



Understanding Business Strategy

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Today's Agenda – Understanding Business Strategy

- Welcome
- Guidelines for the seminar – polling, exercises, Q&A
- Topics for Discussion:
 - Framework for Strategy Development and Execution
 - Internal Aspects of Competitive Advantage – Resources & Capabilities
 - External Environment Forces and Firm Response
- Closing Remarks & Wrap-up



Before we begin: Where are you joining from today? (poll)

- a) North America
- b) South America
- c) Europe
- d) MEA (Middle East & Africa)
- e) Asia
- f) Australia



And one more question: Are you engaged in strategy development, execution, or long-term planning for your organization? (poll)

- a) Yes
- b) No





Framework for Strategy Development & Execution

Strategy and the Strategic Management Process

What is Strategy? Not a New Concept.....



Strategos – “the general’s view”

- Implies a broader, higher level view
- Often used originally in military contexts

“The individualist without strategy who takes opponents lightly will inevitably become the captive of others.”

Sun Tzu, The Art of War



.....but Comparatively Recent as an Academic Discipline

Authors discuss strategy from various perspectives – here is one example:

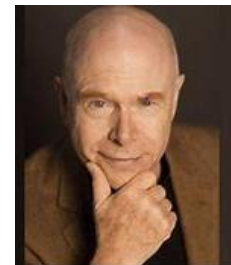
Strategy	Characteristic	Rationale	Focus	Processes	Emergence
Classical	Formal	Profit maximization	Internal - planning	Analytical	1960s
Processual	Crafted	Vague	Internal - politics and cognition	Bargaining/Learning	1970s
Evolutionary	Efficient	Survival	External (markets)	Darwinian	1980s
Systemic	Embedded	Local	External (Societies)	Social	1990s



Adapted from: Whittington, What is Strategy - and does it matter? 2005.

Actual Definitions of Strategy Represent Multiple Views

- “Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.” (Chandler)
- “Strategy is the creation of a unique and valuable position, involving a different set of activities.” (Porter)
- “Rather, it is coherent action backed by an argument.” (Rumelt)
-and many others



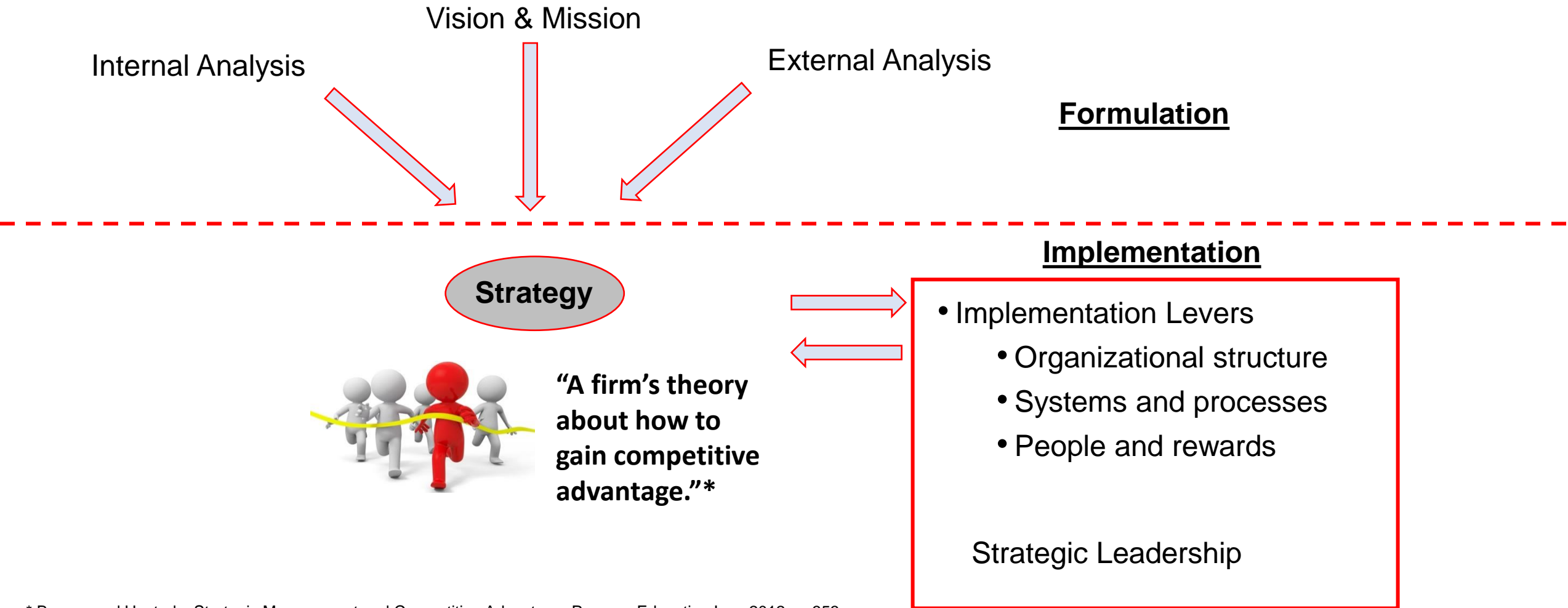
Chandler, Strategy and Structure: Chapters in the History of the American Industrial Enterprise, Massachusetts Institute of Technology, 1962, p. 13.

Porter, “What is Strategy?”, Harvard Business Review, November-December, 1996.

Rumelt, “The Perils of Bad Strategy”, McKinsey Quarterly, June 2011.

The Strategic Management Process - Formulation and Implementation

Guide Analyses and Decisions



* Barney and Hesterly, Strategic Management and Competitive Advantage, Pearson Education Inc., 2012, p. 353.

Vision and Mission Set the Direction for the Company and can be Powerful Communication Vehicles

- **Vision statements** – define what the company wants to be
 - Are both ambitious and intentionally ambiguous
 - Represent long-term horizons
 - Encourage the firm to stretch
 - Ambiguity provides flexibility to shift tactics
-

- Examples:

CitiBank's vision in 1915:

*“the most powerful, the most serviceable, the most far reaching world financial institution the world has ever seen.” **



Tesla's vision :

*“to create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.” ***



* Adapted from: Carpenter and Sanders, Strategic Management, Pearson Education, Inc., 2009

**<http://panmore.com/tesla-motors-inc-vision-statement-mission-statement-analysis>. Retrieved 05/18/18

Mission Statements – Convey What the Company Stands for and Gives the Firm a Unique Identity

Amica's mission statement – 2012:



Our **mission** is to **create** peace of mind and **build** enduring relationships.*

Tesla's mission statement – 2016:

“to accelerate the world's transition to sustainable energy.” **



Starbucks' mission statement – 2018:

“To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.” ***



* Amica Annual Report, 2012

**<http://panmore.com/tesla-motors-inc-vision-statement-mission-statement-analysis>. Retrieved 05/18/18

***<https://www.starbucks.com/responsibility>. Retrieved 05/18/18

Do Your Company's Vision and Mission Frame the Strategy? (poll)

- a) Yes
- b) No
- c) Not familiar with Vision and Mission of the company
- d) Cannot articulate or do not understand company strategy
- e) c&d



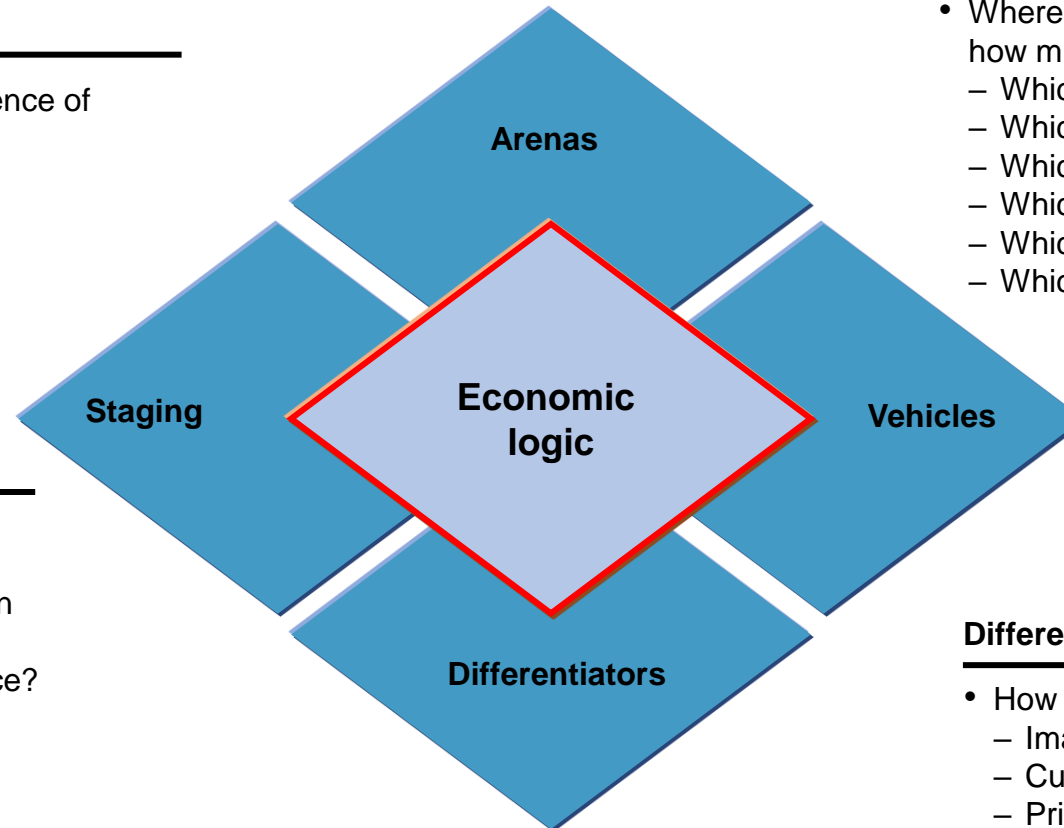
Many Models Exist – this Strategy Diamond Contains Five Elements

Staging

- What will be our speed and sequence of moves?
 - Speed of expansion?
 - Sequence of initiatives?

