Study Note

STRATEGIC MANAGEMENT AND STRATEGIC IMPLEMENTATION

MGT213: Management Practices and Organizational Behavior

Strategic Management and Strategic Implementation
Topic 5 | Week 5

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STRATEGIC MANAGEMENT

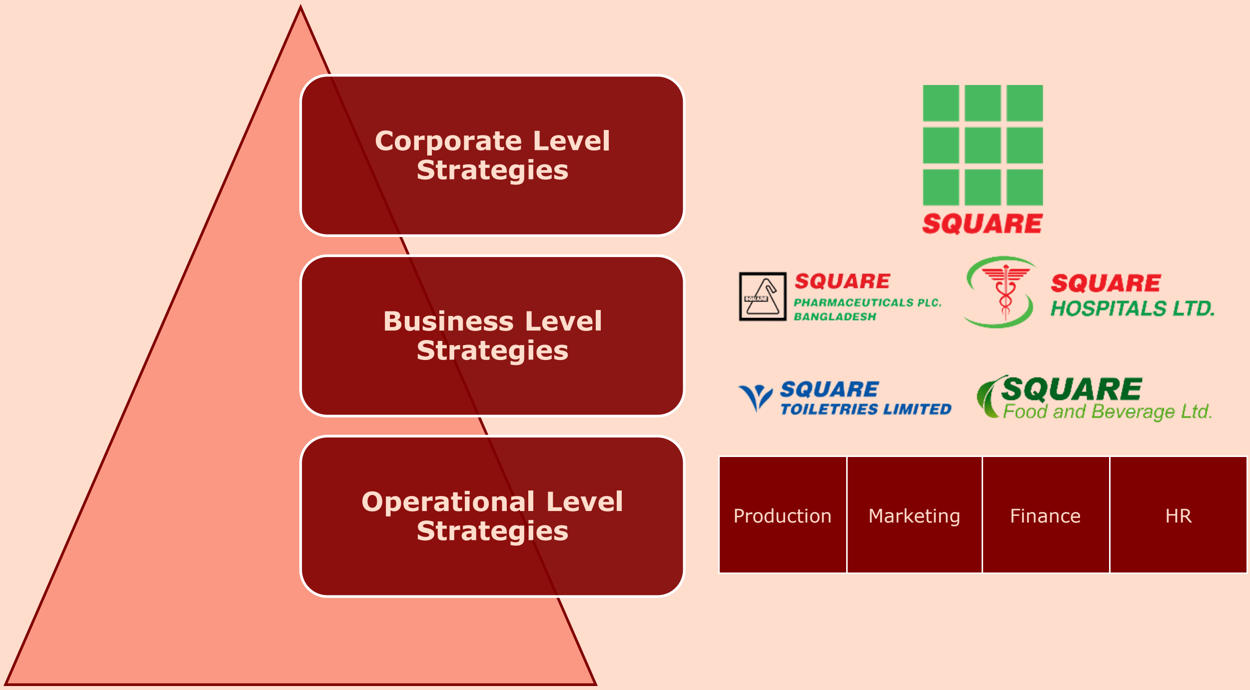
A **strategy** is a comprehensive plan for accomplishing an organization's goals.

Strategic management, in turn, is a way of approaching business opportunities and challenges — it is a comprehensive and ongoing management process aimed at formulating and implementing effective strategies.

Finally, **effective strategies** are those that promote a superior alignment between the organization and its environment and the achievement of strategic goals.

LEVELS OF STRATEGIES FOR MULTI-BUSINESS ORGANIZATION

Most businesses today develop strategies at three distinct levels. These levels provide a rich combination of strategic alternatives for organizations. The three general levels are as follows.



1. Corporate-Level Strategy

Corporate-level strategy is the set of strategic alternatives from which an organization chooses as it manages its operations simultaneously across several industries and several markets.

- It involves decisions made by top management to determine the overall direction and scope of the entire organization.
- It involves decisions regarding which industries or markets to enter, how to allocate resources among different business units, and how to manage the overall portfolio of businesses.

Most large companies today compete in a variety of industries and markets. Thus, although they develop business-level strategies for each industry or market, they also develop an overall strategy that helps define the mix of industries and markets that are of interest to the firm.

Unilever pursues a corporate level strategy of diversification by operating in multiple consumer goods sectors such as personal care, home care, beauty and wellbeing, and nutrition. This strategy allows Unilever to spread its risks across different markets and capitalize on economies of scale and scope.

2. Business-Level Strategy

Business-level strategy is the set of strategic alternatives from which an organization chooses as it conducts business in a particular industry or market. In other words, business level strategy focuses on how a company competes within a particular industry or market segment.

- It involves decisions related to creating competitive advantages, positioning the company relative to competitors, and satisfying customer needs in the target market.

Such alternatives help the organization focus its competitive efforts for each industry or market in a targeted and focused manner.

Apple Inc. adopts a business level strategy of product differentiation in the consumer electronics industry. By offering innovative and user-friendly products with distinctive designs and features, such as the iPhone, iPad, and Mac computers, Apple creates a unique value proposition for its customers and commands premium prices in the market.

3. Operational-Level Strategy

Operational-level strategy deals with the day-to-day operations and activities of an organization.

- It involves decisions related to processes, resources, and capabilities to ensure efficient execution of tasks and achieve organizational objectives.

Toyota implements an operational level strategy known as lean manufacturing to optimize production processes and minimize waste. By continuously improving processes, reducing inventory, and empowering employees to identify and solve problems, Toyota enhances operational efficiency, reduces costs, and delivers high-quality products to customers.

STAGES OF STRATEGIC MANAGEMENT - FORMULATION, IMPLEMENTATION, AND EVALUATION

Drawing a distinction between strategy formulation and strategy implementation is also instructive. **Strategy formulation** is the set of processes involved in creating or determining the strategies of the organization, whereas **strategy implementation** is the methods by which strategies are operationalized or executed within the organization. The primary distinction is along the lines of content versus process: **The formulation stage determines what the strategy is, and the implementation stage focuses on how the strategy is achieved**.

Sometimes the processes of formulating and implementing strategies are rational, systematic, and planned. This is often referred to as a **deliberate strategy** — a plan chosen and implemented to support specific goals.

One of the deliberate strategies of 10 Minute School was to launch a structured online platform offering video lessons, quizzes, and practice materials covering various academic subjects. To implement this strategy, 10MS planned and designed the platform's content based on curriculum requirements and student preferences. Their primary goal was to increase accessibility to quality education resources for students preparing for exams. The outcome of this deliberate strategy was successful establishment of 10MS as a leading online education platform in Bangladesh, with a large user base and positive feedback from students.

Texas Instruments (TI) excels at formulating and implementing deliberate strategies. TI uses a planning process that assigns most senior managers two distinct responsibilities: an operational, short-term responsibility and a strategic, long-term responsibility. Thus, one manager may be responsible for both increasing the efficiency of semiconductor operations over the next year (operational, short term) and investigating new materials for semiconductor manufacturing in the twenty-first century (strategic, long term). TI's objective is to help managers make short-term operational decisions while keeping in mind longer-term goals and objectives.

Other times, however, organizations use an **emergent strategy** — a pattern of action that develops over time in an organization in the absence of mission and goals or despite mission and goals. Implementing emergent strategies involves allocating resources even though an organization has not explicitly chosen its strategies.

One of the emergent strategies of 10 Minute School was introducing live streaming sessions with educators and guest speakers from different industries to address trending topics and current affairs. In its initial years, 10MS wanted to experiment with live sessions based on user feedback and market trends, without initial planning or formal strategy. Their primary goal was to enhance user engagement and offer timely content relevant to students' interests and needs. The outcome of this emergent strategy was unexpected popularity of live sessions among students, leading to the incorporation of regular live events as a key feature of the 10 Minute School platform.

