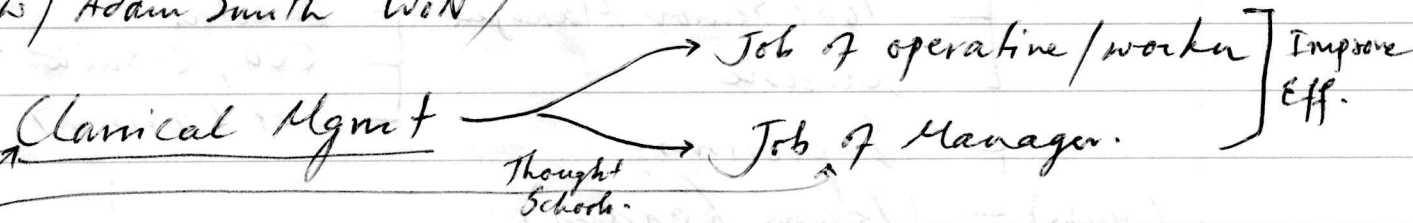
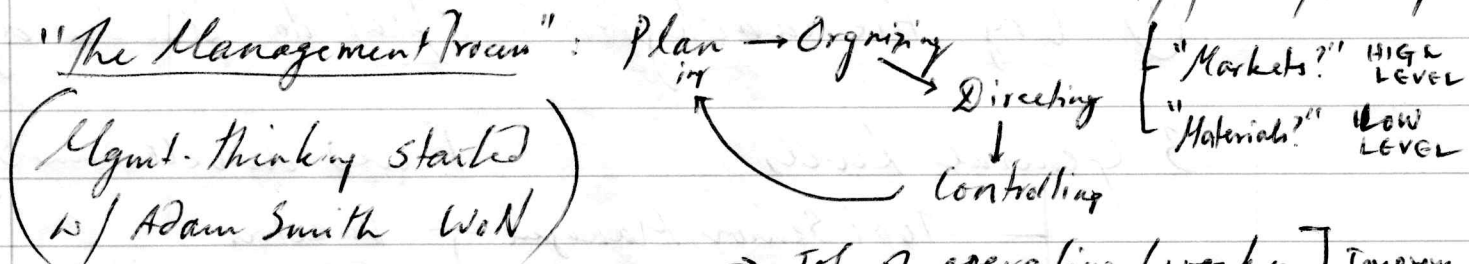


BUSINESS STRAT & INNOV.

PLANNING : Base Case "Point A" $\xrightarrow[\text{ENDS and MEANS}]{\text{set to}}$ Goals "Point B"

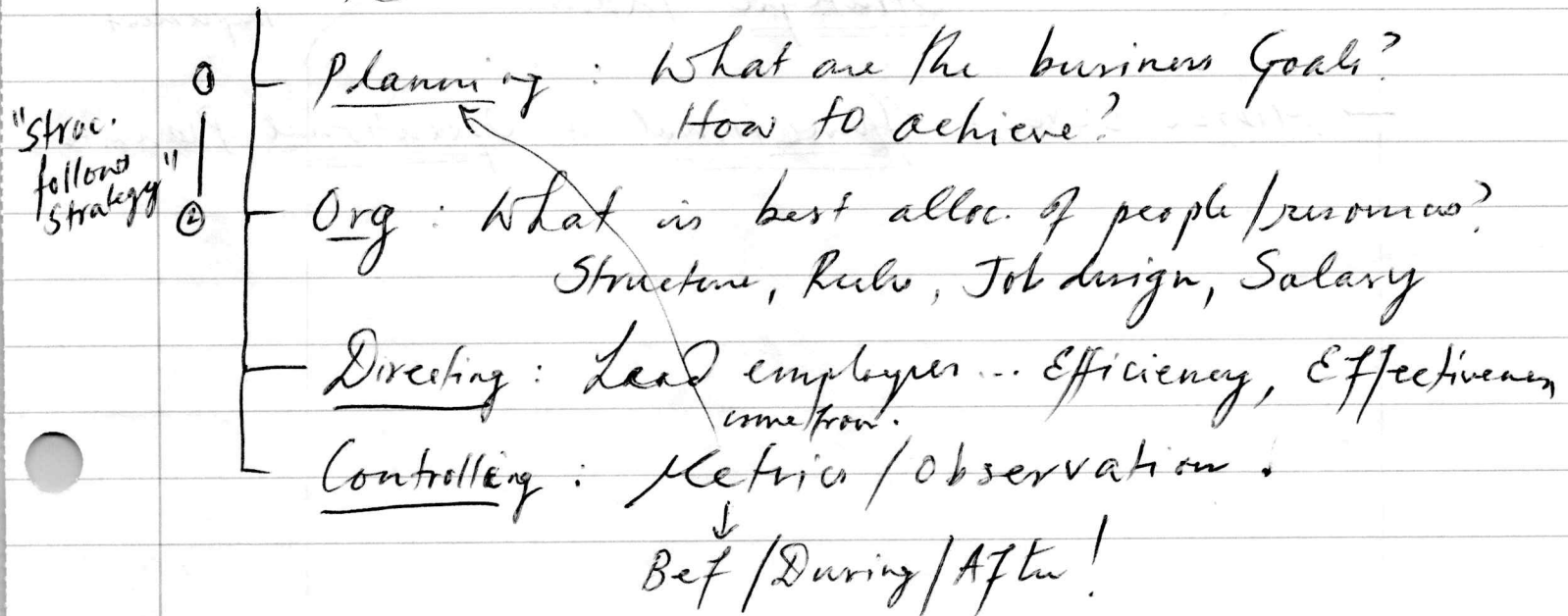
In personal planning, you are not creating
 ① Comp. Adv or ② Managing a lot of people.

