

COMPETITIVE STRATEGY



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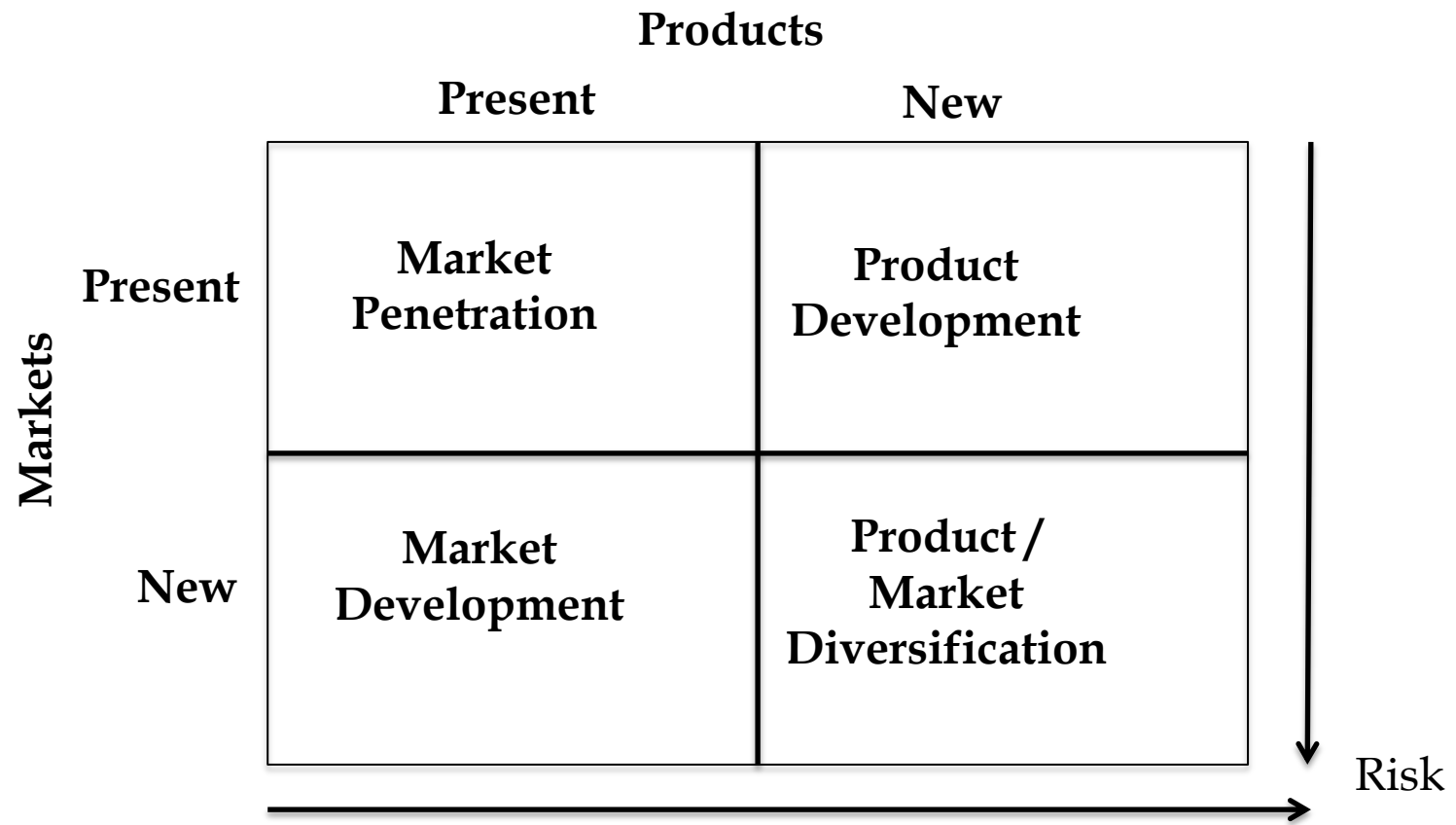


The company growth

- Ansoff Matrix - product / market matrix
- Concentration versus differentiation (demand based)



Ansoff matrix



ANSOFF STRATEGIES



- 1. Present markets/present products:** gain higher market share in existing markets using existing products. More resources are dedicated to marketing offering price discounts and better relationship with customers.
- 2. Present markets/new products:** new products to current markets. It requires developing or acquiring new products or line expansion. These products need to be accepted by consumers and should not be too far away from the branding of the original product because this is what has created the product image in the past.
- 3. New markets/present products:** New markets may be solely domestic or both domestic and global.
- 4. New markets/new products:** With the increasing interest in emerging markets, companies have begun to target the specific needs of the emerging consumer. This strategy may not only result in new products for developed markets but may also benefit developed countries these innovations can be transferred back to. Companies now begin with their experience and knowledge of their customers in distant markets and use information to conceive, design and make a new, locally appropriate product from the ground up.



