Strategy → always against competitors

Strategy includes all measures to assure the long-term success of a corporation.

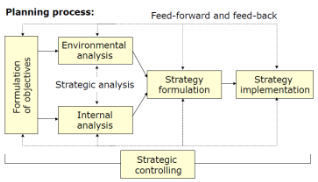
Research objectives	Strategic management
Description of reality (descriptive research objective)	**Object** Analysis of changes in environment and demands on businesses
Formation of reality (pragmatic research objective)	**Task** Mastering of challenges (System-Environmental-Fit and Intra-System-Fit)
Explanation of reality (theoretical research objective)	**Theory** Identification of causes and potential measures

Approaches in strategy research

Market-based approach (Outside-in perspective): Market requirements → Required competitive strategy → required resources / prerequisite of success is a superior competitive strategy, which is derived from the market requirements. / 5 Forces / **Resource-based approach**: corporation is defined as a system of productive resources (inside-out perspective), core competences / Resources → Potential competitive strategies → Market opportunities / **Evolutionary approach**: Trial and error process, resulting in a learning process

Type of resources: Tangible: Financial, Physical resource / Intangible: Technologies, Reputation/Image, Culture, Patents / Human: Special know-how, Communication competencies, Cooperation competencies, Motivation

Strategic planning



Strategic planning = an information processing task (set of tasks) to align the requirements of the corporate environment with the potentials of a company and to assure long-term success by developing appropriate strategies.

Planning instance: Corporate management → Business units → Business functions

Coordination: Chronological: Split of planning period in sub periods (next year in detail, further years roughly) / Horizontal: successive coordination of business unit plans taking constraints into consideration with feed-back / Vertical: coordination along the hierarchy → top-down (retrograde), bottom-up (progressive), down-up (circulatory)

Planning process: Synoptical vs. incremental planning

Characteristics:	Synoptical planning:	Incremental planning:
Planning behavior	Anticipative and target oriented	More reactive, focused on urgent issues
Target horizon	Specific, dominant	Undefined, secondary
Issue horizon (temporal and factual)	More long-term, holistic	More short-term, focused on important and limited to specific issues
Considered alternatives	All possible	Limited scope
Flexibility	Ex ante-flexibility	Ex post-flexibility
	Holistic and systematic	"muddling through"

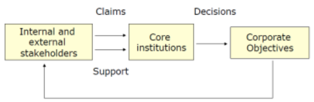
Advantages:	Disadvantages:
Necessity of an analysis of the environment and own company	Decrease of predictability of future as markets and technologies are increasingly dynamic
Generation of alternatives, systematically and rationally evaluated	Gap between staff involved in strategic planning and operational staff
Planning of the implementation	Formalisation limits intuition and creativity
Strengthening of motivation and communication in the company	Implemented strategy often differs from planned strategy
Symbolic value for stakeholder	

Pro: high acceptance of new strategy, everybody knows where company wants to position itself in future, organized, find out what you need to know, enforce continuity / Con: time-consuming, cost a lot of money, requires high communication skills (strategy → operative)

Corporate objectives

Aims and objectives

main task of corporate management is to define objectives → primary aim of market-economy oriented company is **satisfactory profit** → not a good idea only to look at financial objectives, nowadays critical because increase of environemental topics and so on. / **Monetary objectives**: Attain profit, Assure and/or increase turnover, Assure liquidity, Increase company value / **Non-monetary objectives**: Increase market share, Expand power, Assure employment, Decrease environmental impact, Supply the population



Objective formulation process

Problems during objective formulation: The objectives change, There is a tradeoff of objectives (compromise), Power of those formulating the objectives, Inaccuracy in the formulation of objectives

Types of objectives

Systematisation of types of objectives: Link to value creation: Objectives not directly linked to value creation (e.g. sales- and profit targets), Objectives directly linked to value creation (e.g. procurement and production targets) / Hierarchy of objectives: Top-level objectives: mostly qualitative, Intermediate-level objectives: deducted from top-level objectives, mostly quantitative, Low-level objectives: deducted from intermediate-level objectives, imperatively quantitative / Extent of objective achievement: Unlimited objectives (e.g. profit increase, cost reduction), Limited objectives: achievement of a certain value (e.g. increase of market share to 35%) / Relations between objectives: complementary, competing, indifferent / Temporal reference of objectives: Short-term, medium-term and long-term objectives, Objectives related to a point in time or a period, Static and dynamic objectives, Constant and temporary objectives

