Assignment

Strategic Management

Program

MBA (Non Business)

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Q3: Discuss Five Competitive forces that Shape Industry.

What is strategy? If you've ever researched this question, the name Michael Porter might ring a bell. In fact, Michael Porter's name has become practically synonymous with business strategy after he created the Five Forces analysis, a tool for analyzing a business's competition

So, what does strategy mean? Is it all tied into this Harvard scholar's school of thought?

To be clear, professionals think about strategy in different ways, so there isn't a single clear definition of strategy. However, Michael Porter defines strategy as competitive position, "deliberately choosing a different set of activities to deliver a unique mix of value." In other words, you need to understand your competitors and the market you've chosen to determine how your business should react.

Learn more about Porter's Five Forces to find your competitive position in the market.

Porter's Five Forces Analysis

Porter's Five Forces

In his famous article from the Harvard Business Review, "What Is Strategy," Michael Porter seeks to define strategy through a series of influences. Porter believed that price couldn't be the only thing influencing strategy. Each of the Five Forces culminates around an industry's competitive rivalry.

To define strategy, analyze your firm in conjunction with each of Porter's Five Forces.

(1) Bargaining Power of Buyers (=riders)

Bargaining power of customers: reasonably high at this stage as there is strong ride-hailing competition, alternate means of transports and taxis. Beyond a certain market share, Uber may have a better pricing position (and in any case, they may decide to grow through complementary offerings)

Switching barriers for the demand side: are low. Similar to the drivers, customers are multi-homing. But this may change if the industry ends up becoming a winner-takes-(almost)-all. Due to the indirect network effects, waiting times would increase for competing platforms

Value proposition for customers: are compelling. Lower transaction and search costs, shorter waiting times and lower costs. This is in comparison to other means of transport. But in comparison to other ride-hailing companies there is very little differentiation, thus price will play a big role

Buyer information availability: high. Those people who know about Uber also know Lyft and other ride-hailing companies

Power of distribution channels: low. In this case, we are talking about the app and all competing apps can be equally easily installed. All competing ride-hailing can be used equally easily. If Uber becomes the dominant player due to the network effects then they become the predominant distribution channel for all (or the majority) of hailed rides amplifying their advantage

(2) Bargaining Power of Suppliers (=drivers)

Bargaining power of supply side: is weak at this stage as there is no unionisation, something that Uber is closely monitoring. I have not yet seen elasticity data for the supply side, i.e. how much higher would hourly rates need to be to attract X number of new drivers? A concept by professor Judy Chevalier in an Uber study, called "reservation wage," though is a good starting point. But there is lots of discussion on public level of Uber underpaying drivers (Uber of course states the opposite). This public perception may strengthen the bargaining power of drivers, esp if they are to be considered as employees and to receive entitlements

Switching costs of the supply side: are low. Some drivers are multi-homing by driving for Uber and Lyft (or other ride-hailing companies) at different times. But given hourly wages are similar (and there is no reported shortage of drivers), there is no significant bargaining power gain for drivers at this stage

Value proposition for supply side: compelling. Due to the indirect network effects and the scale that Uber has reached in some cities, they can offer low idle times which lead to comparable per hour wages as taxi drivers but in less absolute time on the street. This may also increase switching costs for drivers if Uber takes a larger market share

Barriers to entry for the supply side: It is easy to join Uber and other ride-hailing companies as a driver. But the lower switching costs make it easier for new drivers to join (no multi-year apprenticeship, certificates, etc) effectively reducing the bargaining power of the supply side and – interestingly – increasing the value proposition for new joiners at the same time

The bargaining power of drivers is low but likely rising: after a string of issues co-founder and ex-CEO Kalanick stepped down over a video that showed him arguing and yelling at one of the drivers. One of the first things the new CEO did was give in to a long-standing request of the drivers to introduce tipping which Kalanick had refused for so long. Also, in some European legislation, riders for food delivery companies now have been ruled to be employees of the platform. This could set a precedence for ride-hailing companies further increasing their bargaining power.

(3) Threat of new entrants

Barriers to entry:

On the surface, they are low. Anyone can program an app. But will you be able to scale it up?

Any new entrant needs to get to critical mass. This is often costly in terms of acquiring the supply side and the demand side

Uber has spent billions on demand generation. Customer acquisition costs are very high as seen in the battle with Didi. Will investors be willing to fork out capital for a new entrant to fight an already established brand like Uber?

