

Chapter 2 Dynamics of Competitive Strategy

- Understand the dynamics of competitive strategy
- Have knowledge of competitive landscape
- Know the importance of strategic analysis in the formulation of strategy
- Learn some of the methods of competitive analysis that are used in business organizations
- Understand the terms core competence, competitive advantage
- Have an understanding of some of the methods used in portfolio analysis
- Appreciate the applicability of SWOT and TOWS analysis.

2.1 Introduction

As the world is getting smaller and competition is increasing, organisations have increasing pressure to develop their business and strengthen its competitiveness.

Competitive Strategy

A competitive strategy consists of moves to: (i) Attract customers (ii) Withstand competitive pressures (iii) Strengthen market position.

2.2 Competitive Landscape

Wikipedia defines competitive landscape as “a business analysis method that identifies direct or indirect competitors to help comprehend their mission, vision, core values, niche market, strengths, and weaknesses.”

The purpose is to effectively situate or position the firm's product in the prevalent and emerging landscape. [See 2.4.4: Strategic Group Mapping]

2.2.1 Steps to understand the Competitive Landscape

(i) Identify the competitor; (ii) Understand the competitors: their products and services; (iii) Determine the strengths of the competitors; (iv) Determine the weaknesses of the competitors; (v) Put all the information together for example on a 2-D graph such as Price / Primary-benefits.

2.3 Strategic Analysis

It is an “analysis of a firm's external environment and its internal resources and capabilities. . . with a view to generating and evaluating of alternatives, and choosing the strategy” Two important considerations are:

- (1) Industry [2.4.1] and competitive conditions [2.4.2], and
- (2) An organisation's own competitive capabilities, resources, internal strengths, weaknesses, and market position.

Issues

- Strategy evolves over a period of time
- Balance of external and internal factors
- Entails risk analysis

2.4 Methods of Industry and Competitive Analysis (ICA)

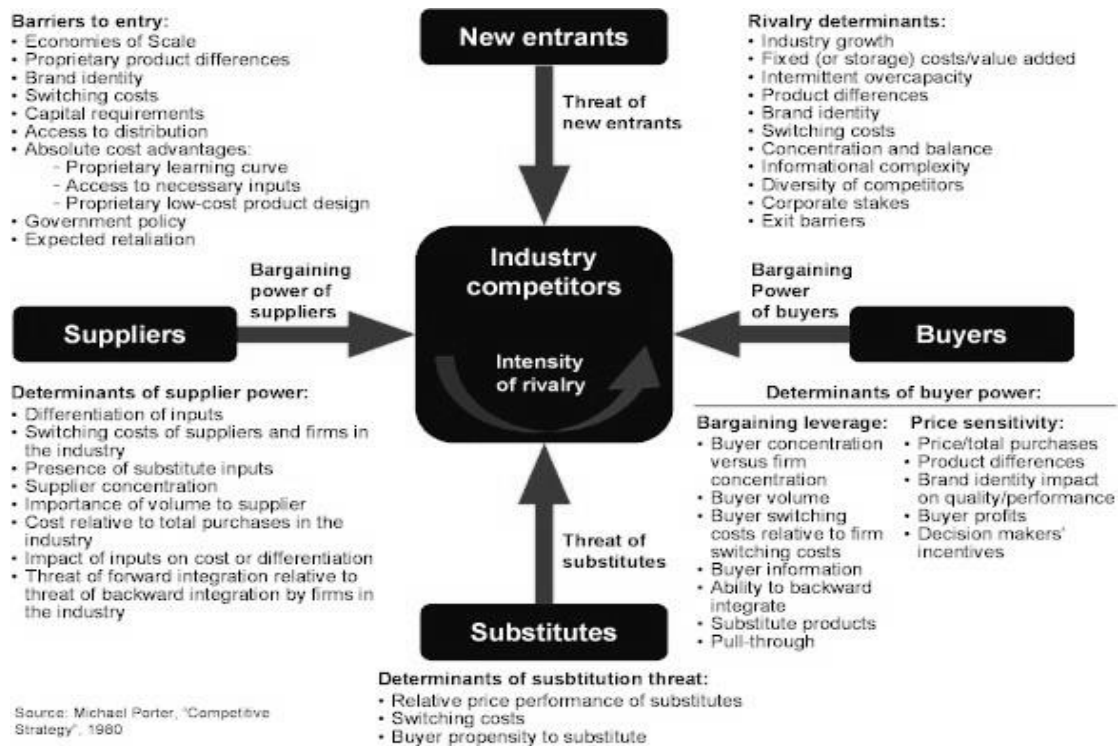
Industry is “a group of firms whose products have same and similar attributes such that they compete for the same buyers.” ICA is a systematic investigation of “key industry traits, the intensity of competition, the drivers of industry change, the market positions and strategies of rival companies, competitive success, and profit prospects. Objective is to ascertain whether the industry potentially is “an attractive investment for organisational funds.”

