



Digital Transformation & Strategic Leadership

STRATEGIC MANAGEMENT

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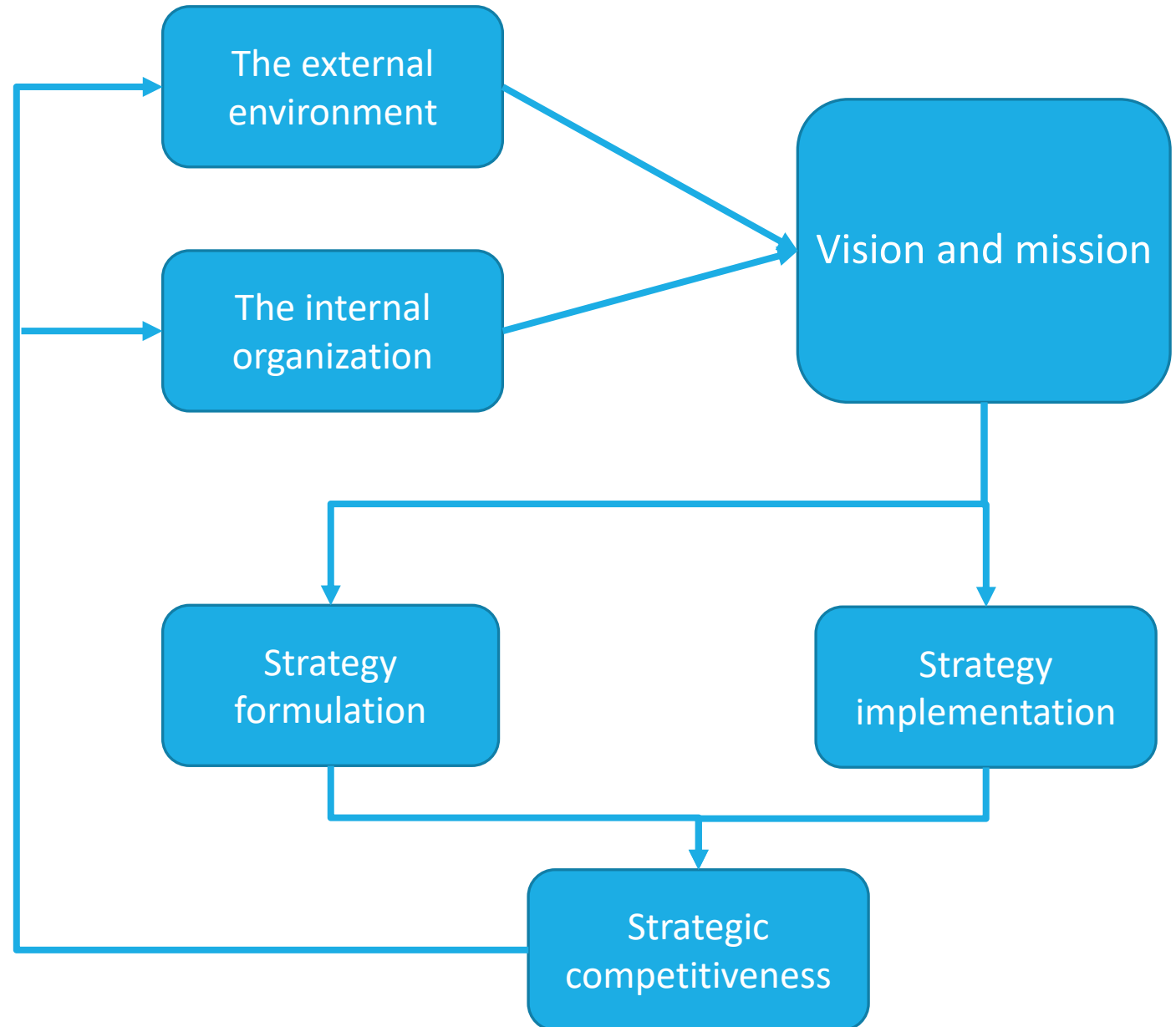
PGP