Will a new entrant be able to get to critical mass on the driver side to provide a comparable value proposition (e.g. low waiting times)?

Could new entrants come from unexpected areas? Maybe Apple, Microsoft, Ford, Toyota, Volkswagen or other companies that already have a huge customer bases and a brand who can mobilise them at low marginal costs? Possible, but Uber is moving into many adjacent/complementary areas, such as freight, meal delivery that may lead to better asset utilisation which other players may not want (or be able) to enter.

Economies of scale:

Can Uber scale up in a way that they have lower unit costs that makes it very hard for new entrants? The answer likely is yes

Can this help Uber increase their lead? Same drivers could work for UberEATS or other conceivable ideas ("the Uber of X")

If they are able to negotiate better terms for operational, maintenance and servicing for their drivers, this is something that can bring unit cost further down.Some of the economies of scale will pertain even with driverless cars (and most importantly the indirect network effects)

Brand equity: while tarnished temporarily, it is still a major asset and in the long-term

Expected retaliatory action: no doubt, Uber will fight hard against new entrants as they have fought hard in the cities they have entered. This will discourage investors to support new entrants in markets where Uber is strong (mainly the US)

The most likely scenario here is not that another global Uber emerges but rather several local competitors. A lot of locally-focused entrants (possibly with slightly differing value propositions) may dilute Uber's strength (i.e. financial resources) enough to capture enough market share in those regions

(4) Threat of substitutes

Car sharing companies such as Zipcar

Self-driving cars: many people debate what self-driving cars will mean for the entire transport industry. I am not going to join this speculation. As you certainly know, Uber is investing a lot in self-driving technology themselves

Better public transport: seems very unlikely. I have not heard of any large cities with any success stories on this front (sadly)

More people working from home: it is hard to assess if mobility requirements will reduce due to technological penetration but worth keeping an eye on

Bike sharing can become a better option in cities that are growing fast and traffic congestion becomes an issue

The threat of substitutes is low due to the very different value proposition of the substitutes – check the map above.

(5) Rivalry among competitors

Rivalry is stiff. Though there is no as large player if you look globally, there are many strong players in various geographies:

Ola in India,

Didi has managed to fend Uber off in China,

Lyft is now concentrating its resources to the US

Other competitors are emerging in various locations

A lot of locally-focused entrants may dilute Uber's strength (i.e. financial resources) enough to capture enough market share in those regions

It is likely that the competition will have to be taken very serious by Uber and it may keep a cap on prices and possibly even on Uber's pace of growth

Uber itself is expanding into several adjacent areas, such as freight, food delivery, self-driving cars and some other. There are complementary, i.e. synergetic, effects that can increase Uber's competitive moat.

Q2: Explain Origin of the Strategy with the help of article by Bruce D Henderson.

The Origin of Strategy by Bruce D Henderson.

Consider this lesson in strategy. In 1934, Professor G.F. Gause of Moscow University, known as "the father of mathematical biology," published the results of a set of experiments in which he put two very small animals (protozoans) of the same genus in a bottle with an adequate supply of food. If the animals were of different species, they could survive and persist together. If they were of the same species, they could not. This observation led to Gause's Principle of Competitive Exclusion: No two species can coexist that make their living in the identical way.

Competition existed long before strategy. It began with life itself. The first one-cell organisms required certain resources to maintain life. When these resources were adequate, the number grew from one generation to the next. As life evolved, these organisms became a resource for

more complex forms of life, and so on up the food chain. When any pair of species competed for some essential resource, sooner or later one displaced the other. In the absence of counterbalancing forces that could maintain a stable equilibrium by giving each species an advantage in its own territory, only one of any pair survived.

Over millions of years, a complex network of competitive interaction developed. Today more than a million distinct existing species have been cataloged, each with some unique advantage in competing for the resources it requires. (There are thought to be millions more as yet unclassified.) At any given time, thousands of species are becoming extinct and thousands more are emerging.

What explains this abundance? Variety. The richer the environment, the greater the number of potentially significant variables that can give each species a unique advantage. But also, the richer the environment, the greater the potential number of competitors—and the more severe the competition.

For millions of years, natural competition involved no strategy. By chance and the laws of probability, competitors found the combinations of resources that best matched their different characteristics. This was not strategy but Darwinian natural selection, based on adaptation and the survival of the fittest. The same pattern exists in all living systems, including business.

