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INTERMEDIATE LEVEL PAPER 7B : Strategic Management

Faculty : CA Arjit Sethi



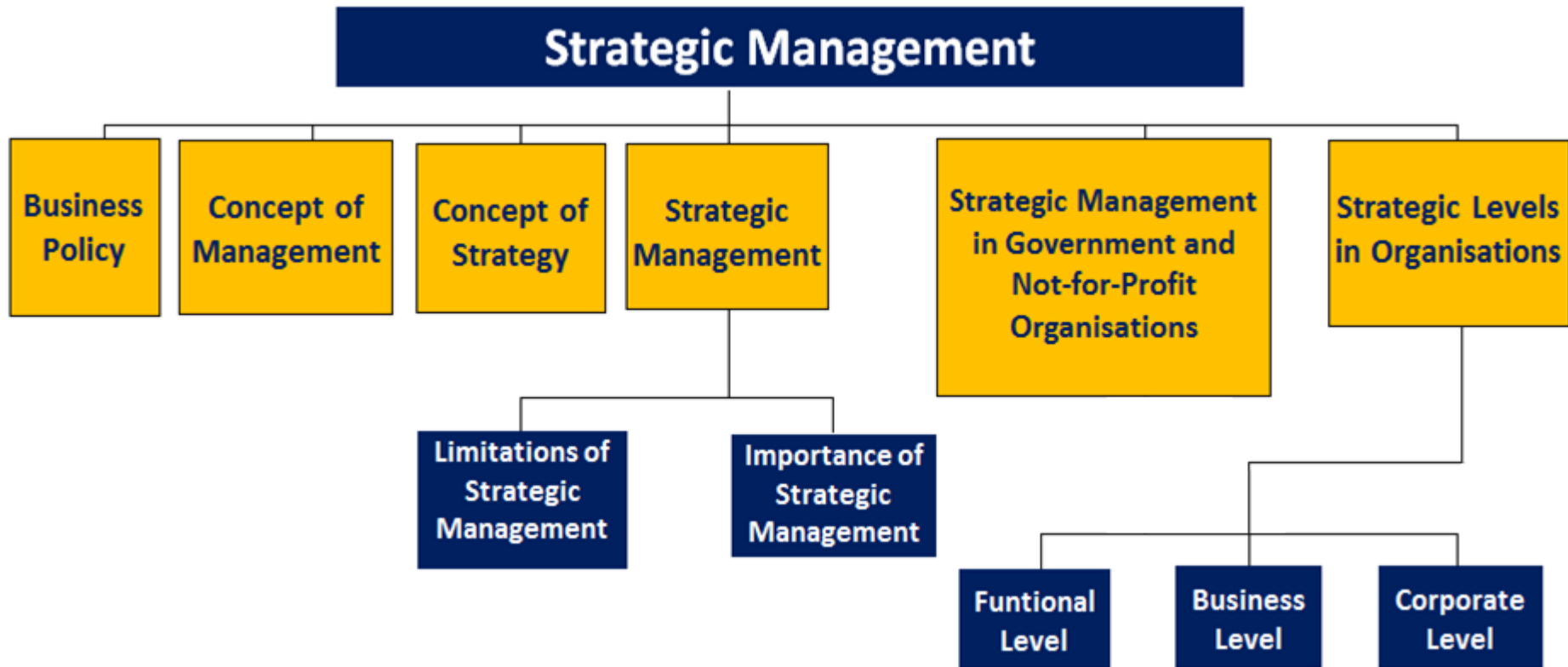
**INTERMEDIATE LEVEL
PAPER 7B
STRATEGIC MANAGEMENT**

Chapter 2
Dynamics of Competitive Strategy

Faculty : CA Arjit Sethi



Ch-1 Summary





Competitive Strategy - Meaning



***Attributes
(characteristics)
that allows an
organization to
outperform its
competitors***



Developing a Competitive Strategy

“Competitive intelligence acquired by an in-depth investigation and analysis of a firm’s competitive landscape enables choosing and implementing effective strategies to improve its competitive advantage”

Eg. Mr. E made unconventional business choices including EVs, Starlink and Neuralink where there was less competition to help fund activities undertaken by SpaceX which gave him competitive advantage against Mr. B’s BlueOrigin.

Quick Quiz



Q. _____ is a group of firms whose products have same & similar attributes such that they compete for same buyers.

- a) Industry**
- b) Value Chain**
- c) Competitive Landscape**
- d) Competitive Advantage**

00:30

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Steps involved to win in a competitive landscape

Steps to know competitive landscape

1. Identify the competitors
2. Understand the competitors
3. Determine competitors' strengths
4. Know competitors' weaknesses
5. Put all of the information together

Analogy

1. Mr. E early on identified BlueOrigin as a competitor.
2. Sighted intent of Mr. B for spacefaring missions and auxiliary services.
3. Knew vast sums of money available with him. In turn started new Co.s for funds.
4. Mr. E knew that Mr. B lacked technical know-how to develop re-useable rockets.
5. Successfully tested re-useable rockets before his competitor to show viability and cost effectiveness. Bagged contracts with NASA for upcoming Lunar & Mars missions



Quick Quiz



Q. Which is achieved advantage over rivals when a company's profitability is greater than average profitability of firms in its industry?

