**Session 09 BUSA 7800 - Strategic Management Chapter 08**

Learning Outcomes

At the end of this session you should be able to:

1. Relate how the industry life cycle shapes the competitive landscape.
2. Describe how industries evolve.
3. Relate how different strategic responses may be more effective over different stages of the industry life cycle.
4. Explain how turnaround strategies can re-invigorate a firm.
5. Describe how competitive actions (such a new entrant) may launch a cycle of actions and reactions among close competitors.
6. Explain the components of competitive dynamics analysis including:  
   New competitive action, Threat analysis, Motivation and capability to respond, Types of competitive actions, and Likelihood of competitive reaction.

Chapter 8 – Industry Change and Competitive Dynamics

**I. Industry Life Cycle Stages: Strategic Implications**

What does the life cycle of an industry refer to?

How can we explore the industry life concept?

What a few factors that can vary over an industry's lifecycle?

What is one limitation of the lifecycle idea?

What can cause industry change?

**A. Industry Life cycle: Strategies in the Introduction Stage**

What functions are emphasized in the introduction stage of the Life Cycle?

 What is a ‘first mover’?

What are some advantages to being a first mover?

What are some disadvantages to being a first mover?

**B. Industry Life Cycle: Strategies in the Growth Stage**

How do we characterize the growth stage?

How do marketing efforts change in the growth stage?

Why do sales increase at an increasing rate in the growth stage?

**C. Industry Life Cycle: Strategies in the Maturity Stage**

How do we know that we are in the maturity stage?

How is the maturity stage a zero sum game?

What products are in the maturity stage?

**D. Industry Life Cycle: Strategies in the Decline Stage**

How do we know is our industry in the decline stage?

How can the decline stage occur?

There are four basic strategies in the decline phase:

1. Maintaining
2. Harvesting
3. Exiting
4. Consolidation

How does the *maintaining* strategy work?

How does the *harvesting* strategy work?

How does the *exiting* strategy work?

How does the *consolidation* strategy work?

What are the benefits of the *consolidation* strategy?

**E. Turnaround Strategies**

When are turnaround strategies used?

Why do turnaround strategies need to have an external analysis and an internal analysis?

What are the three turnaround strategies commonly used by mature businesses?

1. Asset and cost surgery
2. Selective product and market pruning
3. Piecemeal productivity improvements

What are businesses doing in the *asset and cost surgery* strategy?

How does the *selective product and market pruning* strategy work?

What are some examples of initiatives that occur under the *piecemeal productivity improvements*?

**II. Competitive Dynamics**

What is meant by *competitive dynamics*?

What are some of the common reasons for the start of a cycle of competitive actions and reactions?

Why study competitive dynamics?

**A. New Competitive Action**

Why do firms launch new competitive actions?

What is the underlying motivation behind all of the reasons to launch a new competitive action?

**B. Threat Analysis**

What is the first step in assessing the level of competitive threat?

Two factors are used to assess whether or not firms are close competitors:

* + Market Commonality - Vying for the same customers?
  + Resource Similarity - Vying for the same resources?

**C. Motivation and Capacity to Respond**

Why should we consider the seriousness of a competitive attack?

Why must firms understand their motivation for responding?

Why should you consider the role of a rival's age and size?

**D. Types of Competitive Actions**

Launching a competitive action is dependent on a firm's:

* + Resource capabilities
  + Motive for responding.

Two broadly defined types of competitive action include strategic actions and tactical actions.

How do we know if an action taken by a firm is a strategic action or a tactical action?

How do we know if a competitive action is a *frontal assault*?

What is the danger of a frontal assault?

What is recommended for offense strategies for firms with fewer resources?

What is the purpose of defensive actions?

**E. Likelihood of Competitive Reaction**

Why evaluate potential competitive reactions from your rivals?

How a rival is likely to respond will depends on three factors:

* + Market Dependence
  + Competitor's Resources
  + Actor's Reputation

How does a firm's *market dependence* relate to its competitive reaction?

How can *competitors' resources* determine their competitive reaction?

How does an *actor's reputation* factor into a firm's competitive reaction?

**F. Choosing Not to React: Forbearance and Co-opetition**

How do we know if a firm is engaging in forbearance or co-opetition?

What is the limit of co-opetition?

**Next Session:**

Chapter 9 – Creating Effective Organizational Designs