

5.18: Points to Remember

1. Every company has a *core domestic strategy*, although it may not always be explicitly articulated.
 2. A *business model* is therefore simply a description of how a company does business. It describes who its customers are and how it reaches them and relates to them (*market participation*); what a company offers its customers (*the value proposition*); with what resources, activities, and partners it creates its offerings (*value chain infrastructure*); and, finally, how it organizes its operations (*implementation model*).
 3. Competitive advantage is increasingly achieved through focused and innovative business models.
 4. Crafting a global strategy is about deciding how a company should change or adapt its core (domestic) business model to achieve a competitive advantage as the firm globalizes its operations.
 5. A business model is shaped by a company's underlying value creation strategy or *value discipline*. A value discipline is a statement of strategic focus and provides a context for a company to set its corporate vision and objectives, to target its most profitable customers, and to focus and align its activities.
 6. Three generic value disciplines are *operational excellence*, *customer intimacy*, and *product leadership*. A strategy of *operational excellence* is defined by a relentless focus on providing customers with reliable products or services at competitive prices and delivered with minimal difficulty or inconvenience. A focus on *customer intimacy*, the second value discipline, means segmenting and targeting markets precisely and then tailoring offerings to match exactly the demands of those niches. And *product leadership*, the third discipline, means offering customers leading-edge products and services that consistently enhance the customer's use or application of the product, thereby making rivals' goods obsolete.
 7. Choosing a value discipline and selecting a particular set of customers to serve are two sides of the same coin.
 8. Companies that push the boundaries of one value discipline while meeting industry standards in the other two often gain a significant lead—one that competitors have difficulty overcoming.
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