- a) Competitive Advantage**
- b) Market Position**
- c) Strategic Choice**
- d) Value Creation**

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Is Strategic Analysis a Speculative Activity?

Strategy formulation is **NOT** a task in which managers can get by with intuition, opinions, instincts, and creative thinking. Judgments about what **strategies to pursue need to flow directly from analysis** of a firm's external environment and its internal resources and capabilities.

The **TWO** most important situational considerations are:

1. **What other's are doing**: Industry and competitive conditions; and
2. **What our organization can do**: An organization's own competitive capabilities, resources, internal strengths, weaknesses, and market position.



Twin Factors of Strategic Analysis

Strategy evolves over a period of time

Strategy of a firm is result of a series of small decisions taken over an extended period of time

Strategy evolves from experience and needs constant review and revision - considering the possible implications of routine decisions

Balance of external and internal factors

Involves matching the internal potential of the organization with the external environmental opportunities outside the control of the manager

Pressures (like existence of a big competitor) drive managers towards a particular choice impacting the nature, degree, magnitude and importance of strategic decisions

Quick Quiz



Q. The objective competitive strategy is to generate _____

- a) Generate Competitive Advantage**
- b) Increase Market Share**
- c) Beat Competition**
- d) All the above**

00:30

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Mitigate Strategic Risk - How?

Strategic Risks	Type	Short Time	Long Time
	External	Errors in interpreting the environment cause strategic failure	Changes in the environment lead to obsolescence of strategy.
	Internal	Organizational capacity is unable to cope up with strategic demands.	Inconsistencies with the strategy are developed on account of changes in internal capacities and preferences



Framework for Strategic Analysis

4

Categories of External Analysis



2

Categories of Internal Analysis



Strategic Analysis – METHODS in Brief

1. **Dominant Economic Features** of the “**Industry**”
 2. Nature and Strength of Competition
 3. Triggers of Change
 4. Identifying the Strongest/Weakest Companies (**Strategic Group Mapping**)
 5. Likely Strategic Moves of Rivals
 6. Key Factors for Competitive Success (**KSFs**)
Three magic questions for success
 7. Prospects and Financial Attractiveness of Industry
1. Profiling firms based on various economic factors
 2. Involves discovering main sources of competitive pressure and its strength
 3. Identifying driving forces (trends)
 4. Mapping group of rival firms with similar competitive approaches & positions
 5. Gather competitive intelligence by monitoring their actions of rivals
 6. What product attributes are crucial to sales?
What are essential competitive capabilities?
How to sustain competitive advantage?
 7. Short & Long term relative analysis of the results gathered from above six

Quick Quiz



Q. A _____ for a firm is whatever it does Best.

- a) Core Competency
- b) Driving Forces
- c) Key Success Factors
- d) Concurrent Filters

00:30

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Quick Quiz



Q. Which is not an example of driving forces?

- a) Increasing Globalization**
- b) Product Innovation**
- c) Changes in cost/efficiency**
- d) None of these**

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“Core Competencies” – Combination of Capabilities linked to Competitive Advantage: 3 Major Areas

A company can consider having core competence if it has:

- **Competitor differentiation:** The *competence is unique* and it is *difficult for competitors to imitate*, providing an edge. Like Apple products and Tesla’s self-driving cars.
- **Customer value:** Service or the product has a **real impact** on the customer as the reason to choose to purchase them. Like improving social worth, smooth functioning, best in industry quality.
- **Application to other markets:** Applicable to the whole organization to open up potential markets to be exploited. Like new M1 Chips are better than Intel



Why to identify and develop a core competency

A core competency fulfills *Three* criteria:

1. It should **provide potential access** to a wide variety of markets.
2. It should make **a significant contribution** to the perceived customer benefits of the end product.
3. It should be **difficult to imitate** for competitors/rivals.

Quick Quiz



Q. Which is not the area identified in major core competencies?

- a) Competitor differentiation**
- b) Customer Value**
- c) Profitability of industry**
- d) Application to other market**

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FOUR Steps to build Core Competencies

Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies.

