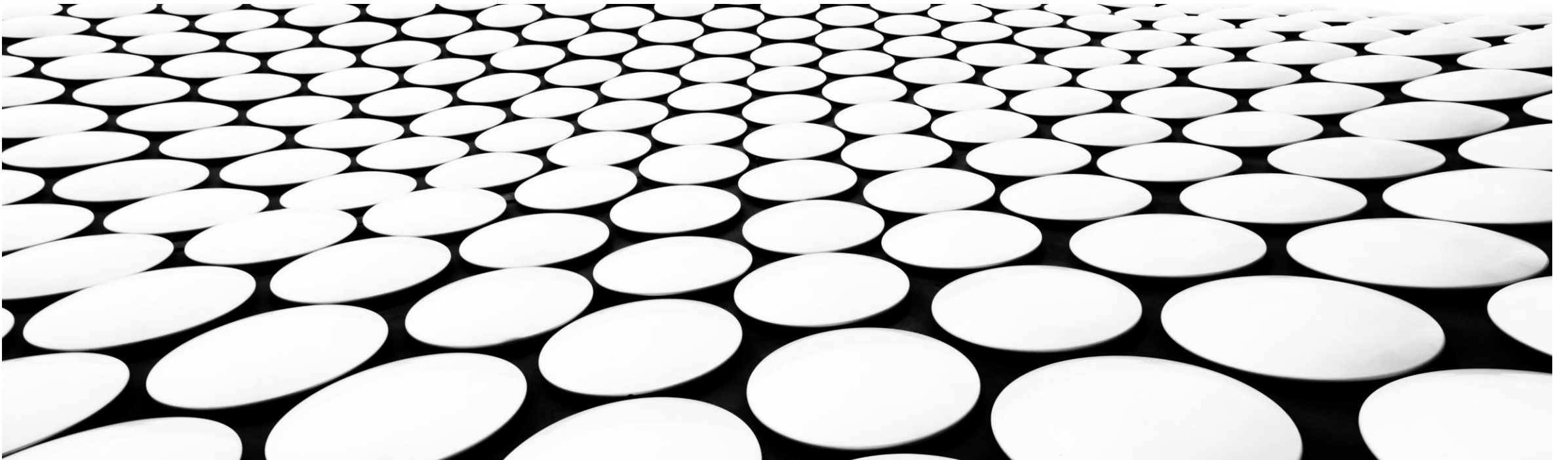

BUSINESS & FUNCTIONAL LEVEL STRATEGIES

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BUSINESS LEVEL STRATEGY

Business Level Strategy is the strategic planning a business unit undergoes to develop a system for creating value for its customers that will distinguish itself from its competitors. The ultimate goal of Business Level Strategy is to achieve a sustainable competitive advantage and succeed in the marketplace through the implementation of that plan.

BUSINESS LEVEL STRATEGY VS CORPORATE LEVEL STRATEGY

- **Business Level Strategy** and Corporate Level Strategy are two distinct but related strategies that companies use to achieve their goals. The main difference between the two is the scope and focus of the strategies.
- **Business Level Strategy** is focused on creating value and competitive advantage for a single business unit within a company. It outlines the actions a company takes to compete effectively in a particular market and serves as the foundation for the company's overall strategy.
- On the other hand, Corporate Level Strategy focuses on the entire organization and outlines how the company will allocate its resources and manage its portfolio of businesses. Corporate level strategy deals with questions such as which businesses to enter, which to exit, and how to allocate resources among different business units.

IMPORTANCE

- Facilitates differentiation from competitors
- Guides decision-making
- Enhances focus and defines target market
- Supports long-term planning
- Facilitates growth and development



TYPES OF BUSINESS LEVEL STRATEGIES



COST LEADERSHIP STRATEGY

Businesses position themselves as a low-cost producer in the industry, offering products at lower prices compared to competitors. The focus is on reducing costs through efficiency and economies of scale.

Cost leadership strategy works better when you are targeting a mass market, and your customers are price-sensitive. The firm (practicing this strategy) will focus on reducing costs at all levels, including procurement, production, packaging, storing, distributing, etc.

Tips On How to Achieve Cost Leadership

- Use the firm's resources in an efficient way.
- Accurate and timely demand forecasting of your products or services.
- Achieving economies of scale with the help of mass production.
- Keep investing in the latest technologies to work smarter.

