Contact details

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Let us play a quick marketing game

Quick task for warming up ….

- **If YOU were a well known brand which would that be?**
- **Which positive sides do you have/ which negative ones?**

… 3 minutes to prepare.

Adidas –

- German quality
- Always a step ahead in technology
- Intelligent and successful
- Not cheap but affordable
- One of the best in his field ☺
- Down-to-earth, cheerful
- BIG Ego (Self-confident)

Business Policy

"Without Business Policy and Strategy, an organisation is like a ship without rudder, going around in circles. It's like a tramp; it has no place to go"

Business Policy

"Business policy is study of the function and responsibility of Senior Management. The crucial problems that affect the success of the in the whole organisation and the decisions that determine the direction of the organisation and shape its future."

Evolution of Business Policy as discipline.

Origin – 1911- Harvard Business School – Integrated Course in Management aimed at providing general management capability.

Development of subject of Business Policy has always followed the demands of real life business.

1930 -1960: Environment change: New Products:

Continuously changing market: Ford Foundation recommended a **“Capstone”** course of Business Policy which would give the students an opportunity to pull together what they have learned in the separate business fields and utilise this knowledge in the analysis of complex business problems.

~1990: The course has become an **integral part of management education** curriculum.

Evolution of Business Policy has undergone four Paradigms

Paradigm One: Ad-hoc Policy – making.

1900 -1930: Era of Mass Production – Maximising output, normally a Single Product, Standardised and low cost product, catering to unique set of customers servicing limited geographical area – Informal control and co-ordination. The Strategic planning was centered on maximising output.

Paradigm Two – Integrated Policy Formulation.

1930-1940: Changes in Technology, Turbulence in Political environment, emergence of new industries, demand for novelty products even at higher costs, product differentiation, market segmentation in increasingly competitive and changing markets. These all made investment decisions increasingly difficult. This was era of integrating all functional areas and framing policies to guide managerial actions.

Evolution of Business Policy has undergone four Paradigms

Paradigm Three – The Concept of Strategy.

1940- 1960: Planned policy became irrelevant due to increasingly complex and accelerating changes. Firms had to **anticipate** environmental changes. A strategy needed to be formed with critical look at basic concept of Business and its relationship to the existing environment then.

Evolution of Business Policy has undergone four Paradigms

<u>Paradigm Four – The Strategic Management.</u>

1980 & onwards: The focus of Strategic Management is on the strategic process of business firms and responsibilities of general management.

Everything out side the four walls is changing rapidly and this phenomenon is called as <u>"Discontinuity"</u> by Mr. Peter Drucker. Past experiences are no guarantee as science and technology is moving faster. The future is no more extension of the past or the present.

What to produce, where to market, which new business to enter, which one to quit and how to get internally stronger and resourceful are the new stakes.

Strategic Planning is required to be done to endow the enterprise with certain fundamental competencies / distinctive strengths which could take care of eventualities resulting from unexpected environmental changes.

Core concept of Strategy:

A company's concept of Strategy consists of the competitive moves and business approaches that managers employ to attract and please customers, compete successfully, grow the business, conduct operations and achieve targeted objectives.

Core concept of Strategy:

Military Origins of Strategy: Strategy is a term that comes from the Greek Strategia, meaning "Generalship." In the military, strategy often refers to manoeuvring troops into position before the enemy is actually engaged. In this sense, strategy refers to the deployment of troops. Once the enemy has been engaged, attention shifts to tactics. Here, the employment of troops is central.

- Military origins of strategy are century old. It seems sensible to begin our examination of strategy with the military view.
- Substitute "resources" for troops and the transfer of the concept to the business world begins to take form.
- Strategy also refers to the means by which policy is effected, As per “Clauswitz” the war is the continuation of political relations via other means.

Core Concept of Strategy

A company's Strategy consists of the competitive moves and business approaches that managers employ to attract and please customers, compete successfully, grow the business, conduct operations and achieve targeted objectives.

Crafting and Executing Strategy

WIUU BBA Business Policy

Structure and Organization

Concepts and Techniques for Crafting and Executing Strategy

Introduction and Overview		Concepts and Tools	Crafting a Strategy		Executing the strategy
What is Strategy and Why Does it Matter?	The Managerial Process of Crafting and Executing Company Strategies	Concepts and Analytical Tools for Evaluating a Company's Situation	Tailoring Strategy to Various Company Situations	Should Company Strategies Be Ethical and/or Socially Responsible?	Managerial Keys to Successfully Executing the Chosen Strategy.

Structure and Organization

Concepts and Techniques for Crafting and Executing Strategy

today's focus

Introduction and Overview

Concepts and Tools

Crafting a Strategy

Executing the strategy

What is Strategy and Why Does it Matter?

The Managerial Process of Crafting and Executing Company Strategies

Concepts and Analytical Tools for Evaluating a Company's Situation

Tailoring Strategy to Various Company Situations

Should Company Strategies Be Ethical and/or Socially Responsible?

Managerial Keys to Successfully Executing the Chosen Strategy.

1. What Is Strategy and Why Is It Important?

1.1 What do we mean by strategy?

CORE CONCEPT

A company's strategy consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted levels of organizational performance.

What do we mean by strategy?

<u>A Company's strategy is all about:</u>

- How management intends to grow the business
- How it will build a loyal clientele and outcompete rivals
- How each functional piece of the business (research and development, supply chain activities, production, sales and marketing, distribution, finance, and Human resources) will be operated
- How performance will be boosted.