3M has at times benefited from emergent strategies. The invention of invisible tape, for instance, provides a good example. Entrepreneurial engineers working independently took the invention to their boss, who concluded that it did not have major market potential because it was not part of an approved research and development plan. Only when the product was evaluated at the highest levels in the organization was it accepted and made part of 3M's product mix. Of course, 3M's Scotch tape became a major success despite the fact that it arose outside of the firm's established practices. 3M now counts on emergent strategies to help expand its numerous businesses.

Strategy evaluation is the process of assessing the effectiveness and success of the strategies implemented by an organization. It involves analyzing both the formulation and implementation of strategies to determine their impact on achieving organizational goals and objectives.

Importance of Strategy Evaluation

- **Ensures Alignment:** Strategy evaluation ensures that implemented strategies align with organizational goals and objectives.
- **Enhances Adaptability:** Evaluation helps organizations adapt to changing external environments by identifying the effectiveness of current strategies and making adjustments as needed.
- **Promotes Learning:** Evaluation provides valuable insights into what works and what doesn't, facilitating organizational learning and improvement over time.
- **Guides Decision-Making:** Evaluation results guide decision-making processes, such as resource allocation and prioritization of initiatives, to maximize strategic outcomes.

Key Considerations in Strategy Evaluation

- ⊕ **Measuring Performance:** Utilize key performance indicators (KPIs) and metrics to assess the success of strategies in achieving desired outcomes.
- ⊕ **Feedback Mechanisms:** Establish mechanisms for gathering feedback from stakeholders to understand their perceptions and experiences related to strategy implementation.
- ⊕ **Continuous Monitoring:** Regularly monitor and review progress towards strategic objectives to identify areas of improvement or course correction.
- ⊕ **Flexibility:** Remain flexible and open to adapting strategies based on evaluation findings and changing market conditions.

THE ENVIRONMENTAL ANALYSIS APPROACH: SWOT ANALYSIS

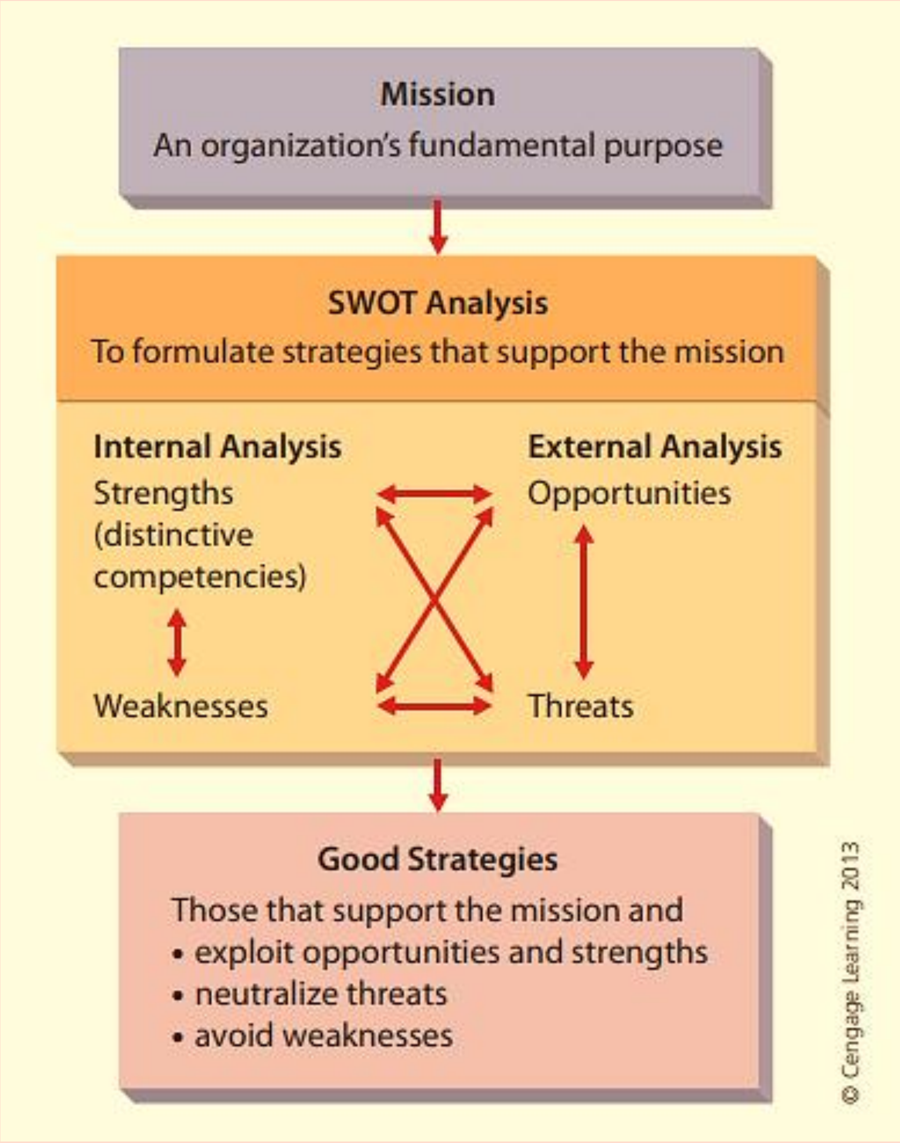


Figure 8.1 SWOT Analysis

The starting point in formulating strategy is usually SWOT analysis.

The acronym **"SWOT"** stands for –

⊕ **Strengths**,
⊕ **Weaknesses**,
⊕ **Opportunities**, and
⊕ **Threats**.

As shown in Figure 8.1, **SWOT analysis** is a careful evaluation of an organization's internal strengths and weaknesses as well as its environmental opportunities and threats.

In SWOT analysis, the best strategies accomplish an organization's mission by –

(1) exploiting an organization's opportunities and strengths while
(2) neutralizing its threats and
(3) avoiding (or correcting) its weaknesses.

Components of SWOT Analysis

STRENGTHS

Internal

- **Strengths** are internal attributes and resources that give an organization a competitive advantage.
- Examples include a strong brand, skilled workforce, innovative products, efficient processes, or robust financial performance.
- Identifying strengths helps organizations leverage their core capabilities for sustained success.

WEAKNESSES

Internal

- **Weaknesses** represent internal limitations or areas where an organization may lag behind competitors.
- Examples include outdated technology, lack of skilled personnel, poor financial health, or inefficient processes.
- Identifying weaknesses is crucial for developing strategies to overcome challenges and improve overall performance.

OPPORTUNITIES

External

- **Opportunities** are external factors that an organization can leverage to its advantage.
- Market trends, technological advancements, regulatory changes, or emerging consumer needs are examples of opportunities.
- Recognizing opportunities enables organizations to align strategies with external dynamics and gain a competitive edge.

THREATS

External

- **Threats** are external factors that can potentially harm an organization's performance or viability.
- Examples include economic downturns, intense competition, regulatory hurdles, or technological disruptions.
- Understanding threats helps organizations proactively mitigate risks and prepare for potential challenges.

Evaluating an Organization's Strengths

Organizational strengths are skills and capabilities that enable an organization to conceive of and implement its strategies. Strengths may include such things as a deep pool of managerial talent, surplus capital, a unique reputation and/or brand name, and well-established distribution channels.

> Sears, for example, has a nationwide network of trained service employees who repair Sears appliances. Jane Thompson, a Sears executive, conceived of a plan to consolidate repair and home improvement services nationwide under the well-known Sears brand name and to promote them as a general repair operation for all appliances, not just those purchased from Sears. Thus the firm capitalized on existing capabilities and the strength of its name to launch a new operation.

