

# Entrepreneurial Strategy

Session 5

Alexander Chekanov

[a.chekanov@skoltech.ru](mailto:a.chekanov@skoltech.ru)



# Agenda

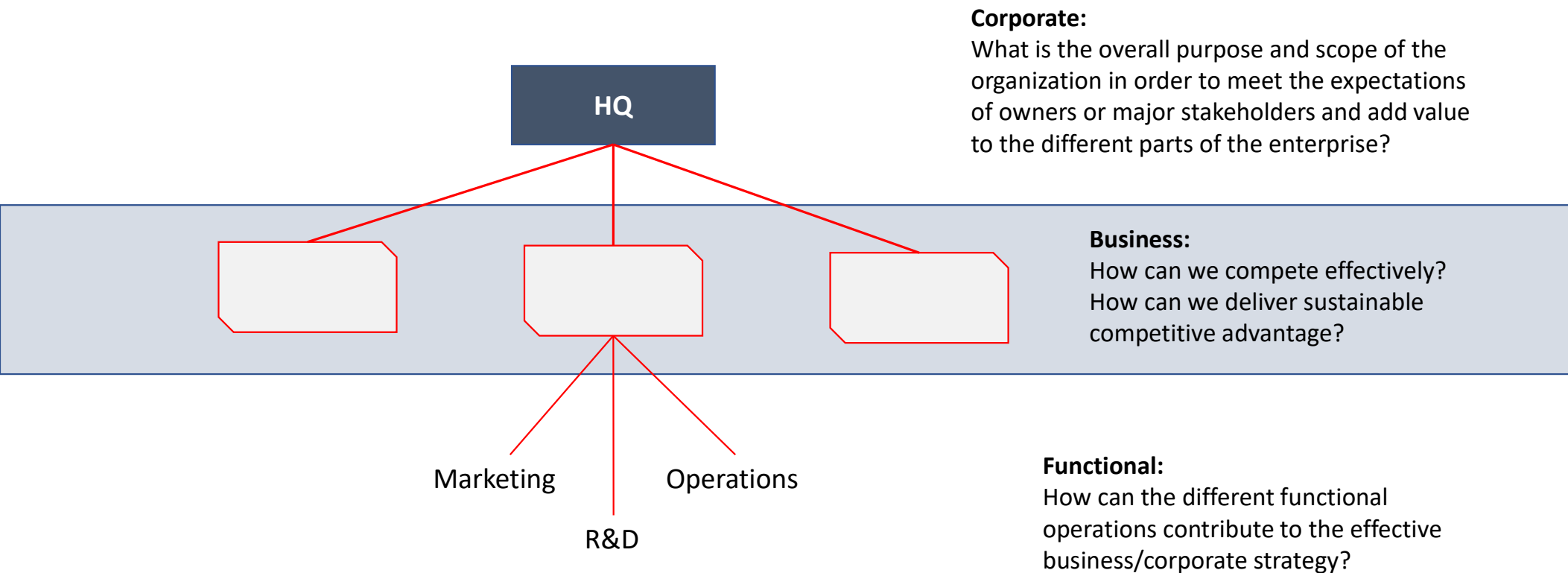


- Levels of Strategy
- Diversification

