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

- "Markets?" HIGH LEVEL
- "Materials?" LOW LEVEL

"The Management Process" : Planning → Organizing → Directing → Controlling → Planning

(Mgmt. thinking started w/ Adam Smith WoN)

Classical Mgmt → Job of operative/worker; Job of Manager.] Improve Eff.

Thought Schools.

Fred Taylor → "Father of Scientific Mgmt"

Henri Fayol → "General Admin Theory"

"Struc. follows strategy"

① Planning : What are the business Goals? How to achieve?

② Org : What is best alloc. of people/resources? Structure, Rules, Job design, Salary

Directing : Lead employees ... Efficiency, Effectiveness

comes from.

Controlling : Metrics / Observation.

↓

Bef / During / After!

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

Tiered do better in Stable Envs.

3 General Levels

- Top/Senior Manager
  - Directors
  - CEO, C-Suite
  - SVP <Division>
- Middle
- Supervisors.
- (Maybe) (Team Leaders)

→ 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 ≥ Length of longest Commitment

TYPES OF PLANS

- Strategic
- Functional
- Operational
- Contingency.

Specific

Strategic

- Broad ; Entire Org
- DIRECTIONAL, not Specific
- At CORPORATE and BU level
- Competitive Adv is the goal. (in External Env.)

SENIOR MGMT

Eg: "Increase EPS by 10% by 2021"

- Long time periods. (depends.... on how dynamic the env. is)

Basis of / Split into

Functional

- Related to Business Functions
  - R&D
  - HR
  - Manufac
  - Sales
  - Logistics

Eg: Increase price by 1%
Sales
Make new Products

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

Operational

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

The Canada

Corp – BU

Func1 Func2 Func3

Op11
Op12

Contingency

- "What-If"

Deal w/ bad assumption in STRATEGIC plans.
Esp 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

Adv : ~~Avg~~ Perform better than avg.
If over long time, "Sustainable C.A."

Parity : Same as Avg

Disadv : Below Avg. (or LOSS, LOL)

(Toyota Example
ADV → PARITY)

→ NO single metric ...

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

How to create CV? — ① Cost Leadership (Acer, Amazon, Cheap shit)
— 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 (Entrep.)

[ROA = Net Assets / net Inc.]

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

* What Drives Performance? ① Firm Effects (Mgmt, basically... planning etc.)
② Industry Effect (kind of industry)
③ Other Effects (Tornados and shit)

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

THE BUS. MODEL — Aligned to — Strategy

must align.

ALIGN TO STRAT

- "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 drivers and Revenue model.

Bus. Strategy : Comp. Adv! Sustained! Be unique,
- Create value (Contain cost)
- Make long-term commitments you cannot walk back
- Align and use Business Model.

FIRM Competencies ← Only a few of these are CORE COMPETENCIES

- Resources and Capabil. that offer a VALUE PROP to customer. (Eg. Apple → design
  H&R Block → ???)
  with?

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

- (Unique) Capabilities $\xrightarrow{\text{exploit}}$ (Unique) 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 : Corporate (all BU's)
↓
Business ("Competitive")
↓
Functional

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!

- Growth : Expand market, profits, etc.
- (common) Stability : Do what you're doing
  - Fine-tune, make efficiencies, sustain market pos.
  - Grow, but only at market rate.
  - Do when env is stable / turbulent
  - Do after growth to consolidate position.
- Renewal : You done fucked up
  - 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 → (A)nalysis, (F)ormulation, (I)mplementation

LEVEL ONE ENVS!! ONLY!!

(1) Goals (Mission, goals, Busin.) → (2) External Analy. of environment (threats, oppor) / SWOT / (3) Internal Analy (strength, weakness) → (4) Formulate Strategy → (5) Implement Strategy → (6) Eval

$\underbrace{\text{Goals, External Analy., Internal Analy}}_{A}$ $\underbrace{\text{Formulate Strategy}}_{F}$ $\underbrace{\text{Implement Strategy, Eval}}_{I}$

Corp, Bus, Func } Strategies

Vision (STMT), Mission (STMT), Values (CORE), Strategic Intent (GOALS):

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

"Mission Statement":
- Express Strategic Intent
- AND Incorporate vision. And how to get there.
- Commitments to stakeholders

- Prod. oriented/focused
  - Laser-like and less flexible
- 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, Comms, 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!)

• Single view • Mature Industries • Adapters, not disruptors
• Incremental efficiencies.

• Disruption comes from entrepreneurs (Uber, Netflix)

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

- Usually ~~[illegible]~~ 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 soup → 4-5 futures, based on TRIGGER EVENTS.

LVL ④ True Ambiguity
"Strategic Thinking"
NOT
"Strategic Development"

- Tech, Legislative, Macro Econ Shocks
- Rely on mission, vision, values.
- Shapers can set standards (IBM)

Scenario Planning (For LVLS ② ③) (Royal/Dutch pioneered)

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. (LOL WTF!)
4 scenarios, make stories for each.

STP ④ : Basically do AFI but for each of the Scenarios. Analyse Ext and Int threats, formulat multiple strategies.

Pick "Most Likely" / Dominant Scenario

STP ⑤ : Monitor triggers / drivers in other scenarios that might abandon dominant one

Analysis → Form → Create Strategic Option

Impl

Planned Emergence (Unplanned Mid-Level)

- Not always top-down.
- Eg. Starbucks Frappuccino (Santa Monica)

Strategy

Unrealized (ENV)

Realized

Emergent

"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. — Pick / Prioritize / Develop / Timing / Exit.
- Actions Become Strategies.

SIMPLE RULES

How to
Boundaries
Prioritization
Timing
Exit

From the Start!