SWOT analysis divides organizational strengths into two categories: **common strengths** and **distinctive competencies**.

> **Common Organizational Strengths:** A **common strength** is an organizational capability possessed by a large number of competing firms. For example, all the major Hollywood film studios possess common strengths in lighting, sound recording, set and costume design, and makeup. Competitive parity exists when large numbers of

competing firms are able to implement the same strategy. In this situation, organizations generally attain only average levels of performance. Thus a film company that exploits only its common strengths in choosing and implementing strategies is not likely to go beyond average performance.

Distinctive Competencies: A **distinctive competence** is a strength possessed by only a small number of competing firms. Distinctive competencies are rare among a set of competitors. George Lucas's Industrial Light & Magic (ILM), for example, brought the cinematic art of special effects to new heights. Some of ILM's special effects can be produced by no other organization; these rare special effects are thus ILM's distinctive competencies. **Organizations that exploit their distinctive competencies often obtain a competitive advantage and attain above-normal economic performance.** Indeed, a main purpose of SWOT analysis is to discover an organization's distinctive competencies so that the organization can choose and implement strategies that exploit its unique organizational strengths.

⊕ Evaluating an Organization's Weaknesses

Organizational weaknesses are skills and capabilities that do not enable an organization to choose and implement strategies that support its mission.

An organization has essentially two ways of addressing weaknesses.

- ⊕ First, it may need to make investments to obtain the strengths required to implement strategies that support its mission.
- ⊕ Second, it may need to modify its mission so that it can be accomplished with the skills and capabilities that the organization already possesses.

In practice, organizations have a difficult time focusing on weaknesses, in part because organization members are often reluctant to admit that they do not possess all the skills and capabilities needed. Evaluating weaknesses also calls into question the judgment of managers who chose the organization's mission in the first place and who failed to invest in the skills and capabilities needed to accomplish it.

Organizations that fail either to recognize or to overcome their weaknesses are likely to suffer from competitive disadvantages. An organization has a competitive disadvantage when it is not implementing valuable strategies that are being implemented by competing organizations. Organizations with a competitive disadvantage can expect to attain below-average levels of performance.

⊕ Evaluating an Organization's Opportunities and Threats

Whereas evaluating strengths and weaknesses focuses attention on the internal workings of an organization, evaluating opportunities and threats requires analyzing an organization's environment. **Organizational opportunities** are areas that may generate higher performance. **Organizational threats** are areas that increase the difficulty of an organization's performing at a high level.

Porter's "five forces" model of the competitive environment can be used to characterize the extent of opportunity and threat in an organization's environment. Porter's five forces are level of competitive rivalry, power of suppliers, power of buyers, threat of substitutes, and threat of new entrants.

- ⊕ In general, **when the level of competitive rivalry, the power of suppliers and buyers, and the threat of substitutes and new entrants are all high, an industry has relatively few opportunities and numerous threats**. Firms in these types of industries typically have the potential to achieve only normal economic performance.

- On the other hand, **when the level of rivalry, the power of suppliers and buyers, and the threat of substitutes and new entrants are all low, then an industry has numerous opportunities and relatively few threats**. These industries hold the potential for above-normal performance for organizations in them.

Questions to Consider While Conducting SWOT Analysis

Strengths

- What are the core competencies that give our organization a competitive advantage?
- How effectively does our team leverage skills and expertise to deliver exceptional products or services?
- What unique resources or assets does our organization possess?
- How strong is our brand reputation in the market?
- What are the key features or characteristics that set our products/services apart from the competition?
- How well does our organization adapt to changing market conditions and trends?
- In what ways does our financial position contribute to our overall strength?
- What positive relationships and collaborations does our organization have in the industry?
- How effective is our marketing strategy in reaching and engaging our target audience?
- Are there any proprietary technologies or processes that give us a competitive edge?

Weaknesses

- What internal factors hinder our organization's growth or success?
- How efficient are our internal processes, and where do bottlenecks or inefficiencies exist?
- Are there skills or expertise gaps within our team that need to be addressed?
- What limitations do we face in terms of resources, such as budget constraints or technology gaps?
- How susceptible is our organization to changes in the external environment?
- Are there areas where we struggle to meet customer expectations or industry standards?
- What challenges do we face in terms of brand perception or reputation?
- Are there weaknesses in our supply chain or distribution channels?
- How well does our organization adapt to emerging technologies or market trends?
- Are there regulatory or compliance issues that pose risks to our operations?

Opportunities

- What emerging market trends could create new opportunities for our organization?
- How can advancements in technology be leveraged to benefit our products or services?
- Are there untapped customer segments or markets that our organization can explore?
- What partnerships or collaborations could open doors to new opportunities?
- How can changes in consumer behavior be turned into opportunities for our business?
- Are there gaps in the market that our organization is well-positioned to fill?
- What regulatory changes or government initiatives could create favorable conditions?
- How can our organization capitalize on industry or global economic trends?
- Are there potential strategic alliances or mergers that could enhance our capabilities?
- In what ways can our organization expand its product or service offerings?

Threats

- What external factors pose risks to our organization's stability or growth?
- How vulnerable are we to economic downturns or fluctuations in the market?
- Are there intense competitive pressures in the industry that threaten our market share?
- What technological advancements could disrupt our current business model?
- How exposed are we to changes in regulatory environments or compliance requirements?

- Are there potential supply chain disruptions that could impact our operations?
- What external factors might negatively impact customer perception of our brand?
- How do global events, such as geopolitical tensions, impact our organization?
- Are there emerging trends that pose threats to our traditional ways of doing business?
- What risks does our organization face in terms of cybersecurity and data breaches?

SWOT Analysis of Coca-Cola

The SWOT analysis of Coca-Cola shows how the internal and external factors affect the operations of the beverage company.

Strengths of Coca-Cola

- **Large Consumer Base:** For any company having a large customer base is very beneficial. It helps the company in generating vast sums of revenue and plays a role in making the company profitable. Coca-Cola is one such brand that has an extensive customer base. Every day 1.6 billion servings of drinks produced by Coca-Cola are consumed in more than 200 countries. Such a high customer base has helped Coca-Cola to remain in the market for years.

- **Diversified Portfolio:** To succeed in the food and beverage industry, it is essential to meet the changing demands of the customers. For that, you must have a diversified portfolio. Coca-Cola, which started off by selling the Cola soda, primarily felt the need to have a diversified portfolio timely. So instead of relying on the sales of one product only, Coca-Cola started producing different products under the name of other brands. Currently, Coca-Cola has produced more than 200 brands that offer entirely different products.

- **International Operations:** Organizations look forward to expanding internationally to expand their businesses across the globe. However, Coca-Cola is among those very few brands that are present in every part of the world. Coca-Cola is currently operating in more than 200 countries. Such global reach has increased the revenue of the company. In addition, Coca-Cola is famous for catering to the customers of different cultures through its products. This improves the reputation of the company.

Weaknesses of Coca-Cola

- **Damaging Health:** Coca-Cola is one of the biggest manufacturers of carbonated drinks. Research shows that Coca-Cola and other carbonated beverages are a major source of sugar intake. This can result in obesity and diabetes. Unfortunately, the company hasn't drafted any health alternative or solution for this yet.

- **Environmental Waste:** Global warming and climate change have recently emerged as very prominent global issues. As a result, governments worldwide have started taking it seriously, and measures are being taken to protect the environment at any cost. Where such great importance is being given to the environment, Coca-Cola is among the top four brands responsible for producing half a million tons of plastic each year. Therefore, involvement in such practices will damage the reputation of Coca-Cola.

