

# SI 422 Midterm Study Guide

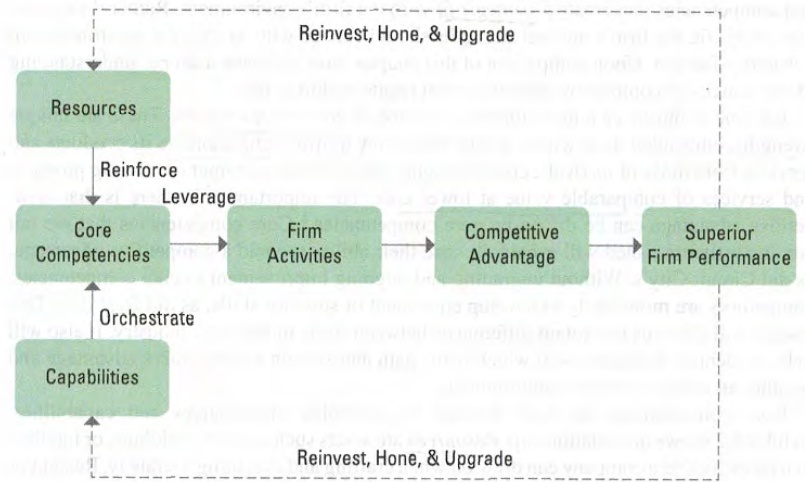
## What is Strategy

- Strategy in Research and Practice
  - Research: the goal is to understand what are the determinants of long-term organizational performance
  - Practice: the goal is to enable organizations (typically firm) to achieve the greatest possible organizational performance
    - Practice has two elements: planning and execution

### Strategy Today

- What is Strategy
  - Def: means by which individuals or organizations achieve their objectives
  - What make up a strategy
    - Allocation of resources
    - Consistency
    - Integration
    - Cohesiveness
  - Shift from strategy as plan to strategy as direction
  - Must embrace flexibility and responsiveness
  - Environment of uncertainty and change
  - **Corporate strategy**
    - Defines the scope of the firm in terms of the industries and markets in which it competes
    - Include investment in diversification, vertical integration, acquisitions, and new ventures,
  - **Business strategy**
    - Concerned with how the firm competes within a particular industry or market
    - Competitive strategy
      - Establish a competitive advantage over its rivals
- How do we describe a firm's strategy?
  - Two questions
    - Where is the firm competing?
      - Industry
      - supply
      - Customer groups
      - Countries and locations
      - Vertical range of the activities
    - How is it competing?
      - What is the basis of our competitive advantage?
  - Not about competing today, also concerned with competition for tomorrow
- How do we identify a firm's strategy?
  - Strategy is located in three places:

- intangible resources
  - have no physical attributes and this are invisible
- key question: does firm possess resources that will allow it to attain sustainable competitive advantage?
- Key assumptions
  - Resources heterogeneity: resources differ across firms
  - Resources immobility: some resources cannot be easily traded or imitated



- Core competencies
  - Unique strengths embedded deep within a firm, that are critical to gaining and sustaining competitive advantage
  - Core competencies that are not continuously nourished will eventually lose their ability to yield a competitive advantage
  - It is important to focus on the invisible elements or facts of core competencies
- Resource
  - Any assets that a firm can draw on when formulating and implementing a strategy
  - Ex: cash, buildings, machineries, intellectual property
- Capabilities
  - Organizational and managerial skills necessary or orchestrate a diverse set of resources and deploy them strategically
  - Intangible
- Activities
  - Distinct and fine-grained business process that enable firms to add incremental value by transforming inputs into goods and services
  - Ex: Order taking, delivery of product, involving customers
- VRIO test
  - a firm can only gain and sustain a competitive advantage only when it has resources that satisfy all of the VRIO framework

- Asymmetric information in transaction of proprietary knowledge;
    - Market failures related to public good aspects of knowledge.
  - Other motivations not related to market failures:
    - Optimization of returns to investments in competitive advantage and preemption of creation or consolidation of foreign competitors;
    - Duties and taxes on market transactions;
    - Transfer of tacit knowledge.
- Pros and Cons of partnering with local companies
  - Financial expropriation
  - Loss of intellectual property
  - Gain knowledge of local market
  - Control key segments of local value chain
  - Local partners may have political connections
- Structure of relationship
  - Joint ventures
  - Strategic alliances
- Does expansion to a new country require a reorganization of its global operations?
  - Aggregation-oriented strategy: centralization;
  - Adaptation-oriented strategy: decentralization;
  - Adaptation & aggregation & arbitrage: greatest organization challenge.

### Midterm Review Session

- Ways to improve industry's profitability
  - Five forces
    - If buyer is having too much power, figure out why and how to decrease buyer power, maybe add more values to the product
- Differences between porter's 5 forces and minsburg's framework
  - Minsburg: focus more on field
  - Porter: bigger idea
  - Gran's more similar to porter's idea