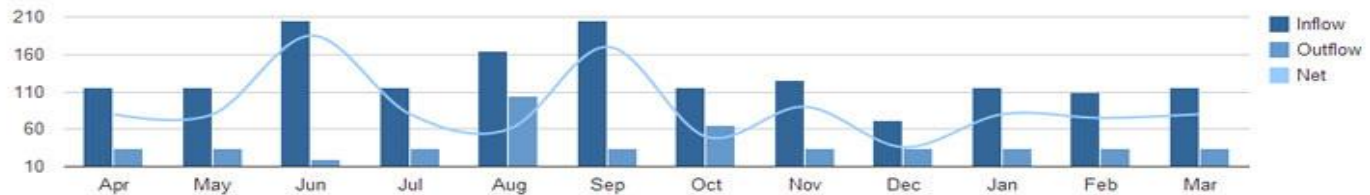
## 5.4. Excursus: Tools for Strategy Selection I

### 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
<strong>Inflow</strong> <span>+</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
<strong>Totals</strong>	<strong>115.00</strong>	<strong>115.00</strong>	<strong>205.00</strong>	<strong>115.00</strong>	<strong>165.00</strong>	<strong>205.00</strong>	<strong>115.00</strong>	<strong>125.00</strong>	<strong>71.00</strong>	<strong>115.00</strong>	<strong>110.00</strong>	<strong>115.00</strong>	<strong>1571.00</strong>
<strong>Outflow</strong> <span>+</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
<strong>Totals</strong>	<strong>35.00</strong>	<strong>35.00</strong>	<strong>20.00</strong>	<strong>35.00</strong>	<strong>105.00</strong>	<strong>35.00</strong>	<strong>65.00</strong>	<strong>35.00</strong>	<strong>35.00</strong>	<strong>35.00</strong>	<strong>35.00</strong>	<strong>35.00</strong>	<strong>505.00</strong>

**Net Cash Flow: 1066.00**

# Business Strategies – Develop, Formulate and Execute a Strategy

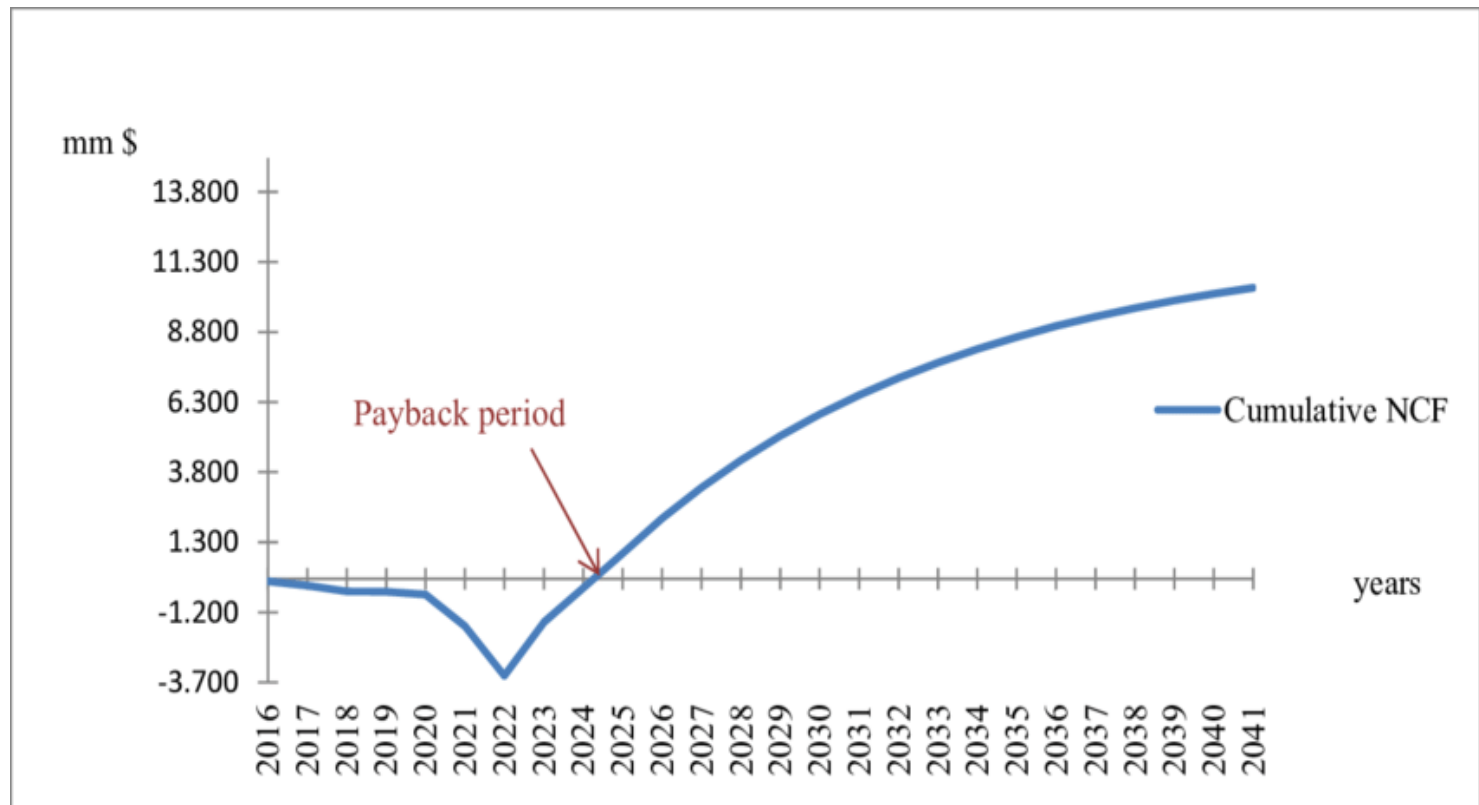
## 5.4. Excursus: Tools for Strategy Selection I