Formulation of objectives

Should include the following characteristics to assure comprehensibility, measurability and verification of achievement: Content, Amount, Time frame, Business area → e.g. reduction of transportation expenses by 10% within two years for fuel oil)

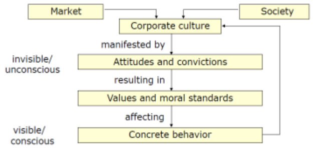
Conflict of objectives

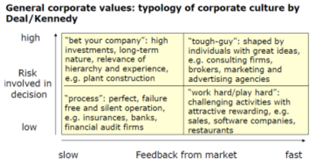
Individual conflicts (e.g. frictions between personal targets of the employee and corporate objectives) / **Hierarchical conflicts** (e.g. set objective is not measurable) / **Inter-organisational conflicts** (e.g. business units that need tocooperate are following different objectives)

Objective pyramid

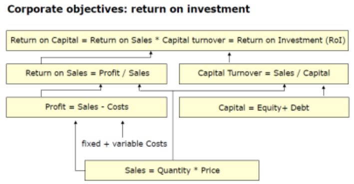
General corporate values: Business principles of a corporation / Definition of own position towards society, economy and competition / Principles about how employees, customers, shareholders, suppliers, competitors and the general public should be treated / Evolution over time: Past values: Discipline, Obedience, Hierarchy, Performance, Career, Efficiency ,Power, Centralization / Current: Self-determination, Participation, Team-orientation, Focus on own needs, Individual development, Creativity, Ability to compromise, Decentralisation

Corporate governance: Explicit rules about rights and responsibilities of different participants in the organisation such as shareholders, management, etc. / Organisation of decision making and exchange of information on corporate affairs between these participants / Definition of internal and external control mechanisms to ensure that shareholder' interests are protected / **Corporate philosophy:** Values and standards decided on top management level / Determines how the executive management acts, which affects strongly the behaviour of all employees / Part of the corporate culture on the level of values and moral standards / **Corporate identity:** External aspects: Corporate design (consistency of visual appearance) / Corporate communication (uniform approach towards the general public) / Corporate image (image that the general public has of the company) / Internal aspects: Congruency in decision taking, communication and acting within a company / **Corporate ethics**: Managers and employees follow commonly accepted moral values, standards and ideals / Self-commitment of executive management: Social responsibility, Creation of real values, Consensus-oriented corporate policy, Transparent corporate governance / **Corporate purpose**: Mission: description of corporate activities with focus on the actual situation / Field of activities: Where are we active? (e.g. "We are moving you.") / Key competences: How do we work? (e.g. "Our employees are our most important resource.") / Core values: Why do we work? (e.g. "Your health is important to us.") / Vision: description of corporate activities with focus on the future development → Long-term, "Our dream" / Qualities: Creation of identification, Mobilisation of individuals, Alignment of individual actions within the company /



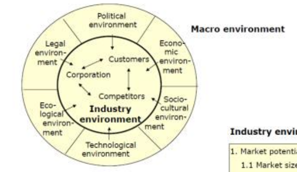


Corporate objectives: Stakeholder value: Best satisfaction of the expectations of all stakeholder groups, e.g. customers, suppliers, employees, shareholders, society, state, etc. / Difficult to put into operation as benefit/cost-relation between corporation and each stakeholder group should be maximised / Under certain conditions the stakeholder value might be increased by ignoring the specific interests of single stakeholder groups / Shareholder value: Best satisfaction of the yield expectations of the shareholders / Assessment of the future development potential instead of results achieved in the past / Decisive for the assessment of a business is not the absolute market value but rather the market value in relation to the original investment (market added value) / Communication of planned measures, that are required to satisfy the yield expectations of the shareholders / **Business unit objectives**: Mainly non-monetary objectives on business unit level (e.g. marketing objectives) / **Business unit sub-objectives**: Contribution to achieve business unit objectives (e.g. product policy objectives) / **Instrumental objective**: Contribution to achieve business unit sub-objectives (e.g. branding objectives)



Objective:	Stakeholder-value:	Shareholder-value:
Background:	Corporation exists to satisfy the requirements of all stakeholder groups	Corporation exists to increase the fortune of its shareholders
Measurement:	Maximisation of difference between incentives for and inputs of stakeholders	Maximisation of discounted cash flows for shareholders
Assessment:	Not operational, based on the comparison of interpersonal benefits, pluralistic	Operational, based on market and resource efficiency, monistic

Industry and macro environment:



→ **consider all stakeholders**: Who are the stakeholders? How the may react? Take on our side or neutralize?