Strategy and the Quest for Competitive Advantage

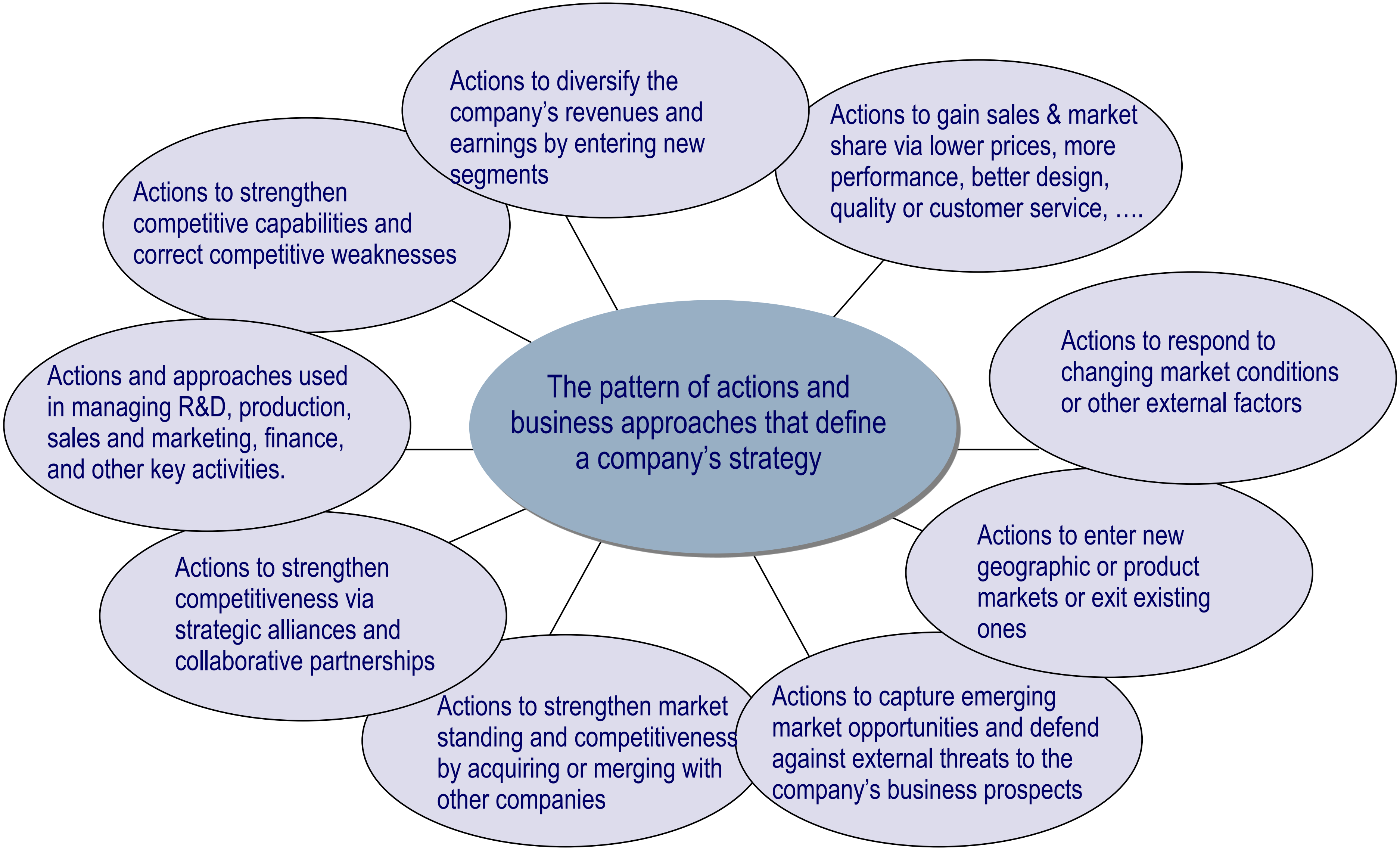
CORE CONCEPT

A company achieves sustainable competitive advantage when an attractive number of buyers prefer its products or services over the offerings of competitors and when the basis for this preference is durable.

4 of the most frequently used strategic approaches

1. Striving for being the industry's low cost provider
2. Creating a differentiation-based advantage keyed to such features as higher quality, wider product selection, added performance, value-added services more attractive design, technological superiority, or unusually good value for the money.
3. Focusing on serving the special needs and tastes of buyers comprising a narrow market niche.
4. Developing expertise and resource strengths that give the company competitively valuable capabilities that rivals can't easily match, copy, or trump with substitute capabilities.