### 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:

- |                                  |  |
|----------------------------------|--|
| <b>3. Cost-benefit analysis:</b> | 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.) |
| <b>4. Impact analysis:</b>       | “If this option goes ahead, what will be its impact upon ...?”<br>(e. g. impact of an investment on tourism, health, labour market, reputation etc.)               |
| <b>5. Benchmarking:</b>          | 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)*

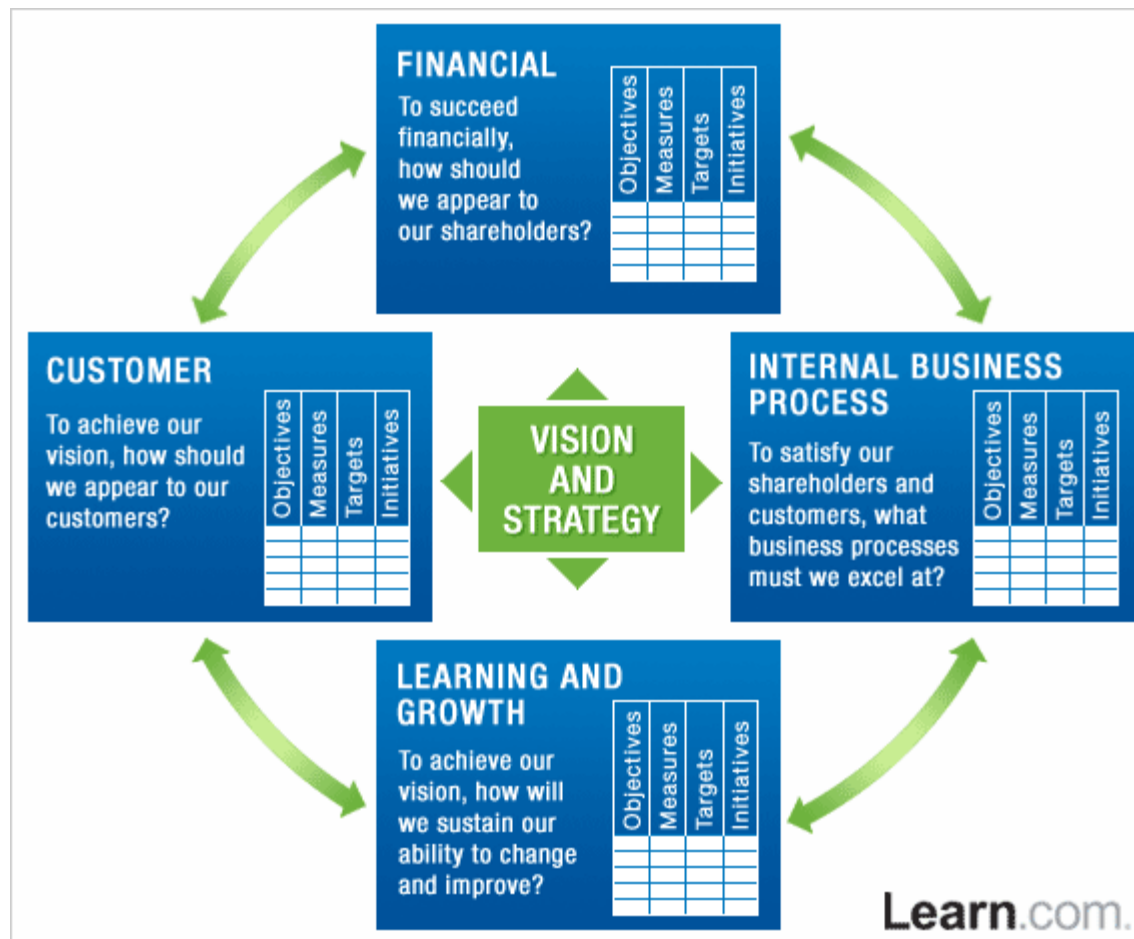
“A visionary **strategy** that is not linked to **excellent operational** and governance **processes** cannot be implemented. Conversely, operational excellence may lower costs [...], but **without a strategy** ‘s vision and guidance, a company is **not** likely to enjoy sustainable **success**” (Kaplan/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