Strategic analysis

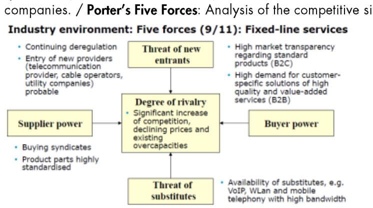
Industry environment: Market analysis

1. Market potential	1.1 Market size	Current sales potential in the market
	1.2 Market growth	Future growth rates, phase in market life cycle
2. Market structure	2.1 Competitors	Number and size, market entry barriers
	2.2 Suppliers	Vulnerability, bargaining power, development of factor prices
	2.3 Customers	Bargaining power, commitment to product, price sensitivity
3. Nature of goods		High product homogeneity leads to high market transparency and low profitability

Environmental analysis

Objectives: Raise awareness for environmental developments, Identification of relevant environmental segments, Detection of opportunities and threats

Micro environment: A market includes all business relations between suppliers and customers of a specific product or product category. → development is dynamic, not static / Market developments are quantitative (market expansion → globalization) or qualitative (relation to other markets) / Markets are created and influenced by companies. / **Porter's Five Forces**: Analysis of the competitive situation in an industry from the point of view of a specific company



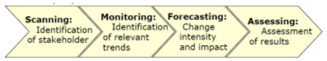
Supplier power: Supplier concentration/-rivalry, Dependence on few key accounts, Changing barriers for buyers Product differentiation/uniqueness, Forward integration / Threat of new entrants (market entry barriers): Economies of scale, Other cost advantages (e.g. experience), Own product differentiation, Brand identity/customer loyalty, Capital requirements, Switching costs for customers, Access to distribution channels, Contractual binding of customers, Governmental regulations /Buyer power: Buying syndicates, Market transparency, Substituting products, Backward integration, Supplier concentration/-rivalry / Threat of substitutes; Market side transparency, No access to distribution channels, Price-/performance ratio, Switching costs for customers / Degree of rivalry: Degree of product differentiation, Degree of customer loyalty, Industry culture, Overcapacities, Exit barriers, Market growth

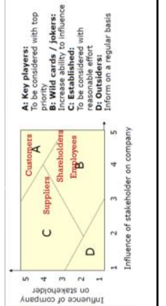
Advantages:	Disadvantages:
Analysis of complex industry relations in a comprehensive way	Model appropriate for established, slowly growing markets ("old economy")
Very effective at the beginning of a strategic analysis	Impact of internal resources on dynamic markets not fully considered ("new economy")
Simulation of the reactions of industry environment to own strategy changes	Model based on "competition" and less on "cooperation" and "coopetition"

Macro environment: Analysis of current state and forecast of future development of relevant environmental factors

PESTEL: Political: Organisation of political system, Changes in party landscape & of governments, Intergovernmental contracts and agreements (EU, GATT/WTO), Subsidy policies / Economical: Economical development (GDP), Development of interest rates,currency exchange rates, inflation, demand, wages and unemployment / Socio-cultural: Attitudes to employment and leisure, Mobility, Birth rate, Demographical development, Health awareness, Attitude to materialistic values / Technological: Development of new technologies, Product & Process innovation, Increase in patent applications / Ecological: Ecological awareness and behavior, Increasing pollution, Increasing ecological regulations and constraints / Legal: Introduction of national and international legal frameworks/Legal changes regarding taxes, product liability, environmental protection and patents, Initiatives for deregulation

Stakeholder Analysis →Stakeholders are groups affected by a company and consequently have a specific interest in the behaviour of a company



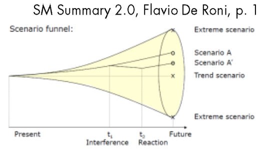


Management of discontinuities: Discontinuities are strategic changes in environment, totally new in manner and effect, almost unpredictable with high impact on companies /

Management of discontinuities: Types of changes

Types of changes	operative	strategic
Degree of predictability	very high	almost impossible
Importance for company	less important	essential
Degree of recognition	not new, recurring occurrence	entirely new, non-recurring occurrence
Impact on company	familiar	unfamiliar
Reaction of company	familiar, proved	unfamiliar

Approaches: Forecasting approaches, Scenario analysis, early detection systems, Concept of weak signals / **Scenario analysis**: planning technique that describes, starting from the present, future developments of an analysis object under changing conditions / **Scenario**: future development of a projection object under changing conditions.