IIM VIZAG

IIM BANGALORE

IIM TRICHY

STRATEGIC MANAGEMENT PROCESS



GLOBAL COMPETITIVE LANDSCAPE



Market volatility and instability



Rapid pace of change in markets



Blurring of market boundaries



Need for flexibility, speed, innovation and integration



Strategic and operational complexity



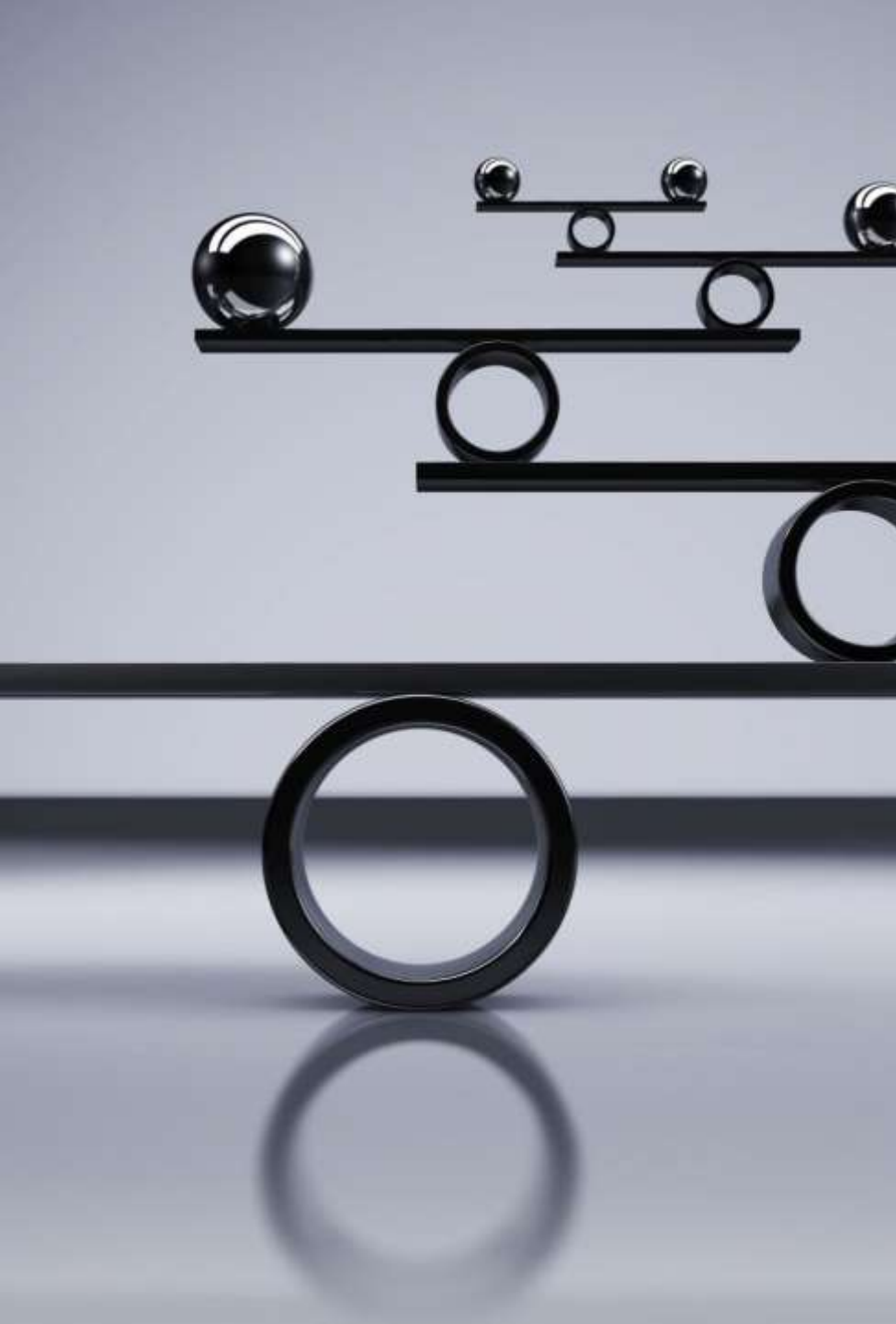