SWOT Analysis of Coca-Cola *(contd.)*

Opportunities Ahead for Coca-Cola

- **Increasing Presence in the Developing Economies:** Developing economies can help companies grow in the current economic situation. Coca-Cola can create its presence in the developing economies to gain financial benefit. Due to the hot climate, many emerging markets in Asia and Africa have a high demand for cold drinks. Coca-Cola can exploit this natural phenomenon to its own advantage.

- **Growth Through Acquisitions:** In business, there are different ways to grow. One is to outrun the competitors, and another is to acquire small competitors' businesses. Coca-Cola can also acquire companies to grow further. Recently, Coca-Cola's growth was driven by some recent acquisitions like Costa Coffee. In addition, it has the financial resources to acquire startups in emerging markets and exploit numerous opportunities. Most importantly, these acquisitions can be integrated into Coke's global distribution capabilities.

Threats Faced by Coca-Cola

- **Tough Competition:** Competitors are considered a huge threat to a business since they have the potential to grab the market share of other companies in the market. Therefore, the competition between the companies in the food and beverage industry is quite tough. Coca-Cola's biggest all-time competitor has been Pepsi. Since Coca-Cola and Pepsi sell similar products, they keep coming head to head. Coca-Cola is always on its toes because Pepsi is a tough competitor, and a single mistake of Coca-Cola can give away its market share to Pepsi.

- **Global Recession:** After the Covid-19 and the war between Russia and Ukraine, economists worldwide expect a recession soon. Recently, the world bank has warned the world about the upcoming recession. In case of recession, the operations of Coca-Cola will be significantly disrupted. Moreover, due to the recession, people will suffer financially. As a result, the demand for the products of Coca-Cola will fall, and the company will observe severe losses.

- **Russia-Ukraine War:** After Russia invaded Ukraine in February 2022, many brands suspended their operations in Russia. The war is still ongoing, and it's hard to say when peace will be between the two countries. In such a situation, brands like Coca-Cola will get affected due to the political turmoil. Coca-Cola also announced it would suspend its operations in Russia. This ban will result in financial losses as Coca-Cola will lose many consumers.

- **Increased Health Awareness:** Over the years, people are getting more aware of health and diseases caused by unhealthy lifestyles. This awareness can be considered a threat to Coca-Cola since its products have unhealthy amounts of sugar in them. Coca-Cola produces many carbonated beverages under its name, and the main ingredient of these products is sugar. An increase in awareness will shift Coca-Cola consumers to some other healthy products. Consequently, this will result in losses for the company since its market share will be lost.

PORTFOLIO APPROACH: BCG GROWTH-SHARE MATRIX

Portfolio management techniques are methods that diversified organizations use to determine which businesses to engage in and how to manage these businesses to maximize corporate performance. One of the most important portfolio management techniques is the BCG matrix.

The **BCG** (for Boston Consulting Group) matrix provides a framework for evaluating the relative performance of businesses in which a diversified organization operates. It also prescribes the preferred distribution of cash and other resources among these businesses.

The BCG matrix uses two factors to evaluate an organization's set of businesses - **the growth rate of a particular market** and **the organization's share of that market**. The matrix suggests that **fast-growing markets in which an organization has the highest market share are more attractive business opportunities than slow-growing markets in which an organization has a small market share**. Dividing market growth and market share into two categories (low and high) creates the simple matrix shown in Figure 8.3. The matrix classifies the types of businesses in which a diversified organization can engage as **dogs**, **cash cows**, **question marks**, and **stars**.

Figure 8.3 The BCG Matrix

The BCG matrix helps managers develop a better understanding of how different strategic business units contribute to the overall organization. By assessing each SBU on the basis of its market growth rate and relative market share, managers can make decisions about whether to commit further financial resources to the SBU or to sell or liquidate it.

- **Dogs** are businesses that have a very small share of a market that is not expected to grow. Because these businesses do not hold much economic promise, the BCG matrix suggests that organizations either should not invest in them or should consider selling them as soon as possible.

- **Cash cows** are businesses that have a large share of a market that is not expected to grow substantially. These businesses characteristically generate high profits that the organization should use to support question marks and stars. (Cash cows are "milked" for cash to support businesses in markets that have greater growth potential.)

- **Question marks** are businesses that have only a small share of a quickly growing market. The future performance of these businesses is uncertain. A question mark that is able to capture increasing amounts of this growing market may be very profitable. On the other hand, a question mark unable to keep up with market growth is likely to have low profits. The BCG matrix suggests that organizations should invest carefully in question marks. If their performance does not live up to expectations, question marks should be reclassified as dogs and divested.

- **Stars** are businesses that have the largest share of a rapidly growing market. Cash generated by cash cows should be invested in stars to ensure their preeminent position.

Figure: BCG Matrix of Pran

More recently, Yum Brands has also made significant decisions based on the BCG matrix approach. For several years Yum owned and operated five restaurant chains — KFC, Pizza Hut, Taco Bell, A&W, and Long John Silver's. As the U.S. fast food market has approached saturation Yum managers started to expand aggressively into foreign markets. The firm's three flagship brands, KFC, Pizza Hut, and Taco Bell, had been successfully launched in numerous foreign markets. Overseas profits now account for around 65 percent of Yum's total profits. But A&W and Long John Silver's have few foreign outlets and little potential for overseas growth. So, in 2011 Yum announced it would sell those two businesses in order to more effectively concentrate on the other three.

COMPETITIVE APPROACH: PORTER'S FIVE FORCES MODEL

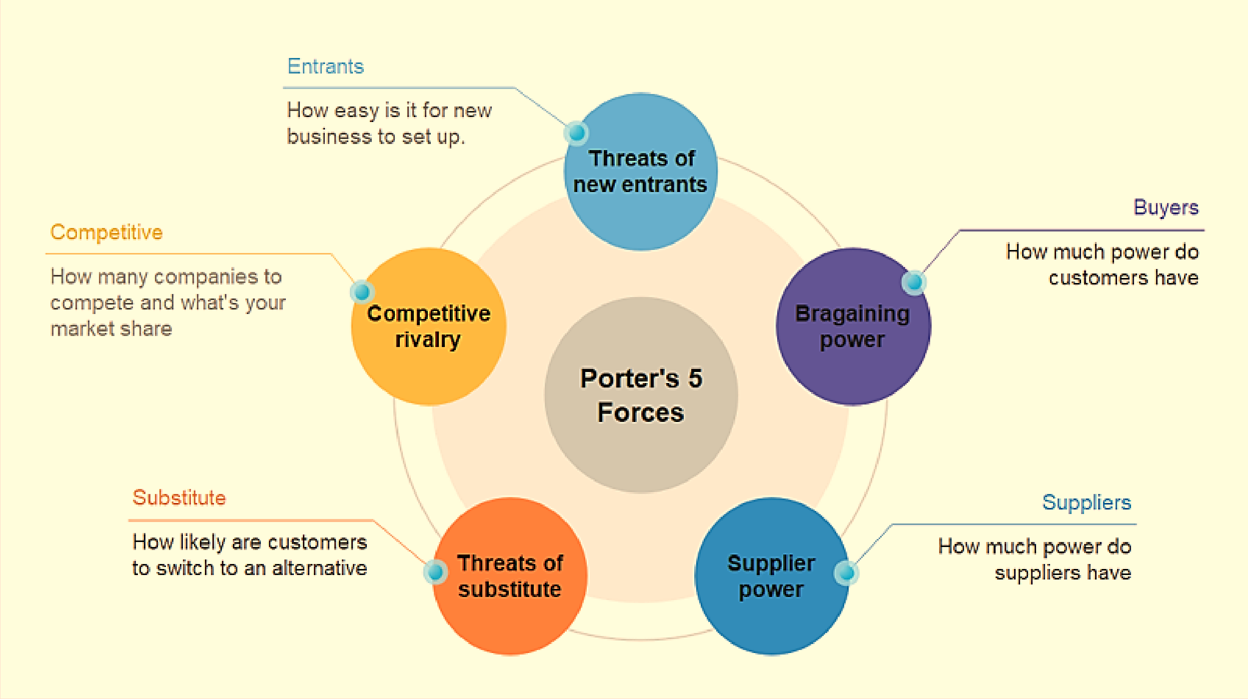
The **Five Forces** is a framework for understanding the competitive forces at work in an industry, and which drive the way economic value is divided among industry actors.