	Content:	Description:
1.	Analysis of examination field	Structuring and defining examination field
2.	Analysis of environment	Development of influencing factors
3.	Trend projection	Identification of development trends
4.	Assumption bundling	Bundling of assumptions for alternative developments
5.	Scenario interpretation	Development and interpretation of 3-5 scenarios
6.	Incident analysis	Launch and effects of significant disturbance events
7.	Impact analysis	Derivation of consequences for an analysis object
8.	Planning of objectives / measures	Designing of adequate response measures

Early detection system: special form of an information system whose objectives are early identification, diagnosis and tracking of relevant management knowledge.

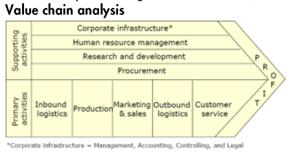
Early detection system: 1st generation: Comprehensive key indicator system based on traditional accounting information, Weaknesses: Strongly past oriented, Based on symptoms rather than causes, Mainly hard fact oriented, Primarily risk oriented / **2nd generation:**: Addition of indicators in order to support early identification of environmental changes, Detection of qualitative factors is possible, Weaknesses: Identification of appropriate indicators and monitoring areas, In most cases dominance of quantitative variables, Suppression of non-selected areas / **3rd generation**: Deduction of indicators and development of a strategic radar, Constant monitoring of entire environment and company, Collection of mainly qualitative information, intended to indicate the relevant changes as soon as possible, Implemented in the concept of weak signals by Ansoff / **Concept of weak signals**: Discontinuities are announced by weak signals, usually qualitative, e.g. opinions and statements from experts or organisations, or developments in related areas / Continuous scanning of macro environment by e.g. stakeholder approach / Problems of the concept: System related problems (methodological problems in data collection), Organisational problems (unclear responsibilities, inconsistent hierarchies and lethargy due to bad experiences), Personal problems (focus on hard facts and ignorance towards upcoming threats)

Advantages:	Disadvantages:
Stimulates identification of developments in industry and macro environment	Fading out relevant environment to reduce complexity (covering areas whose relevance is only visible later on)
Verification of existing strategies by considering potential interference events	High demands for professional qualification and capability for an holistic and integrated thinking
Development and simulation of new strategies	Acceptance issues in case of lacking management participation
	High resource consumption

Reaction area: / Counter strategy:	Perception:	Increase of flexibility:	Aimed response to opportunities and threats:
External:	Environmental awareness (e.g. analysis of opportunities and threats)	External flexibility (e.g. diversification of risks)	External activities (e.g. risk sharing through co-operation)
Internal	Self-perception (e.g. analysis of strengths and weaknesses)	Internal flexibility (e.g. increase of responsiveness)	Internal readiness (e.g. more consequent use of capabilities)

Internal analysis (Strengths and weaknesses)

Value chain analysis



*Corporate infrastructure = Management, Accounting, Controlling, and Legal

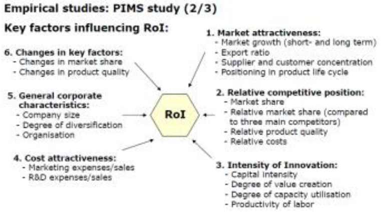
Potential Analysis

Performance potentials:	Strategic success factors:
Procurement	Quality of purchased goods, purchase prices and conditions, order times, dependency on suppliers
Production	Flexibility of fabrication systems, utilisation of production capacity, production costs, product quality
Sales	Market share, product life cycle, distribution channels, customer loyalty, ability to deliver, quality of after sales service
Human Resources	Qualification, employee satisfaction, age and education structure, entrepreneurial spirit
Capital	Liquidity, debt, return on capital, credit rating
Technology	Innovation capacity, research efficiency, patents