Economic logic

- How will returns be obtained?
 - Lowest costs through scale advantages?
 - Lowest costs through scope and replication advantages?
 - Premium prices due to unmatched service?
 - Premium prices due to proprietary product features?



Arenas

- Where will we be active? (and with how much emphasis?)
 - Which product categories?
 - Which channels?
 - Which market segments?
 - Which geographic areas?
 - Which core technologies?
 - Which value-creation strategies?

Vehicles

- How will we get there?
 - Internal development?
 - Joint ventures?
 - Licensing/franchising?
 - Experimentation?
 - Acquisitions?

Differentiators

- How will we win?
 - Image?
 - Customization?
 - Price?
 - Styling?
 - Product reliability?
 - Speed to market?

Adapted from Carpenter and Sanders, Strategic Management, 2009

How do Corporate and Business Strategy Differ?

- Corporate Strategy –
 - Focused on which markets/industries the company competes in, and would benefit by competing in for the future
 - How will these choices create benefit for the enterprise?
- Business Strategy – how will we compete in this industry today and in future market conditions?



Strategic Planning and Execution – Why is it so Challenging?

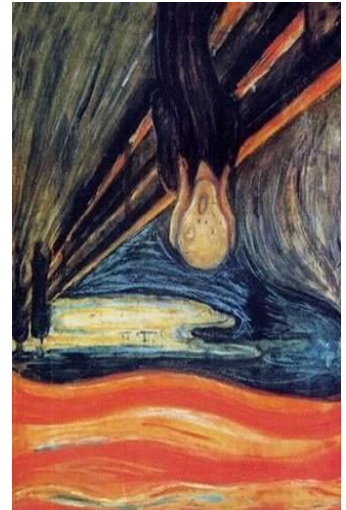
- Business strategy is neither clearly articulated nor communicated
- Little customer focus on business systems or organizational design
- The market and competitive environment shifts – responses are reactive, not proactive
- New management changes the focus and direction
- Corporate strategists are distanced from business activities
- Execution is unrealistic regarding internal resources and capabilities
- Contingency planning is non-existent or insufficient to mitigate risk



2-Part Exercise: Strategic Planning and Execution – Why is it so Challenging for your Company? (5 minutes)

Poll: Choose all that apply

- a) Business strategy is neither clearly articulated nor communicated
- b) Little customer focus on business systems or organizational design
- c) The market and competitive environment shifts – responses are reactive, not proactive
- d) New management changes the focus and direction
- e) Corporate strategists are distanced from business activities
- f) Execution is unrealistic regarding internal resources and capabilities
- g) Contingency planning is non-existent or insufficient to mitigate risk



Chat room response – 5 minutes:

- Are there any other reasons you can identify?
- If it's working well – why is it successful?
- If it's not – why not?

Questions & Answers





Leadership, Implementation Challenges, and Drivers of Competitive Advantage

Strategic Leadership is the Responsibility of the CEO

Strategic Leadership - Managing an overall enterprise and influencing key organizational outcomes, such as company wide performance, competitive superiority, innovation, strategic change, and survival



Adapted from: Carpenter and Sanders, Strategic Management, Pearson Education, Inc., 2009

Executives Have Many Roles and Engage Many Stakeholder Groups



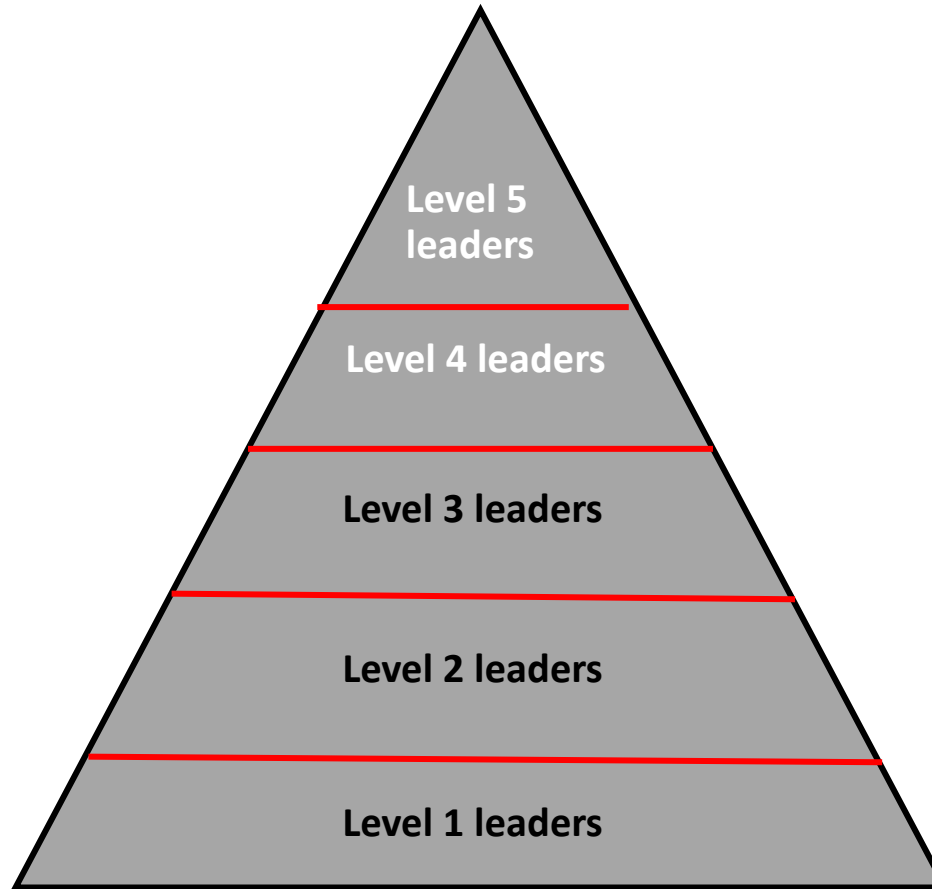
Formal Authority positions executives in a variety of communication situations:

- Informational Roles – as a monitor or a spokesperson for the firm
- Decision Roles – as the ultimate resource allocator; negotiator; and entrepreneur
- Interpersonal Roles – as the leader and figurehead for the firm



Adapted from: Carpenter and Sanders, Strategic Management, Pearson Education, Inc., 2009

Many Publications on Leadership – Jim Collins is a Well-Known Example



Source: Jim Collins, Good to Great, 2001.

Leadership Capabilities

Build greatness through combination of **will** and **humility**

Can lead a group to superior levels of performance

Organize people resources to accomplish predetermined objectives

Work effectively with others as a member of a team to achieve group objectives

Make individual contributions through talent and work ethic

Some Business Leaders Have Celebrity Status.....

"I can't think of anything that isn't cloud computing with all of these announcements. The computer industry is the only industry that is more fashion-driven than women's fashion. Maybe I'm an idiot, but I have no idea what anyone is talking about. What is it? It's complete gibberish. It's insane. When is this idiocy going to stop?"

"Larry Ellison's Brilliant Anti-Cloud Computing Rant"
The Wall Street Journal, 25 September 2008



.....and Some Have a Public Voice Advocating Change - Salesforce.com's CEO Marc Benioff

In opposition to Indiana's Religious Freedom Restoration Act passed in 2015, Marc Benioff publicly opposed the Act as allowing businesses to discriminate against the LGBT community.

Benioff further offered to relocate employees who were uncomfortable living in Indiana following passage of the Act – some at the company's cost of \$50,000.

“After a week of backlash, Governor Pence approved a [revised version](#) of the measure, this time explicitly banning businesses from refusing service because of a person's sexual orientation or gender identity.”*



*https://www.huffingtonpost.com/2015/04/07/marc-benioff-indiana_n_7017032.html

What are the Characteristics of a Successful CEO?

The debate: What matters more, personality or background?

- Charisma?
- International Management Experience?
- Integrity?
- An MBA?



Research* reveals that, of the top 100 CEOs:



- Only 2% are women
- 23% have made the list for 4 years in a row
- 20% lead companies based outside their native country
- 81% were promoted to the CEO position from within their company
- Only 29% have an MBA
- 32% have an engineering degree

* Source: McGinn, Daniel, "The Best-Performing CEOs in the World, 2016", Harvard Business Review, November 2017

What Leadership Characteristics or Attributes have you Observed in Successful CEOs? Choose all that apply.