① - Define plans ② Devise Strategies, Obj ③ Create hierarchy of plans for ORG



Fred Taylor $\rightarrow$ "Father of Scientific Mgmt"

Henri Fayol $\rightarrow$ "General Admin Theory"



Why is it Important? ① Provides direction

② Reduce Uncertainty (Cannot account for everything... "residual" uncertainty)

③ Est. Org. Goals, Standards ④ Better Engagement, productivity

What Affects Planning?

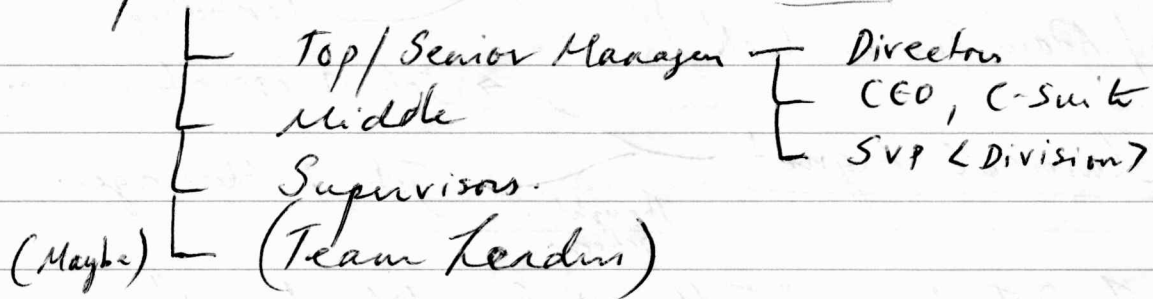
"Type" and "Scope"

① Org. Hierarchy

Flat do better in dynamic Envs

3 General Levels

Tiers do better in Stable Envs.



→ TOP LEVEL: Set Obj and goals of entire org
Strategic Plans! ← implement

→ MIDDLE LEVEL: Functional or Operational Planning

② Environmental Uncertainty

- f(Competitors, Suppliers, Regulators, "key Players")
- High Uncertainty? Short Planning Cycles
Goals are "directional" (???)

③ Length of Future Commitments : (Senior Mgmt)

Planning Horizon $\geq$ Length of longest Commitment

TYPES OF PLANS

- Strategic
 - Functional
 - Operational
 - Contingency
- Specific $\downarrow$

Strategic

- Broad; Entire Org
 - DIRECTIONAL, not specific
 - At CORPORATE and BU level
 - Competitive Adv is the goal.
(in External Env.)
 - Long time periods. (depends.... on how dynamic the env. is)
- SENIOR MGMT

Eg: "Increase
EPS by 10%
by 2021"

