



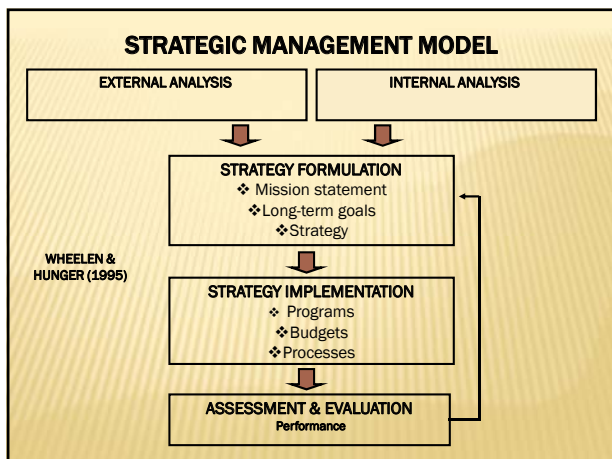
ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS

**BUSINESS POLICY AND STRATEGY:
EXTERNAL AND INTERNAL ANALYSIS**



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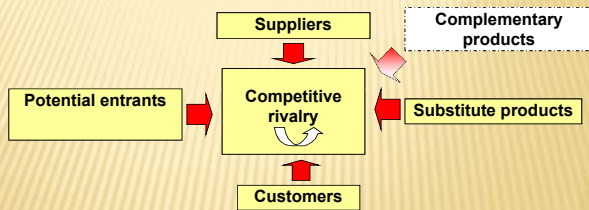
- ✕ External environment analysis
- ✕ Internal environment analysis

× **MAIN QUESTIONS FOR THE MACRO-ENVIRONMENT:**

- + Which elements comprise the political-legal environment at a national or/and international level;
 - × Governmental stability? (opportunity)
 - × Frequent changes in law? (threat)
 - × Tax allowances? (opportunity)
- + Which elements comprise the financial environment at a national or/and international level;
 - × High level of unemployment? (opportunity)
 - × High level of inflation? (threat)
- + Which elements comprise the socio-cultural environment at a national or/and international level;
 - × Adherence to tradition? (threat)
 - × High level of education? (opportunity)
- + Which elements comprise the technological environment at a national or/and international level;
 - × Rapid technological changes? (threat)
 - × Patent protection? (opportunity)

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MICRO-ENVIRONMENT: The **industry** refers to a group of firms implementing similar production processes and similar tactics for selling products.



The five forces framework of competition (Porter, 1980)

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× **MAIN QUESTIONS FOR THE MICRO-ENVIRONMENT:**

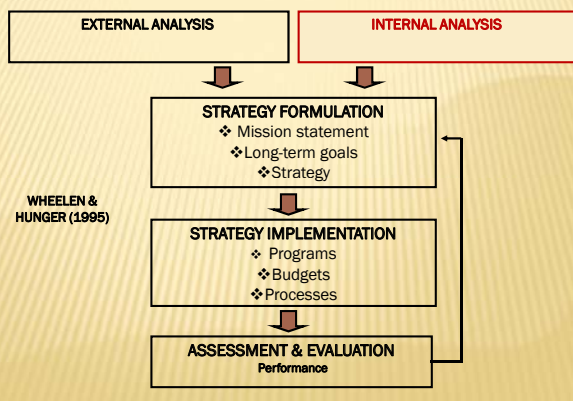
- + What is the intensity of competition?
 - × High = threat
 - × Low = opportunity
- + What is the bargaining power of suppliers?
 - × High = threat
 - × Low = opportunity
- + What is the bargaining power of customers?
 - × High = threat
 - × Low = opportunity
- + Are there many potential entrants (newcomers);
 - × Many = threat
 - × Few = opportunity
- + Are there many substitute (or/and complementary) products;
 - × Many substitute = threat, many complementary = opportunity
 - × Few substitute = opportunity, few complementary = threat

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BASIC POINTS

- ✗ Basic competitors are those inside the same strategic group
- ✗ Different strategic groups may have different opportunities and threats based on the 5 forces competitive model
- ✗ Some strategic groups are more attractive and some are less attractive
- ✗ Blank spaces may provide opportunities for creating new strategic groups

STRATEGIC MANAGEMENT MODEL



- ✗ Resources and Capabilities Model
- ✗ Value Chain Model

RESOURCES AND CAPABILITIES MODEL

✧ Step 1. Resources

- + What is available to an organization
 - ✧ Tangible: physical, human, financial
 - ✧ Intangible: intellectual, reputation, know-how
- + **Practice: Write down the resources...**

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RESOURCES AND CAPABILITIES MODEL

✧ Step 2. Capabilities/competences

- + What an organization is able to do
 - ✧ Threshold: available or can be copied
 - ✧ Core: not available or cannot be copied
- + **Practice: Write down which of the resources suggest capabilities (1-5 scale)**

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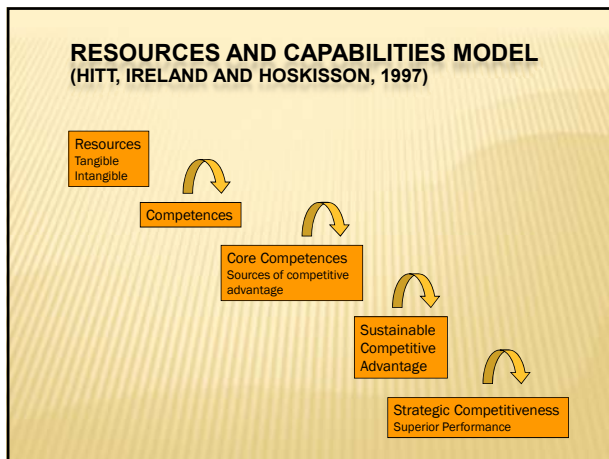
Capabilities