Rising quality standards



Decreasing time for adaptation



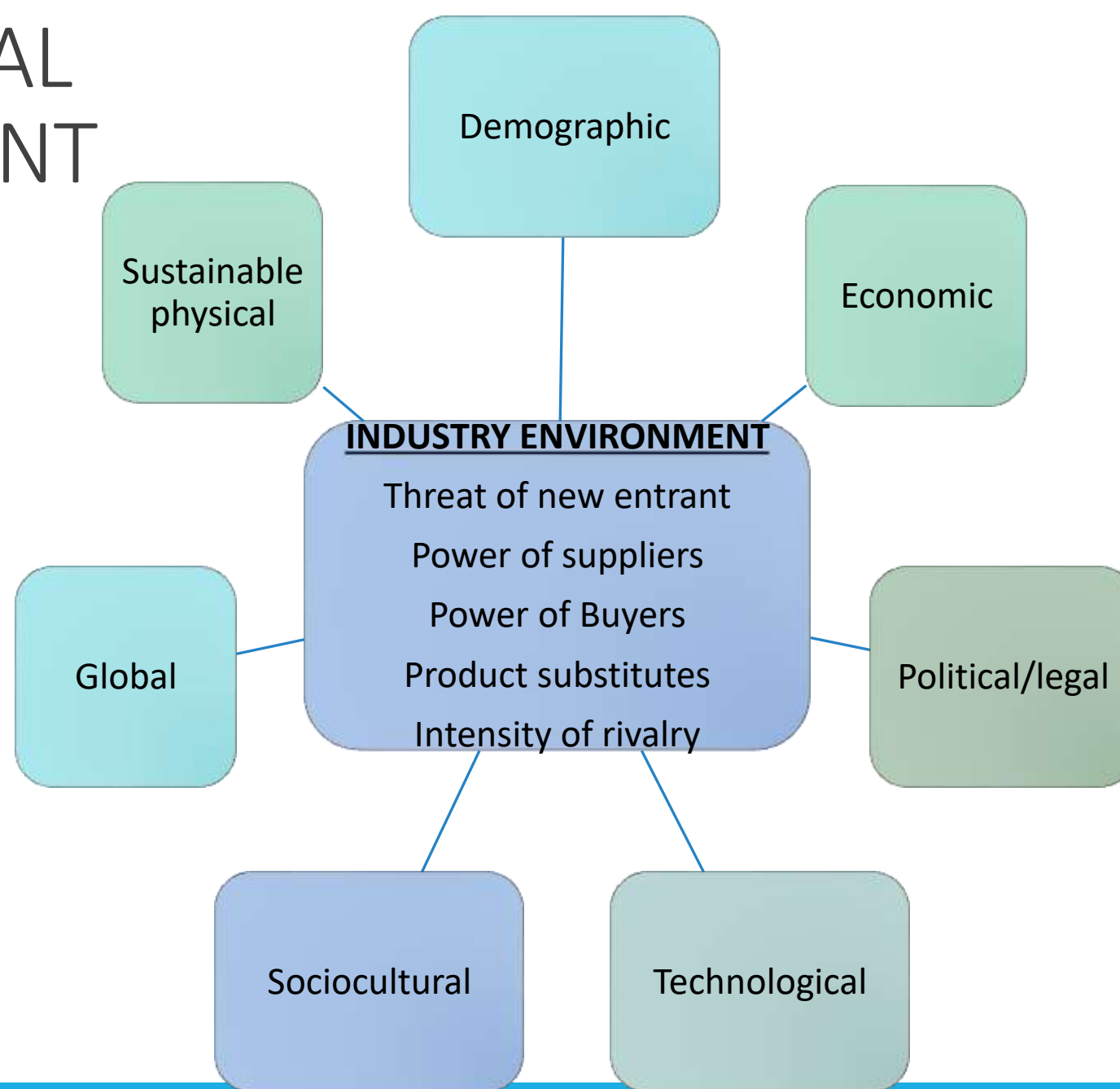
Change in traditional managerial mindset



STRATEGIC CHOICES

- Diversification
- Barriers to market entry
- Economies of scale
- Product differentiation
- Entrepreneurial mindset
- Customer focus
- Leverage competencies
- Agility / flexibility