The Resource-based View of the Firm

Resource-based View

- Firm as a bundle of resources and capabilities.
- Distinct resources and capabilities underpin competitive advantage.
- Specific combination and coordination of resources critical.
- Strategy based on skilled diagnosis and creative solutions.

Market-based View

- Firm as a unit in a market.
- Distinct position in market underpins competitive advantage.
- Detailed knowledge of market and competitive conditions critical.
- Strategy based competitive analysis and appropriate value creation.

The Language of Resources and Capabilities



- **Resources:** inputs into a firm's operations so as to produce goods and services. Examples?
- **Capabilities:** The ability to perform a task or activity that involves complex patterns of coordination and cooperation. Examples?
- **Strategic assets / Core competencies:** resources and capabilities that can create value.

Example of Resources and capabilities



- Distribution coverage
- Human resources
- Quality control
- Financial capacity
- Shared expertise with related businesses
- Low cost manufacturing
- Distribution network
- Production capacity
- Ownership of raw material sources
- Long-term supply contracts
- Trade relationships
- Customer service orientation
- Ability to utilize relevant technologies



Core Competence

Core Competences

Collective
knowledge of how
to coordinate skills
and technologies

Prahalad & Hamel
(1990)

=

Distinctive Capabilities

Business
processes
connected to
customer needs

Stalk, Evans & Shulman
(1992)

=

Strategic Assets

Capacity to deploy
resources to effect
a desired end

Amit & Shoemaker
(1993)

The underlying capability that is the distinguishing characteristic of the organization



Resource leverage

To **'leverage' resources** means to create conditions for competitive advantage to emerge. (Prahalad and Hamel, 1993)

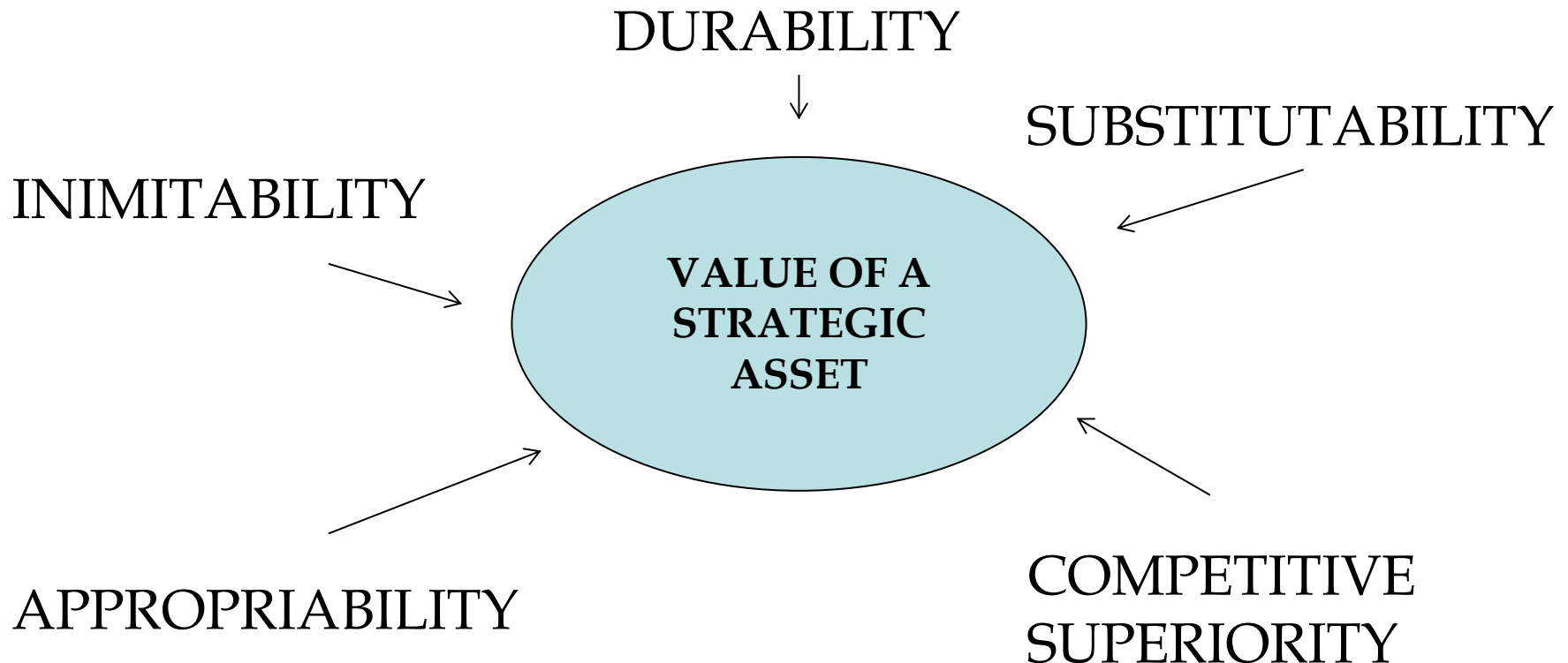
- Concentrating resources
- Accumulate resources
- Complementing resources
- Conserving resources