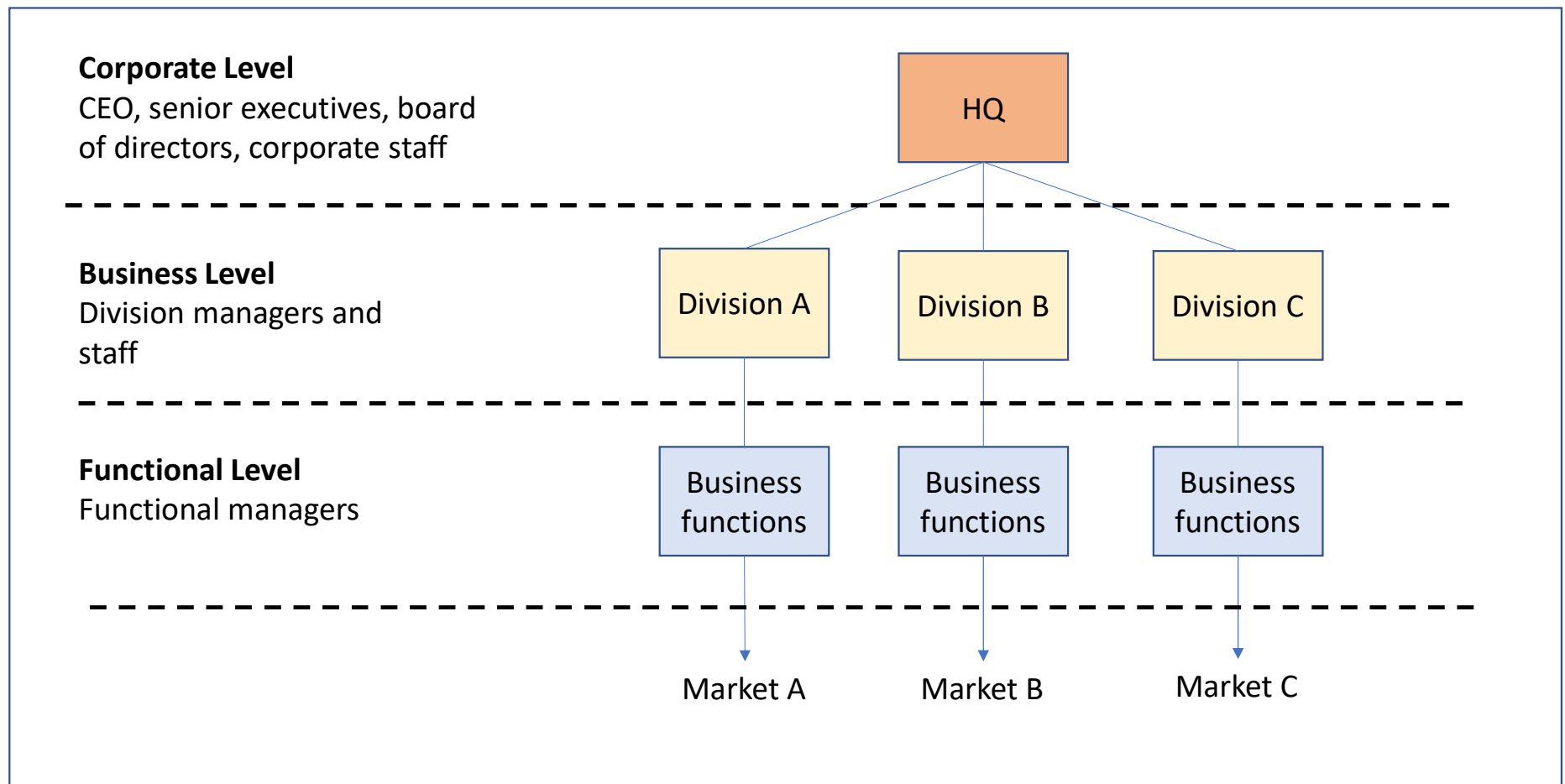
# Levels of Strategy



# Levels of Strategy

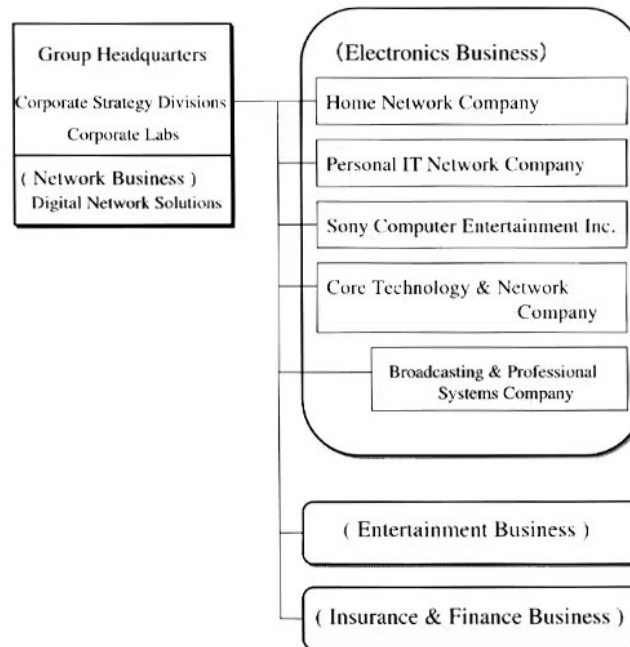


# Levels of Strategy and the Structure of the Company

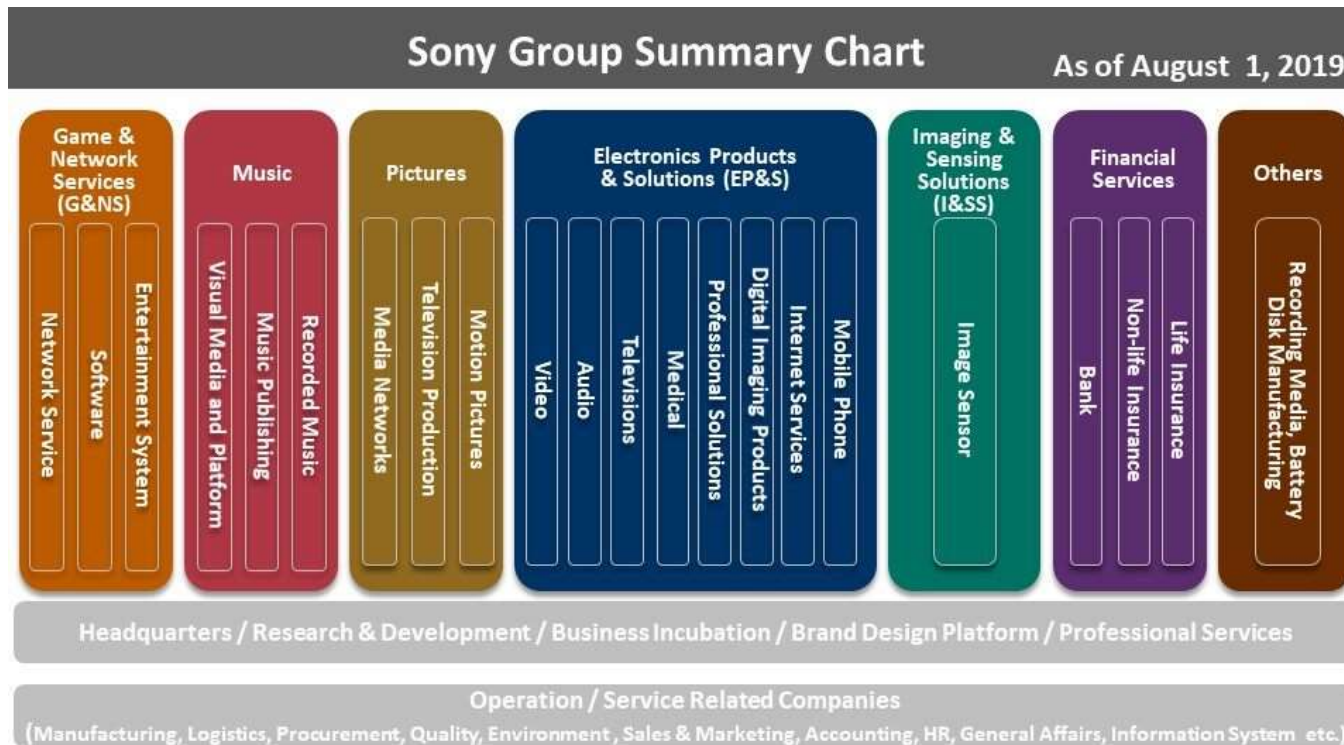