2.4.1 Dominant Economic Features [Traits] of an Industry

Size | Nature e.g. Organised or Unorganised; Integrated or Fragmented, Capital or Labour Intensive /Specialised| Geographic Scope | Stage in the Industry Life Cycle | Growth Rate | Number of Rivals and their Relative Market Share | Number of Buyers and their Relative Size| Rate of Technological Change | Products: Whether Differentiated or Identical| Distribution Channel | Degree of Integration in the Supply Chain | whether subject to Production, Marketing and Other Economies of Scale | Existing Capacity and Capacity Utilization | Whether subject to learning/experience curve effects | Ease of Entry and Exit

2.4.2 Nature and Strength of Competition

Porter's five forces model is useful in understanding the competition



2.4.3. Triggers of Change

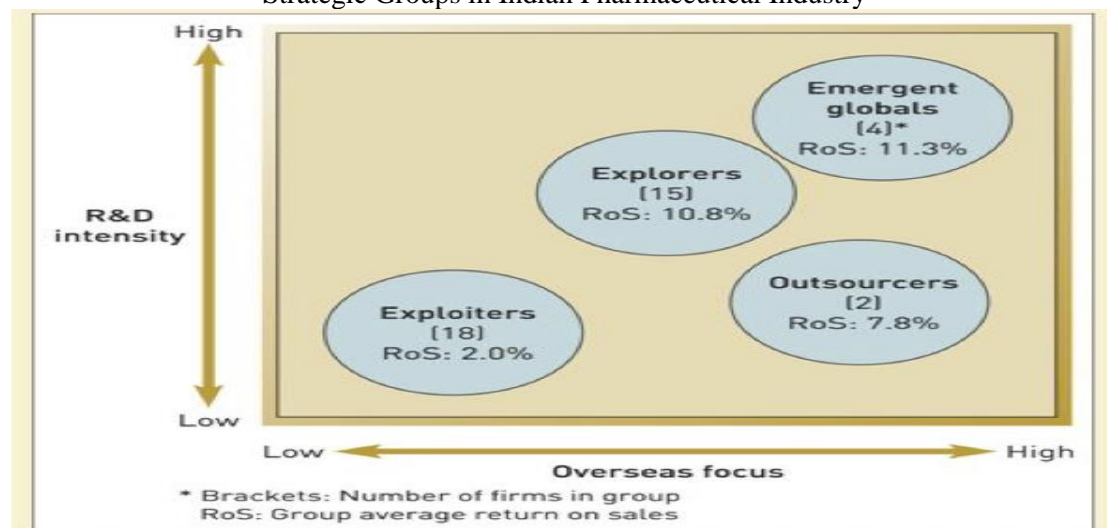
- Life-cycle changes
- More fundamental changes via Digitization, Globalization, Technological Diffusion, and Innovation

2.4.4 Identifying the Strongest/Weakest Companies (Strategic Group Mapping)

A strategic group consists of those rival firms that have similar competitive approaches and positions in the market. The procedure for constructing a strategic group map and deciding which firms belong in which strategic group is as follows: Identify the characteristics that help distinguish one group from another | Plot the firms on a two-dimensional map | Assign the firms to the relevant quadrants | Depict the strength of each group via drawing a circle.

An Illustration

Strategic Groups in Indian Pharmaceutical Industry



2.4.5 Likely Strategic Moves of Rivals

A company can't expect to outmaneuver its rivals without monitoring their actions, understanding their strategies, and anticipating what moves they are likely to make. What is thus needed is Competitive intelligence.