In both the competition of the ecosphere and the competition of trade and commerce, random chance is probably the major, all-pervasive factor. Chance determines the mutations and variations that survive and thrive from generation to generation. Those that leave relatively fewer offspring are displaced. Those that adapt best displace the rest. Physical and structural characteristics evolve and adapt to match the competitive environment. Behavior patterns evolve too and become embedded as instinctual reactions.

In fact, business and biological competition would follow the same pattern of gradual evolutionary change except for one thing. Business strategists can use their imagination and ability to reason logically to accelerate the effects of competition and the rate of change. In other words, imagination and logic make strategy possible. Without them, behavior and tactics are either intuitive or the result of conditioned reflexes. But imagination and logic are only two of the factors that determine shifts in competitive equilibrium. Strategy also requires the ability to understand the complex web of natural competition.

If every business could grow indefinitely, the total market would grow to an infinite size on a finite earth. It has never happened. Competitors perpetually crowd each other out. The fittest survive and prosper until they displace their competitors or outgrow their resources. What explains this evolutionary process? Why do business competitors achieve the equilibrium they do?

Remember Gause's Principle. Competitors that make their living in the same way cannot coexist—no more in business than in nature. Each must be different enough to have a unique advantage. The continued existence of a number of competitors is proof per se that their

advantages over each other are mutually exclusive. They may look alike, but they are different species.

Consider Sears, Kmart, Wal-Mart, and Radio Shack. These stores overlap in the merchandise they sell, in the customers they serve, and in the areas where they operate. But to survive, each of these retailers has had to differentiate itself in important ways, to dominate different segments of the market. Each sells to different customers or offers different values, services, or products.

What differentiates competitors in business may be purchase price, function, time utility (the difference between instant gratification and "someday, as soon as possible"), or place utility (when your heating and cooling system quits, the manufacturer's technical expert is not nearly as valuable as the local mechanic). Or it may be nothing but the customer's perception of the product and its supplier. Indeed, image is often the only basis of comparison between similar but different alternatives. That is why advertising can be valuable.

Since businesses can combine these factors in many different ways, there will always be many possibilities for competitive coexistence. But also, many possibilities for each competitor to enlarge the scope of its advantage by changing what differentiates it from its rivals. Can evolution be planned for in business? That is what strategy is for.

Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. For any company, the search is an iterative process that begins with a recognition of where you are and what you have now. Your most dangerous competitors are those that are most like you. The differences between you and your competitors are the basis of your advantage. If you are in business and are self-supporting, you already have some kind of competitive advantage, no matter how small or subtle. Otherwise, you would have gradually lost customers faster than you gained them. The objective is to enlarge the scope of your advantage, which can happen only at someone else's expense.

Chasing market share is almost as productive as chasing the pot of gold at the end of the rainbow. You can never get there. Even if you could, you would find nothing. If you are in business, you already have 100% of your own market. So do your competitors. Your real goal is to expand the size of your market. But you will always have 100% of your market, whether it grows or shrinks.

Your present market is what, where, and to whom you are selling what you now sell. Survival depends on keeping 100% of this market. To grow and prosper, however, you must expand the market in which you can maintain an advantage over any and all competitors who might be selling to your customers.

Unless a business has a unique advantage over its rivals, it has no reason to exist. Unfortunately, many businesses compete in important areas where they operate at a disadvantage—often at great cost, until, inevitably, they are crowded out. That happened to Texas Instruments and its pioneering personal computer. TI invented the semiconductor; its business was built on instrumentation. Why was it forced out of the personal computer business?

Many executives have been led on a wild goose chase after market share by their inability to define the potential market in which they would, or could, enjoy a competitive advantage. Remember the Edsel? And the Mustang? Xerox invented the copying machine; why couldn't IBM become a major competitor in this field? What did Kodak do to virtually dominate the large-scale business copier market in the United States? What did Coca-Cola do to virtually dominate the soft drink business in Japan?

But what is market share? Grape Nuts has 100% of the Grape Nuts market, a smaller percentage of the breakfast cereal market, an even smaller percentage of the packaged-foods market, a still smaller percentage of the packaged-goods shelf-space market, a tiny percentage of the U.S. food market, a minuscule percentage of the world food market, and a microscopic percentage of total consumer expenditures.

Market share is a meaningless number unless a company defines the market in terms of the boundaries separating it from its rivals. These boundaries are the points at which the company and a particular competitor are equivalent in a potential customer's eyes. The trick lies in moving the boundary of advantage into the potential competitor's market and keeping that competitor from doing the same. The competitor that truly has an advantage can give potential customers more for their money and still have a larger margin between its cost and its selling price. That extra can be converted into either growth or larger payouts to the business's owners.