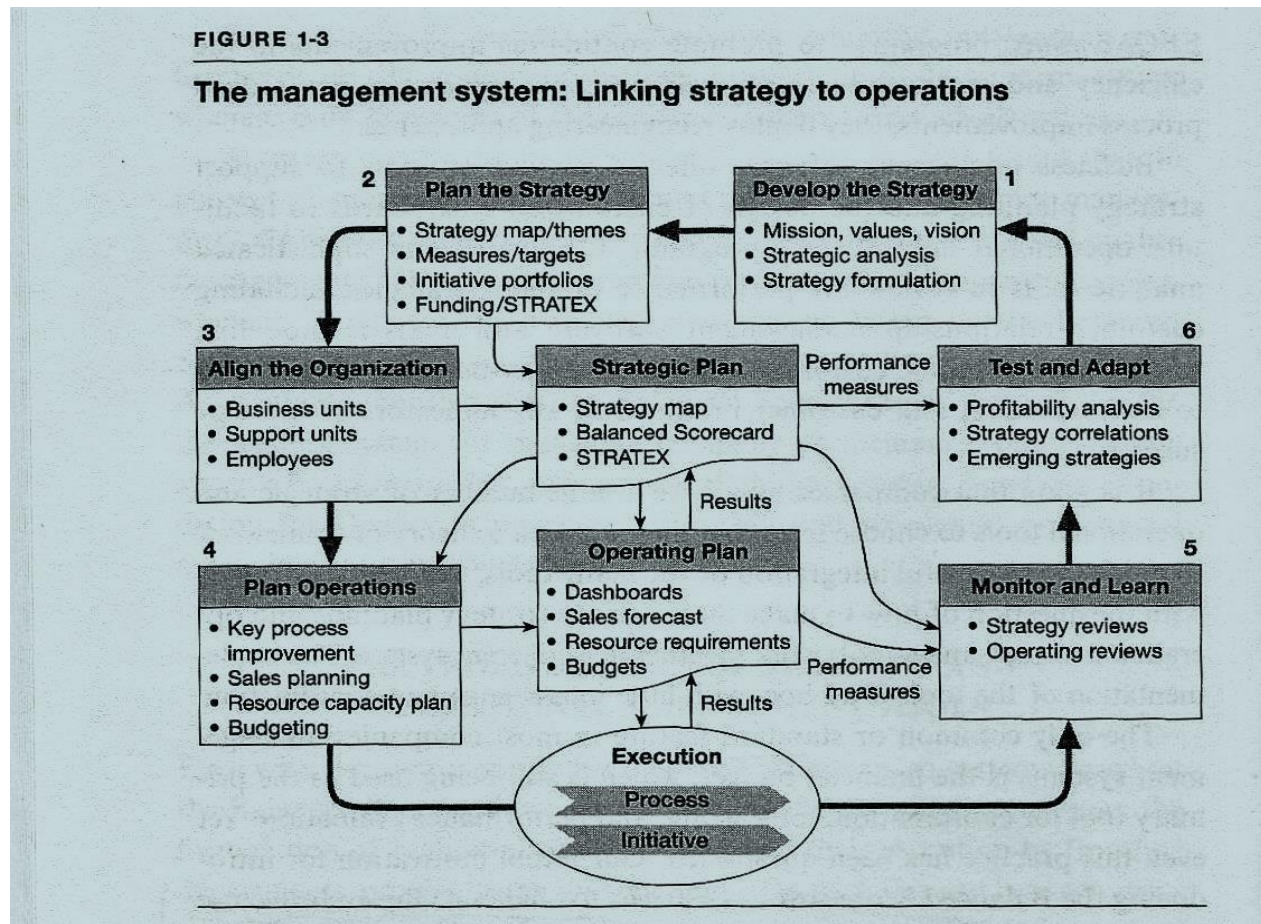
# Business Strategies – Backup - BSC: An integrating Management System II