Leadership potentials:	Strategic success factors:
Planning	Degree of integration of planning systems, flexibility, application of planning techniques
Control	Classification and degree of integration of control system, implementation of control techniques
Information	Strategic orientation of corporate accounting (e.g. target costing), management of discontinuities, integrated systems
Organization	Degree of decentralisation, flexibility, cooperation capabilities
Corporate Culture	Characteristic and anchorage, innovation capacity, customer and quality orientation

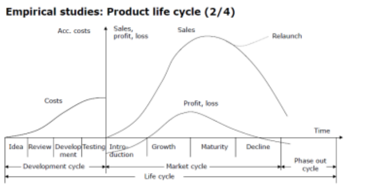
VRINE model Valuable: valuable, so that opportunities can be used and threats reduced / Rare: scarce, if availability is lower than demand / Inimitable: inimitable, if competitors can not obtain them (or only under great disadvantages) / Non-substitutable: not replaceable through a combination of other resources and capabilities / Exploitable: usable, if company can draw benefits from them / **Examples**: Resources: "fabs" manufacturing CPUs, patents, brand value, Capability: microprocessor technical development

Empirical studies: A strategic plan can only be successful if: strategic success factors are identified and their effects are determined through empirical studies



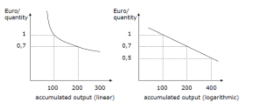
Advantage:	Disadvantage:
• Structuring of strategic problems • Development of different solutions • Falsification of intuitive decisions	• Lack of transparency • Overrepresentation of US-based companies • Related to past • Interactions between variables not strongly reflected • Qualitative success factors are not taken into consideration

Product life cycle: relations between age, sales and profit development of a product / No binding rule, but empirical studies are showing the effects / Product life cycle of specific products may differ from ideal model / Reasons for shorter product life cycles: Behaviour of customers: readiness to change habits and increasing acceptance of innovations encourage penetration of new products, Behaviour of suppliers: efforts to participate in growth by developing new products continuously



Advantages:	Disadvantages:
• Strategic importance of forecasts and sales strategies • Awareness regarding need to develop sensitivity for weak signals • Awareness regarding degeneration of products	• Exact product life cycle can only be known ex post • Duration of product life cycle and each stage depends on a number of environmental conditions difficult to anticipate

Experience curve:: Reasons for the experience curve: Learning effect by repeated operative activities by individuals (individual learning) and groups (collective learning) / Division of labor with the aim of specialisation and standardisation / Increased productivity through improved production equipment and elimination of malfunctions in production process / Better utilisation of existing production capacities / Standardisation of products, components and parts / Fixed cost degression: fix costs are allocated to a higher output / Strategic implications: Cost reduction will not happen automatically with higher output / Requirements for output growth: market growth in existing markets, increase of market share or entering new markets / Pioneers may have advantages over competitors (first-mover advantage) / Demand for individual solutions is increasing while demand for homogeneous mass products is decreasing -> implementation of mass customisation



Advantage:	Disadvantage:
• Fast and simple procedure • Focus on costs and market shares	• No automatic cost reduction • Approaches to utilise cost reduction potential remain unclear • Appropriate rather for homogeneous mass products than for customer-specific solutions

Portfolio analysis

Comparison of environmental and internal factors / Description, explanation and decision model → BCG, McKinsey, ADL Matrix

BCG Matrix: Cash flow is target value: More significant cash flow with stronger market growth and increasing relative market share / "Question marks" – Innovative products: Innovative products in introductory phase with low relative market share in markets with high growth → High financial resources needed to expand market share (advertising, acquire competitor) (developing to "Star") / "Stars" – Young market leaders: In a fast growing market established products with a high relative market share → To secure and develop market share high investments are continuously needed / "Cash cows" – Cash generating products: High market share, well-established products in a mature phase → Based on experience curve the cost per unit can be reduced, marketing activities can be reduced / "Poor dogs" – Expiring products: • Products with low relative market share, are situated in the decline stage of the product life cycle → A decline in demand leads to a decline in sales and a rise in unit costs → elimination

Competitive situation	Life Cycle Stage			
	Introduction	Growth	Maturity	Degeneration
Dominant	Hold or improve position	Hold or improve position	Hold position	Hold position
Strong	Improve position	Improve position	Hold position	Hold position
Favorable	Improve position	Improve position	Find and hold niche	Reduce
Durable	Improve position	Find and hold niche	Find and hold niche	Reduce
Weak	Improve position	Reduce	Reduce	Liquidate