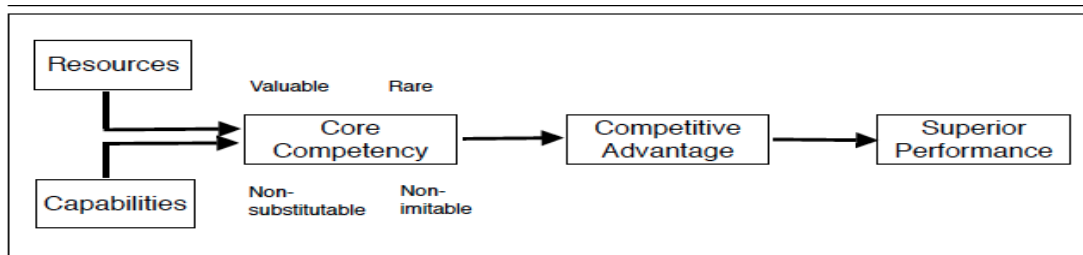
2.4.6 Key Success Factors

Design | Brand Equity | Cost /Price |Resources | Competencies & Capabilities

2.4.7 Prospects and Financial Attractiveness of Industry

2.5 Core Competence

Core competence may be defined as "a harmonized [and a unique] combination of multiple resources and skills that distinguish a firm in the marketplace" and therefore lays the foundation of companies' competitiveness.



Building the Core Competencies: **Value Chain Analysis**

2.6 Competitive Advantage

- Role of Resources, Capabilities and Value Creation in achieving Competitive Advantages
- Differentiation Advantage, Cost Advantage

2.7 Internal and External Analysis (Portfolio Analysis)

Prerequisites: SBU | Experience Curve | PLC

Techniques:

2.7.1 BCG Matrix | 2.7.2 Ansoff's Matrix | 2.7.3 ADL Matrix | 2.7.4 GE Matrix | 2.8 SWOT | 2.9 TOWS

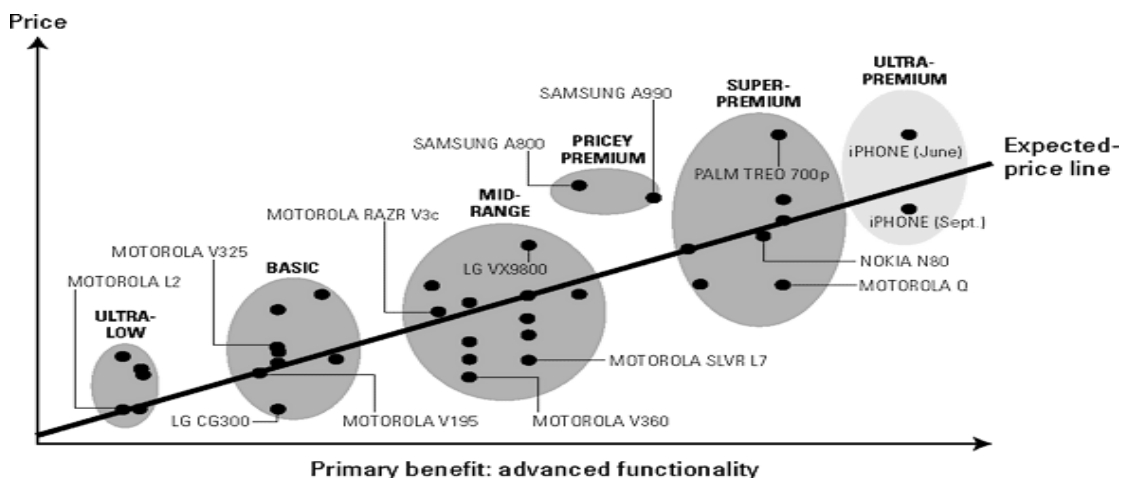
Techniques	Internal Factors	External Factors
BCG Matrix	Market Share	Market Growth
Ansoff's Matrix	Products	Markets
ADL Matrix	Competitive Position	Industry Maturity
GE Matrix	Business Strength	Market Attractiveness
SWOT	Firm's Strengths & Weaknesses	Environmental Opportunities and Threats
TOWS	Firm's Strengths & Weaknesses	Environmental Opportunities and Threats

2.10 Globalisation

Country Level | Company Level | Individual Level

Motives: Growth – Market Seeking | Growth- Resource Seeking | Benefits of International Specialization and Emergence of Global Value Chains |

Test Drive: What does the following figure imply?



(a) Competitive Landscaping (b) Strategic Group Mapping (c) Strategic Analysis (d) SWOT

Looking forward to an exciting and enriching session today that is Saturday the 20th March.