Poll:

- a) Charisma
- b) Performance-related focus (meeting financial goals, organizational objectives, etc.)
- c) International Management Experience
- d) Integrity
- e) Strong communicator across stakeholder groups
- f) Directing the business to engage with social causes
- g) Command and control leadership style
- h) Tenacity and resilience
- i) Others – if “others” please note the characteristics in the chat session (3 minutes)



Implementation



* Carpenter and Sanders, Strategic Management, 2009

Organizations can Assume Various Structural Forms

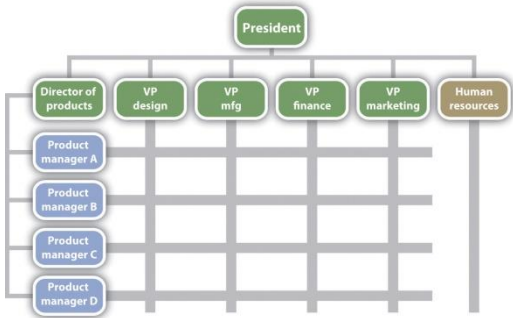
Functional



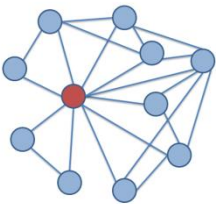
Multidivisional



Matrix

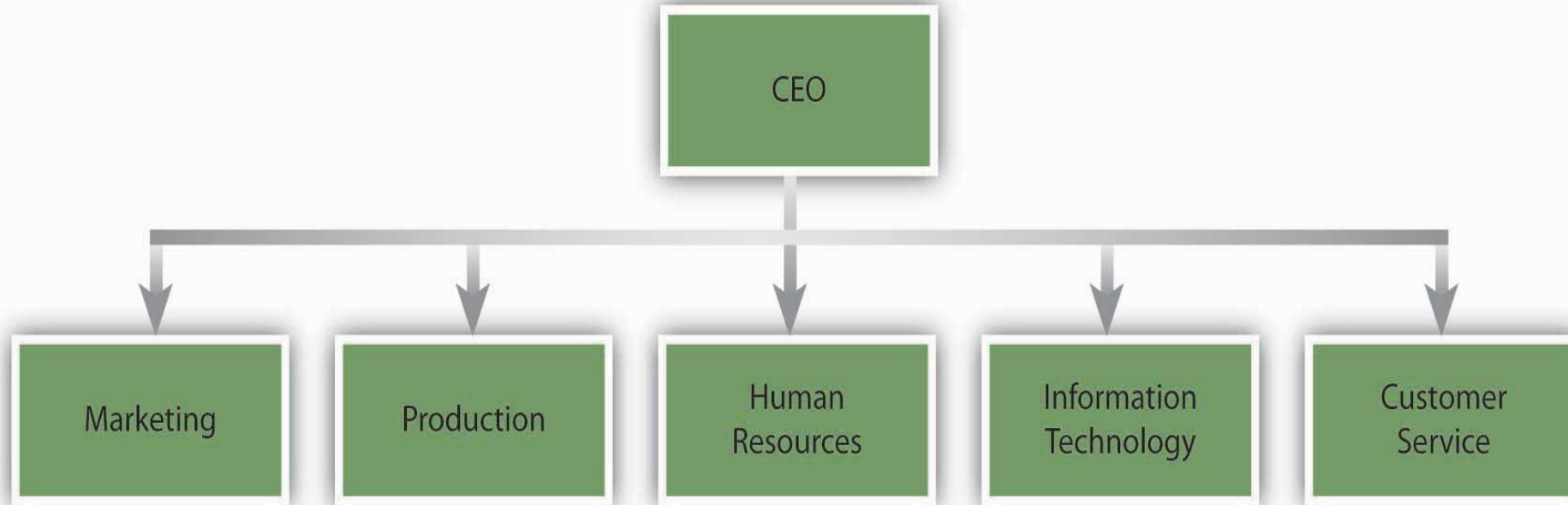


Network



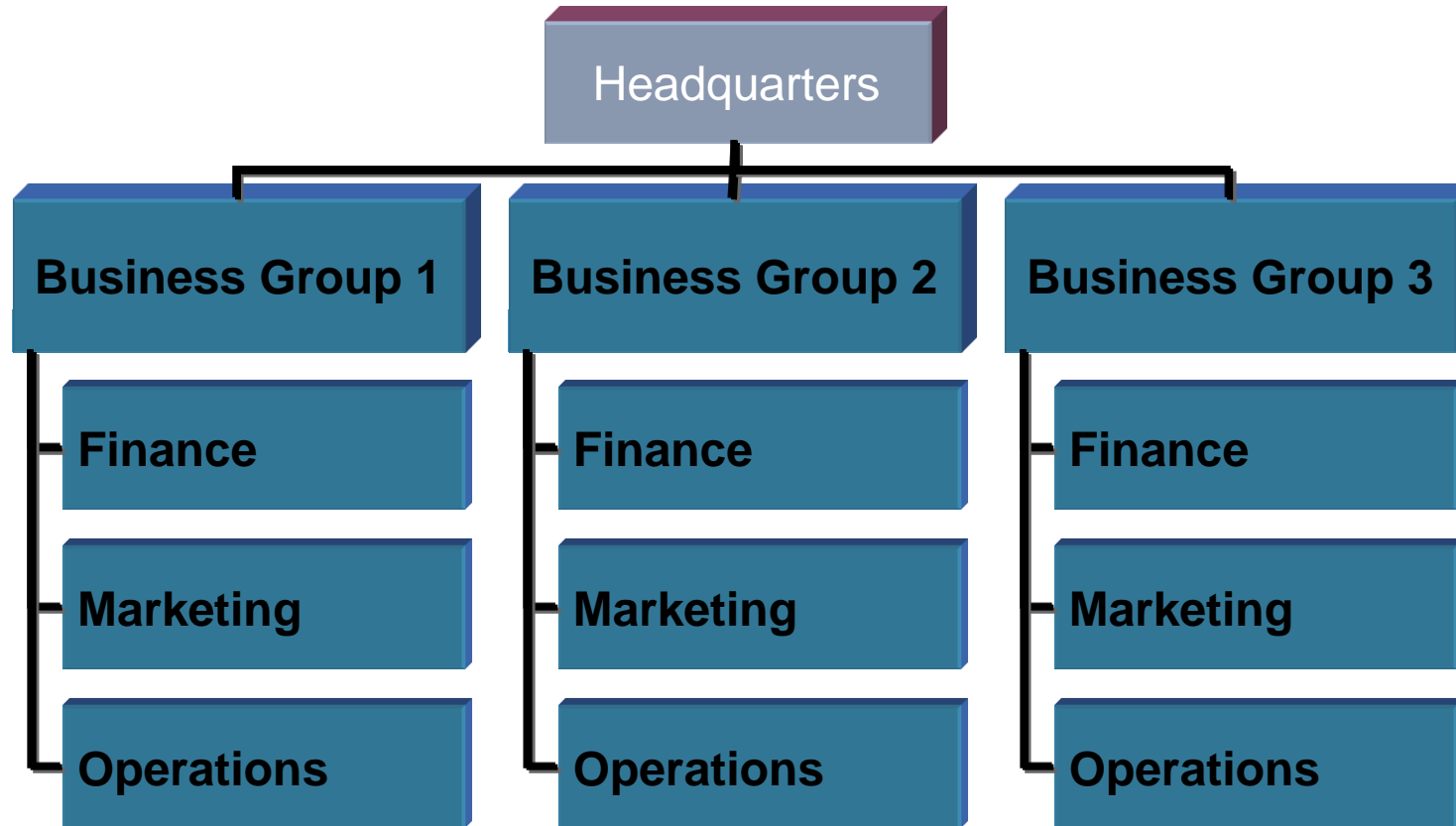
Functional Structures Organize Activities Based on Specific Functions of the Company

“U Form”



Does this structure have any drawbacks?

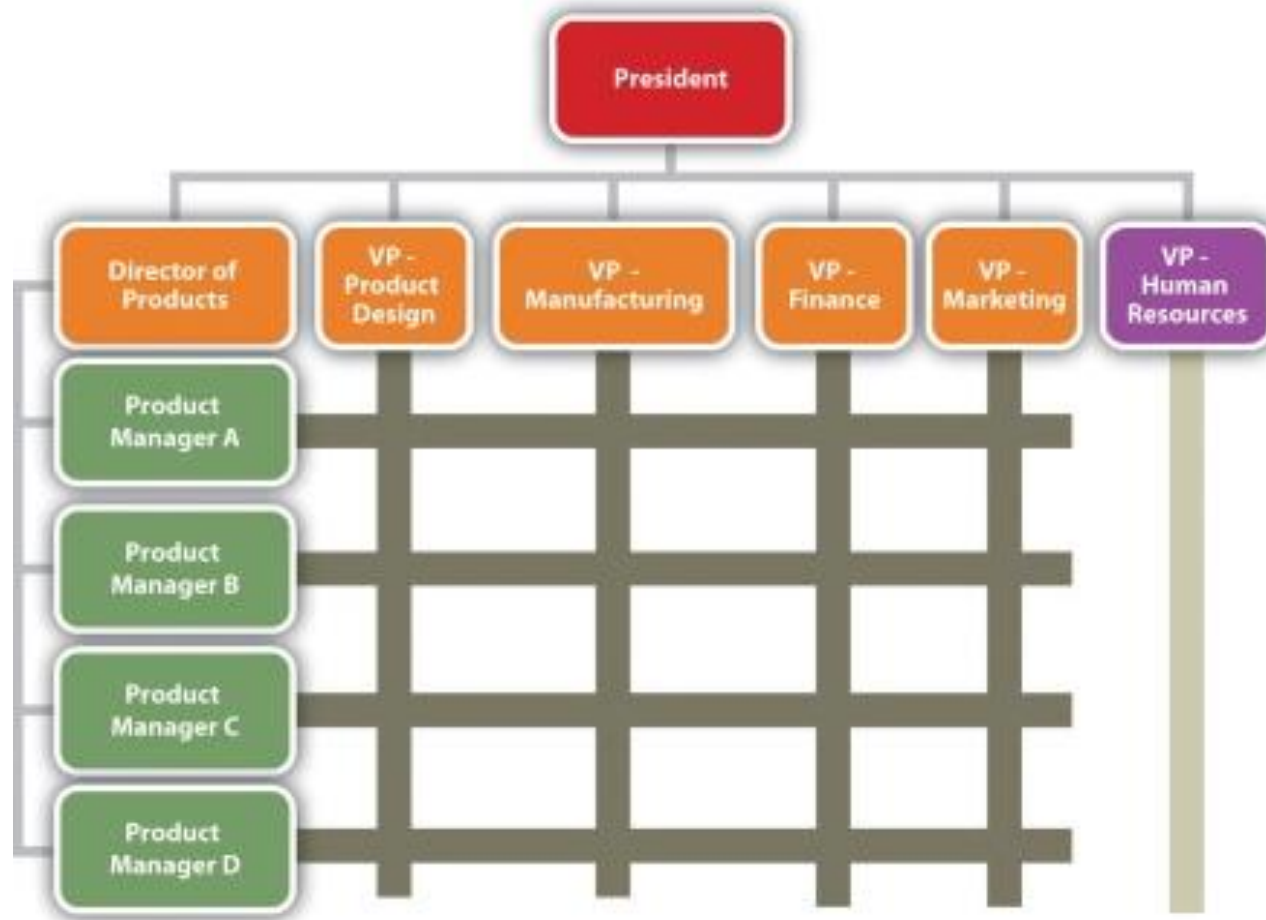
Multidivisional Structures Organize Business Groups Based on Product Division



- When would this structure be useful?
- Can you see any issues with this structure?