McKinsey Matrix; Target value is return on investment (ROI)

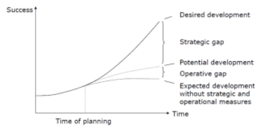
ADL-Matrix (Arthur D. Little): Transfer of life cycle model on market perspective / Corporate environment (x-axis): different life cycle stages: introduction, growth, maturity and degeneration / Company situation (y-axis): competitive position: dominant, strong, favorable, durable and weak

Advantage:	Disadvantage:
• Detailed view of life cycle and competitive position • Differentiated strategic recommendations • Comparison between planned and actual situation	• Information gathering and measuring problems • Subjectivity in expert assessment and weighting • Variations in duration of life cycles and sub-phases • Very complex data gathering and processing

Strategy formulation

		External analysis	
		Opportunities	Threats
Internal analysis	Strengths	Do we have the strengths to take advantage of the opportunities?	Do we have the strengths to cope with the threats?
	Weaknesses	Which opportunities do we miss due to our weaknesses?	Which threats are we exposed to due to our weaknesses?

Gap = The difference between the desired long-term development of a company and the expected development without measures / Closing of operational gap by mobilisation of entrepreneurial potential without essential strategic change, such as rationalisation, cost reduction and staff motivation / Closing of strategic gap through strategic reorientation, e.g. market penetration, market development, product development and diversification



Corporate strategies

The general strategic direction of a company is specified in the corporate strategy.

Product market expansion: Market penetration: increase in sales volume or market share of current products in current markets, high marketing costs / Realisation through: Intensification of product usage by existing customers, Winning new customers from competitors, Attracting non-users / Market development: finding new markets for current products (market knowledge missing, cultural differences, product piracy, higher risk, market growth)/ Realisation through: Creation of new market segments, Closing gaps in distribution, Developing additional functional markets / Product development: development and marketing of new or improved products in current markets (high marketing costs, development costs, no need, bind customer with better fulfilled needs)/ Realisation through: Genuine innovations, Derived from existing products, Me-too products / Diversification: expanding of corporate activities into new products for new markets, knowledge acquisition is costly / Risk diversification option for companies in stagnating markets /Implementation options: Horizontal: same stage in the value chain / Vertical: earlier or later stage in the value chain / Concentric: transfer of core competences from other industries / Lateral: entry into industries without any relation

Markets / Products	Current:	New:
Current:	Market penetration	Market development
New:	Product development	Diversification

Geographical expansion: National (Local, Cantonal, Regional, National) or Supranational (International, Multinational, Transnational, Global)

Autonomy strategies: Growth through activation of own potentials (e.g. innovation strategies based on successful R&D) → Requirement: enough own resources are available

Cooperation strategies: Cooperation of two or more companies, which remain economically independent in areas that are not subject to the cooperation agreement / Reasons for entering a cooperation: Overcoming barriers when entering new markets, Acquisition of strategically important additional knowledge, Reducing fixed costs, e.g. through joint R&D, Exploitation of economies of scale, Utilisation of economies of scope (synergies, know-how), Risk minimisation through joint marketing of innovations, Better access to financial resources / Horizontal: cooperation with companies in same value chain, Options: contractual agreement, mutual capital investment foundation of a joint venture, Main objectives: cost reduction through economies of scale and scope, sharing of risk / Vertical: partners active in earlier and later stages of the same value chain, Main objectives: long-term protection of sourcing and distribution channels, economies of scope / Lateral: companies active in different value chains or industries, Main objective: combination of knowledge and complementary products to meet specific customer needs

Concentration strategies: Change in ownership structure of equity of a company / Transition of command and control competences / Options: merger or acquisition / Main objectives: increase of market power, economies of scale, economies of scope

Advantages compared to cooperation:	Disadvantages compared to cooperation:
• Control of partner	• Large capital requirements • Limited risk sharing • Difficult to revise • High public awareness • Threat of intervention by antitrust authorities