So what is new? The marketing wars are forever. But market share is malarkey.

Strategic competition compresses time. Competitive shifts that might take generations to evolve instead occur in a few short years. Strategic competition is not new, of course. Its elements have been recognized and used ever since humans combined intelligence, imagination, accumulated resources, and coordinated behavior to wage war. But strategic competition in business is a relatively recent phenomenon. It may well have as profound an impact on business productivity as the industrial revolution had on individual productivity.

The basic elements of strategic competition are these: (1) ability to understand competitive behavior as a system in which competitors, customers, money, people, and resources continually interact; (2) ability to use this understanding to predict how a given strategic move will rebalance the competitive equilibrium; (3) resources that can be permanently committed to new uses even though the benefits will be deferred; (4) ability to predict risk and return with enough accuracy and confidence to justify that commitment; and (5) willingness to act.

This list may sound like nothing more than the basic requirements for making any ordinary investment. But strategy is not that simple. It is all-encompassing, calling on the commitment and dedication of the whole organization. Any competitor's failure to react and then deploy and commit its own resources against the strategic move of a rival can turn existing competitive relationships upside down. That is why strategic competition compresses time. Natural competition has none of these characteristics.

Natural competition is wildly expedient in its moment-to-moment interaction. But it is inherently conservative in the way it changes a species's characteristic behavior. By contrast, strategic

commitment is deliberate, carefully considered, and tightly reasoned. But the consequences may well be radical change in a relatively short period of time. Natural competition is evolutionary. Strategic competition is revolutionary.

Natural competition works by a process of low-risk, incremental trial and error. Small changes are tried and tested. Those that are beneficial are gradually adopted and maintained. No need for foresight or commitment, what matters is adaptation to the way things are now. Natural competition can and does evolve exquisitely complex and effective forms eventually. Humans are just such an end result. But unmanaged change takes thousands of generations. Often it cannot keep up with a fast-changing environment and with the adaptation of competitors.

By committing resources, strategy seeks to make sweeping changes in competitive relationships. Only two fundamental inhibitions moderate its revolutionary character. One is failure, which can be as far-reaching in its consequences as success. The other is the inherent advantage that an alert defender has over an attacker. Success usually depends on the culture, perceptions, attitudes, and characteristic behavior of competitors and on their mutual awareness of each other.

This is why, in geopolitics and military affairs as well as in business, long periods of equilibrium are punctuated by sharp shifts in competitive relationships. It is the age-old pattern of war and peace and then war again. Natural competition continues during periods of peace. In business, however, peace is becoming increasingly rare. When an aggressive competitor launches a successful strategy, all the other businesses with which it competes must respond with equal foresight and dedication of resources.

In 1975, the British War Office opened its classified files on World War II. Serious readers of these descriptions of “war by other means” may feel inclined to revise their thinking about what happened in that war and about strategy generally, particularly the differences between actual strategies and apparent strategies.

The evidence is clear that the outcome of individual battles and campaigns often depended on highly subjective evaluations of the combatants’ intentions, capabilities, and behavior. But until the records were unsealed, only people who were directly involved appreciated this. Historians and other observers ascribed victories and defeats to grand military plans or chance.

Also in 1975, Edward O. Wilson published Sociobiology, a landmark study in which he tried to synthesize all that is known about population biology, zoology, genetics, and animal behavior. What emerged was a framework for understanding the success of species in terms of social behavior—that is, competition for resources. This synthesis is the closest approach to a general theory of competition that I know of. It provides abundant parallels for business behavior as well as for the economic competition that characterizes our own species.

Human beings may be at the top of the ecological chain, but we are still members of the ecological community. That is why Darwin is probably a better guide to business competition than economists are.

Classical economic theories of business competition are so simplistic and sterile that they have been less contributions to understanding than obstacles. These theories postulate rational, self-interested behavior by individuals who interact through market exchanges in a fixed and static legal system of property and contracts. Their frame of reference is "perfect competition," a theoretical abstraction that never has existed and never could exist.

In contrast, Charles Darwin's On the Origin of Species, published in 1859, outlines a more fruitful perspective and point of departure for developing business strategy: "Some make the deep-seated error of considering the physical conditions of a country as the most important for its inhabitants; whereas it cannot, I think, be disputed that the nature of the other inhabitants with which each has to compete is generally a far more important element of success."

QI. By citing details from HBR article of Michael E Porter. Describe what is strategy in detail.

