
Business Policy and Strategic Management—An Introduction

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LEARNING OBJECTIVES

- To understand the purpose of business policy and strategic management.
- To apply the concept of competitive advantage.
- To recognize multiple perspectives on organizations, and their implications for strategic management.
- To gain insights into basic elements that tie multiple perspectives.
- To learn why some firms are able to sustain their competitive advantage, while others find it difficult to do so.

INTRODUCTION

Why are some businesses successful, while so many others fail? Why do some businesses enhance and sustain their performance over time, while others experience erosion in their competitive position? These questions are at the heart of business policy and strategic management. Their answers require a firm to act, activate, and move fast to attain and sustain competitive advantage. *Competitive advantage* is attained when a firm generates supernormal returns on its investments, by offering services of value, and using a cost-effective technological base. Competitive advantage is sustained when the firm appropriately exploits and develops its technological base, thereby avoiding erosion of its competitive position from competitive attacks and changes in the market preferences.

Business policy refers to a set of management decisions oriented towards enhancing and sustaining the firm's competitive advantage based on a system of extrinsic and intrinsic values. *Extrinsic values* refer to the added values that a firm delivers or expects to deliver to the network of its stakeholders, such as the workforce, investors, customers, vendors, collaborators, and the community. *Intrinsic values* refer to the core values, such as ethics and credibility, that a firm has