First described by Michael Porter in his classic 1979 Harvard Business Review article, Porter's insights started a revolution in the strategy field and continue to shape business practice and academic thinking today.

A Five Forces analysis can help companies assess industry attractiveness, how trends will affect industry competition, which industries a company should compete in, and how companies can position themselves for success.

Porter's Five Forces Framework helps identify the attractiveness of an industry in terms of five competitive forces.

i. Threat of New Entrants,
ii. Threat of Substitutes,
iii. Bargaining Power of Buyers,
iv. Bargaining Power of Suppliers, and
v. Extent of Rivalry Between Competitors.



These five forces together constitute an industry's 'structure', which is typically fairly stable. For Porter, an attractive industry structure is one that offers good profit potential. His essential message is that where the five forces are high, industries are not attractive to compete in.

Excessive competitive rivalry, powerful buyers and suppliers and the threat of substitutes or new entrants will all combine to squeeze profitability.

The five forces are described below with the examples of airlines.

Threat of New Entrants	HIGH
The threat of new entrants into an industry can force current players to keep prices down and spend more to retain customers. Actually, entry brings new capacity and pressure on prices and costs. The threat of entry, therefore, puts a cap on the profit potential of an industry. This threat depends on the size of a series of barriers to entry, including economies of scale, to the cost of building brand awareness, to accessing distribution channels, to government restrictions. The threat of entry also depends on the capabilities of the likely potential entrants. If there are well established companies in the industry operating in other geographic regions, for example, the threat of entry rises.	The airline industry continues to grow. The cost of entry is low with ready access to aircraft and financing. availability of skilled personnel, and access to gates. A steady stream of new airlines has entered the industry over the last several decades. New airlines often have advantages due to less seniority of personnel, which lowers wages and newer aircraft with greater fuel efficiency.

Threat of Substitutes	LOW
When a new product or service meets the same basic need in a different way, industry profitability suffers. Videoconferencing is a substitute for travel. Email is a substitute for express mail. The threat of a substitute is high if it offers an attractive price-performance trade-off relative to the industry's product or if the buyer's cost of switching to the substitute is low.	There is no effective substitute for air travel, especially for longer distances. For short haul travel, substitutes include automobile, bus or rail travel.

Bargaining Power of Buyers	HIGH
Powerful customers can use their clout to force prices down or demand more service at existing prices, thus capturing more value for themselves. Buyer power is highest when buyers are large relative to the competitors serving them, products are undifferentiated and represent a significant cost for the buyer, and there are few switching costs to shifting business from one competitor to another. They can play rivals against each other - especially if an industry's products are undifferentiated, it is inexpensive to switch loyalties, and price trumps quality.	Despite the fragmentation of buyers, airlines have a hard time differentiating themselves and creating customer loyalty, switching costs for buyers are nearly non-existent, and the proliferation of budget airlines undermines price levels.

Bargaining Power of Suppliers	HIGH
Companies in every industry purchase various inputs from suppliers, which account for differing proportions of cost. Powerful suppliers can use their negotiating leverage to charge higher prices or demand more favorable terms from industry competitors, which lowers industry profitability. If there are only one or two suppliers of an essential input product, for example, or if switching suppliers is expensive or time consuming, a supplier group wields more power.	The major supplier groups to the airline industry are aircraft, engines, airports, and fuel suppliers. Each of the major supplier groups are highly concentrated and has huge clout. Airlines often face high cost of switching suppliers because of the benefits of fleet compatibility and the necessity of utilizing major airports.

Extent of Rivalry Between Competitors	HIGH
If rivalry is intense, it drives down prices or dissipates profits by raising the cost of competing. Companies compete away the value they create. Rivalry tends to be especially fierce if - ⊕ Competitors are numerous or are roughly equal in size and market position ⊕ Industry growth is slow ⊕ There are high fixed costs, which create incentives for price cutting ⊕ Exit barriers are high ⊕ Rivals are highly committed to the business ⊕ Firms have differing goals diverse approaches to competing, or lack familiarity with one another	There are numerous airlines who compete for every route. Since differentiation is low and fixed costs are high there is constant pressure for price competition, and to match improvements in technology, cabin Features and customer service.

PORTER’S GENERIC STRATEGIES

Which do you prefer when you fly: a cheap, no-frills airline, or a more expensive operator with fantastic service levels and maximum comfort? And would you ever consider a small company with just a few routes?

The choice is up to you, of course. But the point we're making here is that when you come to book a flight, there are some very different options available. Why is this so? The answer is that each of these airlines has chosen a different way of achieving competitive advantage in a crowded marketplace.

The no-frills operators have opted to cut costs to a minimum and pass their savings on to customers in lower prices. This helps them grab market share and ensure their planes are as full as possible, further driving down cost. The luxury airlines, on the other hand, focus their efforts on making their service as wonderful as possible, and the higher prices they can command as a result make up for their higher costs. Meanwhile, smaller airlines try to make the most of their detailed knowledge of just a few routes to provide better or cheaper services than their larger, international rivals.