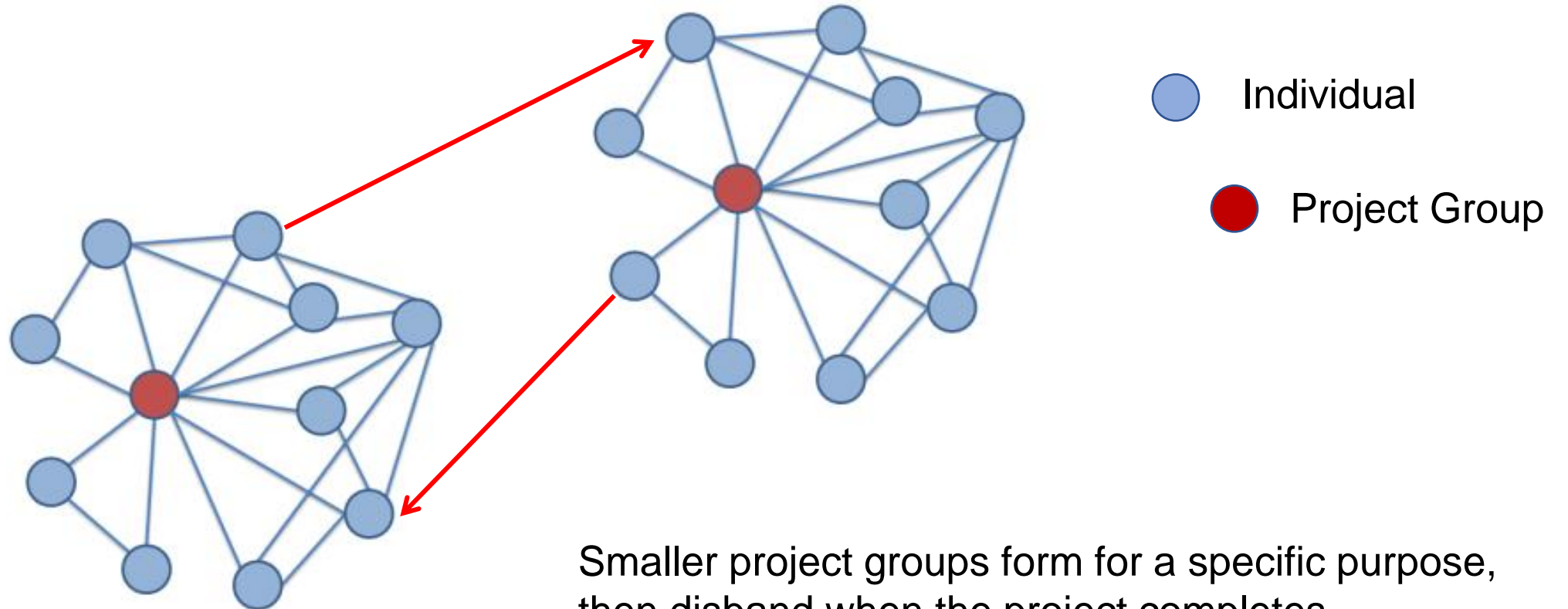
Also known as “M Form” structure

Matrix Structures Provide a Hybrid Between “U” and “M”



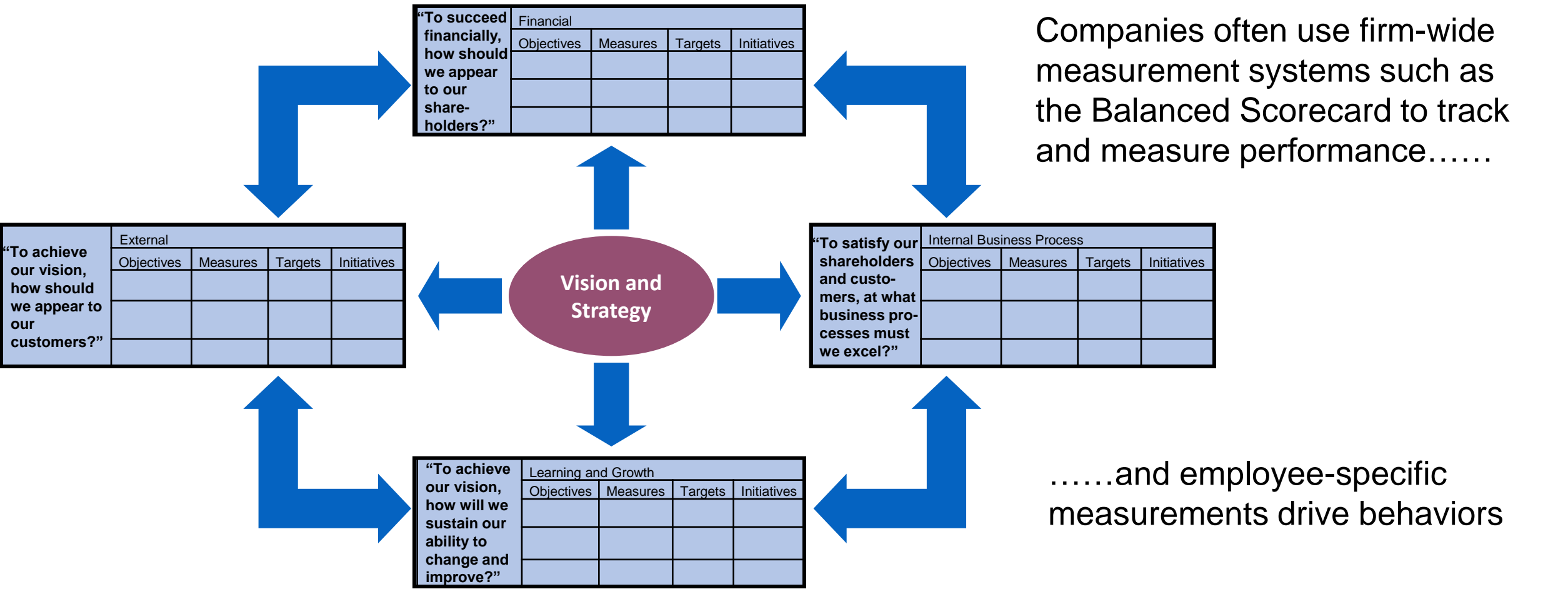
Are there any limitations here?

Network Structures are Becoming More Commonplace



Smaller project groups form for a specific purpose, then disband when the project completes. Individuals often go on to other projects.

Measurement Processes Drive Company and Employee Behaviors



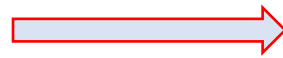
Source: Kaplan & Norton, 1996

Frequently Observed Issues with Metrics and Actions

Metric

Actual Rewarded Behavior

Long term growth and value



Quarterly earnings

Teamwork and Collaboration



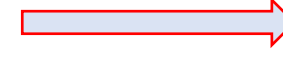
Individual contribution

Downsizing/Reduction in Force



Adding employees

Honest Situational Appraisal



Reporting positive results, even if not true



What is Competitive Advantage?

Competitive Advantage: a Firm's ability to create *value* in a way that its rivals cannot



How can firms sustain competitive advantage? Strategic resources and capabilities are developed over time.



“A company can outperform rivals only if it can establish a difference that it can preserve.”*

* Porter, “What is Strategy?” Harvard Business Review, November-December, 1996.

Competitive Advantage – Often Expressed Through Three Views

Internal Environment – the Resource-Based View (RBV) of the firm - Firms are collections of resources and capabilities – those which are superior can reach higher levels of performance.



External Environment – maintains that a firm's competitive advantage and subsequent performance are primarily based on industry attractiveness



Dynamic Perspective – in rapidly changing markets, the firm's current market standing is not an indicator of future performance. Past performance and an analysis of internal attributes and external trends are used to predict future performance.



Generic Business Strategies

Which high-level generic business strategies can companies choose?

- **Low cost** – equivalent products are produced and distributed at a lower cost
- **Differentiation** – differentiated products are produced and distributed at a higher cost which offset the costs of differentiation

Low Cost:

Walmart
Home Depot
Gallo Wines



Differentiation:

Harley-Davidson
Tiffany
Mercedes Benz (US)



Growth Strategies

How can firms create growth?

- Two basic options – Organic (internal development) and by Acquisition
- Many possibilities exist:
 - Alliances/Partnerships
 - Joint Ventures
 - Regional or International Expansion
 - Horizontal or Vertical Diversification
 - Others



Exercise: What generic business strategy does your company follow?

- a) Low Cost
- b) Differentiation
- c) Multiple – diversified businesses
- d) Don't know



Questions & Answers



Break!