Identifying a company's strategy – what to look for

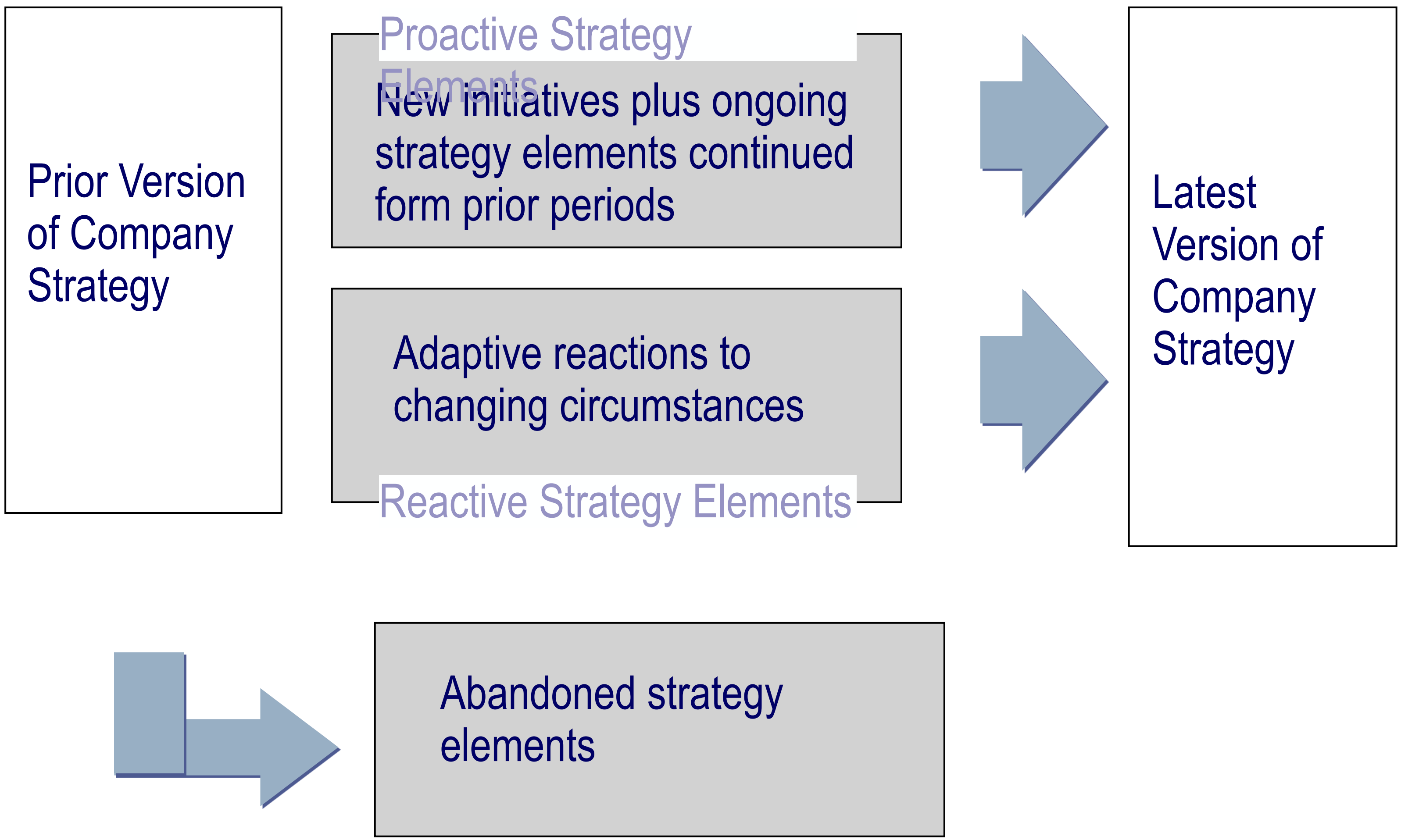


Why a Company's Strategy Evolves over Time

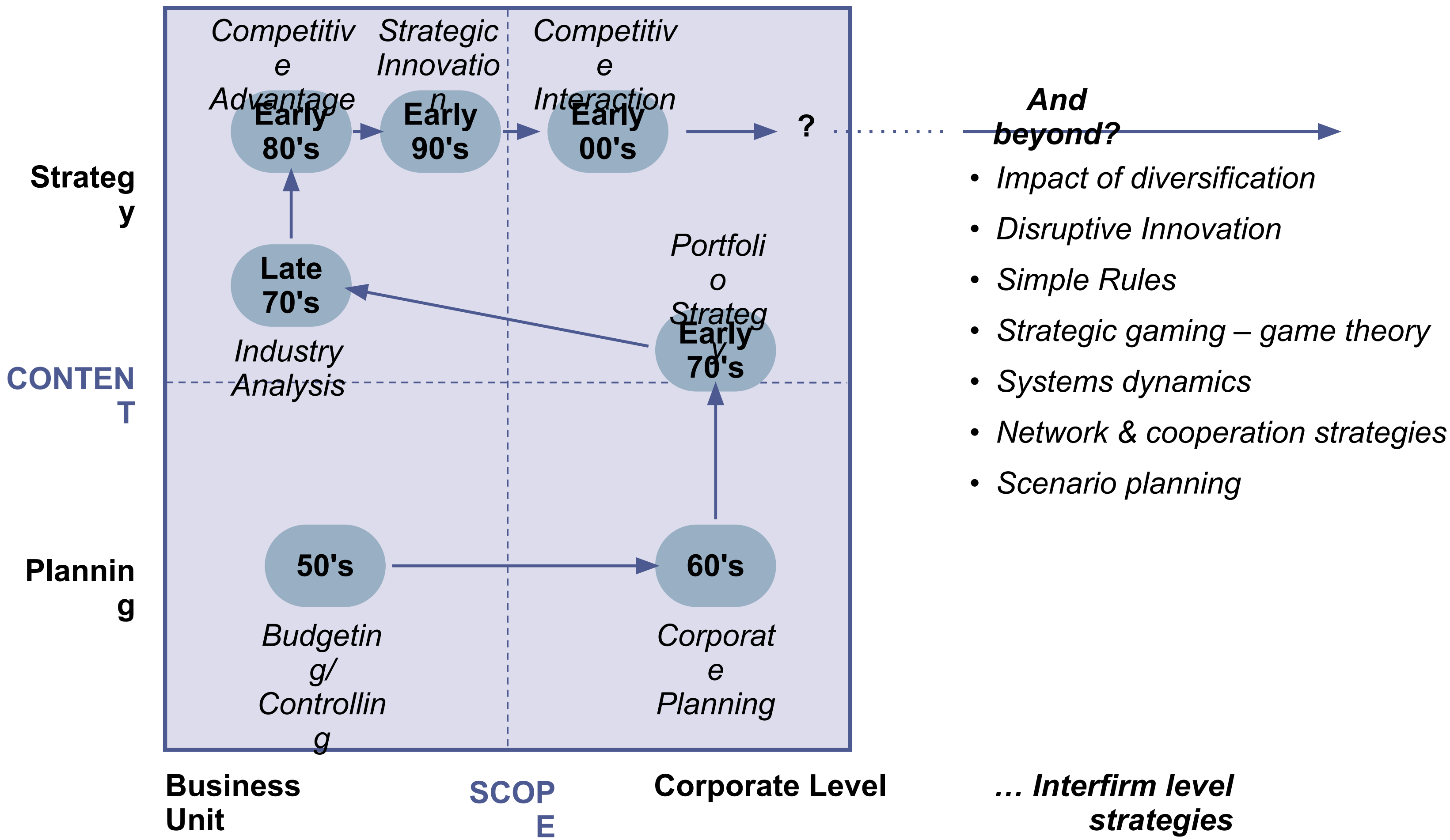
CORE CONCEPT

Changing circumstances and ongoing management efforts to improve the strategy cause a company's strategy to evolve over time – a condition that makes crafting a strategy a process, not a one-time event.

A Company's strategy is redefined constantly



Recently there has been a shift towards the corporate strategic level in academia – Adaptation of interdisciplinary approaches



1. What Is Strategy and Why Is It Important?

1.2 Strategy & Ethics: Passing the test of moral security?

CORE CONCEPT

Ethics go beyond legality: to meet the standard of being ethical, a strategy must entail actions that can pass moral scrutiny in the sense of not being shady, unconscionable, or injurious to others or unnecessarily harmful to the environment.

1.2 Strategy & Ethics: Passing the test of moral security?

To discuss:

CAN BUSINESS ETHICS BE AN ELEMENT OF COMPETITIVE ADVANTAGE?

DO YOU SEE DIFFERENCES BETWEEN WESTERN EUROPE & UKRAINE?

Just keeping a company's strategic actions within the bounds of what is legal does not mean the strategy is ethical.

1. Ethical and moral standards are not governed by what is legal
2. Ethical behavior includes, but is not limited to corporate responsibility – in regards to community, environment
3. In many countries consumers care about companies ethics (!) e.g. KitKat from Nestle.

   http://www.nowpublic.com/environment/nestle-kit-kat-palm-oil-crisis-greenpeace-uses-facebook-youtube-2595022.html

1. What Is Strategy and Why Is It Important?

1.3 The Relationship between a company's strategy and its business model

CORE CONCEPT

A company's business model explains the rationale for why its business approach and strategy will be a moneymaker. Absent the ability to deliver good profitability, the strategy is not feasible and the survival of the business is in doubt.

Be clear on how to earn money (your Business Model)

1. Magazines: Generating sufficient subscription and advertising revenue to cover the costs of delivering their products to readers.
2. Razors (Gillette): Selling the razor at an attractively low price and then making money on repeat purchase of razor blades.
3. Printer Manufacturer: Selling printers at a low (virtually break-even) price and making large profits on the repeat purchase of printer supplies, especially ink cartridges.
4. Fitness Club:

1. What Is Strategy and Why Is It Important?

1.4 What makes a winning strategy?

CORE CONCEPT

A winning strategy must fit the enterprise's external and internal situation, build sustainable competitive advantage, and improve company performance.

3 questions to distinguish a winning strategy from a flawed:

1. How well does the strategy fit the company's situation?
2. Is the strategy helping the company achieve a sustainable competitive advantage?
3. Is the strategy resulting in better company performance?

1. What Is Strategy and Why Is It Important?

1.5 Why are crafting and executing strategy important?

Good Strategy + Good Strategy Execution = Good Management

Questions?

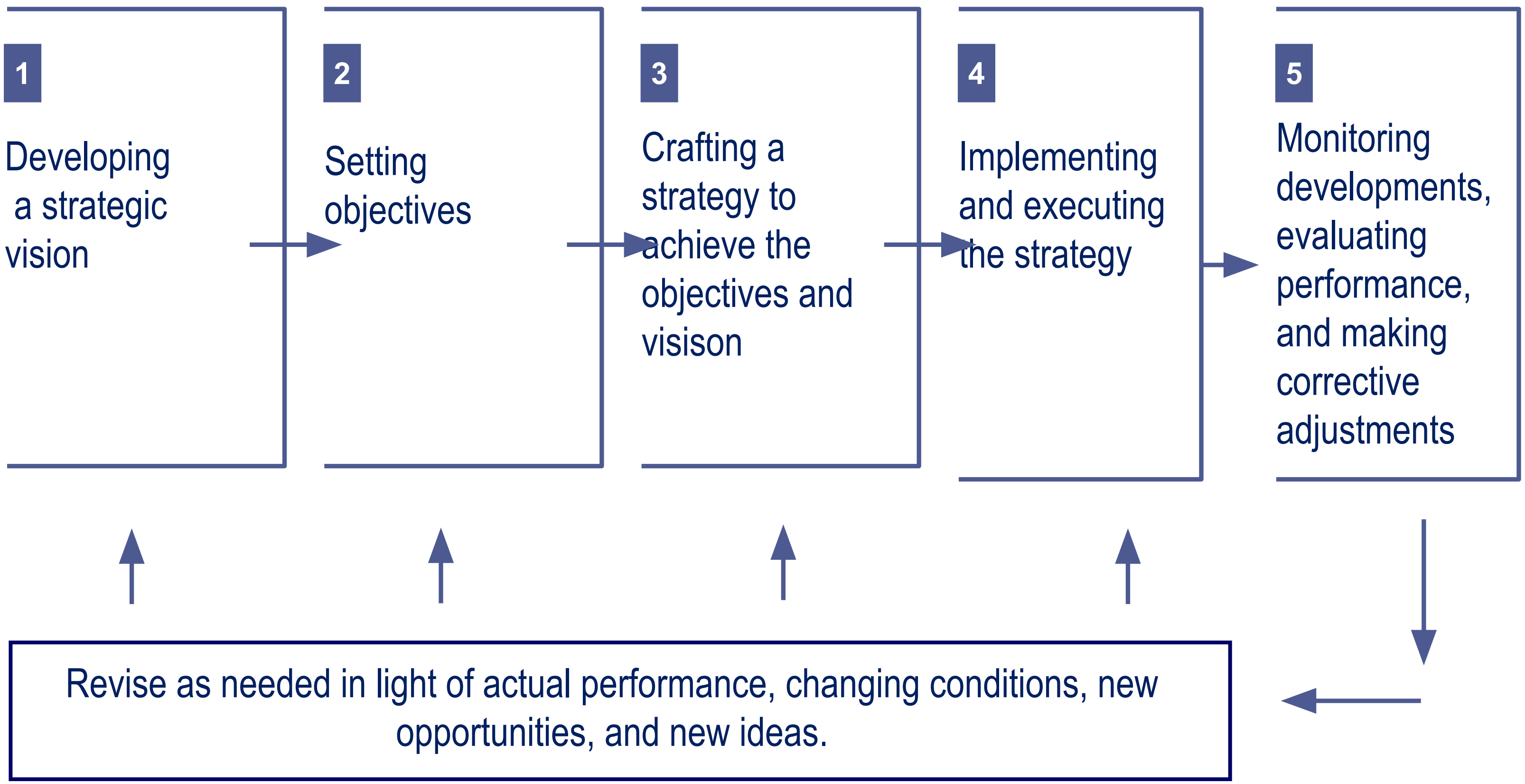
2. Leading the Process of Crafting & Executing Strategy