## 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**

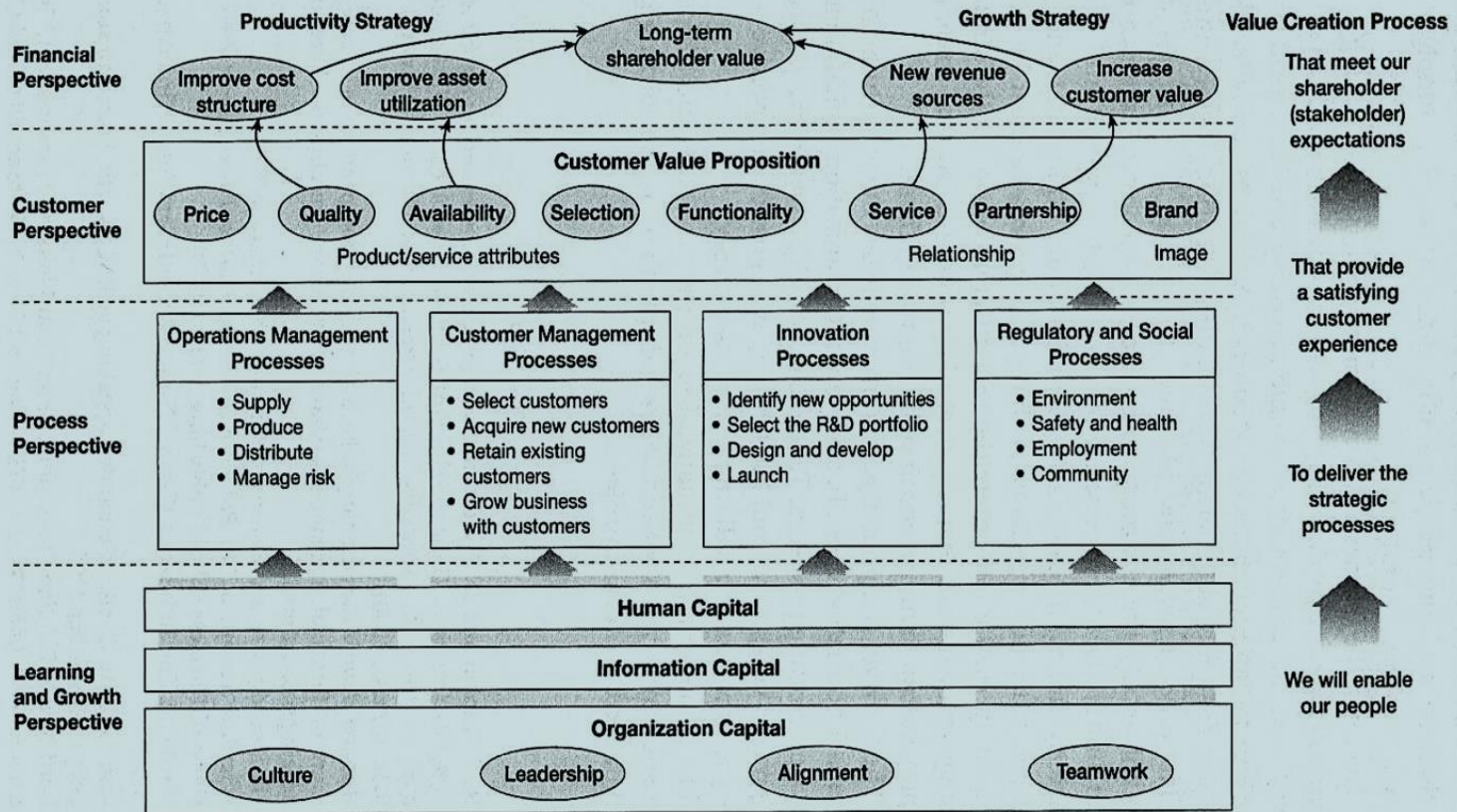


Source: Kaplan/ Norton 2008, p. 8

# 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



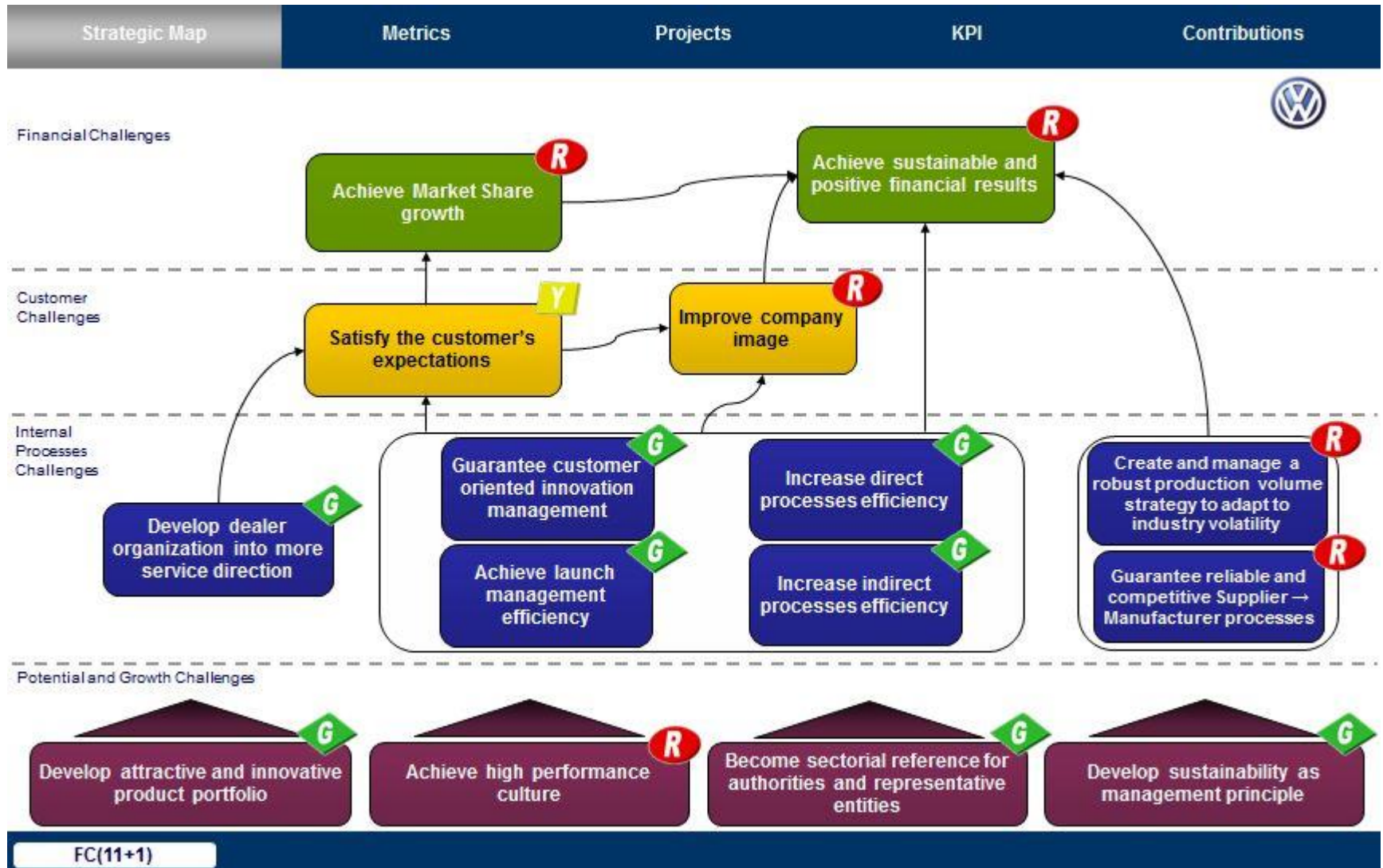