Merger: Merger of two or more, previously both legally and economically independent, companies → At least one of the involved companies looses legal independence / Often (at least temporary) establishment of an executive board composed of representatives from both companies as a sign of parity in power / Options: Merger with a company incorporating another company or Combination merger: fusion of two companies into a new corporation / Legal aspects according to the Swiss Merger Act: Continuity of membership: shareholders of transferring company receive shares and membership rights in absorbing company, Universal succession: transfer of all assets and liabilities of the transferring company to absorbing company, Dissolution without liquidation: cancellation of transferring company by conversion into absorbing company / **Acquisition :** Acquisition of a company or a part of a company → Types: minority interest (<50%), majority interest (> 50%) or full takeover (100%) / Options: Share Deal: transfer of company shares (transfer of assets,liabilities, rights and duties) or Asset Deal: transfer of company assets (real estate, equipment, inventories, accounts receivable, patents, trademarks, as well as possibly staff) / friendly-takeover: cooperative solution regarding mgmt. structure, unfriendly = no involvement of the executive board of the acquired company in acquiring company

M&A transaction directions: Horizontal: companies active in the same stage of the value chain / Vertical: companies active in earlier or later stages of the same value chain / Lateral: active in different value chains or industries

O/T M&A: Opportunities: increase market share, unique technology, longer value chain, immediate access to knowledge, synergies in procurement & sales, create market entry barriers, large customer base / Threats: cultural differences, intensified risks (integration take time & costs, market may change) can management work together, high costs, lose independence, cartel authorities (concentration)

Stabilisation strategies: Securing of the current position of a company / Main objective: risk reduction and preparation of a growth or divestment initiative

Divestment strategies: In the context of growing importance of shareholder value the cross-subsidisation of unprofitable business units is prohibited / Reasons: Stagnation of demand, Insufficient profit or loss, Offer of a potential buyer, Reduction of overcapacities, Improving liquidity and reducing debt, Focus on core competences / Barriers: Purchase offer lower than actual value, Costs due to social compensation plans and payments, Resulting tax duties, Loss of economies of scope, Traditional ties to company, Image loss /Modes: Management buy-out: sale of a company or certain parts of a company to current management (if interested)/ Spin-off: sale of shares of previously released and legally dissolved parts of a company / Sell-off: sale of a part of a company to an external buyer / Closure: termination of all activities of a company or a part of a company

Exit costs / Exit duration	Long:	Short:
Relatively low:	Reduction of market barriers to exit	Fast sale ("Liquidation")
High:	Harvesting	Closing of activities

Business strategies

Scope of market / Strategic advantage	Low-cost:	Uniqueness of products:
Broad:	Overall cost leadership	Differentiation
Narrow:	Focus	

Overall cost leadership: Achievement of a comprehensive cost advantage over competitors in entire industry / Requirements: standardised product development, purchasing of low cost parts, mass production and standardised distribution / Cost reduction based on experience curve effects and economies of scale with increasing market share leads to growing market power / Risks: potential threat of a price war and lack of preferences on customer side / **Differentiation (USP based)**: Offering a product with unique features / Differentiation through high quality, innovative technology, excellent customer service, attractive product design, additional services, product and provider reputation, etc. / Costs and price are not negligible, however, they do not represent any decisive strategic success factor / Risks: high financial requirements for market research, brand and image building and customer care / Key drivers: Product Design, R&D, Customer Service, Sales, Quality, Innovation, Swissness / **Focus**: Fulfillment of specific customer needs in clearly defined market niches with respect to certain customer groups, products or regions / Options: cost leadership and differentiation / Achievement of high customer loyalty by considering the individual needs of the customers / **Hybrid ("Stuck in the middle")**: Today's competitive conditions require a situation-appropriate combination of cost and quality leadership: high quality is nowadays expected & significant price differences for similar products are not tolerated anymore / Options: sequential: first standard established, second shift towards cost leadership OR cost leader changes to differentiation by offering added value to customers / simultaneous: Simultaneous pursuit of overall cost leadership and differentiation ("Value for money" image, e.g. IKEA and Aldi)

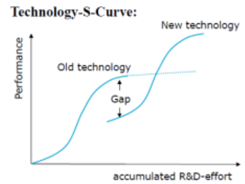
Functional strategies

Development of performance potentials to achieve the business strategies

Procurement strategies: Procurement supplies the value creation process of a company with all required goods and services / Sourcing strategies: Supplier related (Single Sourcing, Multiple Sourcing), Area related (Local Sourcing, Global Sourcing), Object related (Element Sourcing, Modular Sourcing), Supply chain management / **Production strategies**: Production means value creation by processing raw materials and parts using human labor and industrial facilities. Flexible manufacturing: Processing an extensive range of manufacturing orders with variable lot sizes / Increase of flexibility and productivity, e.g. platform strategy in the automotive industry / Flexible manufacturing systems based on interconnected processing centers / Cell production including delegation of decision-making responsibilities to production teams / Lean production: Combining advantages of flow production (high productivity and low cost per unit) with the advantages of workshop production (high quality and flexibility)