THE EXTERNAL ENVIRONMENT



THE GENERAL ENVIRONMENT

Demographic

- Population size, age
- Geographic distribution
- Income distribution

Economic

- Inflation, interest rates
- GDP, growth

Political/legal

- Tax laws, labour laws
- Deregulation

Sociocultural

- Women in workforce
- Work and career preferences
- Product/service preferences

Technology

- Product innovations
- Communications tech

Global

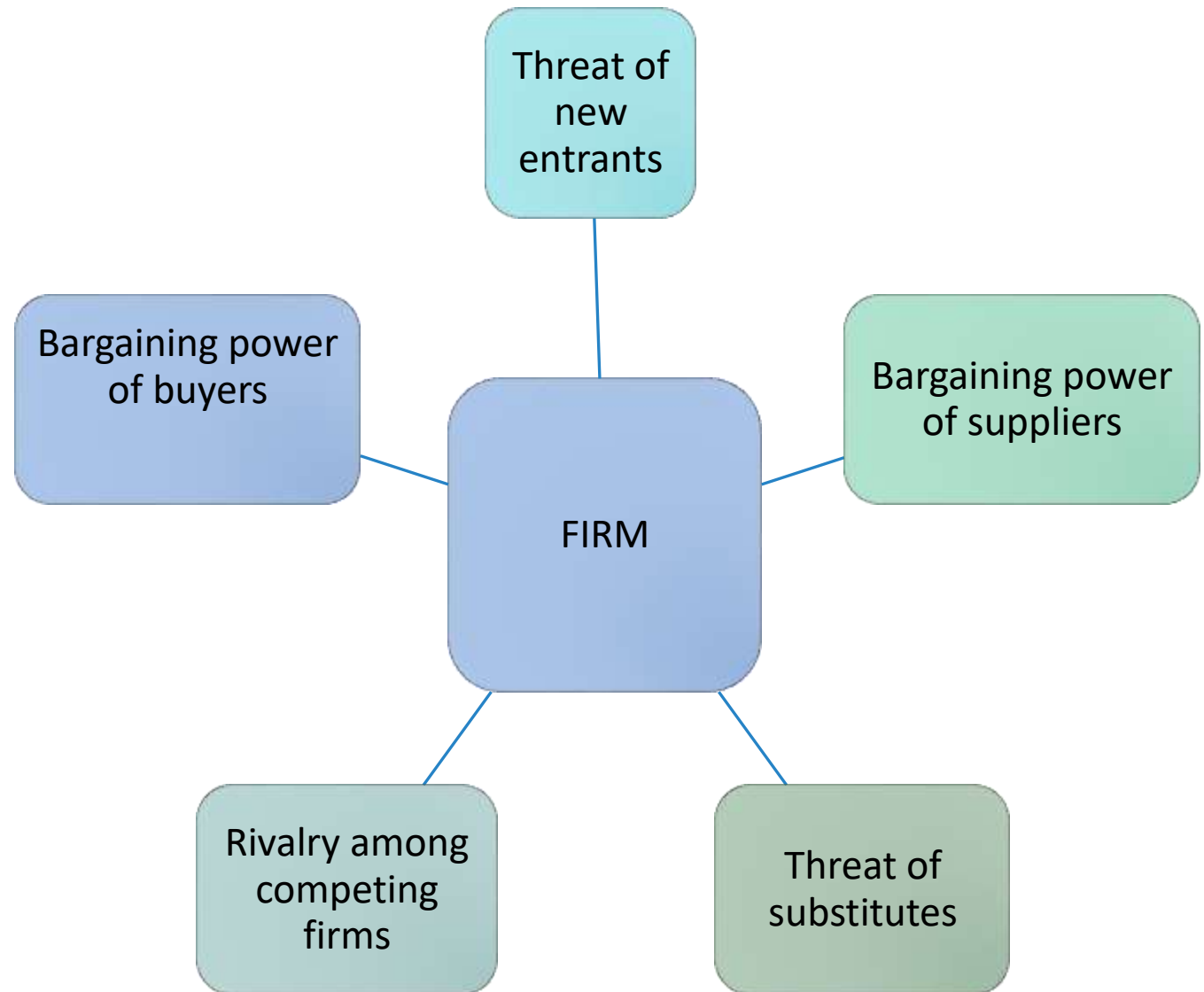
- International political events
- Cultural and institutional attributes