Source: Kaplan/Norton, 2008, p.99

## 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)

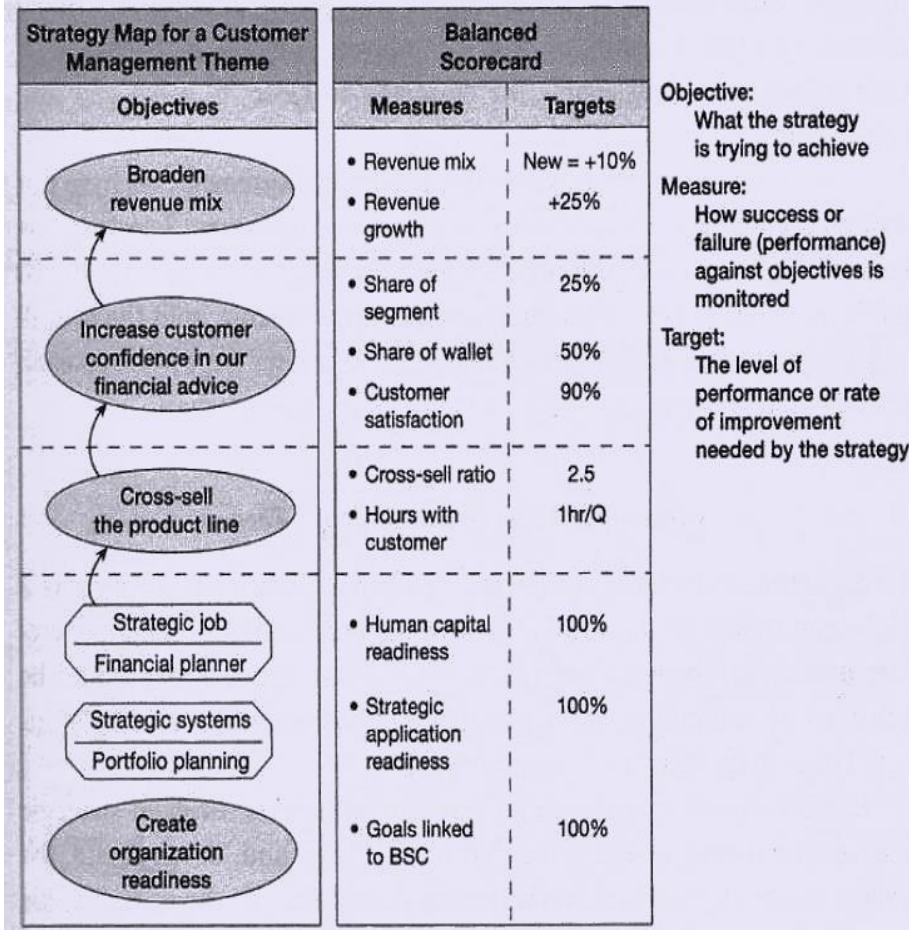
- 1) Ultimate goal of organization: Create long term **value for shareholder** (private sector) or stakeholders (public sector).
- 2) Organization value is created by satisfying **customer value** proposition.
- 3) **Internal processes** create value for customers and contribute to financial perspective.
- 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