2.1 What does the strategy-making, strategy-executing process entail?

Process consists of five interrelated steps:

1. Developing a strategic vision of where the company needs to head and what its future product/customer/market/technology focus should be.
2. Setting objective and using them as yardsticks for measuring the company's performance and progress
3. Crafting a strategy to achieve the objectives and move the company along the strategic course that management has charted
4. Implementing and executing the chosen strategy efficiently and effectively.
5. Evaluating performance and initiating corrective adjustments in the company's long-term direction, objectives, strategy, or execution in light of actual experience, changing conditions, new ideas, and new opportunities.

The Strategy-Making, Strategy-Executing Process



2. Leading the Process of Crafting & Executing Strategy

2.2 Phase 1: Developing a Strategic Vision

CORE CONCEPT

A strategic vision describes the route a company intends to take in developing and strengthening its business. It lays out the company's strategic course in preparing for the future.

Factors to Consider in Deciding on a Company's Future Direction

External Considerations

- Is the outlook for the company promising if the company sticks with it's present product/market/customer/technology focus and strategic direction?
- Are changes under way in the competitive landscape acting to enhance or weaken the company's prospects?
- What, if any, new customer groups and/or geographic markets should the company get in position to serve?
- Are there any emerging market opportunities the company ought to pursue?
- Should we plan to abandon any of the markets, market segments, or customer groups we are currently

Internal Considerations

- What are our ambitions for the company – what industry standing do we want to have?
- Will our present business generate sufficient growth and profitability to please shareholders?
- What resource strengths does the company have that will aid its ability to add new products/services/ and/or get into new businesses?
- Is the company stretching its resources too thin by trying to compete in too many product categories or market arenas, some of which are unprofitable?
- Is the company's technological focus too broad or too narrow?

Characteristics of an Effectively Worded Vision Statement

Graphic	Paints a picture of the kind of company that management is trying to create and the market position(s) the company is striving to stake out.
Directional	Is forward-looking; describes the strategic course that management has charted and the kinds of product/market/customer/technology changes that will help the company prepare for the future.
Focused	Is specific enough to provide managers with guidance in making decisions and allocating resources.
Flexible	Is not a once-and-for-all-time statement – the directional course that management has charted may have to be adjusted as product/market/customer/technology circumstances change.
Feasible	Is within the realm of what the company can reasonably expect to achieve in due time.
Desirable	Indicates why the direction makes good business sense and is in the long-term interests of stakeholders (especially shareowners, employees, and customers).
Easy to communicate	Is explainable in 5-10 minutes and, ideally, can be reduced to a simple, memorable slogan (like Henry Ford's famous vision of "a car in every garage")

Common Shortcomings in Company Vision Statements

Vague or incomplete	Short on specifics about where the company is headed or what the company is doing to prepare for the future.
Not forward-looking	Doesn't indicate whether or how management intends to alter the company's current product/market/customer/technology focus.
Too broad	So inclusive that the company could head in most any direction, pursue most any opportunity, or enter most any business.
Bland or uninspiring	Lacks the power to motivate company personnel or inspire shareholder confidence about the company's direction or future prospects.
Not distinctive	Provides no unique company identity, could apply to companies in any of several industries (or at least several rivals operating in the same industry)
Too reliant on superlatives	Doesn't say anything specific about the company's strategic course beyond the pursuit of such lofty accolades as *best*, *most successful*, *recognized leader*, *global* or *worldwide leader*, or *first choice of customers*.

Examples

Vision Statement	Effective Elements	Shortcomings
eBay: Provide a global trading platform where practically anyone can trade practically anything.	Graphic Flexible Easy to communicate	Too broad
Caterpillar: Be the global leader in customer value.	Directional Desirable Easy to communicate	Vague or incomplete Could apply to many companies in many industries.

How a Strategic Vision Differs from a Mission Statement

The distinction between a strategic vision and a mission statement is fairly clear-cut: A strategic vision portrays a company's future business scope ("where we are going"), whereas a company's mission typically describes its present business and purpose ("who we are, what we do, and why we are here").

2. Leading the Process of Crafting & Executing Strategy

2.3 Phase 2: Setting Objectives

CORE CONCEPT

Objectives are an organization's performance targets – the results and outcomes management wants to achieve. They function as yardsticks for measuring how well the organization is doing.

Financial & Strategic objectives

CORE CONCEPT

Financial objectives relate to the financial performance targets management has established for the organization to achieve. Strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive vitality, and future business prospects.

Examples of financial & strategic objectives

Financial Objectives

- An x percent increase in annual revenues
- Annual increase in earnings per share of x percent
- Profit margins of x percent
- An x percent return on capital employed (ROCE) or return on equity (ROE)
- Bond and credit ratings of x

Strategic Objectives

- Winning an x percent market share
- Achieving lower overall costs than rivals
- Overtaking key competitors on product performance or quality or customer service
- Achieving customer satisfaction rates of x percent
- Deriving x percent of revenues from the sales of new products introduced within the past x years.

Financial & Strategic objectives

To discuss:

ARE FINANCIAL OBJECTIVES ENOUGH TO STEER THE BUSINESS?

Good Strategy + competitiveness = future performance

CORE CONCEPT

A company that pursues and achieves strategic outcomes that boost its competitiveness and strength in the market place is in much better position to improve its future financial performance.

Long term & short term targets needed

CORE CONCEPT

A company exhibits strategic intent when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

2. Leading the Process of Crafting & Executing Strategy

2.3 Phase 3: Crafting a Strategy

CORE CONCEPT

In most companies, crafting and executing strategy is a collaborative effort in which every manager has a role for the area he or she heads. It is flawed thinking to view crafting and executing strategy as something only high-level managers do.

Company's Strategy-Making Hierarchy

CEO
+ other senior executives

Corporate Strategy
The overall companywide game plan
for a managing a set of businesses

General Manager of Business
Unit + other key people

Business Strategy (one for each Businesses the company has)
- How to strengthen market position and
  gain competitive advantage
-Actions to build competitive capabilities

Head of functional areas
+ other key people

Functional area strategies within each business
- Add relevant detail to the hows of overall business strategy
- Provide a game plan for managing a particular activity in ways
  that support the overall business strategy

Operating Managers
e.g. Brand Manager

Operating strategies within each business
- Add detail and completeness to business and functional strategy
- Provide a game plan for managing specific lower-echelon activities
  with strategic significance

Strategic Vision + Objectives + Strategy = Strategic Plan

CORE CONCEPT

A company's strategic plan lays out its future direction, performance targets, and strategy.