Internal Aspects of Competitive Advantage: How Firms Leverage Resources and Capabilities

Resources and Capabilities

The Internal Perspective - Resources and Capabilities

The resource-based view of the firm focuses on how resources and capabilities contribute to a firms' competitive advantage

Resources – tangible or intangible inputs that are used to create goods and services; may be firm-specific or not

Capabilities (competencies) – how firms use their resources to create goods and develop services*

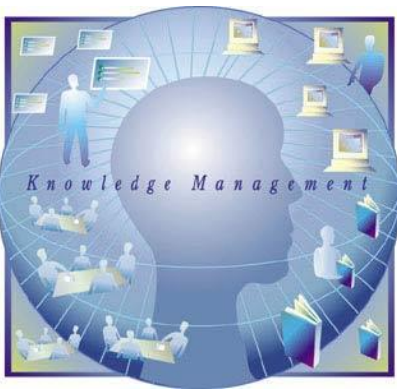
* See also "The Core Competence of the Corporation," C.K. Prahalad and Gary Hamel, Harvard Business Review, May-June 1990.



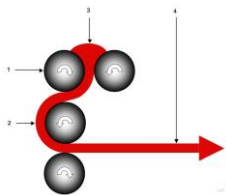
Examples of Resources & Capabilities

What are some examples of resource and capabilities that can promote competitive advantage?

Competitive advantage comes from a full range of a firm's activity acting in harmony*



Distribution networks



Process Agility

The Value of Trust

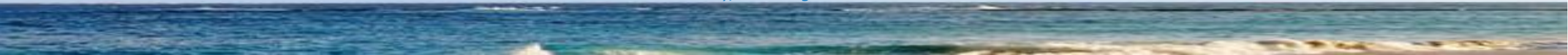


Return on Influence

*Source: Pankaj Ghemawat and Jan W. Rivkin, "Creating Competitive Advantage", Harvard Business School Publishing, 1998.

Which of these Focus Areas are the Most Important Example of Resources and Capabilities at Your Company? (poll)

- a) Knowledge Management
- b) Patents/IP Production
- c) Trust
- d) Distribution Networks
- e) Company Culture
- f) Brand Management
- g) Process Agility
- h) Tangible assets (real estate, other capital investments, etc.)
- i) Other



Prahalad and Hamel Define Core Competencies as Key to Success

- What are core competencies? “the company’s collective knowledge about how to coordinate diverse production skills and technologies.”
- Core competencies play a critical role in the company’s strategy, and contribute to its success and profitability
- These can be used to create new markets or new product demand: if the new business uses the same underlying resources and capabilities that advantaged the firm
- Three tests of core competence include:
 1. Provides potential access to a wide variety of markets
 2. Makes a significant contribution to the perceived customer benefits to the end product
 3. Difficult to imitate

Prahalad and Hamel, “The Core Competence of the Corporation,” Harvard Business Review, May-June 1990.



Internal Aspects of Competitive Advantage: How Firms Leverage Resources and Capabilities

Two Common Models for Evaluating Internal Resources

SWOT – “SW” Evaluates Company Strengths and Weaknesses



- SWOT analysis – Strengths, Weaknesses, Opportunities and Threats
 - Widely used tool to assist in analyzing the internal environment (strengths and weaknesses) and the external environment (opportunities and threats) for a firm
 - Core competencies are “the company’s expertise or skills in key areas that directly produce superior performance.” Some examples: Bechtel – large scale project management; 3M – new ideas (R&D)
 - The firm must excel in areas where customers find value – your company’s core processes can cause your business to succeed or fail
 - An unbiased assessment is critical to articulate where your company is strong or weak

SWOT analyses represent a point in time – they can inform actions for future decisions but cannot necessarily predict the future

“SWOT Analysis II: Looking Inside for Strengths and Weaknesses”, excerpted from [Strategy: Create and Implement the Best Strategy for Your Business](#), Harvard Business School Press, 2006.

Value Chain Analysis Explores how Company Activities Create Value for Buyers

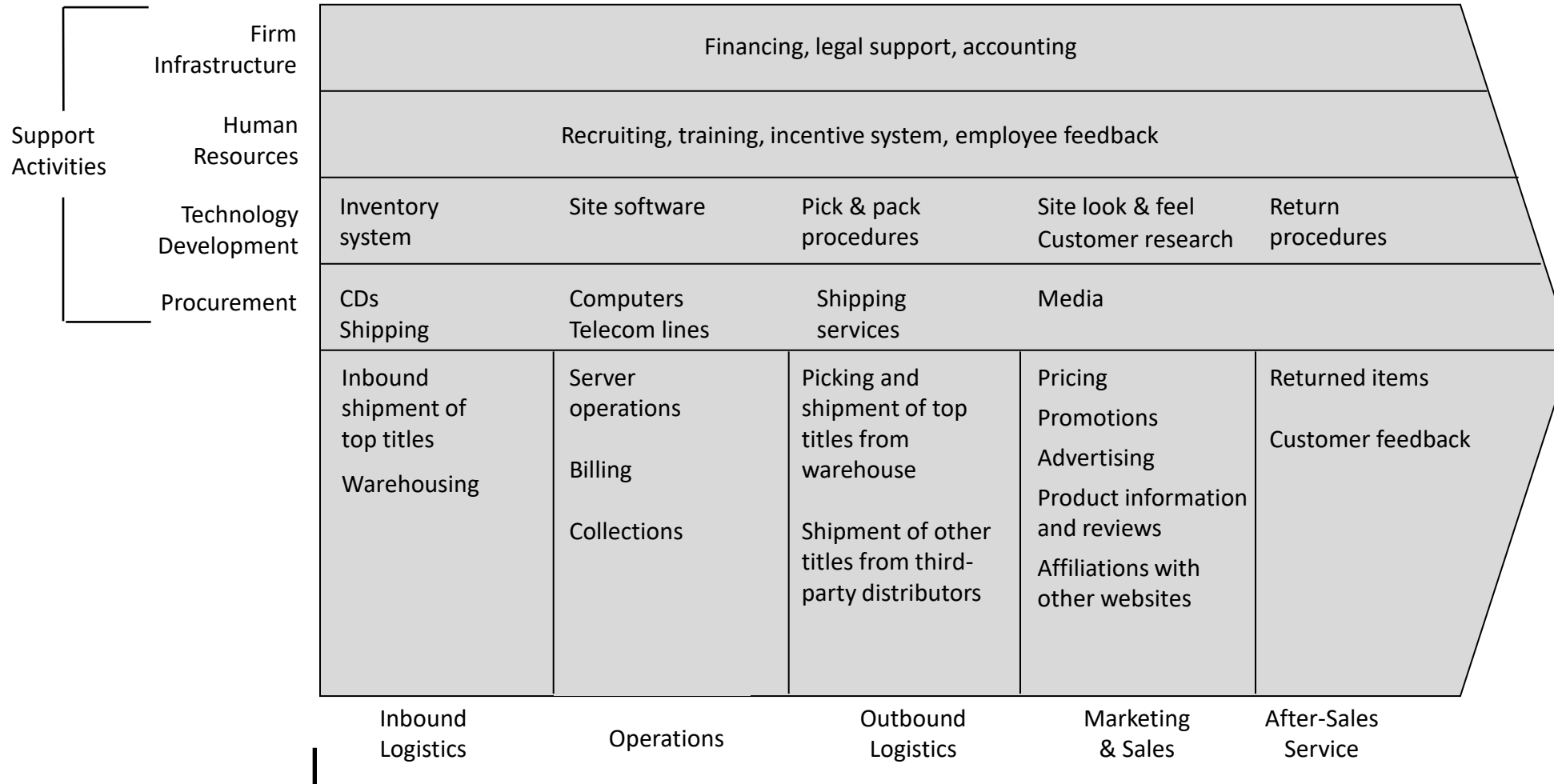
Value chain analysis offers a deeper look at the company's cost structure – and can reveal opportunities for process optimization. Key questions:

- Which activities allow the firm to offer lower prices?
- Which activities promote differentiation and validate higher prices?
- What are the profit margins along (and among) these value creating activities?
- How do these activities offer value to customers compared to their rivals?



Examining the value chain for an industry is an end-to-end analysis which includes value chains of suppliers, distributors, retailers, etc.

Value Chain Analysis – Example from an Internet Startup



Source: Carpenter and Sanders, Strategic Management, 2009

How can Value Chains Identify Opportunities for Competitive Advantage?

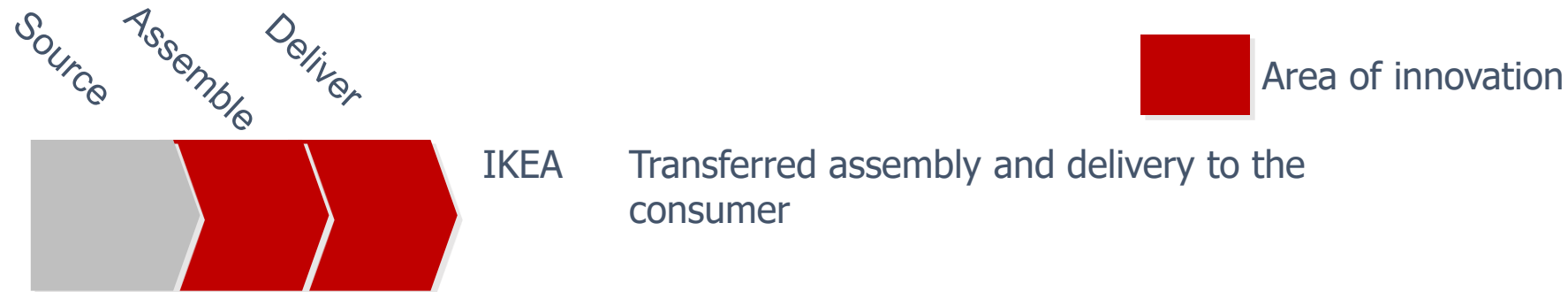
Analysis can assist firms in identifying opportunities for differentiation:

- Find a different way to perform the activities – can result in sustained advantage
- Find a better way to perform the activities – likely a shorter-term advantage as process improvements can more readily be copied



Some Examples of Sustained Competitive Advantage

Strategic choices can result in long-term advantages which are difficult to copy:



Trade-off Protection: too difficult for your competitors to copy you

- Single aircraft
- No baggage transfers to other airlines
- No meals
- Single class of service
- No seat assignments
- Limited use of travel agents
- No nuisance fees



Material adapted from Carpenter and Sanders, Strategic Management, 2009

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What Strengths and Weaknesses are Most Critical for your Firm?