Valuable	: Placing right people in the right jobs
Rare	: Develop and exploit valuable capabilities
Costly to imitate	: Competing firms are unable to develop it easily
Non-substitutable	: Capabilities without any strategic equivalents

Quick Quiz



Q. _____ are capabilities that serves as a source of competitive advantage for a firm over its rivals.

- a) Concurrent Filters**
- b) Core competencies**
- c) Driving Forces**
- d) Core Identity Forces**

00:30

Quick Quiz



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Value Chain Analysis for developing CC

Describing activities **within and around** an organization

And relating them to

An assessment of the **competitive strength** of an organization
(its ability to provide **value-for-money** products or services)

Key Aspect - Recognition that organizational resources (machines, material, money and people) are of no value unless deployed into activities and organized into systems and routines which ensure that products or services are produced which are valued by the final consumer/user.

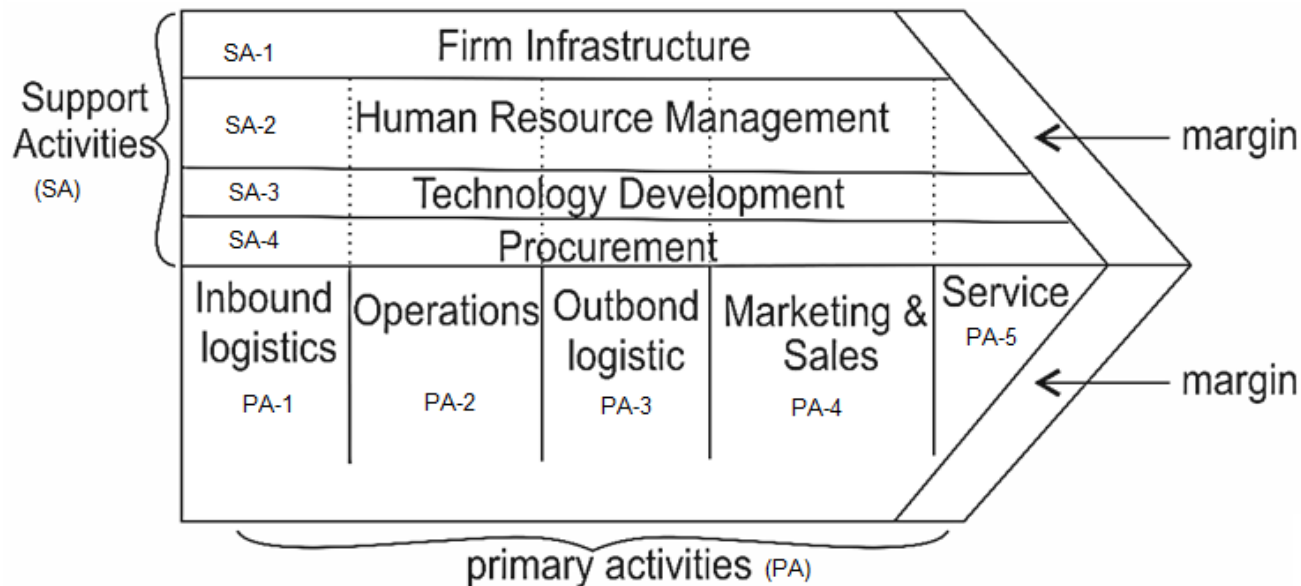


Value Chain Analysis for developing CC

Core Competency is Relative Concept

(It may change depending on with whom the business wants to compare it with)

The goal is to identify those competences which **critically underpin** the organization's competitive advantage



Each of these groups of primary activities are linked to **support activities**

Quick Quiz



Q. Which is meant about analyze competitors & at the same time, it permits the comprehension of their vision, mission, core values, niche market, strength & weakness?

- a) Strategic Analysis**
- b) Core Competence**
- c) Competitive Landscape**
- d) Competitive Strategy**

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Ensuring Sustainability of CC (Value-for-Money)

The management of **internal linkages between Primary and Support activities** provides 'leverage' and levels of performance which are difficult to match.

The linkage must ensure the ability to co-ordinate the activities of specialist teams.

In addition, the ability to complement/co-ordinate the organization's own activities with those of suppliers, channels or customers also gains competitive advantage.

“DEVELOP STRONG NETWORKS BOTH INTERNALLY & EXTERNALLY”



Ensuring Sustainability of CC (Value-for-Money)

BUT HOW TO DEVELOP STRONG NETWORKS EXTERNALLY??

- **Vertical Integration**
- **Closely specifying requirements and controlling the performance of suppliers**
- **Total Quality Management (TQM) which seeks to improve performance through closer working relationships between the specialists within the value system**



Competitive Advantage – Abnormal Profits \$\$\$

WHY DO SOME COMPANIES SUCCEED WHILE OTHERS FAIL??

*It is a mostly because of a **set of unique features** of a company and its products that are **perceived** by the target market **as significant and superior** to the competition.*

Further, it can be said that a firm is successful in achieving competitive advantage only after other firm's efforts to duplicate or imitate it fails.