## Criteria for measures (metrics) and targets

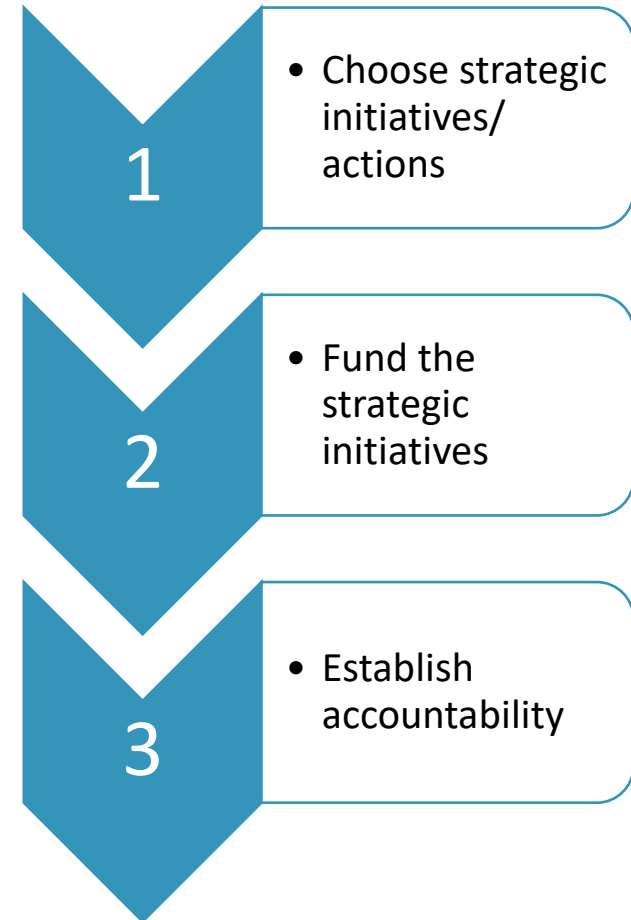
- Data available? Cost/benefit of evaluation
- Data source/ Frequency of report
- Data exists for the past and plan for the future?
- Is the metric accepted?
- Use comparisons, benchmarks and past results for target fixing
- Define targets for three year term
- Targets need to be accepted by the managers

Source: Kaplan/ Norton 2008, p. 85

# Business Strategies – Backup - BSC: Strategic Initiatives I

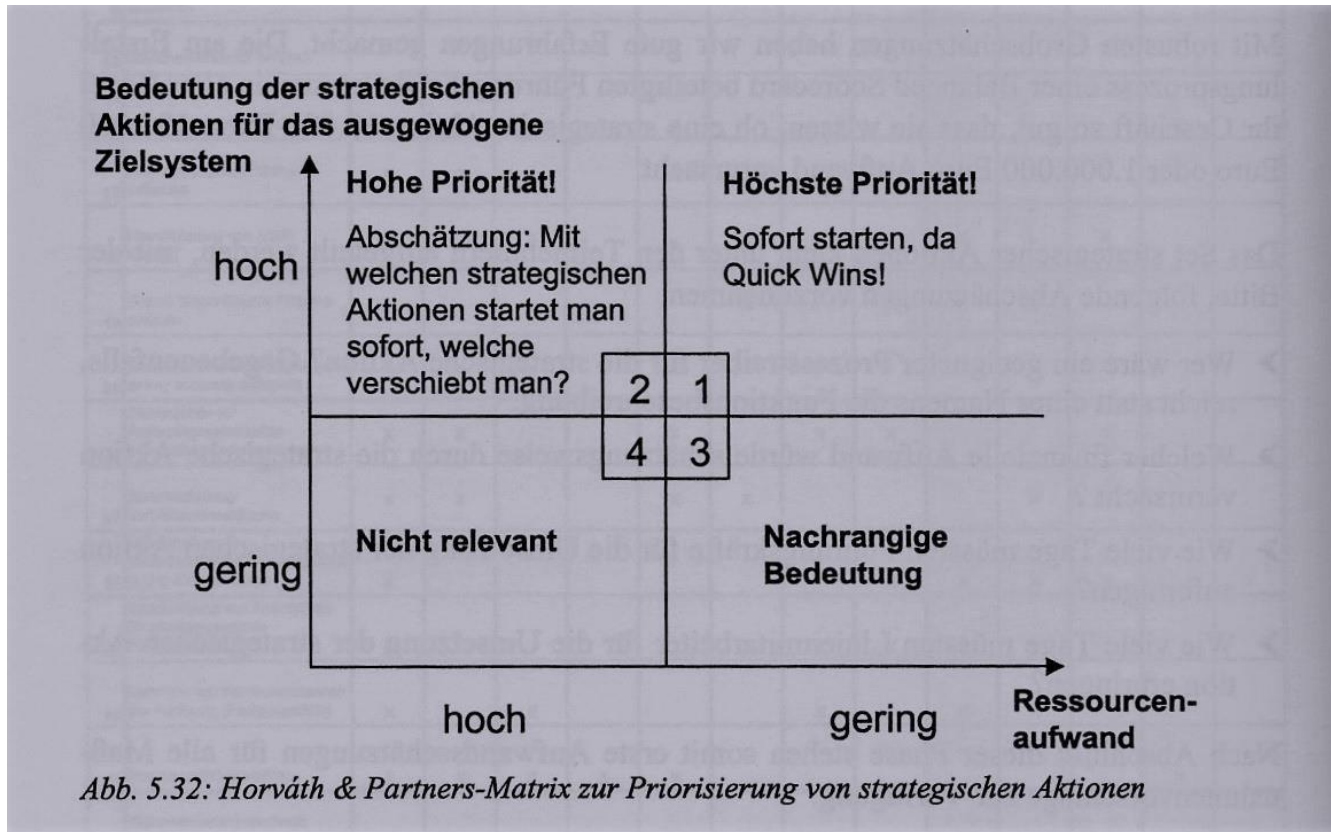
A portfolio of strategic initiatives should be developed for each theme