Sustainable physical environment

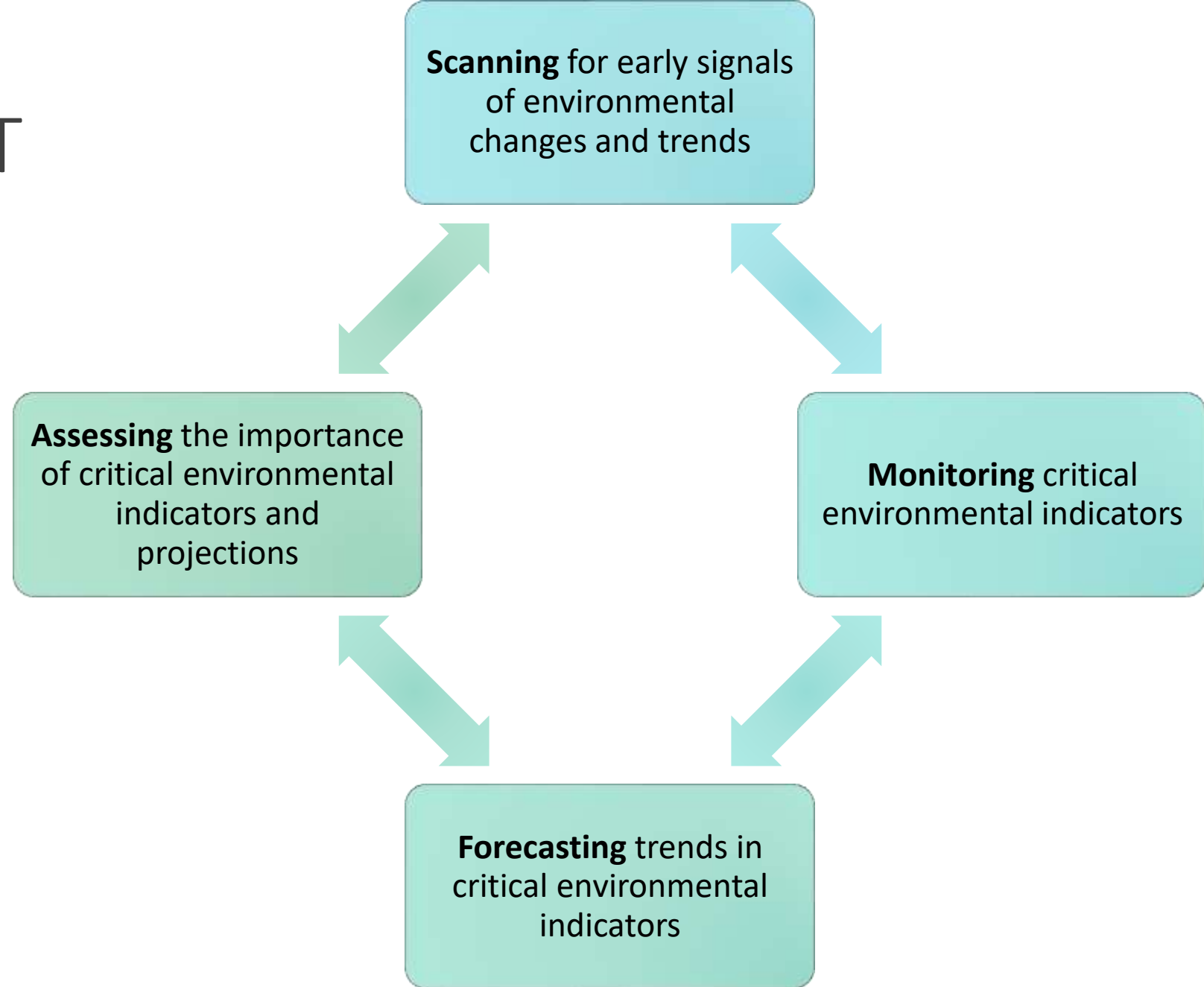
- Energy consumption
- Water footprint
- Environmental friendly products/services

