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Creation of Value – Basics of Strategy

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Defining Entrepreneurship

- ✦ Entrepreneurship: Creating something out of nothing; value creation. Seeking for opportunities without considering resources at hand.

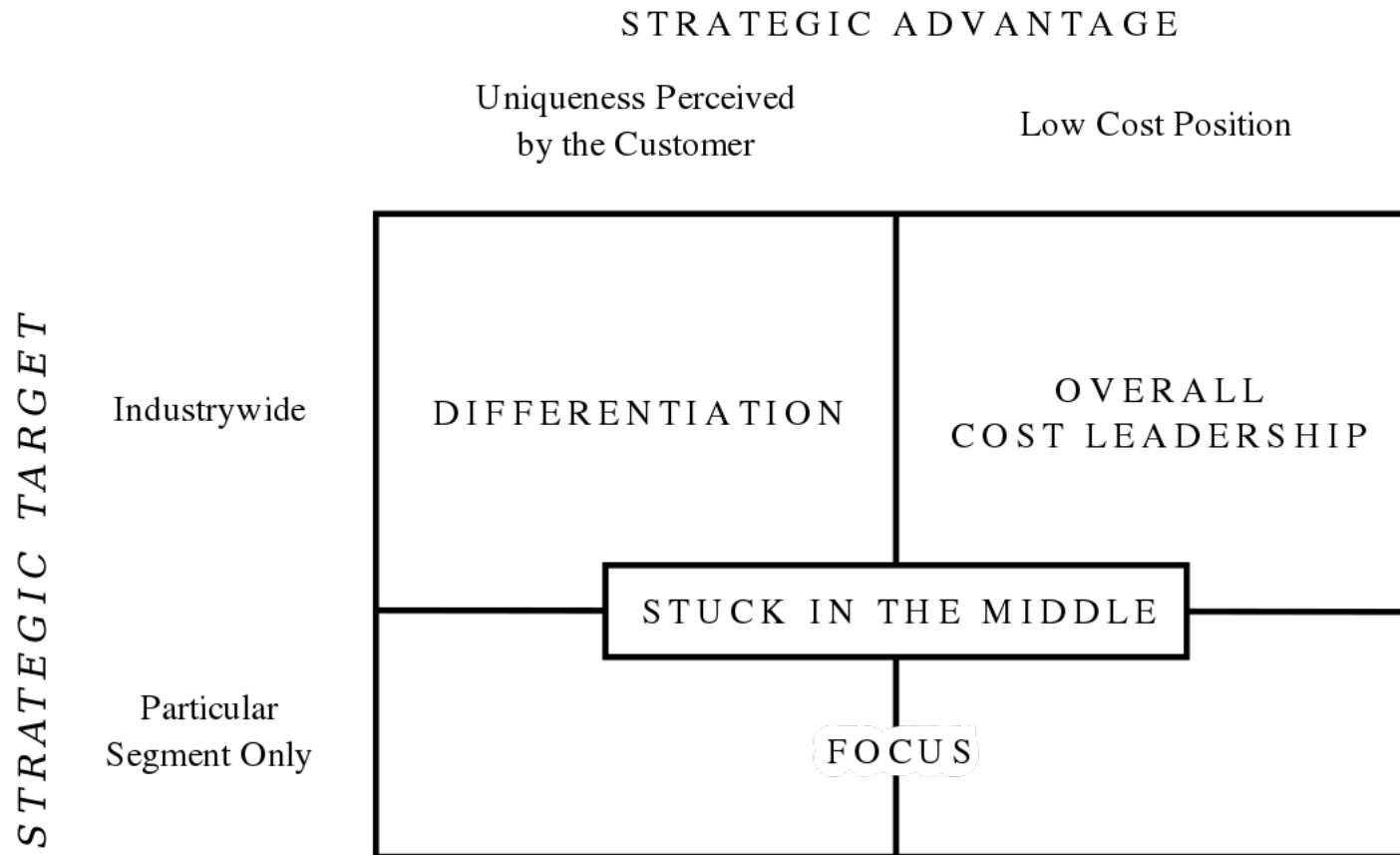


CREATION OF VALUE

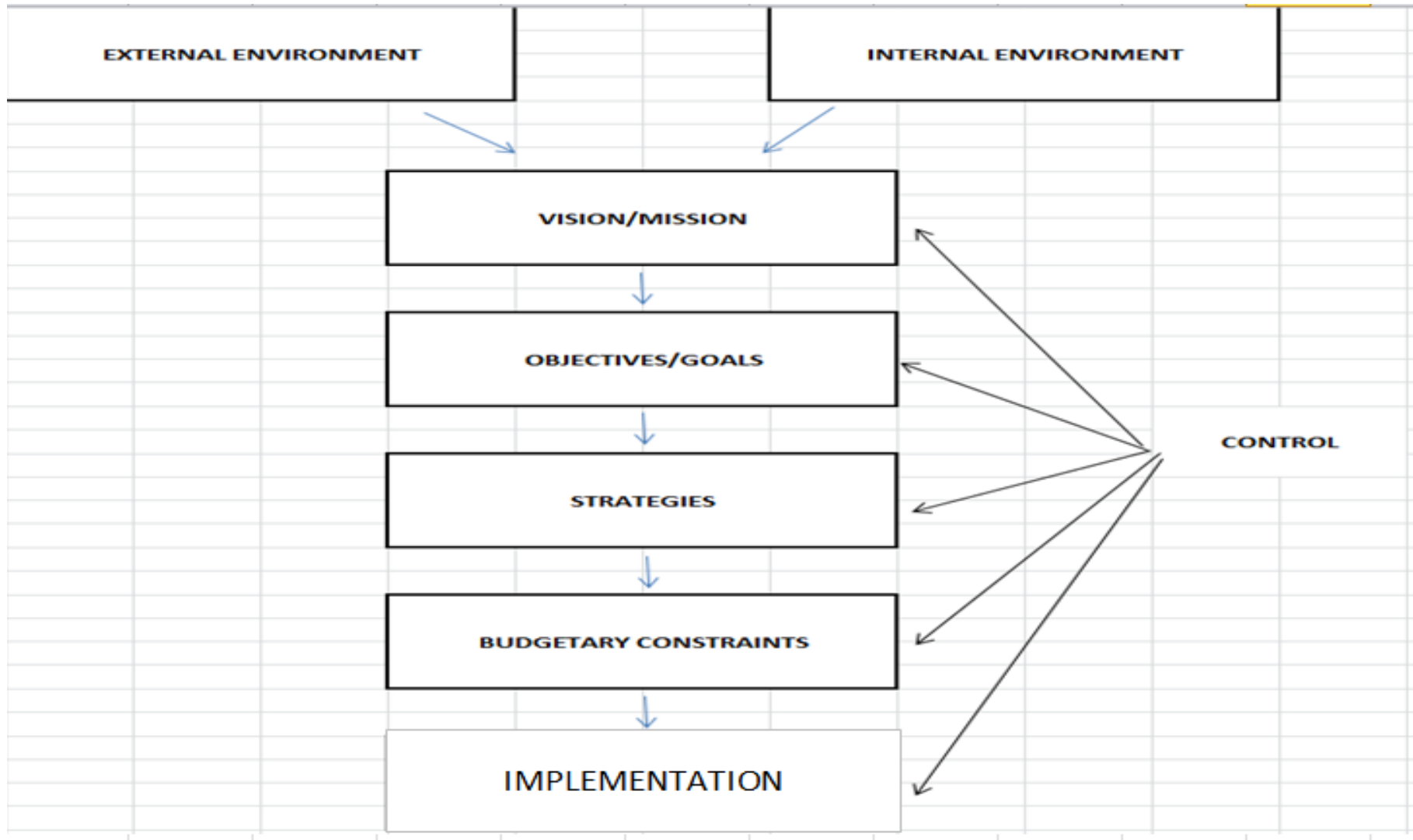
$$\textit{Perceived Value} = \frac{\textit{Utility}}{\textit{Price}}$$