Marketing strategies; Marketing means a market oriented management, in which all business functions are consequently oriented towards the requirements of the market. / Strategies: Product market expansion, Market stimulation policies (preference, price-volume), Market segmentation strategies (undifferentiated, differentiated, concentrated), Geographical expansion / Customer relationship management: Process of focusing on the customer needs and satisfaction / Acquiring customers, supporting them and improving their loyalty / Combination of all available customer-related data in one CRM tool / Main objective: sustainable improvement of customer loyalty to reach high customer profitability / **Finance strategies**: The strategic oriented finance management includes all tasks of developing and ensuring the financing potential of a company. / Tasks: Optimisation of capital and transaction costs, Minimisation of exchange and interest rate risks, Maximisation of earnings from capital investments / Important aspects: Strategic portfolio management, Going public (IPO = initial public offering), Investor relations, Cash management / **HR strategies**: Human resources management serves to meet the requirements of the company regarding its staff and to further develop the individual potential of the employees. / Recruitment, personnel development and incentive strategies considering: Competences ("Can"), Willingness ("Want"), Requirements linked to the business function, Requirements linked to the hierarchical level, Requirements linked to the geographical area

Technology strategies: Technology represents the entire knowledge about procedures, methods and techniques applied or sold by a company. / Innovation strategies: First mover / Imitation strategies: Early follower, Late follower

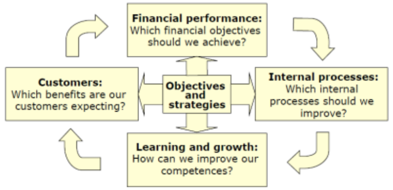


Pro: high know-how of employees, innovative corporate culture, outside/inside approach for ideas (set standards, protection of IP, develop market, lots of ideas for future) / Con: teething troubles, "me-too" copies for lower price, know-how loss through fluctuation, product piracy, high R&D costs / Measures to reduce risk: Patents, CRM system, measurement of personal fluctuation rate

Strategy implementation

Strategy implementation includes all activities that are necessary to realise a strategy.

Conceptual structure:



Businessplan: Documentation of the strategic planning covering a time horizon of 3 to 5 years (next year in detail, following years roughly) / Purpose: Detailed documentation of the planned strategies for the top management • Information and motivation for all employees • Decision basis for the financial commitment of shareholders and banks /

Balanced scorecard: Support of strategy formulation, implementation and control / Apart from the financial performance the concept includes the following three perspectives: Customers, Internal processes, Learning and growth

Approach: Formulation of specific objectives for each perspective, Determination of suitable indicators (not more than 20: "Twenty is plenty"), Development of specific measures and initiatives, Controlling of target achievement / **BSC Indicators**: Financial performance: Sustainable increase in shareholder value, Increase in revenues, Increase in profitability, Reduction of costs, Reduction of capital requirements / Customers: Increase of customer satisfaction, Increase of customer loyalty, Improvement of corporate image, Improvement of responsive supply / Internal processes: Increase in number of initiated innovation projects, Reduction of time needed for new product development, Improvement of cycle time in production, Reduction of rework rate / Learning and growth: Improving qualification level of employees, Increasing creativity of employees, Increasing satisfaction of employees, Improving staff loyalty

Advantages:	Disadvantages:
• Holistic concept for the implementation of a value-based management • Intensive internal communication process • Visualisation of the cause-effect relationships • Feedback from strategy implementation for strategy formulation	• Difficulties in developing adequate indicators, in particular for the learning & growth perspective • Resource-intensive

Employee view for BSC: Pro: information about goals and vital processes, put personal objectives and strategy into practice → motivation

Con: makes everything transparent (bad if you are not a good employee), lose bonus when you don't reach target, even if it's not your fault

Risks; different views of departments → misunderstanding, wrong goals, wrong motivation for employees when they already reached target, focus on only 20 indicators