INDUSTRY ENVIRONMENT

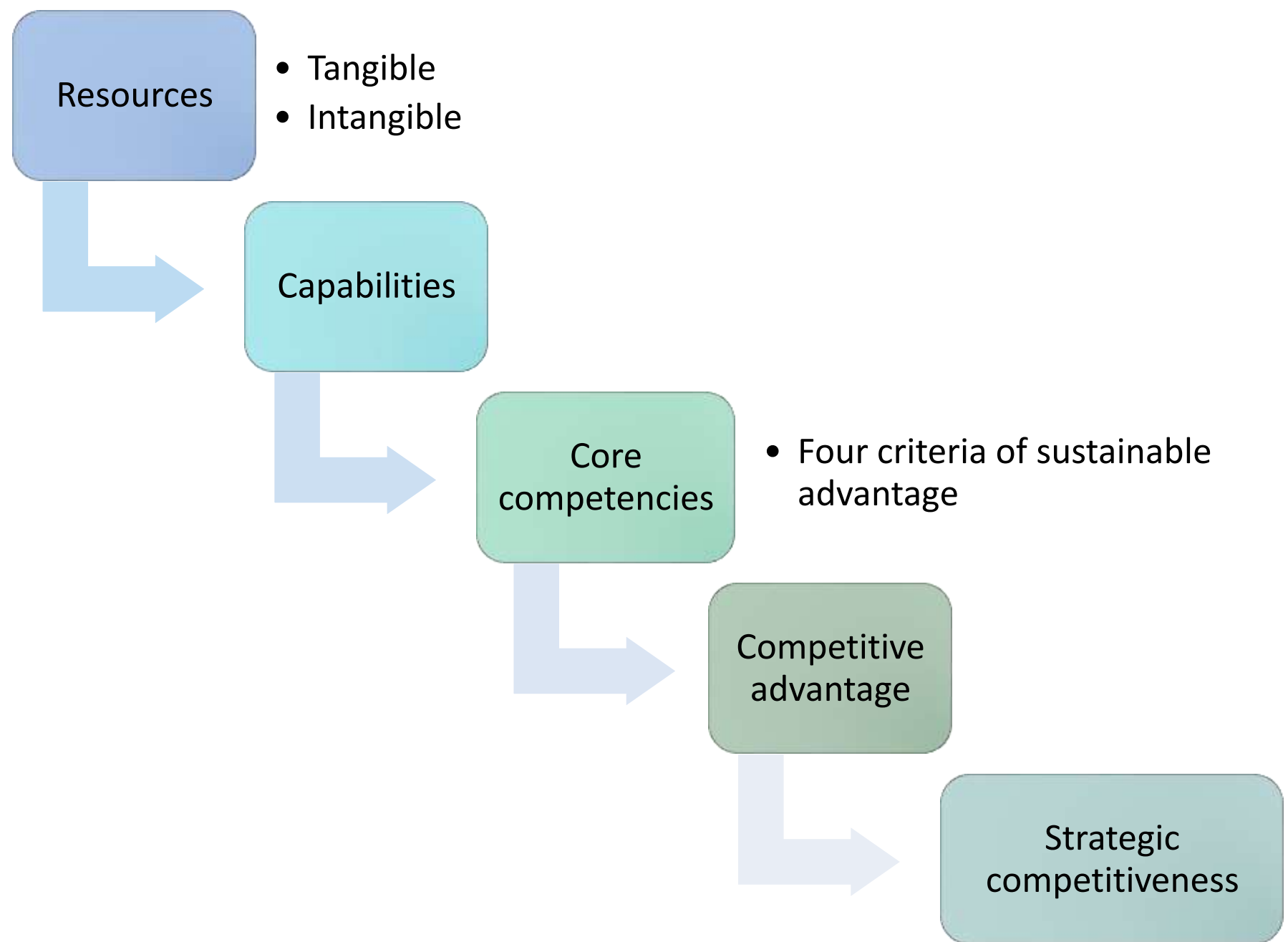
PORTER'S FIVE FORCES



EXTERNAL ENVIRONMENTAL ANALYSIS



COMPONENTS OF INTERNAL ANALYSIS



CHALLENGES OF INTERNAL ANALYSIS

Strategic decisions are

- Non-routine
- Have ethical implications
- Affect competitive advantage

Managers have to

- Know which are core competencies
- Learn quickly from failures and mistakes
- Deal with uncertainty, complexity and intra-organizational conflicts