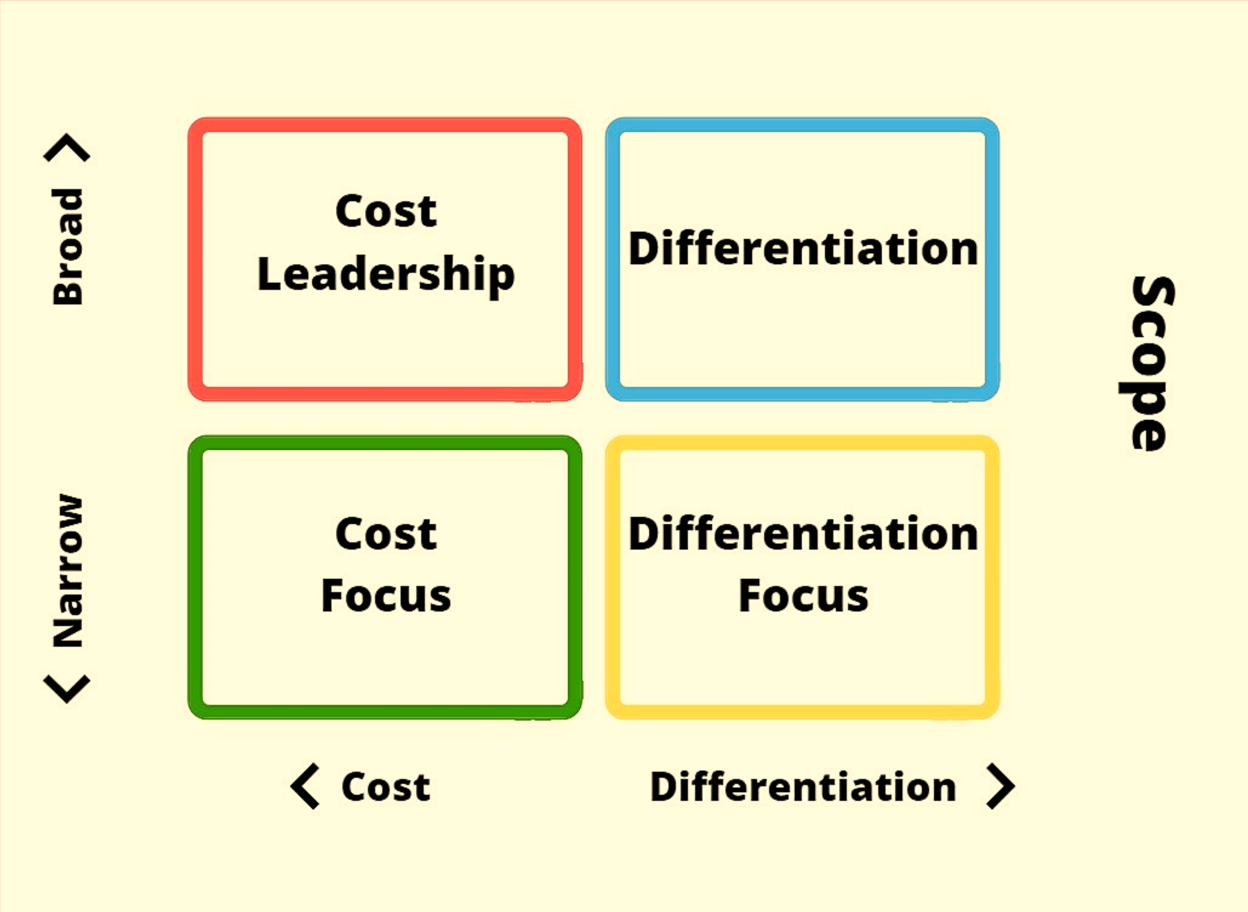


Figure: Porter's Generic Strategies

These three approaches are examples of **"generic strategies"** because they can be applied to products or services in all industries, and to organizations of all sizes. They were first set out by **Michael Porter** in 1985 in his book, **"Competitive Advantage: Creating and Sustaining Superior Performance"**.

Porter called the generic strategies **"Cost Leadership"** (no frills), **"Differentiation"** (creating uniquely desirable products and services) and **"Focus"** (offering a specialized service in a niche market). He then subdivided the Focus strategy into two parts: **"Cost Focus"** and **"Differentiation Focus"**. These are shown in the following figure.

1. The Differentiation Strategy

An organization that pursues a **differentiation strategy** seeks to distinguish itself from competitors through the quality (broadly defined) of its products or services. **Firms that successfully implement a differentiation strategy are able to charge more than competitors because customers are willing to pay more to obtain the extra value they perceive.**

> Aarong is a leading retail chain in Bangladesh that specializes in handmade traditional crafts and clothing. They differentiate themselves by offering unique, high-quality products that showcase the rich cultural heritage of Bangladesh. Aarong collaborates with local artisans and designers to create exclusive designs and collections, attracting customers who value authenticity and craftsmanship.

bKash is a leading mobile financial service provider in Bangladesh that follows a differentiation strategy. It offers a wide range of innovative and convenient financial services, including money transfer, bill payment, mobile recharge, and merchant payments, through its mobile app and agent network. bKash differentiates itself by focusing on user-friendly interfaces, robust security features, and extensive network coverage, catering to the diverse financial needs of customers across urban and rural areas. Its strong brand image and reputation for reliability distinguish it from other financial service providers in the market.

Rolex pursues a differentiation strategy. Rolex watches are handmade of precious metals like gold or platinum and stainless steel, and they are subjected to strenuous tests of quality and reliability. The firm’s reputation enables it to charge thousands of dollars for its watches.

Coca-Cola and Pepsi compete in the market for bottled water on the basis of differentiation. Coke touts its Dasani brand on the basis of its fresh taste, whereas Pepsi promotes its Aquafina brand on the basis of its purity.

Other firms that use differentiation strategies are Lexus, Godiva, Nikon, Mont Blanc, and Ralph Lauren.

2. The Overall Cost Leadership Strategy

An organization implementing an **overall cost leadership strategy** attempts to gain a competitive advantage by reducing its costs below the costs of competing firms. **By keeping costs low, the organization is able to sell its products at low prices and still make a profit.**

Walton Group is a prominent electronics and appliances manufacturer in Bangladesh that focuses on cost leadership. They produce a wide range of consumer electronics, including televisions, refrigerators, air conditioners, and smartphones, at competitive prices. Walton Group leverages economies of scale, vertical integration, and efficient supply chain management to keep production costs low and pass on the savings to customers, making their products affordable and accessible to a wide audience.

Nagad is a digital financial service provider in Bangladesh that follows a cost leadership strategy. It offers a variety of financial services, such as money transfer, bill payment, cash withdrawal, and merchant payments, at competitive rates and with minimal fees. Nagad leverages efficient digital technologies, streamlined processes, and strategic partnerships to minimize operational costs and pass on the savings to customers, making its services affordable and accessible to a wide range of users. By focusing on cost leadership, Nagad aims to capture market share and drive financial inclusion in Bangladesh.

Timex uses an overall cost leadership strategy. For decades, this firm has specialized in manufacturing relatively simple, low-cost watches for the mass market. The price of Timex watches, starting around $39.95, is low because of the company’s efficient high-volume manufacturing capacity.

Other firms that implement overall cost leadership strategies are Hyundai, BIC, Old Navy, and Hershey. When the economic recession hit in 2009, Hershey experienced a jump in sales — during hard times consumers started cutting back on high-end chocolate products from Godiva but weren’t willing to forgo chocolate altogether. Likewise, other low-cost producers also benefited as consumers avoided higher-priced name-brand products (that is, those with a differentiation strategy) in favor of lower-priced goods. For instance, both Proctor & Gamble and Colgate saw sales of products such as Tide, Pampers, and Colgate toothpaste decline, while sales of lower-priced private-label products jumped.

Figure: Porter's Generic Strategies

3. The Focus Strategy

A firm pursuing a **focus strategy** concentrates on a specific regional market, product line, or group of buyers. This strategy may have either a **differentiation focus**, whereby the firm differentiates its products in the focus market, or an **overall cost leadership focus**, whereby the firm manufactures and sells its products at low cost in the focus market.

UCB Taqwa is an Islamic banking subsidiary of United Commercial Bank Limited (UCB) in Bangladesh that follows a focus strategy. It offers a range of Shariah-compliant banking products and services tailored to the specific needs and preferences of Muslim customers. UCB Taqwa focuses on providing Islamic banking solutions, such as Mudaraba, Musharaka, and Islamic investment accounts, to individuals, businesses, and institutions seeking ethical and interest-free financial services. By concentrating on serving the niche market of Islamic banking customers, UCB Taqwa aims to build strong relationships, foster trust, and become a preferred banking partner for the Muslim community in Bangladesh.

iFarmer is a Bangladeshi company focusing on agricultural crowdfunding and investment platforms. It targets small-scale farmers, connecting them with investors to fund agricultural projects. By addressing the specific needs of smallholder farmers, iFarmer aims to promote sustainable agricultural development and alleviate rural poverty in Bangladesh.

In the watch industry, Tag Heuer follows a focus differentiation strategy by selling only rugged waterproof watches to active consumers.

Fiat follows a focus cost leadership strategy by selling its automobiles only in Italy and in selected regions of Europe; Alfa Romeo uses focus differentiation to sell its high-performance cars in these same markets.

Hasselblad makes expensive cameras targeted at professional photographers.

Fisher-Price uses focus differentiation to sell electronic calculators with large, brightly colored buttons to the parents of preschoolers; stockbroker Edward Jones focuses on small-town settings.