Eg. Apple products, IndiGo Airlines

Quick Quiz



Q. If a company's strategies result in superior performance it is said to have _____

- a) Core Competency**
- b) Strategic Analysis**
- c) Competitive Advantage**
- d) Value Creation**

00:30

Quick Quiz



Q. If a company's strategies result in superior performance it is said to have _____

- a) Core Competency
- b) Strategic Analysis
- c) **Competitive Advantage**
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Quick Quiz



Q. Identify which is not a characteristic of competitive advantage?

- a) Appropriability**
- b) Tractability**
- c) Imitability**
- d) Transferability**

00:30

Quick Quiz



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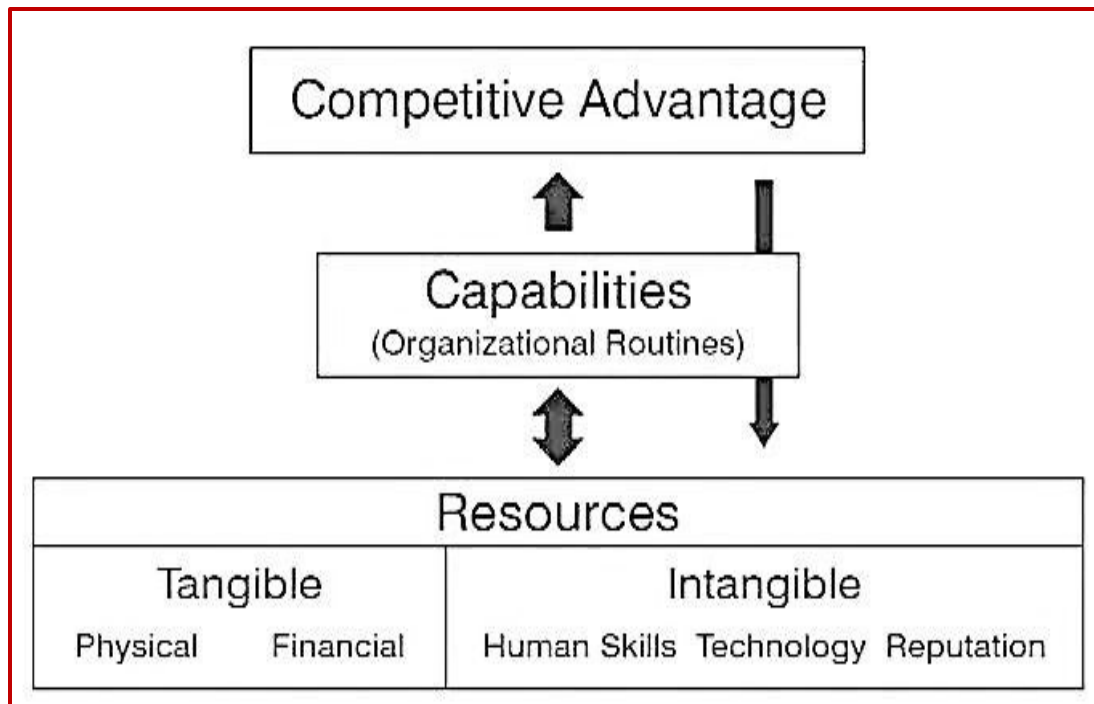


Role of Resources & Capabilities in Value Creation

Resources	Capabilities
Tangible resources are assets that can be seen and quantified. Example: Production equipment, manufacturing plants etc.	
Intangible resources include assets that typically are rooted deeply in the firm's history and have accumulated over time. Because they are embedded in <u>unique patterns</u> of routines, intangible resources are <u>relatively difficult</u> for competitors <u>to analyse and imitate</u>. Example: Knowledge, trust between managers and employees, scientific innovation capacity, the firm's reputation.	Capabilities exist when <u>resources have been purposely integrated to achieve a specific task or set of tasks</u>. These tasks range from human resource selection to product marketing and research and development activities. Examples: - Management of logistics and inventories. - Effective customer service. - Product and design quality.