# Sony Organizational Structure 1999

## Sony Group Organizational Overview (as of April 1, 1999)



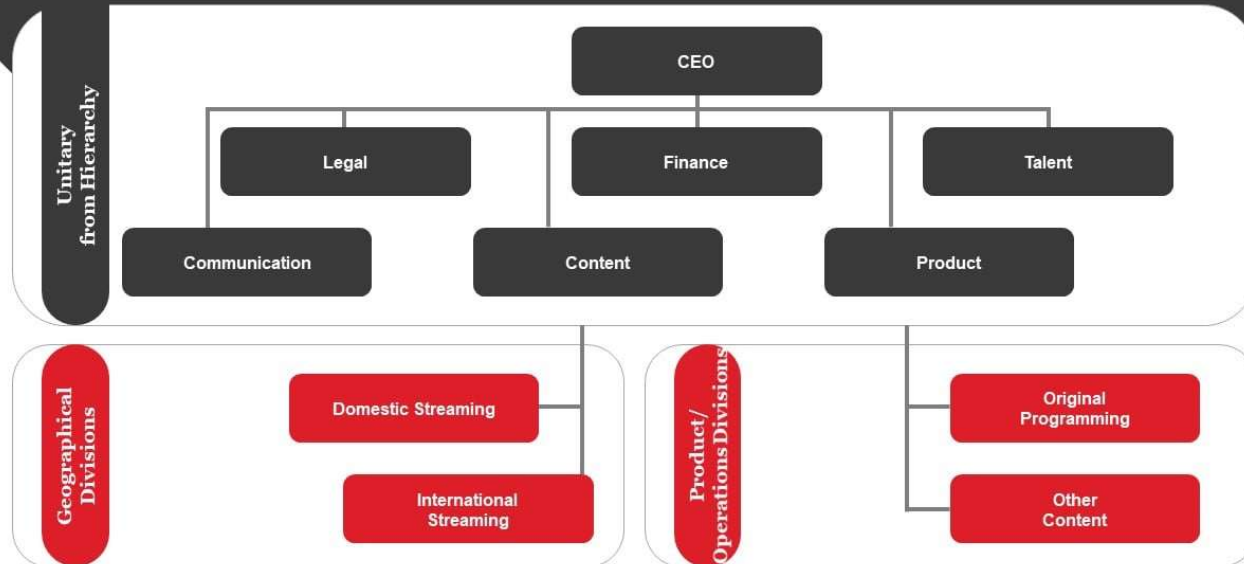
# Sony Organizational Structure 2019



# Netflix organization structure