*The terms **"Cost Focus"** and **"Differentiation Focus"** can be a little confusing, as they could be interpreted as meaning "a focus on cost" or "a focus on differentiation." Remember that Cost Focus means emphasizing cost-minimization within a focused market, and Differentiation Focus means pursuing strategic differentiation within a focused market.*

Table 8.1 Porter's Generic Strategies

Michael Porter has proposed three generic strategies. Each of these strategies — differentiation, overall cost leadership, and focus — is presumed to be widely applicable to many different competitive situations.

Strategy Type	Definition	Examples
Differentiation	Distinguish products or services	⊕ Aarong ⊕ bKash ⊕ Grameenphone
Overall Cost Leadership	Reduce manufacturing and other costs	⊕ Walton ⊕ Nagad ⊕ Airtel
Focus	Concentrate on specific regional market, product market, or group of buyers	⊕ UCB Taqwa ⊕ iFarmer ⊕ djuice

THE MILES AND SNOW TYPOLOGY

The Miles and Snow Typology is a strategic management framework developed by Raymond E. Miles and Charles C. Snow in the 1970s. It categorizes organizations into four strategic types based on their approach to coping with environmental uncertainty – **prospector**, **defender**, **analyzer**, and **reactor**. Overall, the Miles and Snow Typology provides a framework for understanding how organizations adapt and respond to their external environments. It helps managers identify their organization's strategic orientation and develop appropriate strategies to achieve long-term success in their respective industries.

Table 8.2 The Miles and Snow Typology

The Miles and Snow typology identifies four strategic types of organizations. Three of these — the prospector, the defender, and the analyzer — can all be effective in certain circumstances. The fourth type — the reactor — represents an ineffective approach to strategy.

Strategy Type	Definition	Examples
Prospector	Is innovative and growth oriented, searches for new markets and new growth opportunities, encourages risk taking	⊕ Pathao ⊕ Daraz Bangladesh
Defender	Protects current markets, maintains stable growth, serves current customers	⊕ Olympic Industries Limited ⊕ Bank Asia
Analyzer	Maintains current markets and current customer satisfaction with moderate emphasis on innovation	⊕ Square Pharmaceuticals ⊕ ACI Limited
Reactor	No clear strategy, reacts to changes in the environment, drifts with events	⊕ Biman Bangladesh Airlines ⊕ Bangladesh Petroleum Corporation (BPC)

Prospector

Prospector organizations are highly innovative and flexible. They continuously seek out new opportunities and markets, often through product innovation and market development. They thrive in dynamic and rapidly changing environments by being first movers and pioneers, taking risks, and experimenting with new ideas.

Example

Technology companies, fashion brands, and research and development-intensive industries often exhibit prospector strategies.

In Bangladesh, **Pathao is a great example of a prospector company** as it is known for its innovative and aggressive market expansion strategies. It constantly seeks new opportunities and ventures into new markets. Pathao started as a ride-sharing platform and has since expanded into food delivery, courier services, and digital payments, always looking for new ways to grow and diversify its offerings.

Global companies such as Amazon, 3M, and Rubbermaid are good examples of prospectors.

Defender

Defender organizations prioritize stability and efficiency. They focus on protecting their market position and maintaining a stable product line. They excel in stable and predictable environments where they can leverage economies of scale and efficiency to compete effectively.

Example

Established companies in mature industries, such as utilities, manufacturing, and traditional retail, often adopt defender strategies.

In Bangladesh, **Olympic Industries Limited is a great example of a defender company** as it focuses on its core products like biscuits and confectioneries, maintaining high operational efficiency and ensuring consistent product quality. By investing in advanced manufacturing processes, the company keeps costs low while upholding stringent quality standards. This approach builds strong brand loyalty and trust among consumers, helping Olympic Industries defend its market share against competitors.

Global companies such as eBay, Mrs. Fields are good examples of defenders.

Analyzer

Analyzer organizations combine elements of both prospector and defender strategies. They balance innovation with stability by selectively adopting new ideas and technologies while also protecting existing products and markets. They monitor competitors and market trends closely, selectively imitating successful innovations and adapting them to their existing operations.

Example

Banking and financial services firms, telecommunications companies, and consumer goods manufacturers often adopt analyzer strategies to balance stability and innovation.

In Bangladesh, **Square Pharmaceuticals is a great example of an analyzer company** as it balances between defending its existing market share and exploring new opportunities. It adopts a dual approach, being innovative in product development while maintaining operational efficiency. While Square Pharmaceuticals continues to dominate the pharmaceutical market in Bangladesh with its existing product lines, it also invests in research and development to bring new drugs to market, ensuring a mix of stability and growth.

Global companies such as DuPont, IBM, and Yahoo are good examples of analyzers.

Reactor

Reactor organizations lack a consistent strategy and struggle to adapt to environmental changes. They are often reactive rather than proactive, responding inconsistently to market challenges. They may lack a clear direction or coherent strategy, leading to inconsistent performance and difficulty in competing effectively.

Example

Start-up companies in highly uncertain industries, poorly managed firms facing financial difficulties, and organizations undergoing significant internal or external changes may exhibit reactor-like behavior.

In Bangladesh, **Biman Bangladesh Airlines is a great example of a reactor company** as it often reacts to external pressures rather than proactively setting a strategic direction. Its strategy is more about responding to the changing environment and regulatory pressures. Biman has historically struggled with strategic consistency, often making changes in response to external economic pressures, regulatory changes, and competition rather than leading with a clear strategic vision.

Global companies such as Kmart and Navistar are good examples of reactors.

REVIEW AND DISCUSSION QUESTIONS

A. Theoretical/Conceptual Questions

1. What is a strategy?
2. Define strategic Management.
3. Why is strategic management important to managers? Discuss.
4. Write about the different levels of strategies for a multi-business organization. Provide examples.
5. Which strategy should a firm develop first — its business-level or its corporate-level strategy? Describe the relationship between a firm's business- and corporate-level strategies.
6. Define deliberate and emergent strategies. Provide examples.
7. What are the differences between deliberate and emergent strategies?
8. Explain the various stages of strategic management.
9. What is SWOT analysis?
10. Write about the two different categories of organizational strengths with examples.
11. Distinguish between an organization's external opportunities and its threats.
12. What are portfolio management techniques?
13. Explain the BCG growth-share matrix along with examples.
14. Explain how managers can use a BCG Matrix to manage strategies by analyzing a corporate portfolio.
15. Explain Porter's five forces model along with examples.
16. "A Five Forces analysis can help companies assess industry attractiveness, how trends will affect industry competition, which industries a company should compete in, and how companies can position themselves for success." - do you agree with this statement? Justify with sufficient reasoning and examples.
17. Explain Porter's generic strategies along with examples.
18. Explain the Miles and Snow Typology with examples.

B. Situational/Contextual Questions

19. Conduct a SWOT analysis for BRAC University.
20. Explain the BCG growth-share matrix in terms of PRAN.
21. Explain Porter's five forces model in the context of BRAC University.
22. Explain Porter's generic strategies in the context of BRAC University.
23. Volkswagen sold its original Beetle automobile in the United States until the 1970s. The original Beetle was made of inexpensive materials, was built using an efficient mass-production technology, and offered few options. Then, in the 1990s Volkswagen introduced its new Beetle, which has a distinctive style, provides more optional features, and is priced for upscale buyers. What was Volkswagen's strategy with the original Beetle — product differentiation, low cost, or focus? Which strategy did Volkswagen implement with its new Beetle? Explain your answers.
24. Apple Inc. is a globally renowned technology company founded by Steve Jobs, Steve Wozniak, and Ronald Wayne in 1976. Headquartered in Cupertino, California, Apple has established itself as a leader in the consumer electronics industry, particularly known for its iPhone, iPad, Mac, and Apple Watch product lines. With a focus on innovation, design excellence, and seamless integration of hardware and software, Apple has built a loyal customer base worldwide. Moreover, Apple manages its supply chain, production processes, and economies of scale to maintain cost efficiency at all levels of production and selling. In recent years, Apple Inc. has faced intensifying competition in the smartphone market from companies such as Samsung, Huawei, and Xiaomi. Despite this, Apple has maintained its position as one of the top players in the industry. The company's success can be attributed to its strategic approach, which aligns with Porter's generic strategies. Which of Porter's generic strategies is Apple Inc. primarily employing to maintain its competitive advantage in the smartphone market? Justify your answer with specific examples from Apple's business practices and product offerings.
25. Explain the Miles and Snow Typology in the context of BRAC University.