Role of Resources & Capabilities in Value Creation





Sustainability of Competitive Advantage

*Sustainability depends on **4** major characteristics:*

1. **Durability** of a firm's resources
2. **Transferability** of capabilities
3. **Imitability** of corporate culture
4. **Appropriability** of returns

Quick Quiz



Q. Capabilities that do not have strategic equivalents are known as _____ Capabilities.

- a) Non-Substitutable
- b) Valuable
- c) Rare
- d) Non-Imitable

00:30

Quick Quiz



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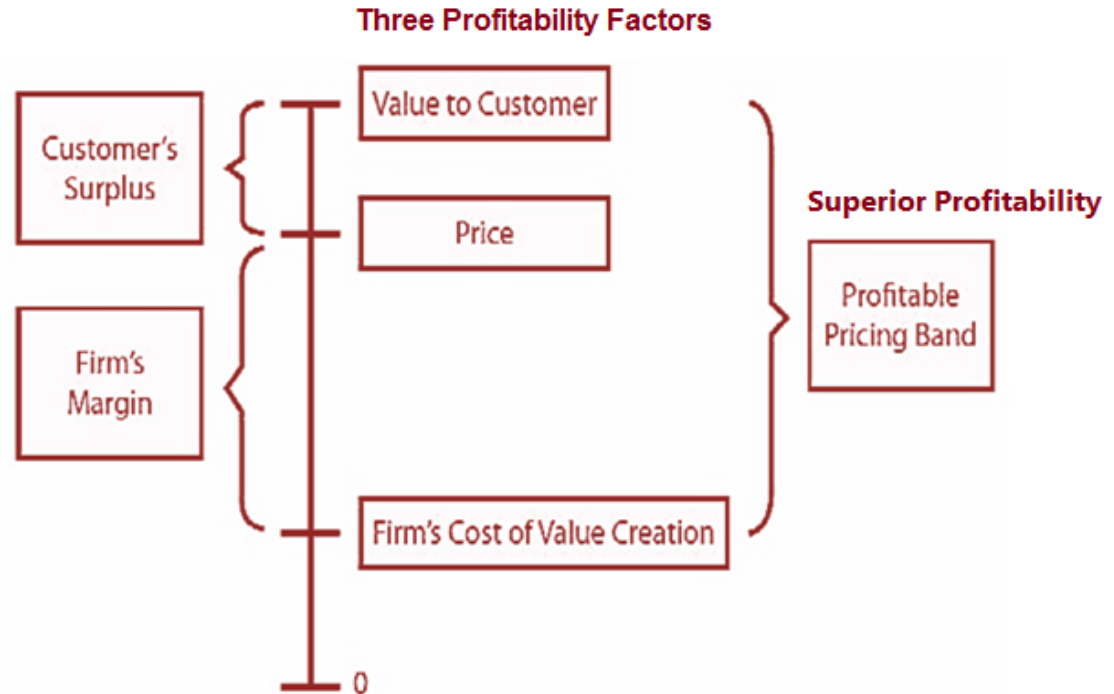
- a) **Non-Substitutable**
- b) Valuable
- c) Rare
- d) Non-Imitable



Value Creation - Concept

*Value creation is an activity performed by the firm to create value that **increases the worth** of goods, services, business processes or even the whole business system.*

Value Creation Matrix





Portfolio Analysis – Tool to analyze & evaluate itself

A set of techniques that helps the **top management** in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.

Used for competitive analysis and corporate strategic planning in multi-product and multi business firms

The **best business portfolio** is the one that best fits the company's strengths and weaknesses to opportunities in the environment.

Quick Quiz



Q. Which can be defined as a technique that helps strategists in taking strategic decisions with regard to individual products or businesses in a firm's portfolio?

- a) Strategic Analysis**
- b) Portfolio Analysis**
- c) Market Analysis**
- d) System Analysis**

00:30

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Portfolio Analysis Models: Prerequisites

Strategic Business Unit (SBU)

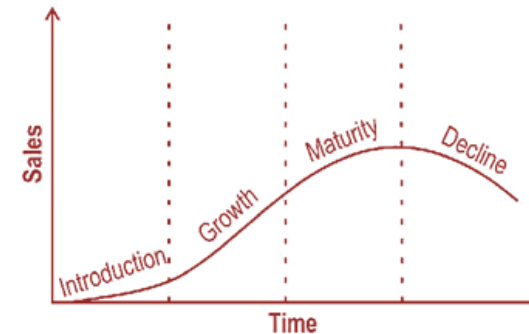
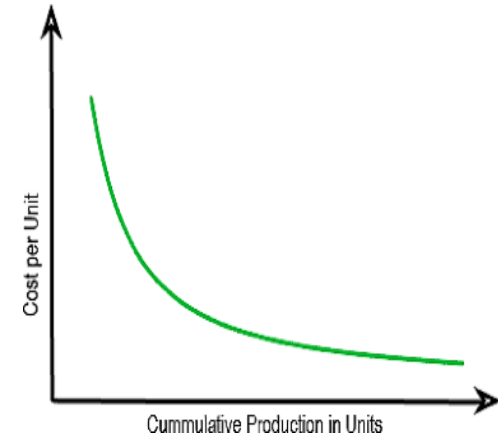
Single business or collection of related businesses with own set of competitors, managed separately.

Experience Curve

Explains the efficiency increase gained by workers through repetitive productive work.