2. Leading the Process of Crafting & Executing Strategy

2.4 Phase 4: Implementing & Executing the Strategy

Managing the strategy execution process includes the following principal aspects:

- Staffing the organization with the needed skills and expertise
- Allocating sufficient resources to activities critical to strategic success.
- Using the best-known practices to perform core business activities and pushing for continuous improvement.
- Installing information and operating systems that enable company personnel to do their jobs better and quicker.
- Motivating people to pursue the target objectives energetically
- Tying rewards and incentives directly to the achievement of performance objectives
- Crating a company culture and work climate supporting the strategy (chance)

2. Leading the Process of Crafting & Executing Strategy

2.5 Phase 5: Evaluating Performance

CORE CONCEPT

A company's vision, objectives, strategy, and approach to strategy execution are never final; managing strategy is an ongoing process, not an every-now-and-then-task.

2. Leading the Process of Crafting & Executing Strategy

2.6 Leading the Strategic Management Process

Leading the strategic management process calls for SIX actions of senior executives:

1. Staying on top of how well things are going
2. Making sure the company has a good strategic plan
3. Putting constructive pressure on organizational units to achieve good results and operating excellence
4. Pushing corrective actions to improve both the company's strategy and how well it is being executed
5. Leading the development of stronger core competencies and competitive capabilities
6. Displaying ethical integrity and leading social responsibility initiatives.

Staying on Top of How Well Things are Going

CORE CONCEPT

Management by walking around (MBWA) is one of the techniques that effective leaders use to stay on top of how well things are going and to learn what issues they need to address.

Amazon. Task. (15min)

- Read page 1,2,3
- Do small groups of 2-3 people
- Answer following questions:
  - Why is Jeff concerned about day 2?
  - What is ‘customer focus’
  - How does he approach decision making?

(Keep the document for next classes)

Homework till 18th Nov.

Homework

- Reading book. Chapter 1, 2, 3
- Study amazon letter

Wrap Up from 1st class + 2nd class

WIUU BBA Business Policy

1. What Is Strategy and Why Is It Important?

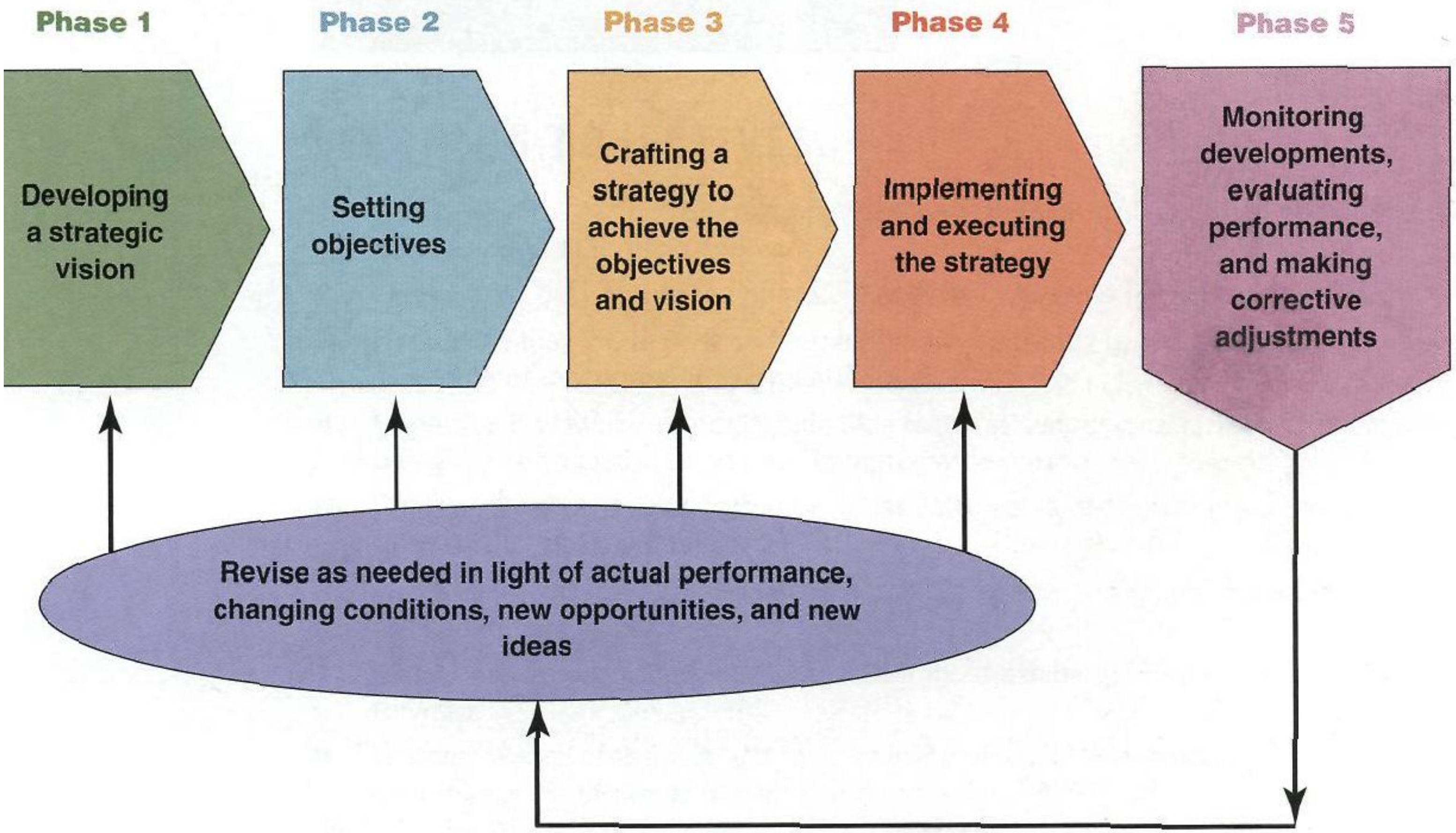
1.1 What do we mean by strategy?

CORE CONCEPT

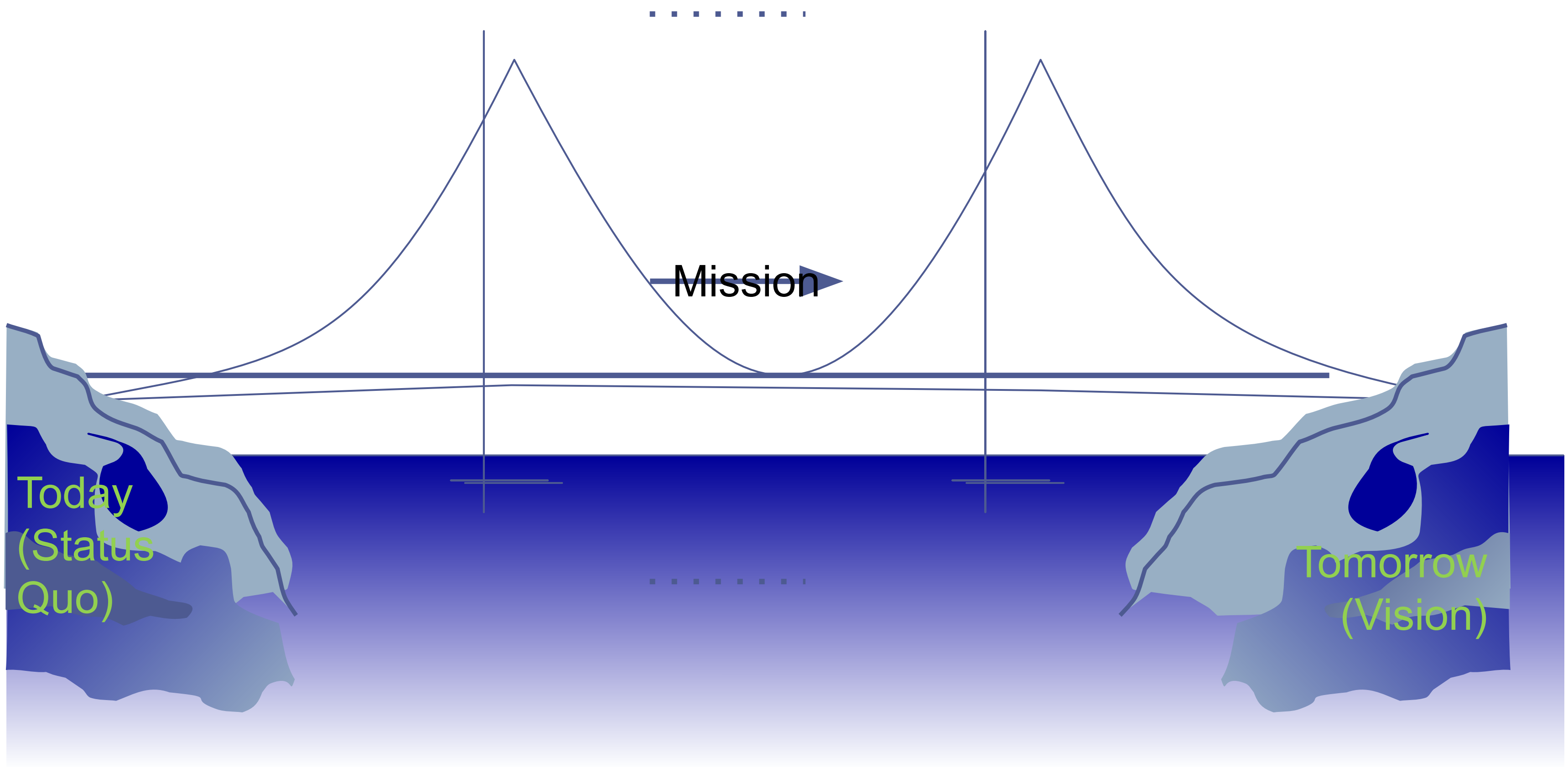
A company's strategy consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted levels of organizational performance.