Strategic Initiative Portfolio				
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
Total Budget				\$XXX



# Business Strategies – Backup - BSC: Strategic Initiatives II

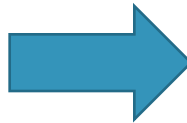
## Prioritizing of strategic actions via “Horvath & Partner”-matrix



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

The table is titled 'Contribuições 2009 - Human Resources'. It lists various departments and their contributions for the year 2009. The columns include 'Departamento', 'Objetivo', 'Meta', 'Realização', and 'Observações'. The table is signed by 'Dr. J. F. Senn'.

AREAS CONTRIBUTIONS

The screenshot shows a software interface for setting objectives. It has fields for 'Objetivo', 'Peso', and 'Prioridade'. The 'Objetivo' field is filled with 'Objetivo: Melhorar a qualidade do produto'. The 'Peso' field is set to '100'. The 'Prioridade' field is set to 'Alta'. There are also buttons for 'Salvar' and 'Cancelar'.

OBJECTIVES OF THE EXECUTIVES



OBJECTIVES OF THE TEAMS

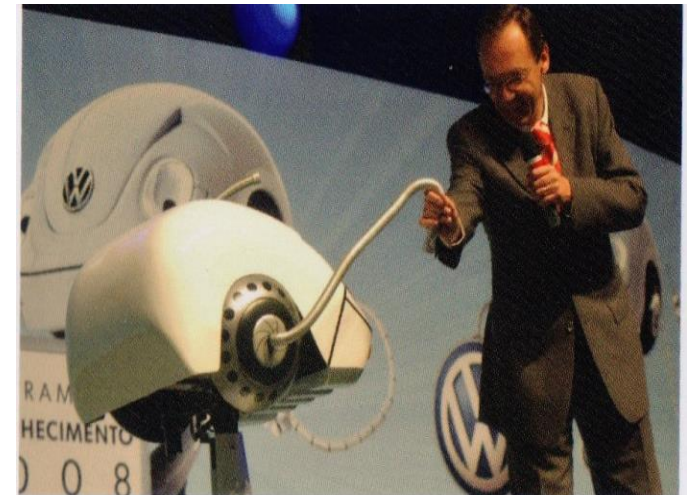
# Business Strategies – Develop, Formulate and Execute a Strategy

## 5.5. Execute and Communicate a Strategy IV

**Align the organization and communicate the strategy**



LEARNING MAP: THIS IS THE VISUAL METAPHOR UTILIZED FOR TRAINING: A RALLY WITH A TEAM GUIDED BY A MAP, WORKING TOGETHER TO ACHIEVE THE OBJECTIVE: TO WIN THE COMPETITION



GIGA, THE MASCOT OF THE ACT TO WIN PROGRAM.  
GIGA ALSO PHYSICALLY PARTICIPATES IN SPECIAL VWB EVENTS