Product Life Cycle (PLC)

S-shaped curve which exhibits the relationship of sales with respect of time for a product through 4 successive stages.





Portfolio Analysis Models: BCG Growth-Share Matrix

Identification Strategies

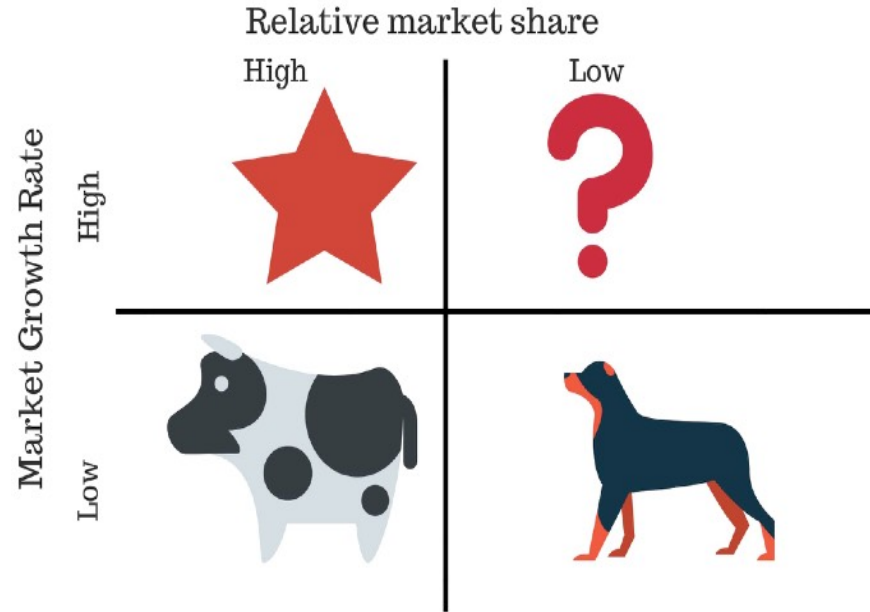
Organizations can identify four different types of products or SBU as follows:

Stars are rapid growth, needing heavy investment to maintain their position and finance their rapid growth potential representing best expansion opportunities.

Question Marks aka problem children or wildcats, requiring a lot of cash to hold their share.

Cash Cows generate cash and have low costs.

Dogs do not have much future and are ideal for disinvestment.





Portfolio Analysis Models: BCG Growth-Share Matrix

Post Identification Strategies

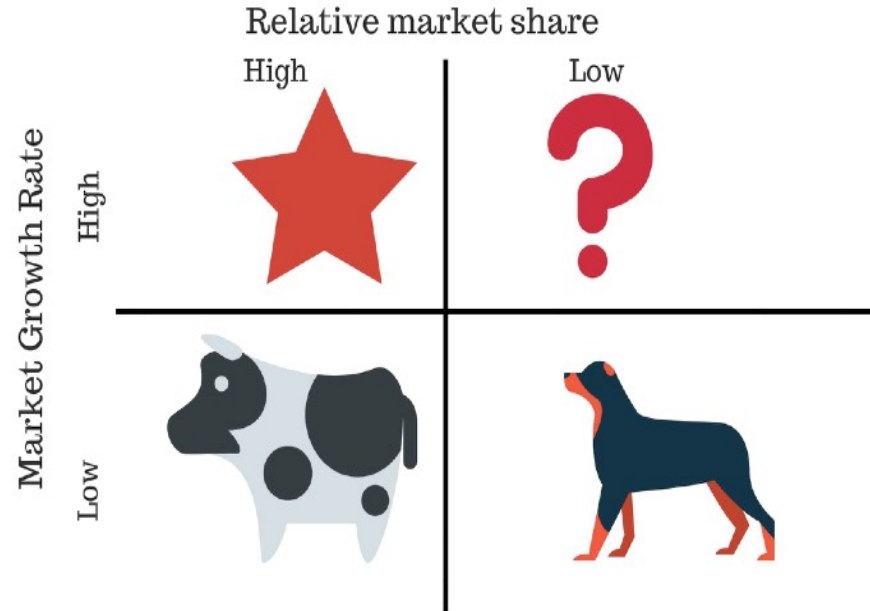
After a firm, has classified its products or SBUs, it must determine what role each will play in the future. The four strategies that can be pursued are:

Build: Objective is to increase market share, even by forgoing short-term earnings in favor of building a strong future with large market share.

Hold: Objective is to preserve market share.

Harvest: Objective is to increase short-term cash flow regardless of long-term effect.

Divest: Objective is to sell or liquidate the business because resources can be better used elsewhere.