I.Operational Effectiveness Is Not Strategy

According to Porter, various management tools like total quality management, benchmarking, time-based competition, outsourcing, partnering, reengineering, that are used today, do enhance and dramatically improve the operational effectiveness of a company but fail to provide the company with sustainable profitability. Thus, the root cause of the problem seems to be failure of management to distinguish between operational effectiveness and strategy: Management tools have taken the place of strategy.

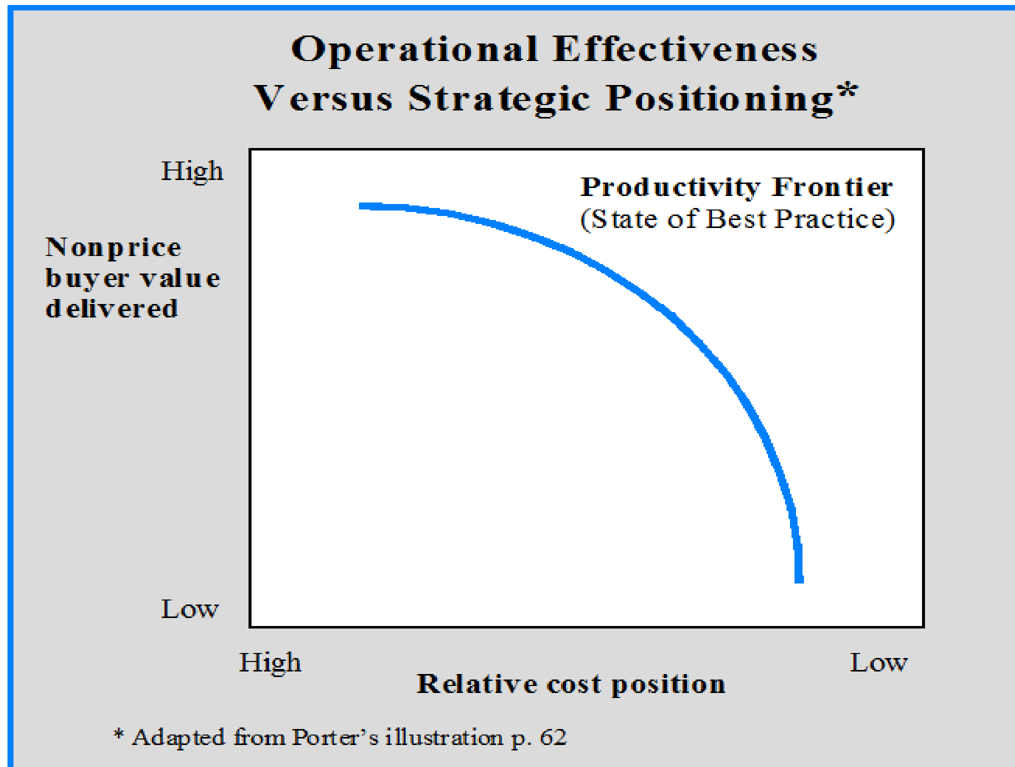
Operational Effectiveness: Necessary but Not Sufficient

Although both operational effectiveness and strategy are necessary for the superior performance of an organization, they operate in different ways.

Operational Effectiveness: Performing similar activities better than rivals perform them. Operational effectiveness includes but is not limited to efficiency. It refers to many practices that allow a company to better utilize its inputs.

Strategy: Performing different activities from rivals' or performing similar activities in different ways.

Porter states that a company can outperform rivals only if it can establish a difference it can preserve. It must deliver greater value to customers or create comparable value at a lower cost, or do both. However, Porter argues that most companies today compete on the basis of operational effectiveness. This concept of competition based on operational effectiveness is illustrated via the productivity frontier, depicted in the figure below.



The productivity frontier is the sum of all existing best practices at any given time or the maximum value that a company can create at a given cost, using the best available technologies, skills, management techniques, and purchased inputs. Thus, when a company improves its operational effectiveness, it moves toward the frontier. The frontier is constantly shifting outward as new technologies and management approaches are developed and as new inputs become available. To keep up with the continuous shifts in the productivity frontier, managers have adopted techniques like continuous improvement, empowerment, learning organization, etc. Although companies improve on multiple dimensions of performance at the same time as they move toward the frontier, most of them fail to compete successfully on the basis of operational effectiveness over an extended period. The reason for this being that competitors are quickly able to imitate best practices like management techniques, new technologies, input improvements, etc. Thus, competition based on operational effectiveness shifts the frontier outward and effectively raises the bar for everyone. But such competition only produces absolute improvement in operational effectiveness and no relative improvement for anyone.