Reminder – strengths and weaknesses refer to the internal aspects of the firm, such as:

- Capabilities (Competencies)
- Financial performance (cash flow, profit margins, etc.)
- Product superiority
- Service excellence
- Process expertise
- Organizational agility
- Management expertise
-and many others

Please respond through the chat session – **5 minutes**



Questions & Answers



Break!





External Environment Forces and Firm Response

Opportunities and Threats, PESTEL, and More

Before we begin: What is your company's industry? (poll)

- a) Financial Services (Banking, Insurance, etc.)
- b) Information Technology
- c) Consulting
- d) Telco/Wireless
- e) Pharmaceuticals
- f) Healthcare
- g) Manufacturing
- h) Energy (oil, gas, solar, etc.)
- i) Retail
- j) Education
- k) Legal
- l) Public Sector
- m) Other

External environment

The external environment of the firm broadly refers to the industry and competitive environment within which the company operates, including the macro environment.

Elements of the external environment include:

- Macro-economic environment
- Regulatory environment
- Government policies and initiatives
- Market industry trends
- Merger and acquisition activity
- Industry life cycle position
-and many others



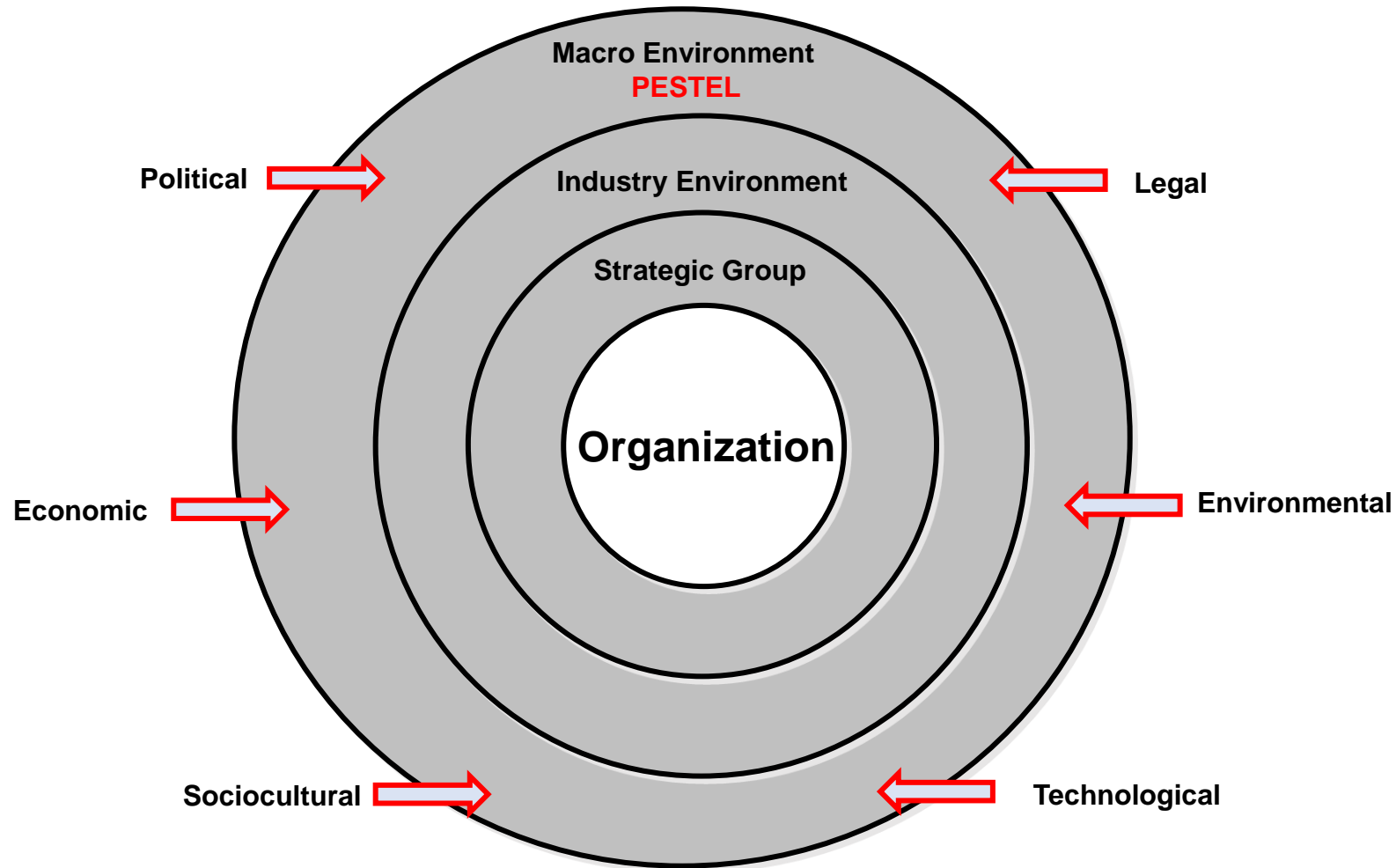
Many Opportunities and Threats Exist in the External Environment

- The “OT” in the SWOT – an external view
 - Opportunities – market trends, forces, and other events that firms can exploit
 - Threats – potential forces or market drivers outside of the firm’s control that could be predicted and proactively addressed
 - These can be both firm-specific and industry-dependent
- Important trends for analysis:
 - Workstyle and lifestyle trends
 - Customers – preferences, market segmentation, wants and needs, etc.
 - Price sensitivity and elasticity of demand
 - The competitive arena
 - Emerging technologies – both threats and opportunities



Source: "SWOT Analysis I: Looking Outside for Threats and Opportunities" , excerpted from Strategy: Create and Implement the Best Strategy for Your Business, Harvard Business School Press, 2006.

Macro and Industry Conditions Frame Challenges for the Firm and its Competitors



Adapted from: Carpenter and Sanders, *Strategic Management*, Pearson Education, Inc., 2009

PESTEL Provides a Useful Model to Evaluate the External Environment

Political **E**conomic **S**ociocultural **T**echnological **E**nvironmental **L**egal

Political

- How stable is the political environment?
- What are local taxation policies and how do these affect your business?
- Is the government involved in trading agreements such as EU, NAFTA, ASEAN, or others?
- What are the foreign-trade regulations?
- What are the social-welfare policies?

Sociocultural

- What are local lifestyle trends?
- What are the current demographics and how are they changing?
- What is the level and distribution of education and income?
- What are the dominant local religions and what influence do they have on consumer attitudes and opinions?
- What is the level of consumerism and what are popular attitudes toward it?
- What pending legislation affects corporate social policies (e.g., domestic-partner benefits or maternity/paternity leave)?
- What are the attitudes toward work and leisure?

Environmental

- What are local environmental issues?
- Are there any pending ecological or environmental issues relevant to your industry?
- How do the activities of international pressure groups (e.g., Greenpeace, Earth First, PETA) affect your business?
- Are there environmental-protection laws?
- What are the regulations regarding waste disposal and energy consumption?

Economic

- What are current and projected interest rates?
- What is the level of inflation, what is it projected to be, and how does this projection reflect the growth of your market?
- What are local employment levels per capita and how are they changing?
- What are the long-term prospects for gross domestic product (GDP) per capita and so on?
- What are exchange rates between critical markets and how will they affect production and distribution of your goods?

Technological

- What is the level of research funding in government and industry and are those levels changing?
- What is the government and industry's level of interest and focus on technology?
- How mature is the technology?
- What is the status of intellectual-property issues in the local environment?
- Are potentially disruptive technologies in adjacent industries creeping in at the edges of the focal industry?

Legal

- What are the regulations regarding monopolies and private property?
- Does intellectual property have legal protections?
- Are there relevant consumer laws?
- What is the status of employment, health-and-safety, and product-safety laws?

Adapted from: Carpenter and Sanders, Strategic Management, Pearson Education, Inc., 2009

Exercise & response: Which of the PESTEL categories is the most critical for your company in their industry? (poll) Why? (Chat response)

- a) Political
- b) Economic
- c) Sociocultural
- d) Technological
- e) Environmental
- f) Legal

WHY? Please respond to the poll and in the chat session with your choice and rationale.

