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WHAT IS STRATEGY?

THE KERNELS OF GOOD STRATEGY

- Diagnosis
- Guiding Policy
- Coherent Actions

THE ORIGINS OF MODERN STRATEGY

- Strategy is about positioning an organization for COMPETITIVE ADVANTAGE.
- Involves making choices about
 - Which industry to participate in
 - What products and services to offer
 - How to allocate corporate resources
- Primary goal is to create value for shareholders and other stakeholders by providing customer value.

WHY ARE SOME INDUSTRIES SO PROFITABLE?

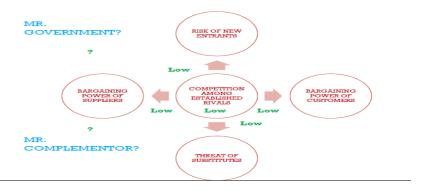
PORTER'S 5 FORCES

- > COMPETITION AMONG ESTABLISHED RIVALS
- ➤ RISK OF NEW ENTRANTS BARGAINING POWER OF CUSTOMERS
- > THREAT OF SUBSTITUTES
- ➤ BARGAINING POWER OF SUPPLIERS
- BARGAINING POWER OF CUSTOMERS
- ✓ Which Industry are you In?
- **✓** Who is you're Rivals? How is the competition?
- ✓ Risk of New Entrants?
- ✓ Threat from Substitutes?
- ✓ High/Low/Medium Bargaining Power:
- ✓ Of Customers?
- √ Of Suppliers?

ANY OTHER FORCES? PORTER'S 6 TH/7TH FORCE

- MR. GOVERNMENT?
- MR. COMPLEMENTOR?

AN IDEAL INDUSTRY?



Industry Competitors

Factors affecting Rivalry:

Sources of Bargaining Power:

Switching costs
Differentiation of inputs
Supplier concentration
Presence of substitute inputs
Importance of volume to suppliers
Impact of inputs on cost or differentiation
Threat of forward/backward integration
Cost relative to total purchases in industry

Industry growth Concentration and balance

Fixed costs/value added Intermittent overcapacity Product differences Brand identity Switching costs Informational complexity Diversity of competitors Corporate stakes Exit barriers

Buyers

New Entrants

Entry Barriers:

Economies of scale Brand identity Capital requirements

Proprietary product differences Switching costs Access to distribution Proprietary learning curve Access to necessary inputs Low-cost product design Government policy

Substitutes

Threat determined by:

Relative price performance of substitutes Switching costs Buyer propensity to substitute

Bargaining Power of Buyers:

Buyer concentration

Buyer volume
Switching costs
Buyer information
Buyer profits
Substitute products
Pull-through
Price sensitivity
Price/total purchases
Product differences
Brand identity
Ability to backward integrate
Impact on quality/performance
Decision makers' incentives

THE PEST FRAMEWORK

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AN ALTERNATIVE

Expected retaliation

Along with Porter's 5 forces

- 1. Political
- 2. Economical
- 3. Social
- 4. Technological

RESOURCE BASED THEORY OF THE FIRM: CORE COMPETENCIES

Firm resources

Tangible resources

- Land
- Buildings
- Materials
- Money

Intangible resources

Relational resources

- Relationships `contracts'
- Reputation `brands'

Capabilities

- Knowledge
- (CI, mkt insight)
 -NPD (R&D, Mkt Res, IBS)
- •Mindset

THE RESOURCE BASED VIEW

RBV argues that.....

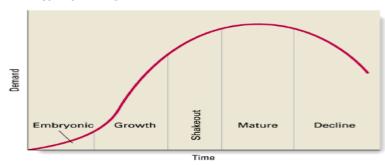
The heterogeneous market positions of close competitors arise from each firm's unique bundle of resources and capabilities

THE VRIO TEST FOR RESOURCES

Is a Resource...

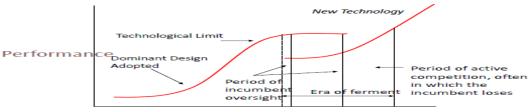
Valuable	Rare	Difficult to Imitate	Without Substitutes	Implications for Competitiveness
No	No	No	No	Competitive disadvantage
Yes	No	No	No	Competitive parity
Yes	Yes	No	No	Temporary competitive advantage
Yes	Yes	Yes	Yes	Sustainable competitive advantage

DYNAMICS IN STRATEGY



S CURVES

S-CURVES



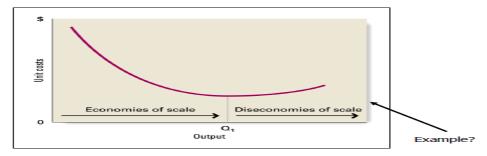
Resources Invested, Time

STRATEGIC GROUPS & MOBILITY BARRIERS

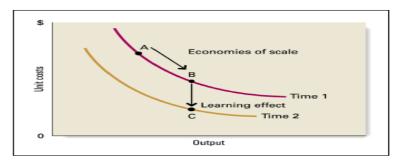
STRATEGIC GROUPS & MOBILITY BARRIERS



ECONOMIES/DISECONOMIES OF SCALE



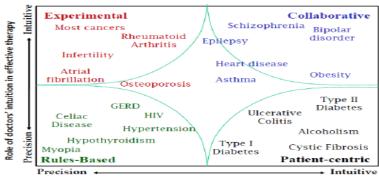
LEARNING ECONOMIES



DISRUPTIVE INNOVATION

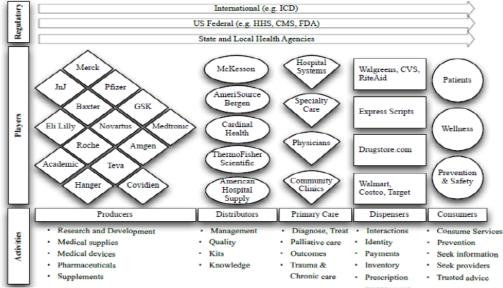


CONSUMER PROVIDER ENGAGEMENT MODELS

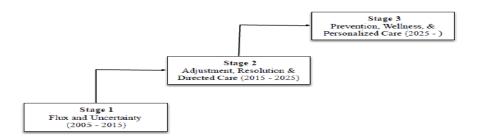


Role of patients' and family members' intuition in effective therapy

TRADITIONAL VALUE CHAIN IN US HEALTHCARE



STAGES IN US HEALTHCARE



EVOLVING ECOSYSTEM IN US HEALTHCARE



COMPLEXITY IN US HEALTHCARE

