(LO5) **Define the concepts of "strategy" and "strategic management".** A firm's strategy is a theme to guide and unify action in organizations. It is concerned with the achievement of a strategic position that is unique and valuable (as defined). (LO6) **Understand the importance of strategic management for organizational success.** To be successful in the long run, companies must not only be able to execute current activities to satisfy existing market, but they must also adapt those activities to satisfy new and changing markets. Organizations that engage in strategic management generally outperform those that do not (LO7) **Know the stages & elements involved in strategic management of organizations.** Strategic management consists of four basic elements: environmental scanning, strategy formulation, strategy implementation; and evaluation and control.	

3. Lecture 5 Content

- Notes Cover:
    - Lecture 5: Business Ethics, CSR and Sustainability

3.1 Friedman's view vs. Carroll's view

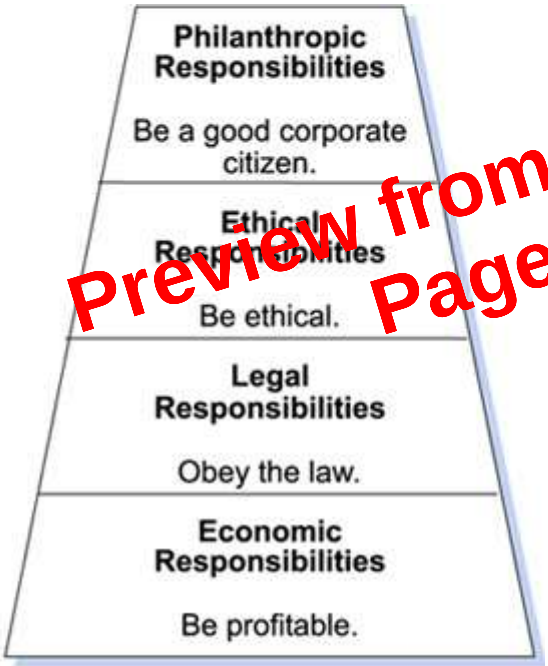
- Corporate social responsibility (CSR) is the commitment by organisations to 'behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large'.
- CSR is a **voluntary** firm action.

Friedman's View

- Friedman argued against social responsibility.
- He stated the primary goal of business is profit maximization, not spending shareholder money for the general social causes.
- Business's only have economical responsibilities.

Carroll's View

- Carroll, however, insisted a corporation has four types of responsibilities.



1. **Economic responsibility**: To be profitable.
2. **Legal responsibility**: To obey the laws set forth by society.
3. **Ethical responsibility**: That is to do what is right even when business is not compelled to do so by law.
4. **Philanthropic responsibility**: Best described by the resources contributed by corporations toward social, educational, recreational and/or cultural purposes.

5. Lecture 7 Content

- Notes Cover: Lecture 7 - Internal Analysis

5.1 Resources & Capabilities & Competencies

- Resource: Are productive assets.
- Capability: Capacity to deploy resources for a desired outcome.

Resources

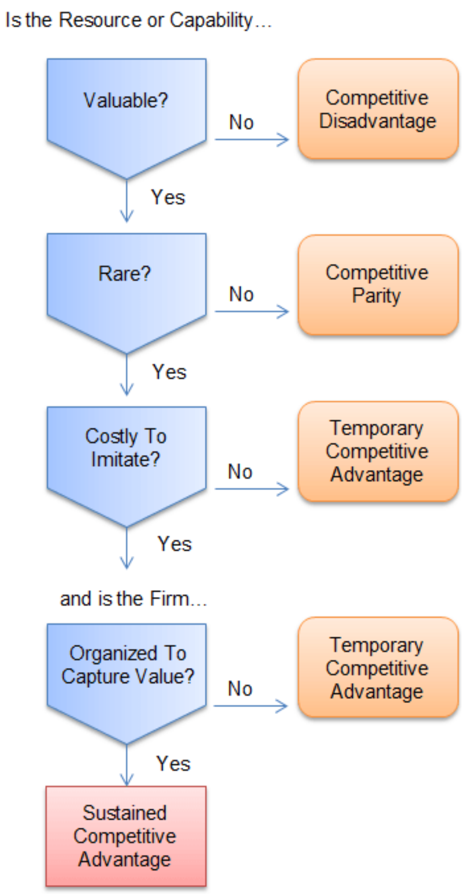
- Types of resources:
  1. Tangible:
     - Tangible resources are assets that have a physical form.
     - Tangible assets increase a company's market value.
     - Examples: Equipment, cash on hand, inventory etc.
  2. Intangible:
     - Intangible assets lack a physical form.
     - Essential to the continued operation of a company.
     - Examples: Contacts, copyright, brand name etc.

Capabilities & Competencies

- Competency refers to the ability of a firm to carry out an activity well.
- Competency resides in people in the firm and not in physical assets.
- A firms capability is either:
  1. **Core**: A Core competency is an activity central to a firm's profitability and competitiveness that is performed well by the firm.
  2. **Distinctive**: A distinctive competency is a competitively valuable activity that a firm performs better than its competitors. These provide the basis for competitive advantage.

5.2. Barney's VRIO Framework

- VRIO framework is the tool used to analyze firm's internal resources and capabilities to find out if they can be a source of sustained competitive advantage.
- VRIO analysis stands for four questions that ask if a resource is:
  1. **V**aluable?
  2. **R**are?
  3. Costly to **I**mitate?
  4. And is a firm **o**rganized to capture the value of the resources?
- A resource or capability that meets all four requirements can bring sustained competitive advantage for the company.



5.3 Value chain analysis

- Tool used to analyze internal firm activities.
- **Primary goal**: To recognize, which activities are the most valuable (i.e. are the source of cost or differentiation advantage) to the firm and which ones could be improved to provide competitive advantage. In other words, by looking into internal activities, the analysis reveals where a firm's competitive advantages or disadvantages are.
- **Example**: If a company competes through cost advantage, it will try to perform internal activities at lower costs than competitors would do. When a company is capable of producing goods at lower costs than the market price or to provide superior products, it earns profits.

Learning Objectives
Lecture 7: Internal Analysis

(LO1) **What are resources, strategic capabilities, and competences and how do they link to competitive advantage (VRIO/VRIN/VRIND criteria)?**
Firm's resources are productive assets (three types). Firm's capabilities are what the firm can do with the resources at hand. They can be core and/or distinctive. VRIO/VRIN/VRIND frameworks are used to assess firm's competitive advantage and how it can be sustained. Only these VRIND R&C are relevant to strategic management. The process of appraising R&C is composed of 3 steps:

1. Identify key R&C
2. Appraise
3. Develop strategy implications

(LO2) **Identifying and analysing strategic capabilities using the value chain framework.**
A Value Chain is a full set of value-creating activities; it is used to identify R&C needed to deliver key success factors:

- Primary activities: logistics, operations, marketing and sales, service
- Support activities: firm infrastructure, HR, Technology, Procurement