## Netflix organization structure

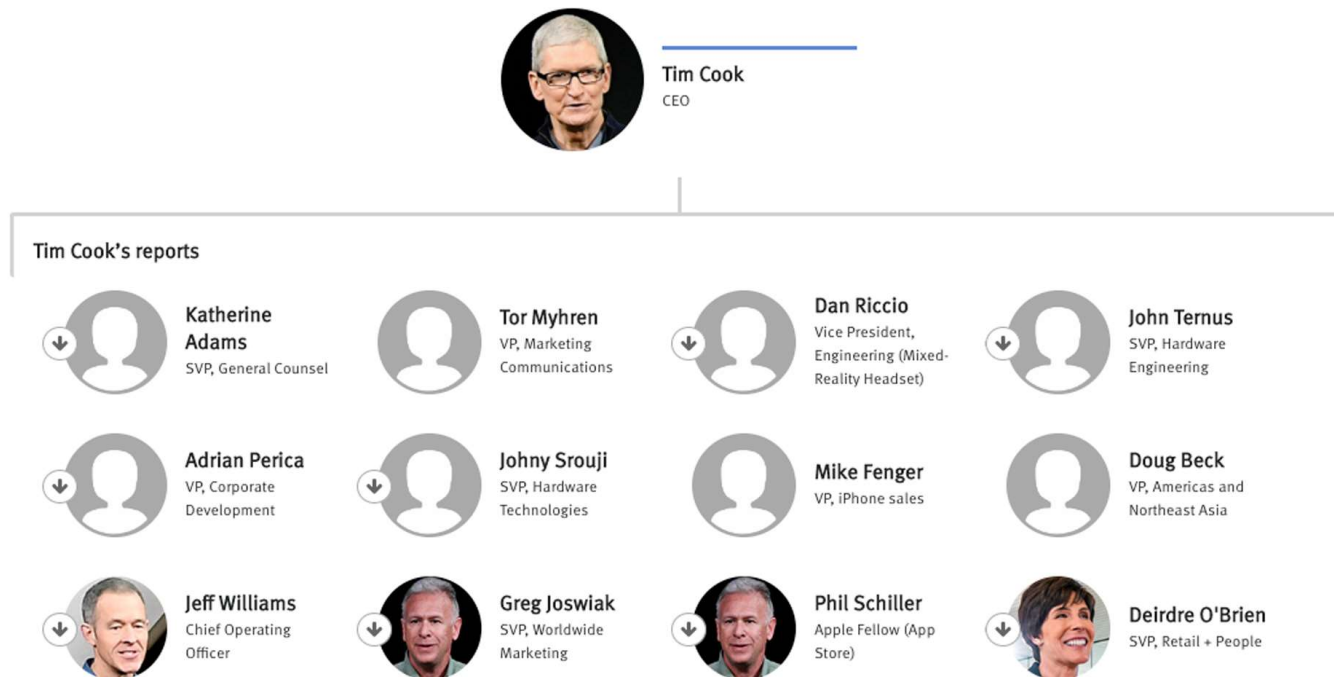
This slide showcases the organization structure of Netflix which includes unitary form hierarchy, geographical divisions and operational division.