RESOURCES

Resources are the source of firm's capabilities

Resources are assets that represent inputs into a firm's production process

Tangible resources

- Financial, physical, technological, organizational

Intangible resources

- Human, innovation, and reputation

CAPABILITIES

Capabilities represent the capacity to deploy resources that have been purposely integrated to achieve a desired end state

Emerge over time through complex interactions among tangible and intangible resources

Examples

- Distribution
- Human resources
- Management information systems
- Marketing
- Management
- Manufacturing
- Research and development

CRITERIA OF STRATEGIC CAPABILITIES

VALUEABLE

- Help a firm neutralize threats or exploit opportunities

RARE

- Are not possessed by many others

COSTLY TO IMITATE

- Historical – a unique and valuable organizational culture and brand name
- Ambiguous cause – causes and uses of a competence are unclear
- Social complexity – interpersonal relationships, trust, and friendships

NON-SUBSTITUTABLE

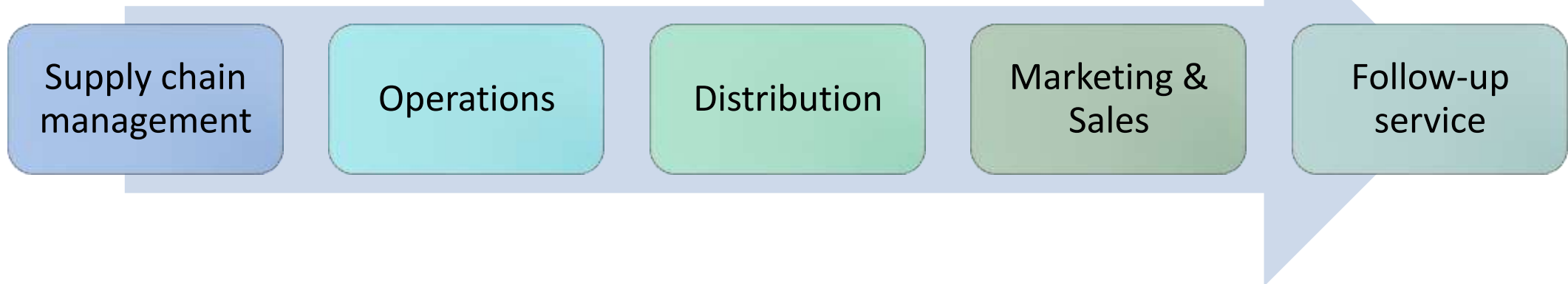
- No strategic equivalent.

SUSTAINABLE ADVANTAGE

Valuable?	Rare?	Costly to imitate?	Non substitutable	Competitive consequences	Performance implications
No	No	No	No	Competitive disadvantage	Below average returns
Yes	No	No	Yes/no	Competitive parity	Average returns
Yes	Yes	No	Yes/no	Temporary competitive advantage	Above average to average returns
Yes	Yes	Yes	Yes	Sustainable competitive advantage	Above average returns

VALUE CHAIN MODEL

Primary value chain activities



Support activities



BUSINESS LEVEL STRATEGY

Core competencies

- Resources and superior capabilities that are sources of competitive advantage

Strategy

- An integrated and coordinated set of commitments and actions used to gain competitive advantage

Business-level strategy

- Providing value to customers and gaining competitive advantage by exploiting core competencies in individual product markets
 - Who to serve
 - What needs to satisfy
 - How will those needs be satisfied

WHO: CUSTOMER SEGMENTATION

Market segmentation: A process used to cluster people with similar needs into individual and identifiable groups

Consumer markets

- Demographic markets
- Socioeconomic factors
- Psychological factors
- Consumption patterns

Industrial markets

- End-use segments
- Product segments
- Common buying factor segments
- Customer size segments

WHAT & HOW

What: Customer needs

- Customer needs are related to a product's benefits and features
- Customer needs are neither right nor wrong, good nor bad.
- Customer needs represent desires in terms of features and performance capabilities

How: Core competencies needed

- Only firms with capacity to continuously improve, innovate, and upgrade their competencies can expect to meet and/or exceed customer expectations across time

BUSINESS LEVEL STRATEGY

Business level strategies are intended to create differences between the firm's competitive position and those of its competitors