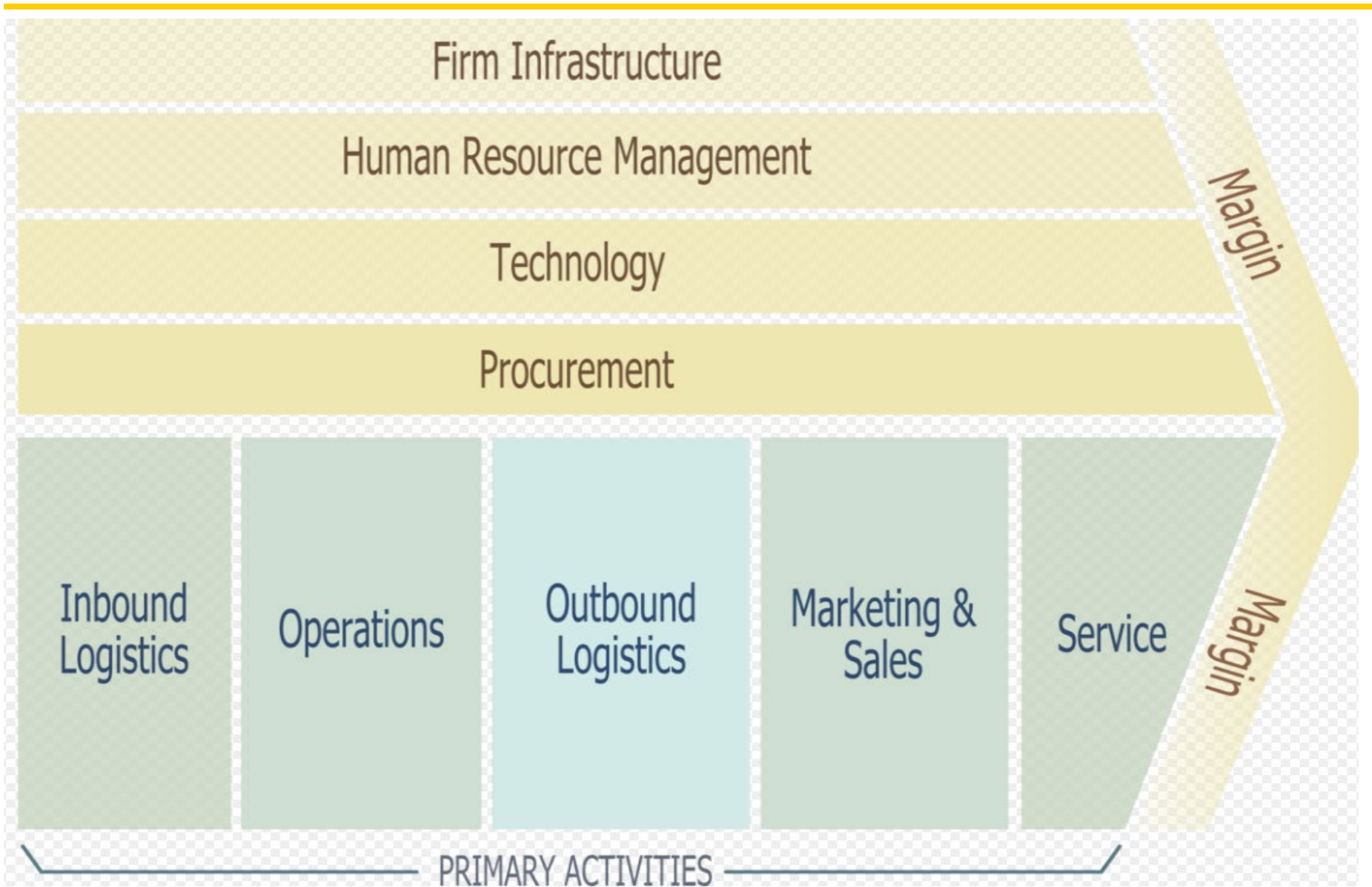
CREATION OF VALUE (PORTER)



STRATEGIC MANAGEMENT PROCESS

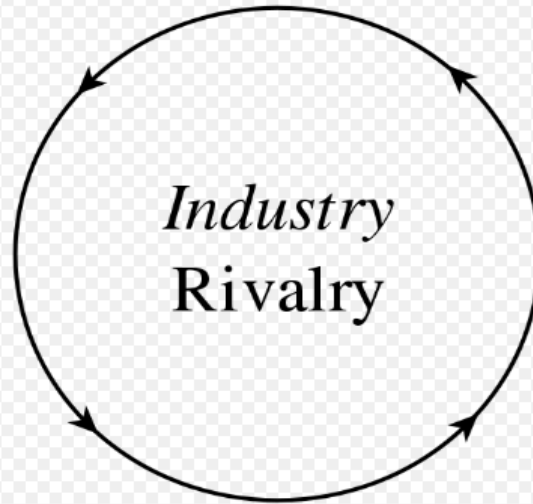


VALUE CHAIN (PORTER, 1985)



INDUSTRY ANALYSIS (Porter, 1979)