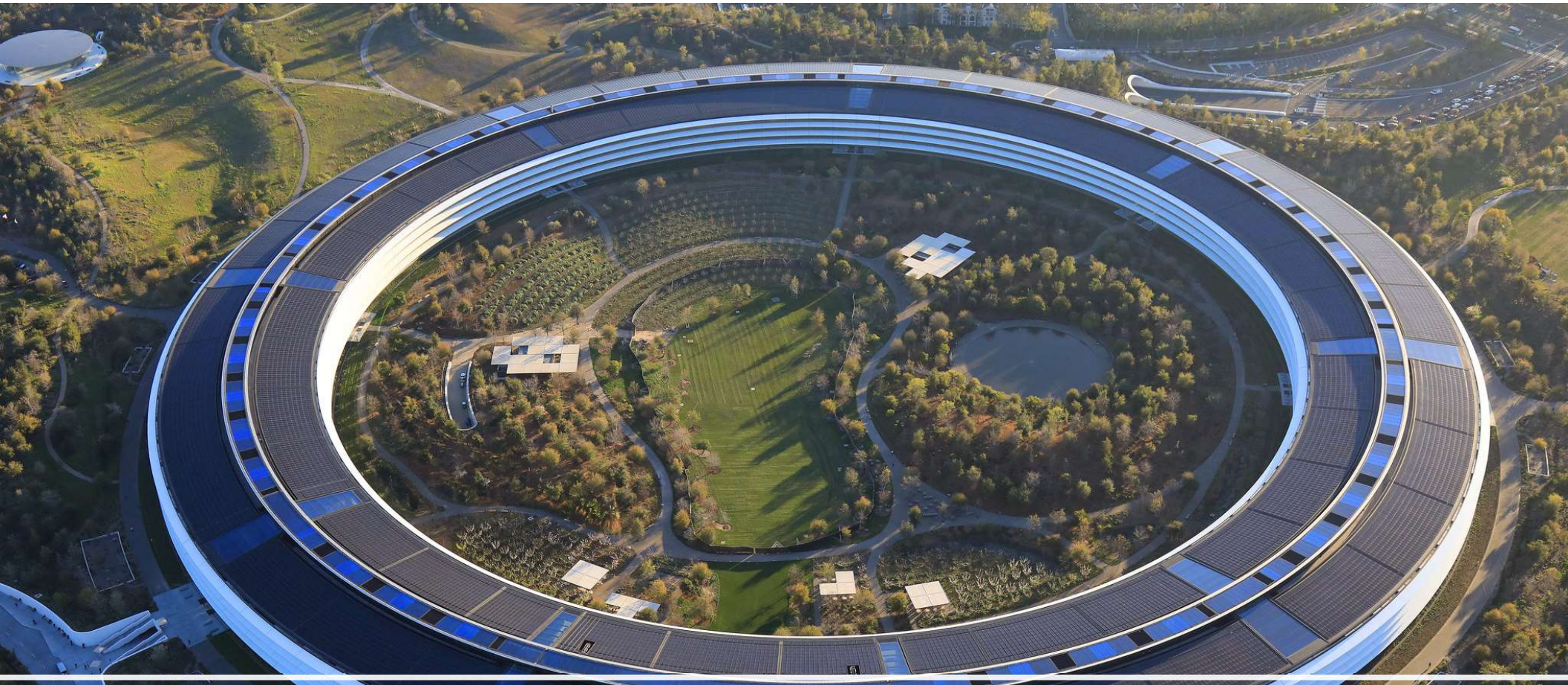


This slide is 100% editable. Adapt it to your needs and capture your audience's attention.