"Competition based on operational effectiveness alone is mutually destructive, leading to wars of attrition that can be arrested only limiting competition"(p. 64). Such competition can be witnessed in Japanese companies, which started the global revolution in operational effectiveness in the 1970s and 1980s. However, now companies (including the Japanese) competing solely on operational effectiveness are facing diminishing returns, zero-sum competition, static or declining prices, and pressures on costs that compromise companies' ability to invest in the business for the long term.

II. Strategy Rests on Unique Activities

"Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value" (p. 64). Moreover, the essence of strategy, according to Porter, is choosing to perform activities differently than rivals. Strategy is the creation of a unique and valuable position, involving a different set of activities.

The Origins of Strategic Positions

Strategic positions emerge from three sources, which are not mutually exclusive and often overlap.

1. Variety-based positioning: Produce a subset of an industry's products or services. It is based on the choice of product or service varieties rather than customer segments. Thus, for most customers, this type of positioning will only meet a subset of their needs. It is economically feasibly only when a company can best produce particular products or services using distinctive sets of activities.

2. Needs-based positioning: Serves most or all the needs of a particular group of customers. It is based on targeting a segment of customers. It arises when there are a group of customers with differing needs, and when a tailored set of activities can serve those needs best.

3. Access-based positioning: Segmenting customers who are accessible in different ways. Although their needs are similar to those of other customers, the best configuration of activities to reach them is different. Access can be a function of customer geography or customer scale or of anything that requires a different set of activities to reach customers in the best way.

Whatever the basis (variety, needs, access, or some combination of the three), positioning requires a tailored set of activities because it is always a function of differences in activities (or differences on the supply side). Positioning, moreover, is not always a function of difference on the demand (or customer) side. For instance, variety and access positionings do not rely on any customer differences.

III. A Sustainable Strategic Position Requires Trade-offs

According to Porter, a sustainable advantage cannot be guaranteed by simply choosing a unique position, as competitors will imitate a valuable position in one of the two following ways:

1. A competitor can choose to reposition itself to match the superior performer.

2. A competitor can seek to match the benefits of a successful position while maintaining its existing position (known as straddling).

Thus, in order for a strategic position to be sustainable there must be trade-offs with other positions. "A trade-off means that more of one thing necessitates less of another" (p. 68).

Trade-offs occur when activities are incompatible and arise for three reasons:

1. A company known for delivering one kind of value may lack credibility and confuse customers or undermine its own reputation by delivering another kind of value or attempting to deliver two inconsistent things at the same time.

2. Trade-offs arise from activities themselves. Different positions require different product configurations, different equipment, different employee behavior, different skills, and different management systems. In general, value is destroyed if an activity is over designed or under designed.

3. Trade-offs arise from limits on internal coordination and control. By choosing to compete in one way and not the other, management is making its organizational priorities clear. In contrast, companies that try to be all things to all customers, often risk confusion amongst its employees, who then attempt to make day-to-day operating decisions without a clear framework.

Moreover, trade-offs create the need for choice and protect against repositioners and straddlers. Thus, strategy can also be defined as making trade-offs in competing. The essence of strategy is choosing what not to do.

IV. Fit Drives Both Competitive Advantage and Sustainability

Positioning choices determine not only which activities a company will perform and how it will configure individual activities but also how activities relate to one another. While operational effectiveness focuses on individual activities, strategy concentrates on combining activities.

"Fit locks out imitators by creating a chain that is as strong as its strongest link" (p. 70). Fit, as per Porter, is the central component of competitive advantage because discrete activities often affect one another.

Although fit among activities is generic and applies to many companies, the most valuable fit is strategy-specific because it enhances a position’s uniqueness and amplifies trade-offs. There are three types of fit, which are not mutually exclusive:

1. First-order fit: Simple consistency between each activity (function) and the overall strategy. Consistency ensures that the competitive advantages of activities cumulate and do not erode or cancel themselves out. Further, consistency makes it easier to communicate the strategy to customers, employees, and shareholders, and improves implementation through single-mindedness in the corporation.

2. Second-order fit: Occurs when activities are reinforcing.

3. Third-order fit: Goes beyond activity reinforcement to what Porter refers to as optimization of effort. Coordination and information exchange across activities to eliminate redundancy and minimize wasted effort are the most basic types of effort optimization.