Identifying Intangibles (resources and capabilities)

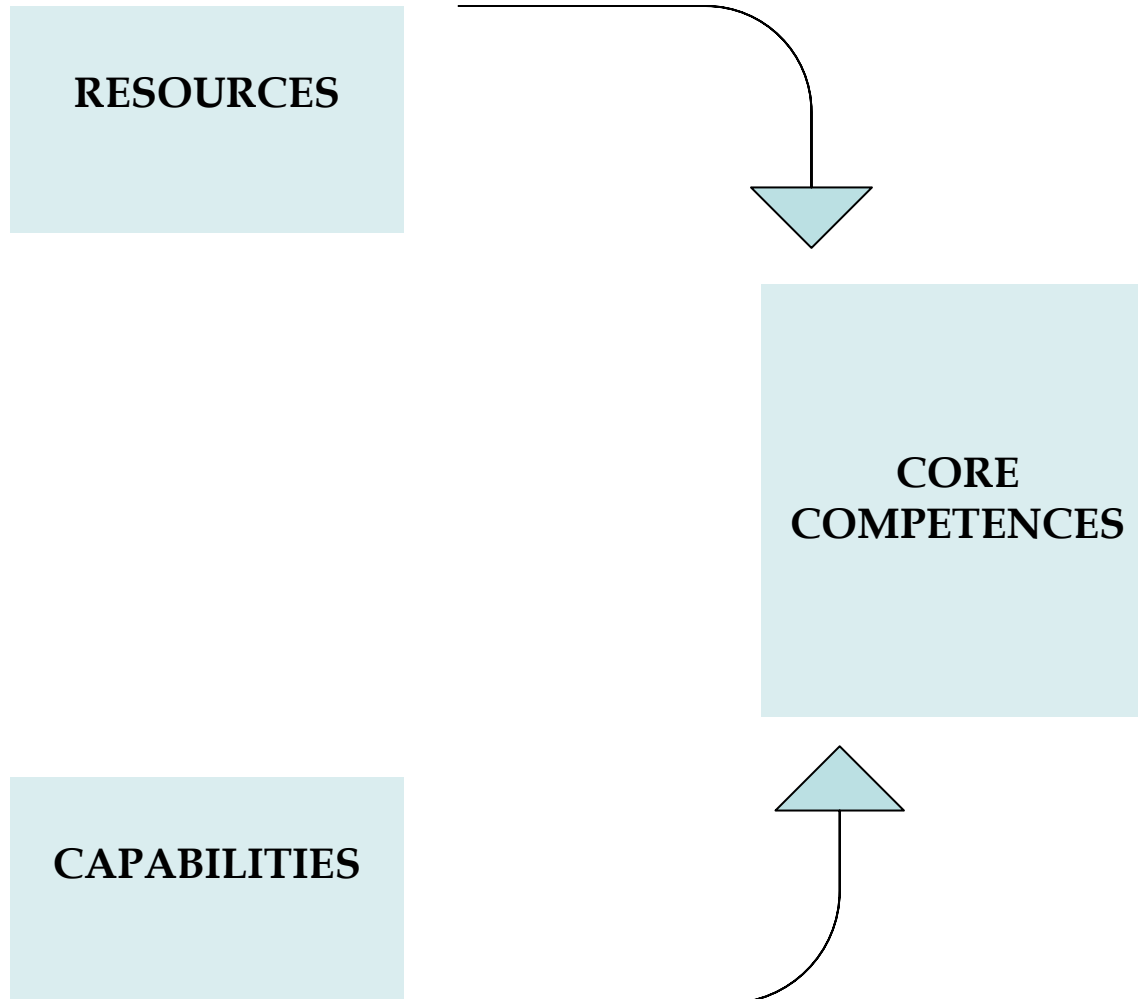


- Intellectual property rights of patents, trademarks, copyright and registered designs
- Trade secrets
- Contracts and licenses
- Databases
- Personal and organizational networks
- The know-how of employees, advisers, suppliers and distributors
- The reputation of products and of the company
- The culture of the organization

The Value of a Core Competence



Strategic industry factors and core competences





Key Success Factors (KSF)

- **KSF (or critical SF)** are the combination of important elements (activities, procedures, etc.) that is required in order to accomplish one or more desirable business goals.
- Competitive advantage defines the market-based view – the positioning of the firm in terms of competitors
- Core competence defines the resource-based view – the underlying capability that is the distinguishing characteristic of the organization and thus creates a competitive advantage
- If resources support KSF, the company is able to create a Competitive Advantage. Resources are linked to competitive advantage through key success factors.