# Apple organizational structure

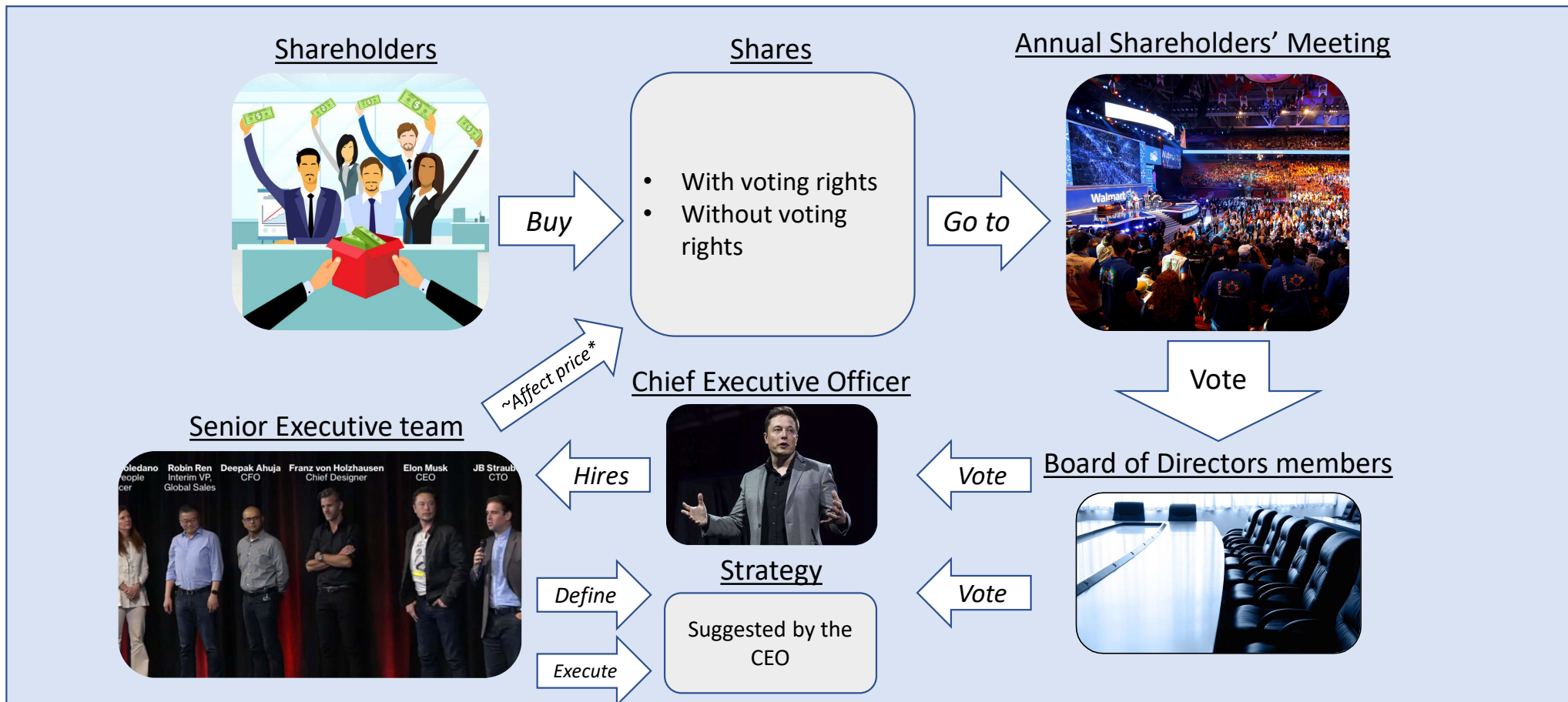




# Corporate Strategy



# Corporate Strategy Decisions Cycle



\*The corporate strategy and its execution (together with other market factors) affect the shares' price

# Corporate level strategy

Highest level of strategy that defines the overall direction and vision of the organization. It involves decisions about the scope, diversification, allocation of resources, and synergy of the organization.