DIFFERENTIATION STRATEGY

Companies execute this strategy by offering unique and superior products or services compared to competitors. The focus is on creating a distinct value proposition for customers through product innovation, high-quality customer service, or other exclusive features.

Differentiation strategy is suitable for both mass markets as well as a narrow market. Although differentiation strategy can help a business to become the industry leader, it is only effective as long as a firm keeps offering something unique and unprecedented.

FOCUS/NICHE STRATEGY

This strategy involves focusing on a narrow customer segment of the market and serving it exceptionally well. The focus is on serving a specific customer group with specialized products or services that meet their particular needs.

The company following this approach mainly considers three things while selecting a niche;

- The target market must have a considerable size.
- The chances of potential growth are on the higher side.
- The competitors don't have a considerable effect on the firm.

Focus strategy can be further classified into two categories;

1. Focused differentiation
2. Focused low-cost



CUSTOMER INTIMACY STRATEGY

Close and long-lasting relationships with customers are the core of this strategy. The focus is on understanding and anticipating customer needs and providing customized products or services.

EXAMPLES OF BUSINESS LEVEL STRATEGIES

Amazon

Amazon is an ideal example of a cost leadership strategy. This global giant has literally wiped out any competition or hurdle in its way. Here is how;

- Amazon achieved economies of scale as the company doesn't have any brick-and-mortar stores. They have warehouses, and they sell online.
- The company maximizes its operational efficiency through advanced networking and computing technology.
- Amazon has automated the majority of its operations, such as purchasing process, scheduling process, etc.

EXAMPLES OF BUSINESS LEVEL STRATEGIES

Apple

A global industry leader and a member of the “Big Five” (tech companies), Apple Inc is a perfect example of product differentiation. Apple has earned unprecedented fame and respect in the tech industry with its products such as iPad, iPod, Macintosh line computers, and the iconic iPhone. The company differentiated itself because of its unique, elegant, and minimalist product designs.

IKEA

- Regarding the integrated low-cost/differentiation strategy, IKEA would be the perfect example of this business practice. The company invests a lot in automation, logistics, and its designers. IKEA offers products that you won't get anywhere else and that too at low cost.

WHAT IS A FUNCTIONAL LEVEL STRATEGY?

A functional level strategy is a plan of action to achieve short-term, routine, or day-to-day business goals to support the corporate and business level strategies. Basically, a functional level strategy helps a business to manage operational activities on a daily or routine basis.

FUNCTIONAL LEVEL STRATEGIES

- It should reflect the corporate and business level objectives/goals.
- It must ensure an optimum allocation of resources in all functional areas/units.
- A functional level strategy needs to maximize the coordination between all functional areas to optimize their outcomes.

IMPORTANCE

- It works as stepping stones to achieve corporate and business-level objectives.
- A functional level strategy helps in developing a layout to perform day-to-day/routine business operations.
- It acts as a binding force in any business; integrates different functional/operational departments such as HR, marketing, sales, R&D, production, customer relationship, etc.
- Functional level strategies are more pragmatic/practical in nature and help in dealing with every practical scenario at micro levels (in an organization).

IMPORTANT FEATURES

- In comparison to business or corporate strategies, functional level strategies are short-termed.
- It pertains to the department, function, and division of an organization. Functional level strategies also deal with sub-functional areas (if any).
- Every functional unit or department develops its functional strategy on the basis of guidelines from the higher level. They support business-level strategy, which finally supports the corporate-level strategy.
- Functional level strategies mainly focus on the external environment.
- A functional level strategy may vary for the same organization in different locations. i.e different business units/franchises in different areas/cities/states.
- Functional strategies of every functional unit must have strong integration between each other to fulfill overall corporate objectives.



Functional Strategies

Functional Area	Elements in which strategy is developed
Finance	Asset management, capital budgeting, capital structure, financing, risk management, financial planning, dividend decisions, forecasting, mergers and acquisitions, control systems
Human Resources	Personnel management, organizational behavior, labor-management relations, leadership
Marketing	Distribution, advertising and promotion, pricing, product and services offered, customer segments, research
Administration	Insurance coverage, accounting systems, management information systems, strategic planning, legal issues
Operations	Production management, quality control, resource acquisition and storage, safety and security, process management
Research and Development	Product development, customer development, new business development