Basis of
split into

Functional

- Related to Business Functions

Eg: Increase price by 1%
Sales
Make New Products

{ R & D
{ HR
{ Logistics
{ Manufac
{ Sales

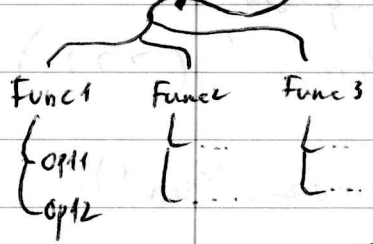
- Intertwined w/ Strategic Plans. (Eg: Sales Plan $\longleftrightarrow$ Manuf Plan)
- Senior Mgmt / Committee
+ "Upper ~~Senior~~ Mid-level Mgmt"
⇒ Make sure they are aligned w/ Strategic,

Operational

- Narrow focus!
- Shorter timespace (weekly, monthly)
Quotas
- Eg: Budgets, Schedules, low-level shit.
- Mostly lower mgmt but can develop @ any level!

The Canada

CORP ~ BU



Contingency

• "What-If"

- Deal w/ bad assumption in STRATEGIC plans.
Exp in dynamic envs.
- Deal w/ Acts of God (disasters, supplier shit)
"Business Disruption"

BUSINESS STRATEGY

Goal-driven Actions to make and maintain Comp. Adv

Comp Adv : Perf. relative to others in Industry.
Like profits

(Toyota Example)
ADV → PARITY

- Adv : ~~Adv~~ Perform better than avg.
If over long time, "Sustainable C.A."
- Parity : Same as Avg
- Disadv : Below Avg. (or Loss, LOL)

→ NO single metric

→ NOT "Sustainable" if Source of Adv is — Indep. attained
Early imitated (Toyota)

How to create CV?

- ① Cost Leadership (Aer, Amazon, Cheap shirt)
- ② Differentiation (Apple)
- ③ Focus (Eg. Amazon Fire)

→ Cost Leadership driven by high prod and high sales volume

→ If focused/niche, use diff. more than C.L.

Metrics

ROIC, ROA, Profit Margins (Finance)
Econ. Val. Added, MVA (~~Fin~~ Entrep.)

$\left[ROA = \frac{\text{Net Assets}}{\text{net Inc.}} \right]$

To evaluate, ① Context and ② "All things Equal"

* What Drives Performance? ① Firm Effects

② Industry Effect (kind of industry) (Mgmt, basically... planning etc.)

③ Other Effects (tornado and shit)

(Avg. Profitability is affected. Mgmt can be all clever and mitigate!)

THE BUS. MODEL

Strategy

Aligned to

must align

"How things fit together to make a profit"

Develop just now or evolve over time.

Strategic goals → (translate, enable/enact) by Bus. model.

→ Components

Markets

Customers, Industry, Channels

Firm
Infra/structure

Structure, Culture, Processes, Strat. Partnerships

Econ. Model

Cost driven and Revenue model.

Bus. Strategy : Comp. Adv! ^{Sustained!} Be unique,

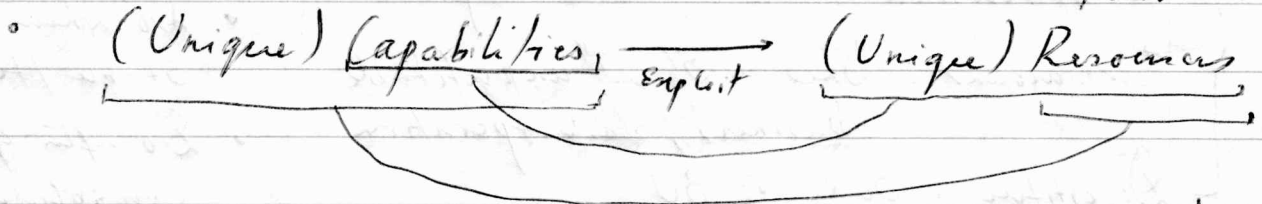
- Create value (Contain cost)
- Make long-term commitments you can't walk back
- Align and use Business Model.



Only a few of these are
CORE COMPETENCIES

Resources and Capabil. that offer a
VALUE PROP to customers. (Eg. Apple → design)
with (HER Block → ???)

- Firm has either (a) Unique and Valuable Resources
or (b) Unique Capabilities to exploit common resources.