In all three types of fit, the whole matters more than any individual part. Competitive advantage stems from the activities of the entire system. The fit among activities substantially reduces cost

or increases differentiation. Moreover, according to Porter, companies should think in terms of themes that pervade many activities (i.e., low cost) instead of specifying individual strengths, core competencies or critical resources, as strengths cut across many functions, and one strength blends into others.

Fit and Sustainability

Strategic fit is fundamental not only to competitive advantage but also to the sustainability of that advantage because it is harder for a competitor to match an array of interlocked activities than it is merely to replicate an individual activity. Thus, "positions built on systems of activities are far more sustainable than those built on individual activities" (p. 73). The more a company's positioning rests on activity systems with second- and third-order fit, the more sustainable its advantage will be. Such systems are difficult to untangle and imitate even if the competitors are able to identify the interconnections. Further, a competitor benefits very little by imitating only a few activities within the whole system. Thus, achieving fit is an arduous task as it means integrating decisions and actions across many independent subunits.

Additionally, fit among activities creates pressures and incentives to improve operational effectiveness, which makes imitation even harder. Fit means that poor performance in one activity will degrade the performance in others, so that weaknesses are exposed and more prone to get attention. On the other hand, improvements in one activity will "pay dividends in others" (p. 74).

Strategic positions should have a horizon of a decade or more, not of a single planning cycle, as continuity promotes improvements in individual activities and the fit across activities, allowing an organization to build unique capabilities and skills custom-fitted to its strategy. Continuity also reinforces a company's identity. Frequent shifts in strategy are not only costly but inevitably leads to hedged activity configurations, inconsistencies across functions, and organizational dissonance.

Thus, strategy can also be defined as creating fit among a company's activities as the success of a strategy depends on doing many things well - not just a few - and integrating among them. If there is no fit among activities, there is no distinctive strategy and little sustainability.

Alternate Views of Strategy	
The Implicit Strategy Model of the Past Decade	Sustainable Competitive Advantage
One ideal competitive position in the industry	Unique competitive position for the company
Benchmarking of all activities and achieving best practice	Activities tailored to strategy

Aggressive outsourcing and partnering to gain efficiencies	Clear trade-offs and choices vis-a-vs competitors
Advantages rest on a few key success factors, critical resources, and core competencies	Competitive advantage arises from fit across activities
Flexibility and rapid responses to all competitive market changes	Sustainability comes from the activity system, not the parts
	Operational effectiveness a given

V. Rediscovering Strategy

Failure to Choose

According to Porter, although external changes can pose a threat to a company's strategy, a greater threat to strategy often comes from within the company. "A sound strategy is undermined by a misguided view of competition, by organizational failures, and, especially, by the desire to grow" (p. 75). Moreover, the fundamental problem lies in the "best-practice" mentality of the managers, who believe in making no trade-offs, incessantly pursuing operational effectiveness, and imitating competitors to catch up in the race for operational effectiveness. Thus, managers simply do not understand the need to have a strategy.

The Growth Trap

"Among all other influences, the desire to grow has perhaps the most perverse effect on strategy" (p. 75). Companies often grow by extending their product lines, adding new features, imitating competitors' popular services, matching processes, and making acquisitions. However, most companies start with a unique strategic position involving clear trade-offs. Nevertheless, with the passage of time and the pressures of growth, companies are led to make compromises, which were at first, almost imperceptible. Thus, through a succession of incremental changes, which seemed sensible at the time, companies have compromised their way to homogeneity with their rivals. Compromises and inconsistencies in the pursuit of growth eventually erode the competitive advantage of a company and their uniqueness. Rivals continue to match each other until desperation breaks this vicious cycle, and results in a merger or downsizing to the original positioning.

According to Porter, efforts to grow blur uniqueness, creates compromises, reduces fit, and ultimately undermines competitive advantage.

Profitable Growth

One approach to persevering growth and reinforcing strategy is to concentrate on deepening a strategic position rather than broadening and compromising it. A company can do so by leveraging the existing activity system by offering features or services that rivals would find impossible or costly to match on a stand-alone basis. Thus, deepening a position means making the company's activities more distinctive, strengthening fit, and communicating strategy better to those customers who value it. But currently many companies attempt to grow by adding hot features, products, or services without adapting them to their strategy.

Globalization often allows growth that is consistent with a company's strategy, as it opens larger markets for a focused strategy. Thus, expanding globally is more likely to reinforce a company's unique position than broadening domestically.