## Example

For example, in 2018, **Walmart** announced its corporate strategy to become a “digital enterprise” that leverages technology and innovation to serve customers better. This strategy involved acquiring e-commerce companies like **Flipkart** and **Jet.com**, investing in online grocery delivery and pickup, and partnering with tech giants like **Microsoft** and **Google**.



## Business level strategy

Focuses on how to compete and create value in a specific market or industry. It involves decisions about the target market, value proposition, competitive advantage, and positioning of the organization.



Example

The Netflix logo, consisting of the word "NETFLIX" in a bold, red, sans-serif font. The letters are slightly irregular and have a 3D effect, with the 'X' being particularly prominent.

In 2020, **Netflix** announced its business strategy to focus on original content production and distribution, rather than licensing content from other studios. This strategy involved investing more than \$17 billion in original content, expanding its global reach, and creating diverse and inclusive content for different audiences.

# Functional level strategy

Strategy that supports the business level strategy within functional departments, such as marketing, finance, operations, human resources, and research and development. It involves decisions about the processes, activities, resources, and capabilities of each function.





# Example

In 2019, **Starbucks** announced its functional strategy to improve its customer experience and loyalty through digital innovation. This strategy involved enhancing its mobile app, launching a new rewards program, introducing new payment methods, and integrating artificial intelligence and machine learning into its operations.



# Microsoft case

- **How Microsoft And Sony Could Change The \$200 Billion Video Game Industry**



# Discussion

---

Microsoft wants to consolidate as industry leader in the video gaming industry. What decisions should they undertake at what levels?

- Suggest corporate level strategy decisions and justify why.
- Suggest business level strategy decisions and justify why.
- Suggest functional level strategy decisions and justify why.



# Microsoft Strategy case

[illegible]

Why do firms  
diversify?



# Why do firms diversify?

- More attractive terrain
  - Faster growth
  - Greater profitability
  - More stability
- Access to resource
  - Physical assets and access to markets
  - Technologies and skills
  - Expertise
- Sharing of activities





GE case:

Should we diversify?

---



# Discussion

Benefits of diversification

Risks of diversification





# When to Diversify?

- **Some companies have strong performance and are not diversified**
- **Reasons not to diversify**
  - *Clear understanding of who we are / what we do*
  - *No dilution of management's attention*
- **Reasons to diversify**
  - Do not putting all the “eggs” in one industry basket
  - Unforeseen changes can undermine a single business firm's prospects



## Reasons to stay single business

- Can focus on core competencies and competitive advantages.
- Can invest more resources and attention to their main products or services, and improve their quality, efficiency, and innovation.
- Can avoid the complexities and costs of managing multiple businesses, and maintain a clear and consistent brand identity.

# Example

**Apple** is a company that has a relatively narrow product portfolio, but it has achieved high performance by focusing on its design, technology, and customer loyalty.





## Reasons to diversify

- Company faces threats or opportunities in its current industry or market, and it can leverage its existing resources and capabilities to enter a new business that is related or unrelated to its core business.
- Diversification can help the company to reduce its risks, increase its growth potential, enhance its financial performance, and create synergies across its businesses.

# Example

**Amazon** is a company that has diversified into many different businesses, such as e-commerce, cloud computing, digital streaming, artificial intelligence, and grocery retailing. It has used its diversification strategy to expand its customer base, increase its market share, and generate more revenues and profits.



# Diversification and BCG matrix

---

## Why BCG matrix is useful

- Helps a company to evaluate its current portfolio of products or businesses and identify potential opportunities for growth and profitability in new or existing markets.
- Can help a company to answer questions such as:
  - Which products or businesses should be invested in more, maintained, divested, or eliminated?
  - Which products or businesses have the most potential for growth and competitive advantage in the future?
  - Which products or businesses are generating the most cash flow and profits for the company?
  - Which products or businesses are consuming the most resources and costs for the company?
  - How can the company balance its portfolio to achieve a sustainable and optimal mix of products or businesses?