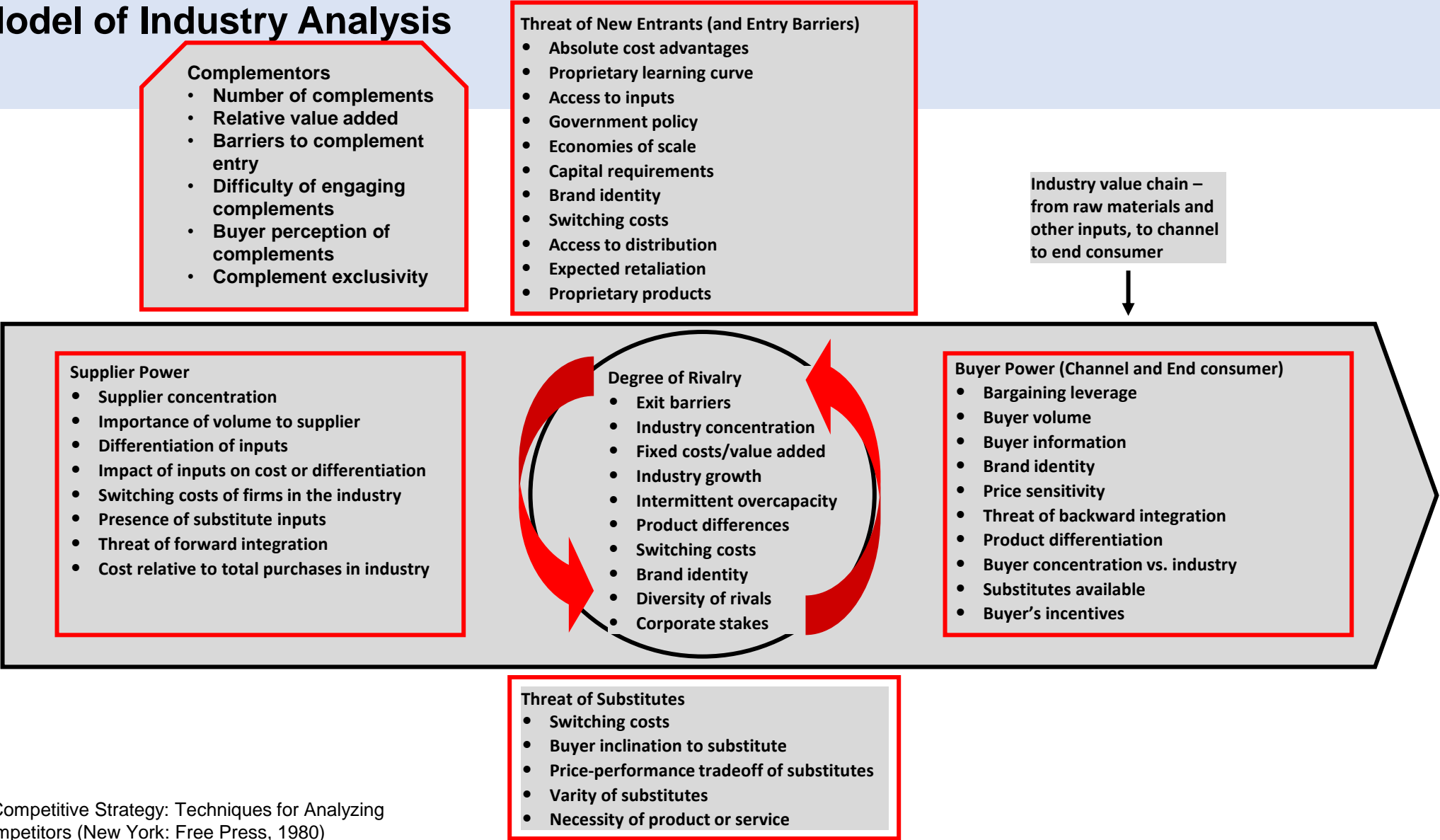
5 minutes



External Environment Forces and Firm Response

Porter's Five Forces Model and other Related Constructs

Five Forces Model of Industry Analysis

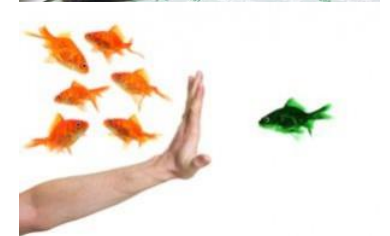


Adapted from M.E. Porter, Competitive Strategy: Techniques for Analyzing Industries and Competitors (New York: Free Press, 1980)

New Entrants Can Face Challenges or Disrupt the Competitive Balance

A few Examples.....the Model suggests many others

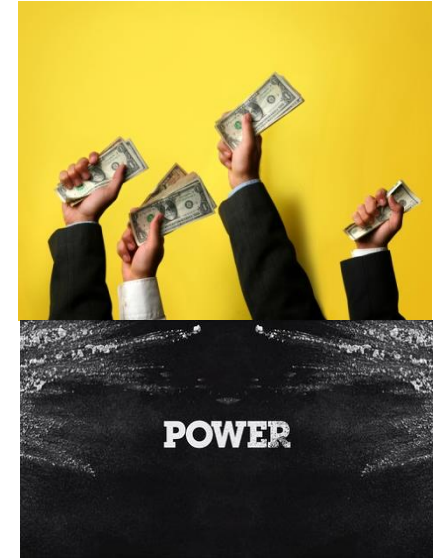
- Threat of New Entrants is weaker in industries where:
 - Significant capital requirements create a high barrier to entry
 - Strong brands decrease the prospect of buyer switching
 - Government regulations favor incumbents
 - Proprietary products create buyer lock-in
- New Entrants can have an advantage when:
 - The cost of entry is low
 - Access to distribution is readily available
 - Little retaliation is expected from incumbents



Adapted from: Michael E. Porter, "The Five Competitive Forces That Shape Strategy". Harvard Business Review, January, 2008

Buyers Can Threaten Profitability and Your Market Position

- When are buyers powerful?
 - When switching costs are low
 - When buyers are concentrated – fewer buyers can drive down prices among many suppliers
 - When products are undifferentiated
- Buyer power is weaker when:
 - Quality is a key differentiator
 - Few suppliers exert greater control, offer less choice
 - Substitutes are unavailable



Adapted from: Michael E. Porter, "The Five Competitive Forces That Shape Strategy". Harvard Business Review, January, 2008

Suppliers Can Extract Profits Under Many Conditions

- Suppliers are powerful when:
 - Buyer switching costs are high
 - Suppliers are concentrated – buyers have less choice
 - Products are differentiated or when no substitutes exist
 - They service multiple industries
- Supplier power is weaker when:
 - Buyers have many options, and when switching costs are low
 - Buyers threaten suppliers with backward integration
 - Substitutes are available



Adapted from: Michael E. Porter, "The Five Competitive Forces That Shape Strategy". Harvard Business Review, January, 2008

Substitute Products Can Disrupt Many Industries

Substitutes perform the same or similar function of an industry's product by a different means.*

Substitutes are often products from another industry that offer similar benefits to the consumer as the product produced by the firms within the industry.

Porter offers the following examples:

<u>Product or Service</u>		<u>Substitute for:</u>
Videoconferencing	→	Travel
Plastic	→	Aluminum
Text messaging or email	→	Express mail (hard copy)



How many industries does a smart device disrupt?

Adapted from: Michael E. Porter, "The Five Competitive Forces That Shape Strategy". Harvard Business Review, January, 2008

Complementors Can Impact Industry Demand

Complementors refer to a firm in one industry that provides products or services which tend to increase sales in another industry.*

Some Basic Examples:

Hot dogs and buns



Automobiles and gasoline



Hardware and software are a
“leading example of complements”

Shapiro, Carl, and Hal R. Varian, Information Rules: A Strategic Guide to the Network Economy. Boston, Massachusetts: Harvard Business School Press, 1999.



* Adapted from: Carpenter and Sanders, Strategic Management, Pearson Education, Inc., 2009

Five Forces and Your Industry – poll and chat discussion

Which of the Five Forces are most impactful in your industry? (poll – 1 minute each)

Strongest:

- a) Degree of Rivalry
- b) Threat of New Entrants
- c) Buyer Power
- d) Threat of Substitutes
- e) Supplier Power

Weakest:

- a) Degree of Rivalry
- b) Threat of New Entrants
- c) Buyer Power
- d) Threat of Substitutes
- e) Supplier Power

How can your company take advantage of these forces to be more competitive? (chat – 5 minutes)

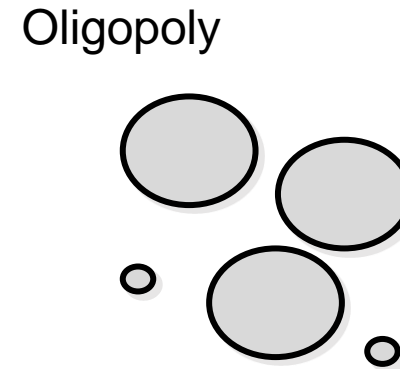
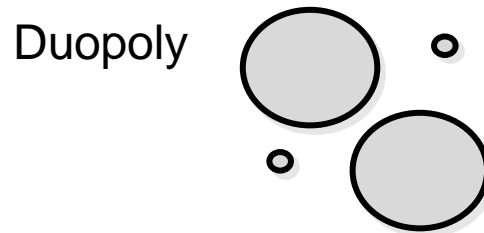
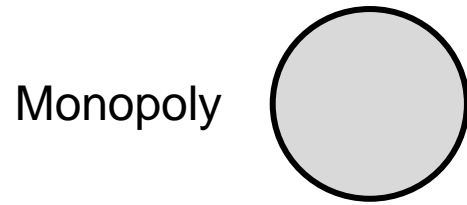


External Environment Forces and Firm Response

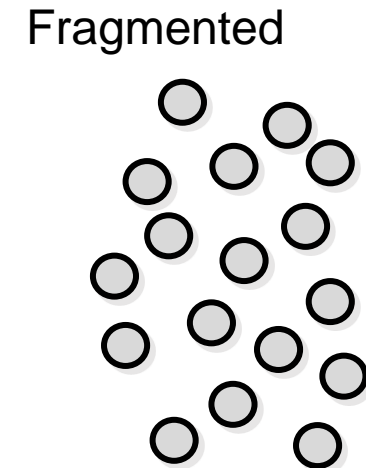
Evaluating Market Dynamics

Understanding Industry Dynamics is Crucial to Determining Competitive Positioning

What are the structural characteristics of your firm's industry?