The Role of Leadership

"The challenge of developing or reestablishing a clear strategy is often primarily an organizational one and depends on leadership" (p. 77). Moreover, strong leaders, who are willing to make choices, are essential. General management should do more than just stewardship of individual functions. They should define and communicate the core company's unique position, make trade-offs, and forge fit among the various activities of the company. Further, the leader should decide which changes in the industry and customer demands, is the company going to respond to. The leader should be able to teach others in the organization about strategy - and to say no.

Strategy is about choosing what to do as well as what not to do. Deciding which target group of customers, varieties, and needs the company should serve is fundamental to developing a strategy. Strategy is also however, in deciding not to serve other customers or needs and not to offer certain features or services. Thus, strategy requires continuous discipline and clear communication. Strategy should guide employees in making choices that arise because of trade-offs in their individual activities and in day-to-day decisions.

Moreover, managers need to understand that operational effectiveness, although a necessary part of management, is not strategy. Managers should be able to clearly distinguish between the two.

Conclusion

"Strategic continuity does not imply a static view of competition. A company must continually improve its operational effectiveness and actively try to shift the productivity frontier; at the same time, there needs to be ongoing effort to extend its uniqueness while strengthening the fit among its activities". However, a company may have to change its strategic position due to a major structural change in the industry. A company should choose its new position depending on its ability to find new trade-offs and leverage a new system of complementary activities into a sustainable advantage.

A **strategic management course** from a top business management school will help you with the following:

- Effectively develop and implement **corporate strategies**.
- Set up realistic business objectives.
- Perform daily tasks efficiently.
- Lead effectively.

However, despite the knowledge about the topic, questions still remain.

- What are the other benefits of enrolling in a **strategic management course**?
- Why is strategic planning important?

By reading this article, these questions will be answered and you will be able to understand why strategic management course is an investment worth making.

Q4: **Discuss in detail What you personally have learned about Strategic Management in this Course**

There are numerous reasons why you need to take a **strategic marketing course** as part of **leadership development** process. For one, you will learn **SWOT Analysis** that can help you improve your **strategic analysis** capabilities. It can also help you with **strategy implementation** and **environmental analysis**.

There are also other 4 compelling reasons why you should take this particular **management course**.

These are as follows:

1st Reason: It will update your knowledge about applied strategic management.

A **strategic management course** is a great refresher of knowledge you've acquired during undergraduate studies as well as on-the-job. It helps you ensure you're up to date on the latest business growth strategies as well as on the newest tools for **strategic planning** models. This is not about repeating knowledge.

For example, a **strategic management course** for new general managers should build cross-functional skills and focus on how to implement **corporate strategy** across functions. That's because functions are not isolated from one another, and general managers need to know how

all business functions work together. In contrast, a **strategic management course** for more senior managers will probably focus on international business management and developing new business opportunities.

2nd Reason: Strategic management courses offer leadership training in the process.

A good **strategic management course** offers **strategy management training** enhanced with leadership training. Effective **leadership skills** are an invaluable asset to all aspects of your career and an absolute must for effective implementation and execution **of any corporate strategy.**

A strategic management course will give you an opportunity to step back and observe your own leadership style and effectiveness. Leadership exercises and executive leadership coaching help you gain new perspectives and get the "feel" for your leadership skills in a safe and supportive environment.

3rd Reason: Enrolling in a strategic marketing course offers great networking opportunities.

You'll gain the added advantage of great networking opportunities when you target top **international business schools** for your **strategic management course**. You'll meet people with similar ambitions coming from a variety of functions, industries and geographies that are also keen to learn more about **business strategies**. Learning about the experiences of other executives enhances your understanding of the overall business environment.

In addition, in engaging with other participants in business management courses, you will also grow in terms of perspective and flexibility. You may well find creative ways to "import" strategies others use to your own industry. Your classmates can become a lifelong international network.

4th Reason: Taking a strategic marketing course will increase your value as a company employee.

Finally, taking a **strategic management course** is as valuable for your company as much as it is valuable for you as an employee. You gain knowledge and deep understanding on how to create a **business strategy** efficiently.

Top businesses invest in staff development and expect return on investment. Business management courses offer you the chance to show them that their confidence is well-placed. Some business courses include projects that apply directly to your job.

And of course, a business management course from one of the **best business schools** in the world is a great addition to your CV too. Potential new employers are also looking for those who strive to offer greater business impact by continually improving through executive programs such as a strategic management course.