APPENDIX A
Strategic Implementation for BRAC University

A. SWOT Analysis of BRAC University

Strengths

- **Reputation:** BRAC University enjoys a strong reputation both nationally and internationally for its quality education and research.
- **Strategic Location:** Located in Dhaka, the capital city of Bangladesh, BRAC University benefits from being situated in a hub of economic, political, and cultural activities.
- **Diverse Programs:** The university offers a wide range of programs across various disciplines, catering to the diverse educational needs of students.
- **Strong Faculty:** BRAC University boasts a talented and diverse faculty body comprising experienced academics, researchers, and professionals.
- **Research Excellence:** BRAC University excels in research through its diverse faculty expertise, interdisciplinary research centers, strong publication output, and impressive research funding.
- **Industry Partnerships:** The university has established strong partnerships with industries and organizations, providing students with opportunities for internships, research collaborations, and employment.
- **Student-Centric Approach:** BRAC University prioritizes the holistic development and well-being of its students, offering faculty consultation, support services, extracurricular activities, and mentorship programs to enhance their academic and personal growth.
- **Alumni Network:** The university benefits from a strong and active alumni network comprising accomplished professionals, leaders, and changemakers across various sectors, who contribute to the university's reputation, outreach, and career development opportunities for current students.
- **Commitment to Social Impact:** With its roots in the BRAC development organization, the university maintains a strong commitment to social impact and community engagement, reflected in its academic and extracurricular activities.
- **Commitment to Sustainability:** BRAC University demonstrates a commitment to sustainability through environmentally-friendly practices, green initiatives, research on sustainable development, and integration of sustainability principles into its curriculum, contributing to environmental stewardship and social responsibility.

Weaknesses

- **Limited Infrastructure:** Despite impressive growth, infrastructure limitations, such as classroom space and facilities, may hinder the university's ability to accommodate its growing student population.
- **Faculty Retention:** Competition with other institutions and industries may make it challenging to retain top faculty members, impacting teaching quality and research output.
- **Limited Internationalization:** While the university has made strides in internationalization, there may still be room for improvement in terms of attracting international students, faculty, and partnerships.
- **Perception Challenges:** Despite its strengths, BRAC University may face perception challenges regarding its academic rigor and standing compared to more established institutions.

Opportunities

- **Market Expansion:** There is an opportunity to expand the university's reach both domestically and internationally by introducing new programs, establishing satellite campuses, or offering online courses.

- ⊕ **Partnership Development:** Strengthening partnerships with industries, government agencies, and international institutions can provide opportunities for research collaboration, student internships, and knowledge exchange.
- ⊕ **Social Innovation:** Given its commitment to social impact, BRAC University can explore opportunities for social innovation, entrepreneurship, and community development initiatives.

Threats

- ⊕ **Competition:** Intense competition from other public and private universities, both domestic and international, could pose a threat to BRAC University's ability to attract top students, faculty, and funding.
- ⊕ **Regulatory Changes:** Changes in government (UGC) regulations and policies related to higher education funding, accreditation, or governance could impact the university's operations and autonomy.
- ⊕ **Economic Instability:** Economic fluctuations and uncertainties in the national or global economy may affect the affordability of education for students and the availability of funding for the university.
- ⊕ **Brain Drain:** The emigration of skilled professionals and students seeking better opportunities abroad could impact faculty retention and the pool of qualified applicants.
- ⊕ **Social Unrest:** Political instability, social unrest, or security concerns in the country could disrupt academic activities, student enrollment, and international collaborations.

B. Porter's Five Forces Analysis for BRAC University

Threat of New Entrants: LOW

The higher education sector in Bangladesh requires significant investment in infrastructure, faculty, and accreditation. Additionally, strong brand recognition and reputation of established universities like BRAC University act as barriers to entry for new institutions.

Bargaining Power of Suppliers: LOW to MEDIUM

Suppliers to BRAC University, such as academic publishers and technology providers, have relatively lower bargaining power due to the availability of alternative suppliers and the university's ability to negotiate favorable terms.

Bargaining Power of Buyers (Students): MEDIUM

Students have moderate bargaining power as they can choose from various universities and programs in Bangladesh. Factors such as tuition fees, program offerings, and reputation influence students' decisions.

Threat of Substitutes: LOW to MEDIUM

While there are alternative higher education institutions in Bangladesh, BRAC University's unique programs, partnerships, and emphasis on social impact differentiate it from competitors, reducing the threat of substitutes to some extent.

Competitive Rivalry: MEDIUM to HIGH

Competition among universities in Bangladesh is intense, with several institutions vying for students and faculty. BRAC University faces competition from both public and private universities, necessitating continuous improvement and differentiation to maintain its market position.

Overall, BRAC University operates in a moderately competitive environment with relatively low threats from new entrants and substitutes, while maintaining bargaining power over suppliers. However, it faces significant competition from existing universities and must continuously adapt to changes in the higher education landscape.

C. Porter’s Generic Strategy for BRAC University

BRAC University follows a differentiation strategy. This approach is evident in its emphasis on providing high-quality education, fostering innovation, and creating a unique learning environment that sets it apart from other institutions.

Justification

- **Quality Education:** BRAC University is known for its rigorous academic programs, highly qualified faculty, and a strong emphasis on research and development. This focus on quality helps distinguish it from other universities.
- **Innovative Programs:** The university offers unique programs and courses that address contemporary issues and future trends, such as entrepreneurship, social innovation, and technology. These programs are designed to equip students with skills that are highly valued in the global job market.
- **Global Partnerships:** BRAC University has established numerous partnerships with international universities and organizations, enhancing its reputation and offering students opportunities for global exposure and collaboration.
- **State-of-the-Art Facilities:** Investment in modern infrastructure, including advanced laboratories, libraries, and digital resources, provides students with a conducive learning environment and access to the latest tools and technologies.
- **Community Engagement and Social Impact:** The university's commitment to social impact, community service, and development initiatives aligns with its mission to create leaders who contribute positively to society. This focus on social responsibility adds to its unique identity.

D. The Miles and Snow Typology for BRAC University

BRAC University is best characterized as an analyzer. This classification reflects its balanced approach of maintaining a stable core of well-established educational programs while simultaneously exploring new opportunities and innovative practices to stay competitive and relevant in the evolving educational landscape.

Justification

- **Stable Core Programs:** BRAC University offers a range of consistent and reputable undergraduate and postgraduate programs that form the backbone of its academic offerings, showcasing elements of a defender strategy.
- **Innovation and Expansion:** The university continuously introduces new courses, embraces modern teaching methods, and invests in cutting-edge research and technology, aligning with the characteristics of an analyzer strategy.
- **Adaptability:** BRAC University adapts to changing educational needs and market demands by updating curricula and expanding into new academic areas, such as entrepreneurship and technological innovation.
- **Balanced Approach:** The combination of maintaining established programs while exploring new opportunities demonstrates BRAC University’s ability to balance stability with innovation, which is the hallmark of an analyzer.