Quick Quiz



Q. Which of these require a lot of cash to hold their share & need heavy investment with low growth potential?

- a) Star**
- b) Cash-Cow**
- c) Question-Mark**
- d) Dog**

00:30

Quick Quiz



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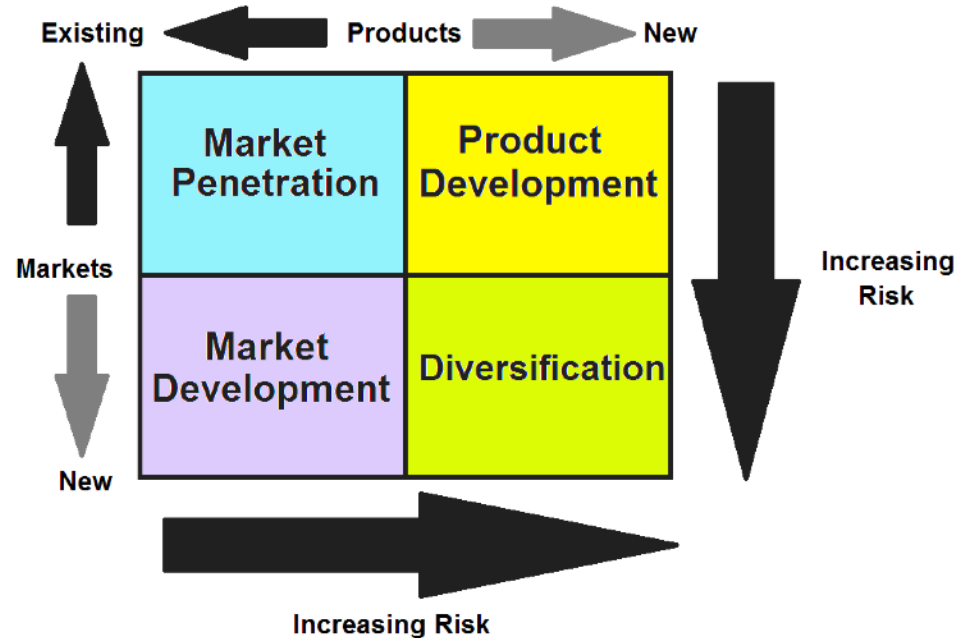


Portfolio Analysis Models: Ansoff's Matrix

Ansoff's Product Market Growth Matrix

Helps businesses decide their **FUTURE** product and market growth strategy.

The product/market growth matrix is a portfolio-planning tool for identifying growth opportunities for the company.





Portfolio Analysis Models: ADL Matrix

ADL (Arthur D. Little) Matrix

Competitive position is a measure of business strengths.

Stage of industry maturity is an environmental measure that represents a position in industry's life cycle.

The competitive position of a firm is based on an assessment of the following criteria.

POSITION	MATURITY			
	Embryonic	Growing	Mature	Ageing
Leading				
Strong				
Favorable				
Tenable				
Weak				

Quick Quiz



Q. In which position of ADL matrix companies are generally vulnerable in the face of increased competition from stronger & more proactive companies in market?

- a) Dominant**
- b) Tenable**
- c) Favorable**
- d) Strong**

00:30

Quick Quiz



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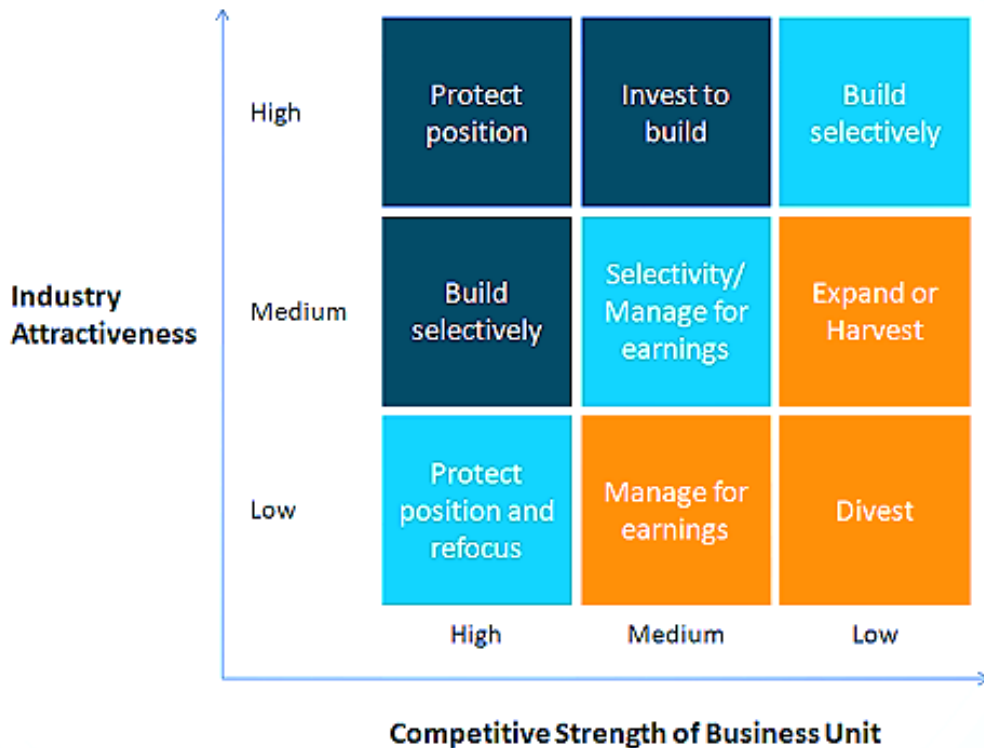