How the strategy evolves?

Figure 2.1 The Strategy-Making, Strategy-Executing Process



Vision vs. Mission



4 of the most frequently used strategic approaches

1. Striving for being the industry's low cost provider
2. Creating a differentiation-based advantage keyed to such features as higher quality, wider product selection, added performance, value-added services more attractive design, technological superiority, or unusually good value for the money.
3. Focusing on serving the special needs and tastes of buyers comprising a narrow market niche.
4. Developing expertise and resource strengths that give the company competitively valuable capabilities that rivals can't easily match, copy, or trump with substitute capabilities.

2nd class
WIUU BBA Business Policy

1. What Is Strategy and Why Is It Important?

1.2 The Relationship between a company's strategy and its business model

CORE CONCEPT

A company's business model explains the rationale for why its business approach and strategy will be a moneymaker. Absent the ability to deliver good profitability, the strategy is not feasible and the survival of the business is in doubt.

Be clear on how to earn money (your Business Model)

1. Magazines: Generating sufficient subscription and advertising revenue to cover the costs of delivering their products to readers.
2. Razors (Gillette): Selling the razor at an attractively low price and then making money on repeat purchase of razor blades.
3. Printer Manufacturer: Selling printers at a low (virtually break-even) price and making large profits on the repeat purchase of printer supplies, especially ink cartridges.
4. Apple: besides earning on devices sells Apple earns significant part on Apple Store which is a platform for sales (like eBay or Amazon)
5. Microsoft (Windows): keeps source code and sells ready-made solutions for private and business sector, while renewing them over certain period of time

Amazon financials

billion USD	
Market Capitalization	164
Turnover 2013	70
Share Price	↑ year to year

6M, billion USD	**2014**	**2013**
Total Net Sales	39	32
Net Income	0.018	0.075

Competitive advantage

1. What Is Strategy and Why Is It Important?

1.3 What makes a winning strategy?

CORE CONCEPT

A winning strategy must fit the enterprise's external and internal situation, build sustainable competitive advantage, and improve company performance.

Resource Strength

CORE CONCEPT

A company's resource strengths represent competitive assets and are big determinants of its competitiveness and ability to succeed in the marketplace.

Resource Strength

CORE CONCEPT

A competence is an activity that a company has learned to perform well.

Resource Strength

CORE CONCEPT

A core competence is a competitively important activity that a company performs better than other internal activities.

Resource Strength

CORE CONCEPT

A distinctive competence is a competitively important activity that a company performs better than its rivals – it thus represents a competitively superior resource strengths.

Resource Strength

CORE CONCEPT

A distinctive competence is a competitively potent resource strength for three reasons:

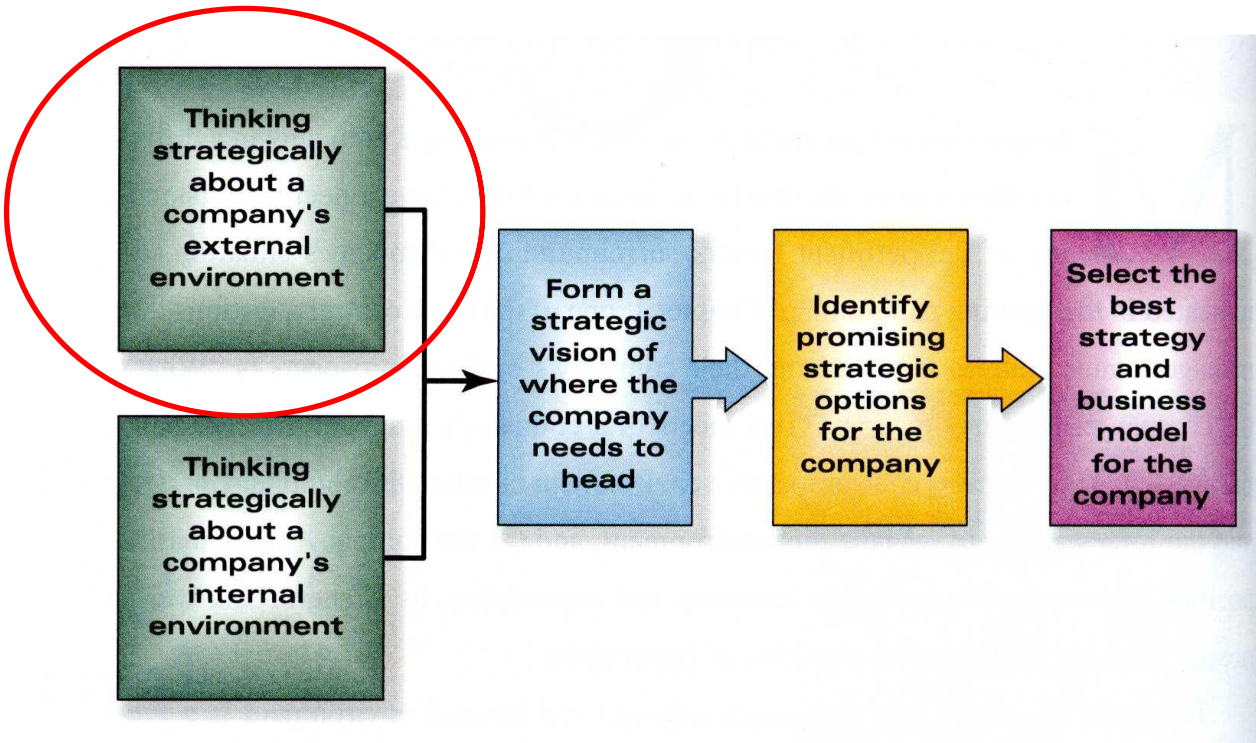
a) It gives a company competitively valuable capability that is unmatched by rivals.
b) It can underpin and add real punch to a company’s strategy
c) And it is a basis for sustainable competitive advantage.