# The BCG Matrix

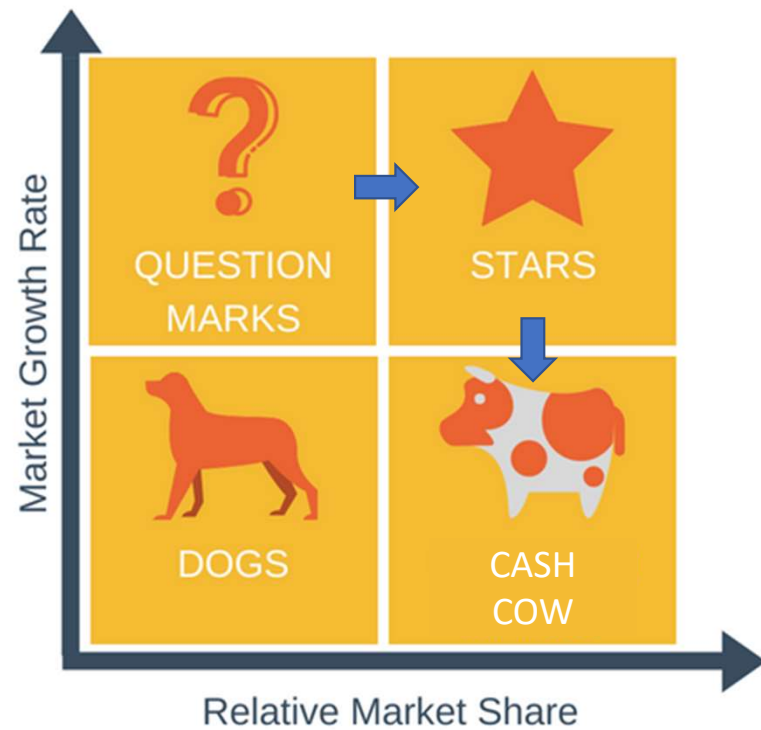
## BCG Matrix | Boston Matrix





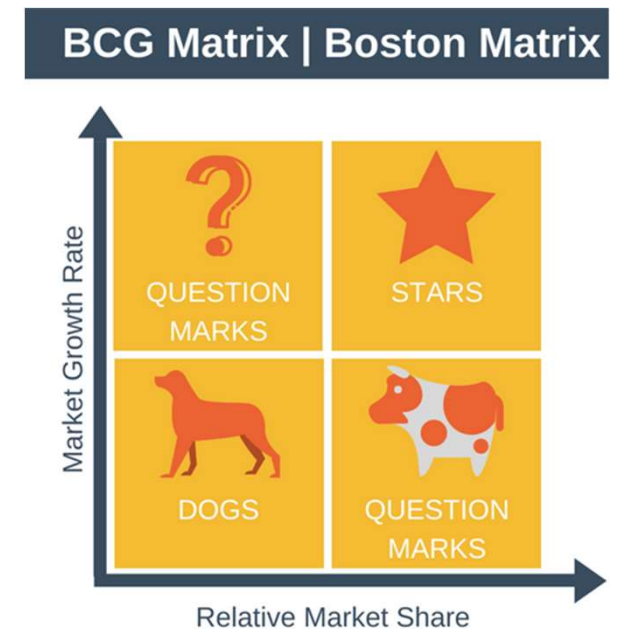
# The BCG Matrix

## BCG Matrix | Boston Matrix



# How to use the BCG matrix

- A company can diversify its portfolio by pursuing different strategies for each quadrant, such as:
  - **Question marks**
    - Invest selectively in these products or businesses to turn them into stars or cash cows. These are the potential stars and growth drivers of the company.
  - **Stars**
    - Invest in these products or businesses to maintain or increase their market share and growth rate. These are the future cash cows and leaders of the company.
  - **Cash cows**
    - Harvest the cash flow from these products or businesses to fund the stars and question marks. These are the current cash generators and profit makers of the company.
  - **Dogs**
    - Divest or exit these products or businesses to free up resources and focus on the more profitable and promising products or businesses. These are the low performers and cash drainers of the company.



# Limitations of BCG matrix

- It assumes that **market share and growth rate are the only factors** that determine the success and attractiveness of a product or business.
- It **does not consider other factors**, such as the industry environment, the competitive dynamics, the customer preferences, the product life cycle, the synergies and interdependencies among products or businesses, and the strategic fit and alignment of the company's vision and goals.
- It **does not provide specific guidance** on how to implement the strategies for each quadrant, such as how much to invest, how to allocate resources, how to measure performance, and how to manage risks.



See you next  
class!