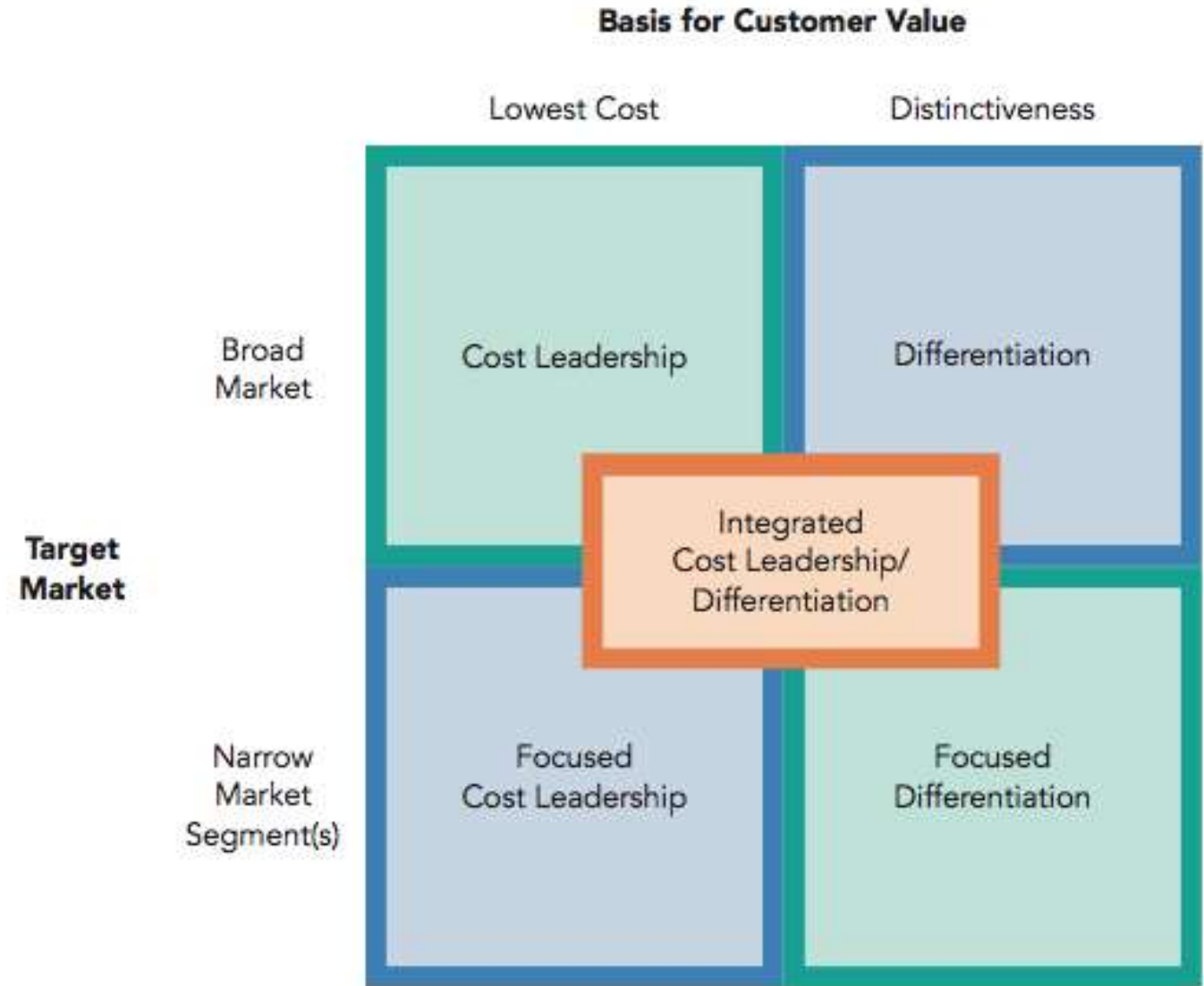
The firm must decide whether to

- Perform activities differently or
- Perform different activities as compared to its rivals

Competitive scope

- Broad scope: The firm competes in many customer segments
- Narrow scope: the firm selects a segment and tailors its strategy excluding other segments

BUSINESS LEVEL STRATEGIES



Thank you

For any doubts, please feel free to reach out to
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