Portfolio Analysis Models: GE “Stop-

Developed by McKinsey, aka **Business Planning Matrix** inspired from traffic control lights.

This model uses two factors while taking strategic decisions: Business Unit Strength and Industry Attractiveness

Differences with BCG growth-share matrix. Firstly, includes a broader range of factors. Secondly, competitive position of each SBU can be assessed





Portfolio Analysis Models: SWOT Analysis



SWOT analysis helps managers to craft a business model that allows a company to gain a competitive advantage and increase profitability, maximizing a company's chances of surviving in the fast-changing, global competitive environments.



Portfolio Analysis Models: TOWS Matrix

A step head SWOT



Quick Quiz



Q. Which is not the characteristic of SWOT analysis?

- a) Provides Logical framework**
- b) Helps in crafting strategy**
- c) Present a cooperative account**
- d) Guides in strategy identification**

00:30

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Globalization - Integration with the world

At the company level, globalization means two things:

- (a) the company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries; and**
- (b) the company's ability to compete in domestic markets with foreign competitors.**



Globalization - Integration with the world

3 *Key Characteristics* of a global company:

1. It is a **conglomerate of multiple units** (located in different parts of the globe) but all linked by common ownership.
2. Multiple units **draw on a common pool of resources**, such as money, credit, patents, trade names and control systems.
3. The units **respond to some common strategy**. Besides, its managers and shareholders are also based in different nations



Globalization – Why Go Global?

Growth

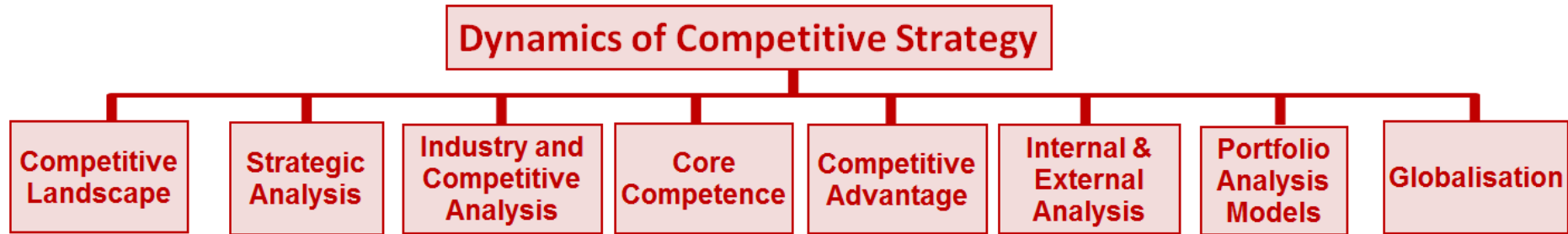
Cheap Resources

New Markets

Economies of scale



Chapter 2 - Summary



Quick Quiz



Q. Companies often set _____ to reduce high transformational cost in globalization.

- a) Bearer Plant
- b) Overseas plant
- c) Domestic Plant
- d) All the above

00:30

Quick Quiz



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Quick Quiz



Q. Most dominant forces are called _____ because they have the biggest influence.

- a) Driving Forces**
- b) Dominant economic feature**
- c) Strategic Moves**
- d) Competitive Landscape**

00:30

Quick Quiz



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Quick Quiz



Q. Which is not the factor on which company's profitability depends?

- a) Value customers place for product/service**
- b) Prize that company charges for its product**
- c) Profit charged by the company**
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Quick Quiz



Q. Capabilities that are valuable, rare, costly to imitate, & non-substitutable are _____

- a) Core Competency
- b) Driving Forces
- c) Key Success Factors
- d) Concurrent Filters

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Quick Quiz



Q. Which of these methods of portfolio analysis is based on the product life cycle?

- a) Arthur D. Little Matrix**
- b) Ansoff Growth Matrix**
- c) BCG Growth Matrix**
- d) General Electric Matrix**

00:30

Quick Quiz

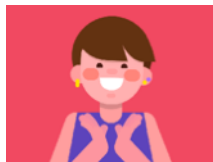


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