Bargaining Power of *Suppliers*



Threat



of *New Entrants*

Threat



of *Substitutes*



Bargaining Power of *Buyers*

CREATION OF VALUE



CREATION OF VALUE



✦ Steering

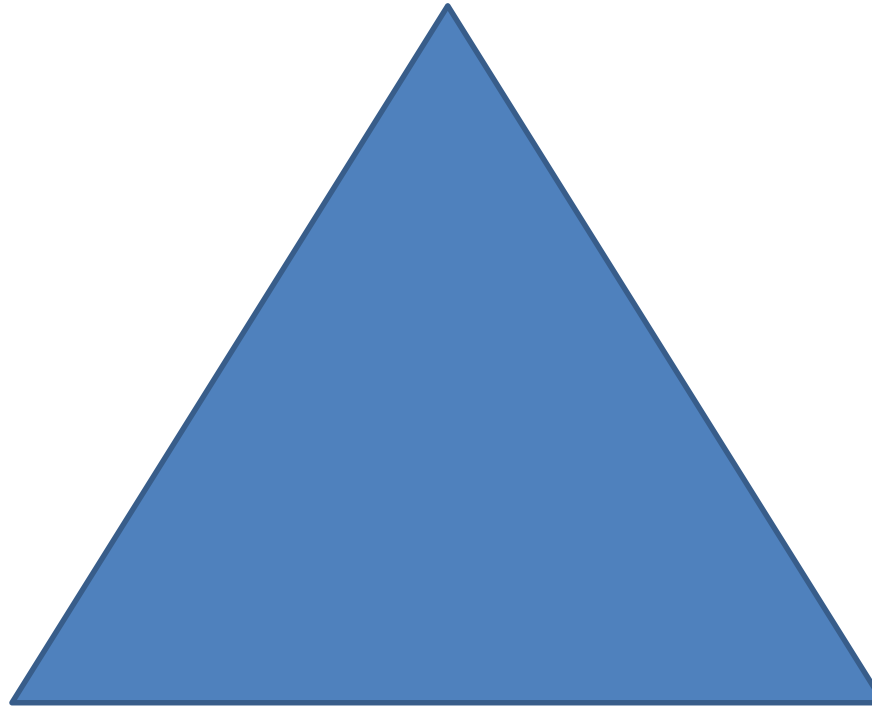
✦ Accelerating

✦ Braking



PRESERVING VALUE

SHAREHOLDERS (owners)



TOP MANAGEMENT TEAM
Chiefs, duality

BOARD OF DIRECTORS
Insiders, Outsiders,
Independents



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DO EXECUTIVES MATTER?



WHAT DO THEY DO?

MINTZBERG'S 3 MAIN ROLES OF MANAGEMENT?

1. INTERPERSONAL ROLES
2. INFORMATIONAL ROLES
3. DECISION ROLES

INTERPERSONAL ROLES?

1. FIGUREHEAD
2. LEADER
3. LIAISON

INFORMATIONAL ROLES?

1. MONITOR
2. DISSEMINATOR
3. SPOKESMAN

DECISIONAL ROLES?

1. ENTREPRENEUR
2. DISTURBANCE HANDLER
3. NEGOTIATOR
4. RESOURCE ALLOCATOR

• FUNCTIONS OF MANAGEMENT

- PLANNING
- ORGANIZING
- LEADING
- CONTROLLING

DO EXECUTIVES MATTER?

- DOUBTFUL VIEW

- Population Ecology Theory
- Institutional Theory
- Empirical Evidence

- POSITIVE VIEW

- Evidence of Leadership
- Evidence of Executive Effects
- Empirical Evidence



DO EXECUTIVES MATTER?

IT DEPENDS!!!!



DO EXECUTIVES MATTER?

DISCRETION

– ENVIRONMENTAL CHARACTERISTICS

- Market Growth (+), Demand Instability (+), Powerful Outside Forces (-)

– ORGANIZATIONAL CHARACTERISTICS

- Size (-), Age (-), Resource Availability (+), Powerful Inside Forces (-)

– MANAGERIAL CHARACTERISTICS

- Commitment to Status Quo (-), Tolerance for Ambiguity (+), Internal Locus of Control (+)



THEORIES

- **AGENCY THEORY**
- **EQUITY THEORY**
- **REINFORCEMENT THEORY**



HOW TO PAY THEM

– THREE MISTAKES

- Paying too much, Paying too little, Paying the wrong way
- Too late

– HOW TO PAY THEM

- Pay for performance
- Your win is their win
 - Salary
 - Bonus
 - Stock options/Plan
 - Long term equity plans



GIVE BACK TO THE SOCIETY

- *LICENSE TO OPERATE*
 - Corporations exists within a society
 - Contractual view
- *CORPORATE SOCIAL RESPONSIBILITY*
 - Politics
 - Opportunity
- *SUSTAINABILITY*
 - Profit, People, Planet



THANK YOU!!!!!!!



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