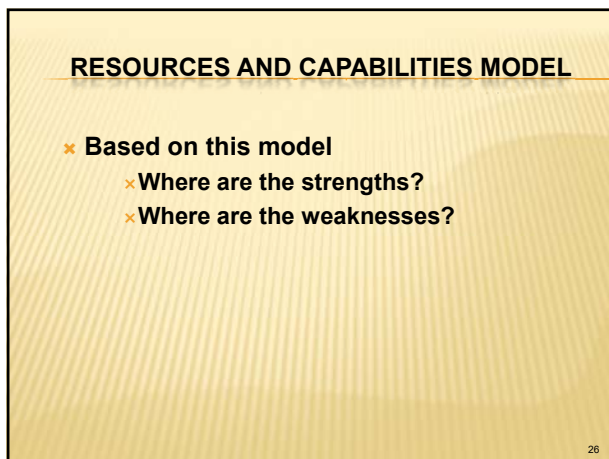

Unique/Core

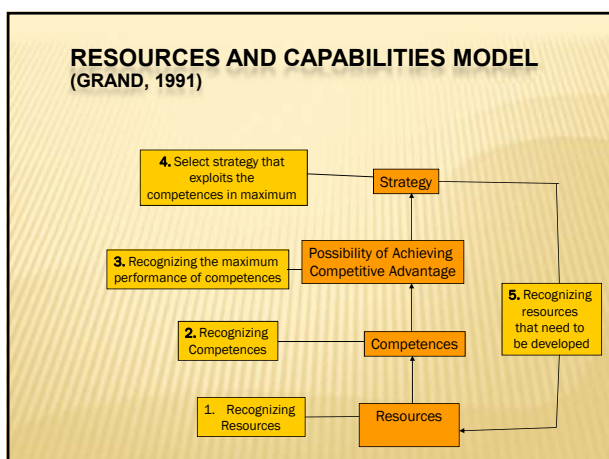
Not available to competitors or difficult to imitate (i.e., working climate, culture)


Threshold

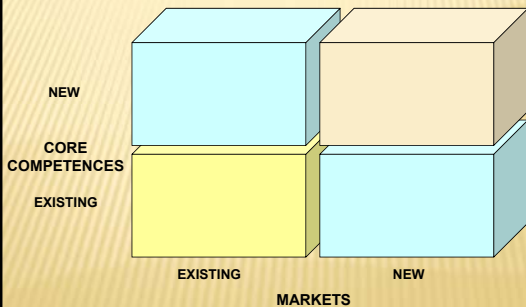
Available to competitors or easy to imitate (i.e., technology)







QUERIES THE VALUE OF RBV FOR TOP MANAGERS

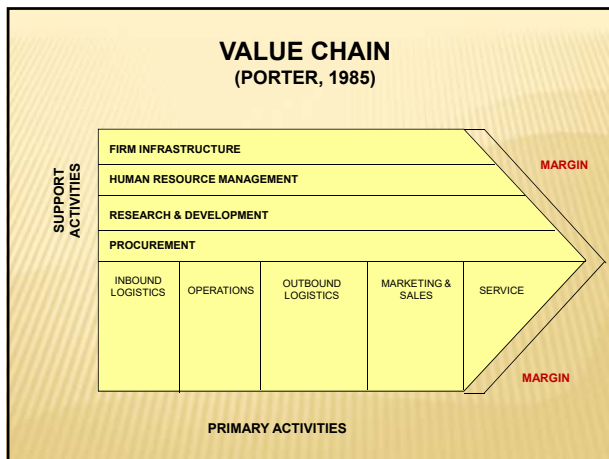


DISADVANTAGES OF THE MODEL

- ✗ Difficult to identify
- ✗ If competitors realize that the core competences are high-performing they copy

CONCLUSIONS

1. The characteristics of the core competences can be put by priority
2. If you cannot see the core competence you cannot copy or transfer
3. If the core competence is nondurable, no other criterion is met
4. If you copy the core competence the other characteristics do not matter



EXAMPLE The value chain within an organisation
Source: M. Porter, *Competitive Advantage* (London and New York: Free Press, 1985). Used with permission of The Free Press, a division of Simon & Schuster, Inc. © 1985, 1988 by Richard L. Porter.

- ✗ Where are the weaknesses?
 - + Everywhere in the primary activity
 - + Somewhere in the primary activity
 - + In some primary activities
 - + In all the primary activities

- ✗ DO NOT FORGET
 - + COMBINE THE SECONDARY ACTIVITIES WITH EVERY PRIMARY ACTIVITY
 - + IF THE INFORMATION IS NOT ENOUGH FOCUS ON THE PRIMARY ACTIVITY
 - + IF THE INFORMATION IS ENOUGH BE MORE SPECIFIC
 - ✗ WHICH SECONDARY ACTIVITIES ARE WEAK?
 - ✗ WHICH SECONDARY ACTIVITIES ARE STRONG?

VALUE CHAIN MODEL: BASIC ELEMENTS



- ✦ The **competitive advantage** is the result of activities that are implemented either with lower cost or better than competitors
- ✦ **Differences in value chains** of organizations can become the main source of competitive advantage



EXAMPLES

- ✦ Nokia delays 1 month to fix the problem in your mobile
- ✦ The buttons of the Samsung mobile are not working properly
- ✦ Benetton salespeople are not polite when the customers enter the shop
- ✦ Carrefour does not offer many brands in cleaning stuff
- ✦ Adidas salespeople do not know the characteristics of their products' portfolio

THE VALUE SYSTEM (PORTER, 1985)