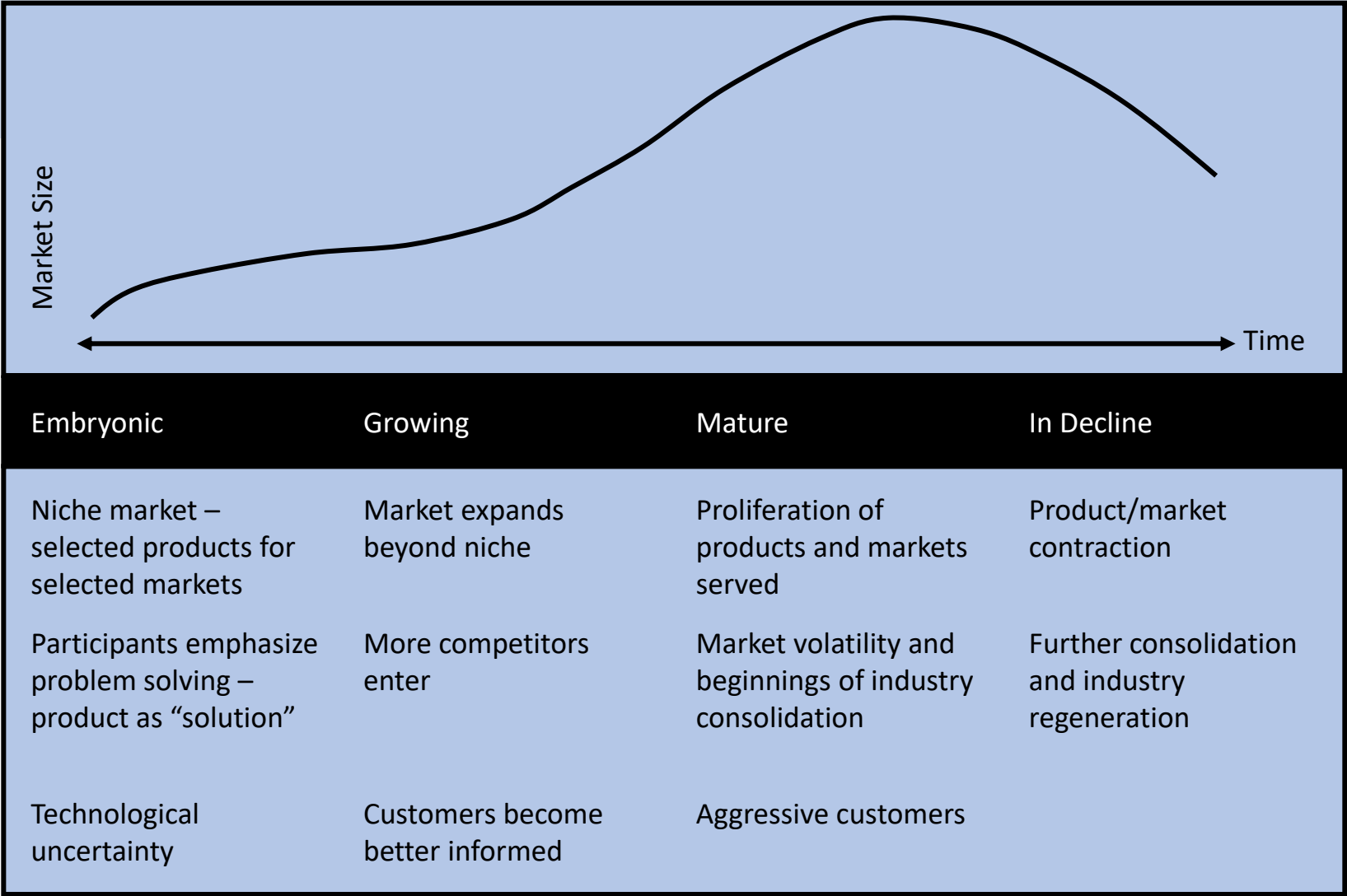


Industries are concentrated and
Markets are dominated by a few
large firms



Industry Life Cycle

Industry life cycle impacts market shifts and competitive positioning



Source: Adapted from K. Rangan and G. Bowman, “Beating the Commodity Magnet,” Industrial Marketing Management 21 (1992), 215-224; P. Kotler, “Managing Products through their Product Life Cycle,” in Marketing Management: Planning, Implementation, and Control, 7th ed (Upper Saddle River, NJ: Prentice Hall, 1991)

Demographic Preferences Still Influence Segmentation and Buying Behaviors

The Silent Generation – Born between the Great Depression and WW II

Baby Boomers – Born between 1946-1964



Generation X – Born between 1965 - 1977



Generation Y – Born between 1978 – 1994 (Millennials) *



Generation Z – Born mid-1990's **



*See also “The Next Greatest Generation?”, <http://www.npr.org/2013/08/13/211713540/the-next-greatest-generation>

** See also “Gen Z Matters More Than Millennials”, <http://www.goldmansachs.com/our-thinking/pages/what-if-i-told-you-full/index.html?videoId=141042>

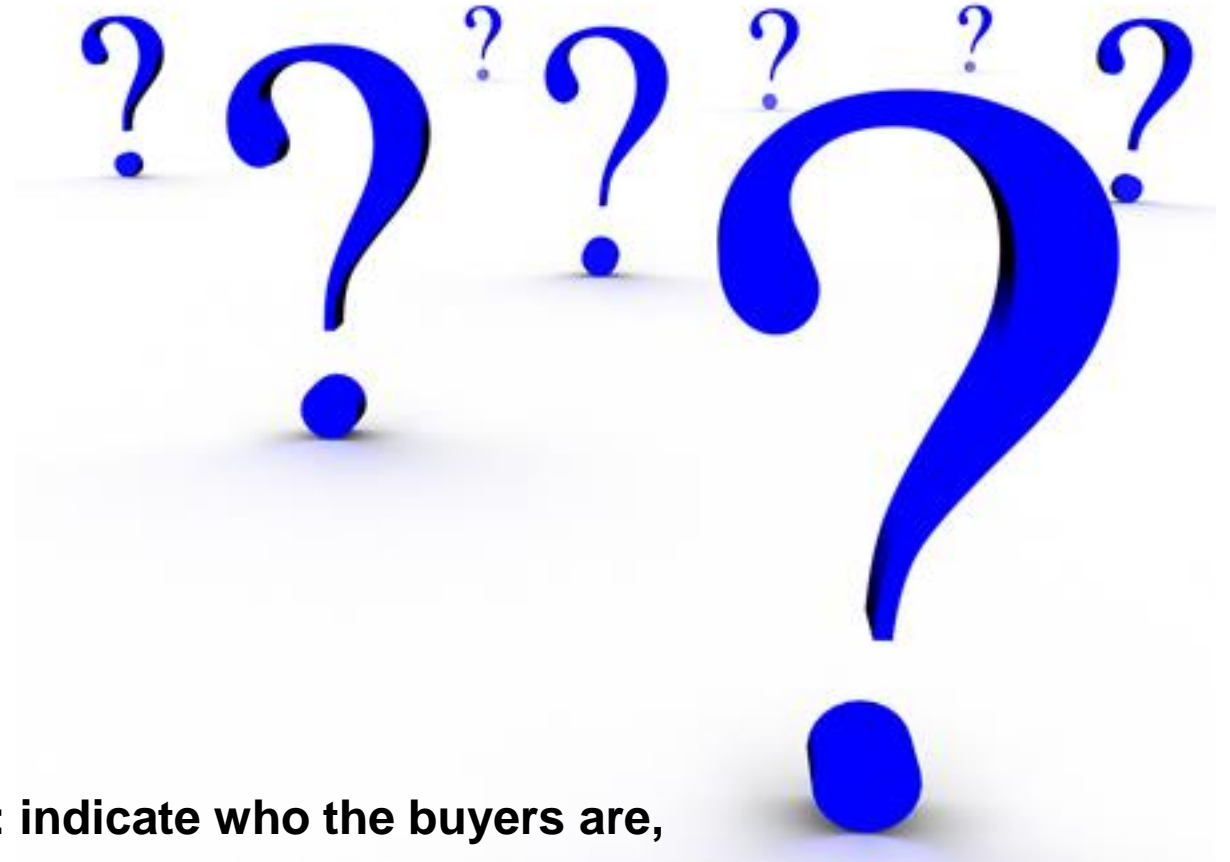
2-Part Exercise: Who are your Buyers? How does this Influence your Product, Marketing, Communication, and Customer Service Decisions?

Review: buyers can be other commercial businesses, end consumers, public sector institutions, governments, educational institutions, etc.

1. Poll: who are your primary buyers?

- a) Commercial businesses (B2B)
- b) End Consumers (B2C)
- c) Public Sector Institutions
- d) Governments
- e) Educational Institutions
- f) Other

2. Then, please respond through the chat session: indicate who the buyers are, then answer the second question – **5 minutes**



Competitive Intelligence Assists Companies in Determining Competitor Strategic Shifts and Actions



How do firms understand how to best predict their rival's next moves?

1. By determining the competitor's key strengths and weaknesses
2. By understanding their current strategies and objectives
3. By identifying and determining the competitors assumptions about the industry and view of their industry positioning

How do firms acquire information about their competitors? Many options exist.
What would you do?

Where does your company enjoy its greatest advantage? (poll)

- a) By leveraging internal resources
- b) By benefitting from industry forces
- c) By taking advantage of the dynamic environment



Closing Remarks and Wrap-up

Questions & Answers



Thank You for Your Time and Participation !



Looking Forward to Meeting You on Another Webinar