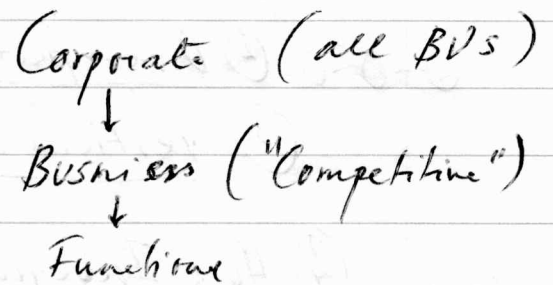
- Resources: Assets (Human, Capital, Physical)
- "Sustainable Comp. Adv." → UNIQUE, VALUABLE, RARE.

- Visualize how Activities $\xrightarrow{\text{relate}}$ Value Prop $\xrightarrow{\text{make}}$ C.A

"ACTIVITY MAP"

LEVELS of STRATEGY

Each has diff. strategies



GE
- Oil
- Health
- Aviation

- Corporate: "What business should we be in?"
"How to allocate Resources across BU's?"
"Grand - Strategy for each BU"
- BU: Where products, customers, competitors exist
Create and maintain C.A
- Merged w/ Corporate if only one BU...

- Functional: -----

Grand Strategy : EACH BUS. UNIT!! NOT CORP!

- (common)
- Growth : Expand market, profits, etc.
 - Stability : Do what you're doing • Fine-tune, make efficient, sustain market pos.
 - Renewal : You done fucked up
 - Grow, but only at market rate.
 - Do when env is stable / turbulent
 - Do after growth to consolidate position.
-
- Retrenchment : Short-term improve
 - Turnaround : "Shed or Shred" unprofitable business, slash operation
 - Divestiture : Sale of BU
 - Liquidation : Sale of Assets "Fire sale for competitors"

Growth Strategies

→ CORP and BU level!

① Concentration

Improve Core Business



② Diversification : Diff. industry (AT CORP LEVEL DECISION)

③ Vertical Integr.

Supplier

BUY



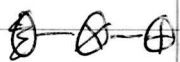
BUY

Distributor

} Capture value chain

④ Horz Integration

Buy your competitors.



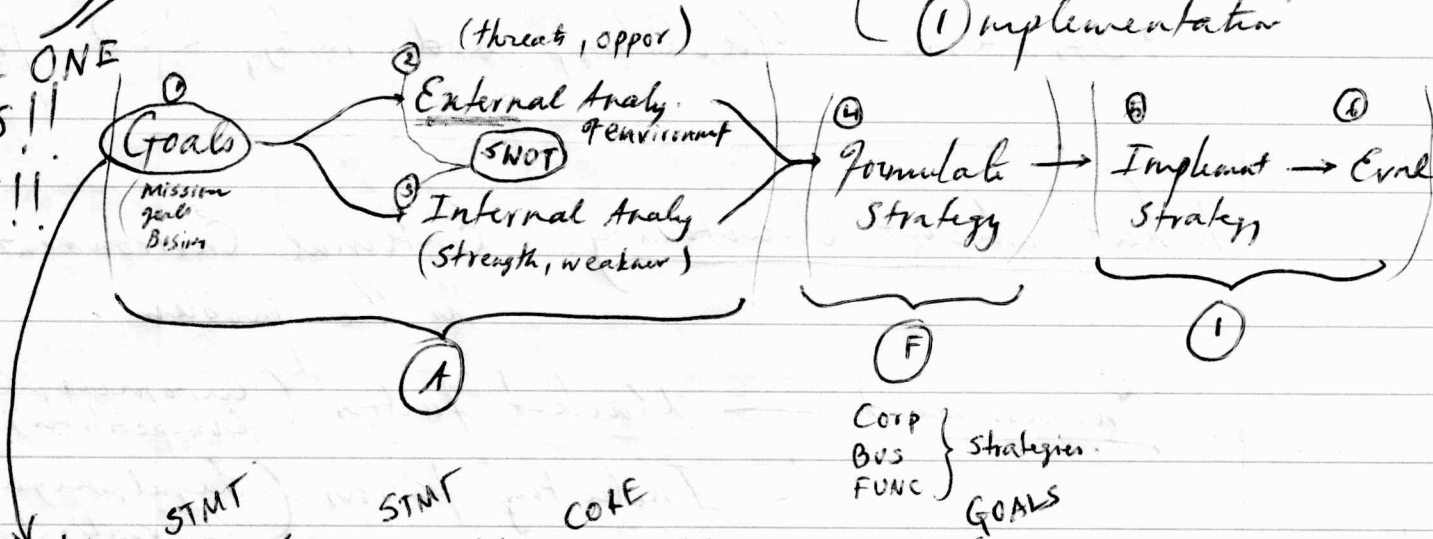
"Planning is the key func. of MGMT"

STRATEGIC MGMT

Done w/ AFI - Framework

Analysis
Formulation
Implementation

LEVEL ONE
ENVS!!
ONLY!!