3 questions to distinguish a winning strategy from a flawed:

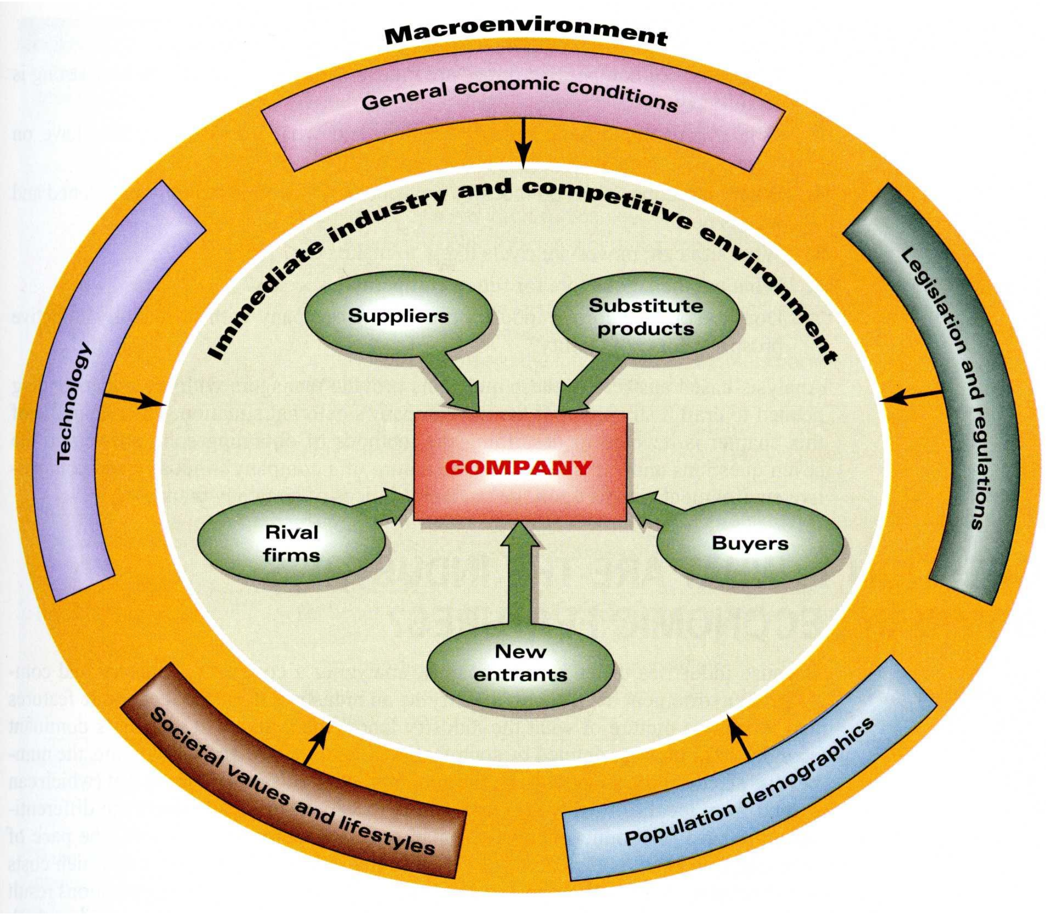
1. How well does the strategy fit the company's situation?
2. Is the strategy helping the company achieve a sustainable competitive advantage?
3. Is the strategy resulting in better company performance?

External Analysis

2. Crafting a company's strategy.



2. The Components of a Company's Macroenvironment



2. Tools to Evaluate a Company's External Environment

- **Industry's Dominant Economic Features?**

  -> Describing the industry landscape. (e.g. market size, # of rivals, supply/ demand conditions, # if buyers)

- **Competitive Forces. The 5-Forces-Model of Competition.**

  -> To identify the nature and strength of competitive pressure in a given industry.

- **Driving Industry Forces**

  -> The major underlying causes of changing industry and competitive conditions.

- **Strategic Group Map**

  -> is a cluster of industry rivals that have similar competitive approaches and market positions.

- **Key Success Factors (for future competitive success)**

  -> are the factors with the greatest impact on future competitive success in the marketplace.

Questions?

Homework

KEY Task

- Read chapter 4
- Define for your projects and be ready to present: business model, vision, mission, external analysis

Questions to the podcast: The 5 competitive forces that shape strategy.

- Why are the driving forces different for different industries?
- Why are industry profits so low in airline industry?
- What is positive-sum-competition?
- What is zero-sum-competition?
- Is the 5-forces-analysis is just a static-snapshot?
- Why does Mr. Porter recommends to share the strategy with suppliers?

Business Policy

Next Class

We meet at Saturday 2nd December. 10.00-13.15.

Homework
- Read book till chapter 4
- Study case study Ben & Jerry's
- Assign for group work (team members) and topic

What we would like to do today ….

- Housekeeping
- Projectwork/ detailed briefing
- Strategy Stress Test
- Ben & Jerry‘s case analysis (group work)
- Presentation & feedback
- Homework
- Quiz

Questions to the podcast:
Can your business plan survive this stress-test?

- Why do so many business ideas fail right at the beginning?
- What does the ‘strategy stress-test’ do?
- What is more important – the strategy or the implementation?
- What are the 6 steps of ‘strategy stress-test’

Next Class

We meet at Saturday 9th December. 10.00-13.15.

Homework
- Define your project topic
- Be ready to discuss Ben & Jerry case (based on questions given next page)

Case study analysis Ben & Jerry's

- Discuss the following questions & prepare the analysis so that you can present them in class
  - Summary on the case
    (what is happening, which challenges does the protagonist face)
  - Describe the Industry's dominant economic features
  - Describe competitive forces with the help of Porters 5-forces analysis
  - Describe the forces which are driving industry change
  - Prepare a strategic group map - what market positions do rival occupy – how strong are they?
  - What are the strategic moves you expect competition to make next?
  - Analyze Ben & Jerry's financials
  - SWOT for Ben & Jerry's based on previous analysis
- Discussion in class ….

Forces Driving Industry Change

- Driving forces in an industry are the major underlying causes of changing industry and competitive conditions.
- Industry conditions change because important forces are driving industry participants(competitors, customers, or suppliers)

Driving Forces

- The analysis of driving forces involves 3 steps:
- 1. Identifying the industry’s driving forces
- 2. Assessing how the driving forces are making the industry more or less attractive
- 3. Determining the strategic changes that are needed to prepare for the impacts of the driving forces.

Driving Forces

- The most common driving forces are:
- 1. Changes in long term industry growth rate
- 2. Increasing globalisation
- 3 Emerging new internet capabilities and applications
- 4. Changes in who buys the product and how they use it(changes in buyer demographics)

Driving Forces

- 5 Product Innovation eg in indutries of cell phones, televisions, digtal cameras, video games etc
- 6. Technological changes and manufacturing process innovation
- 7. Marketing innovation
- 8. Entry or exit of major firms
- 9. Diffusion of technical knowhow across more companies and countries

Driving forces ctd

- 10. Changes in cost and efficiency eg PC makers
- 11. Reductions in uncertainty and business risk
- 12. Regulatory influences and govt policy changes
- 13. Changing societal concerns, attitudes and lifestyles

Assessing the Impact of Driving Forces

- This involves answering the following 3 questions:
- 1. Are the driving forces collectively acting to cause an increase or decrease in the demand for industry products?
- 2. Are the driving forces acting to make competition more or less intense?
- 3. Will the combined effect of the driving forces lead to higher or lower industry profitability?

- The last step in driving forces analysis is for managers to draw some conclusions about what strategy adjustments will be needed to deal with the impacts of the driving forces

Assessing the Market Positions of Rivals

- This is an attempt to answer the question "what market positions do rivals occupy-who is strongly positioned and who is not?"
- This is done through a technique called Strategic Group Mapping which attempts to display the different market and competitive positions that rival firms occupy in the industry.
- This tool is very useful when an industry has so many competitors that it is not practical to examine each one in depth

Strategic Group Analysis

- A strategic group is a cluster of industry rivals that have similar competitive approaches and market positions.
- Companies in the same strategic group can resemble one another in any of several ways:
- 1. They may have comparable product line breath
- 2. They may also sell in the same price or quality range
- 3. They may emphasise the same distribution channels
- 4. They depend on identical technological approaches or
- They offer buyers similar services and technical assistance.

Strategic Group Analysis

- When all industry members pursue essentially identical strategies and have comparable mkt positions, that industry will contain one strategic group.(the opp is true)

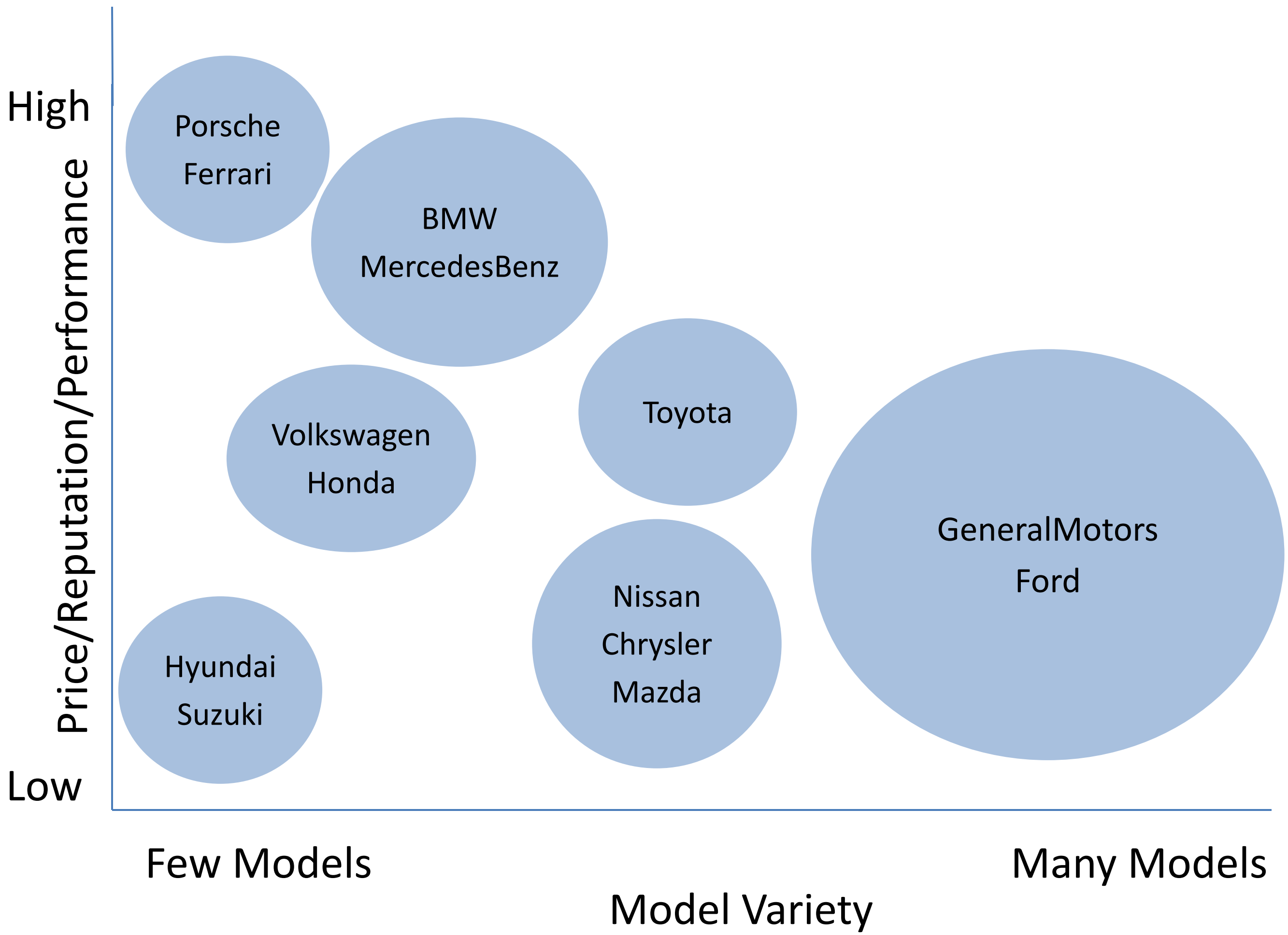
Construction of SGM

- To construct a strategic group map, firstly there is need to identify the competitive characteristics that differentiate firms in the industry;eg
- Price /Quality range(high, medium,low)
- Geographic coverage(local, regional, national)
- Degree of vertical integration(none, partial,full)
- Product line breath(wide,narrow)
- 2. Plot the firms on a two variable map using pairs of the differentiating characteristics

Construction of SGM ctd

- 3 Assign firms that fall in about the same strategy space to the same strategic group
- 4. Draw circles around each strategic group, making the circles proportional to the size of the group’s share of total industry sales revenue.

A Strategic Group Map of Automobile Manufacturers



Lessons From The SGM

- 1. SGM reveal companies which are close competitors and those which are distant competitors.
- 2. They also reveal that it is not all positions on the map that are equally attractive for 2reasons:
- a) Prevailing competitive pressures and industry driving forces favor some strategic groups and hurt others
- b) The profit potential of different strategic groups varies due to the strengths and weaknesses in each group's market position.

What Strategic moves are Rivals likely to make next?

- This involves carrying out a competitive intelligence about rivals' strategies, their latest actions and announcements, their resources strengths and weaknesses, the efforts being made to improve their situation.
- The above information assists in anticipating the next moves that rivals are likely to make, and to prepare defensive countermoves.
- Managers who fail to study competitors closely risk being overtaken by rivals' fresh strategic moves.

Key Success Factors

- Key success factors are the product attributes, competencies, competitive capabilities and market achievements with the greatest impact on future competitive success in the marketplace.
- Common types of Industry Key Success Factors include:
- 1. Technology-related KSFs eg expertise in a particular technology or proven ability to improve production processes

Common Types of Industry KSFs ctd

- 2. Manufacturing related KSFs e.g ability to achieve economies of scale; Quality control know-how; high utilisation of fixed assets; high labor productivity; low cost design etc
- 3. Distribution related KSFs eg a strong network of wholesale distributors/dealers; strong direct sales capabilities; ability to secure favorable display space on retailer shelves.

KSFs

- 4. Marketing related KSFs eg a well known and well respected brand name; courteous, personalised customer service; Accurate filling of buyer orders; customer guarantees and warrantees; clever advertising
- 5. Skills and capability related KSFs eg talented workforce; design expertise; national or global distribution capabilities, short delivery time capability etc
- 6. Other types of KSFs eg overall low costs; convenient locations; a strong balance sheet and access to financial capital

KSFs

- Correct diagnosis of an industry's KSF raises a company's chances of crafting a sound strategy .
- Thus managers should resist the temptation of labeling a factor that has only minor importance as a KSF.
- Being distinctively better than rivals on one or two KSFs tends to translate into competitive advantage.

Does the outlook for the industry offer the company a good opportunity to earn attractive profits?

- The conclusion to the above question is determined by the following factors:
- The industry’s growth potential
- Whether powerful competitive forces are squeezing industry profitability to subpar levels and whether competition appears destined to grow stronger or weaker.
- Whether industry profitability will be favorably or unfavorably affected by the prevailing driving forces.
- The degrees of risk and uncertainty in the industry’s future

Out look of the Industry ctd

- Whether the industry as a whole confronts severe problems-regulatory or environmental issues; stagnating buyer demand, industry overcapacity; mounting competition etc
- The company's competitive position in the industry vis-a-vis rivals
- Whether the company has sufficient competitive strength to defend against the factors that make the industry unattractive
- The company's potential to capitalise on the vulnerabilities of weaker rivals