Vision, Mission, Values, Strategic Intent:

First, confirm the vision, mission, and core values
then ask if Str. Intent is clear.

"Mission Statement": Express Strategic Intent
 { Prod. oriented / focused } AND Incorporate vision.
 Lower-like and And how to get there.
 less flexible
 • Commitments to stakeholders
 Customer-oriented / focused
 More flexible to Env.

Imp. because clear mission statements => more profitable companies.

"Core Values": Values the comp. believes are imp.

Can have "Vision Statement" as well

GOALS :: Set Financial and Strategic goals.

- Set because financial goal accomplishment is a function of activities.

- Set BOTH!

- Strategic: Marketing, Productivity, R&D, Product.

What about Uncertainty? External Environment is the problem.

Environment — Market Factors (customers, costs, competition)
 Industry Factors (legal, regulation, globalization)

Uncertainty
(levels of prob) — { We know or can say with high prob.
 We don't know but can know
 We don't know and can't know
 (RESIDUAL UNCERTAINTY)

Residual Uncertainty — LVL ① Clear / Probable FUTURE (singular!)

① Single view ② Mature Industries ③ Adaptors, not disruptors.
④ Incremental efficiencies.

→ • Disruption comes from entrepreneurs (Uber, Netflix)

LVL ② Alternative, "well-defined" futures (PLURAL) (DISCRETE)

- Usually ~~two~~ 2 futures.
- Try to disrupt / shape industry to favor one ☺
- Managers can make discrete scenarios

LVL ③ Range of Futures (PLURAL) (4-5)

- A small # of variables define this Range.
- • NOTHING DISCRETE like LVL ②!!
- Emerging industries, new geo markets
- ✗ • From this group → 4-5 futures, based on TRIGGER EVENTS.

LVL ④ True Ambiguity

"Strategic Thinking" • Tech, Legislative, Macroecon Shocks

"Strategic Development" ^{NOT} • Rely on mission, vision, values.

"Strategic Development" • Shapers can set standards (IBM)

Scenario Planning (for LVLS ②③) (Royal/Dutch pioneers)

STP ①: Make a focus point (Invest in X? Market in Canada?) to anchor the planning.

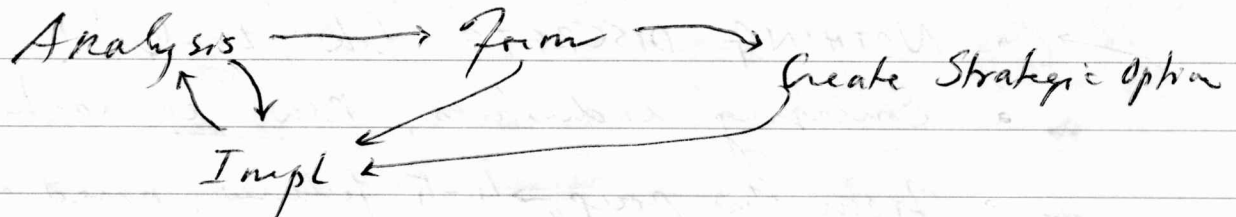
STP ②: Make Factors (ENV) { Known ~~uncertain~~
Unknown
Critical uncertainties

STP ③: Get the TWO most critical uncertainties and make a 2x2 scenario matrix. (LOK WTF!)
4 scenarios, make stories for each.

STEP ④: Basically do AFI but for each of the scenarios. Analyse ext and int threats, formulate multiple strategies.

Pick "Most likely" / Dominant Scenario

STEP ⑤: Monitor triggers/divines in other scenarios that might abandon dominant one



Planned Emergence (Unplanned Mid-Level)

- Not always top-down.

- Eg. Starbucks

frappuccino (Santa Monica)



"Strategy in Simple Rules"

- Thinking and Planning are not the same.

- No need for plan. Just act simply and consistently and you will see opport.

- Actions Become Strategies.

SIMPLE RULES



How to
Boundaries
Prioritization
Timing
Exit

Pick
Prioritize
Develop
Timing
Exit.

From the *Other*!