Essentials of Strategic Management

Dustin Rodgers

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Published by The English Press,
5 Penn Plaza,
19th Floor,
New York, NY 10001, USA

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ISBN: 978-1-9789-6510-2

Cataloging-in-Publication Data

Essentials of strategic management / Dustin Rodgers.
p. cm.
Includes bibliographical references and index.
ISBN 978-1-9789-6510-2
1. Strategic planning. 2. Management. 3. Business planning. I. Rodgers, Dustin.
HD30.28 .E87 2021
658.401 2--dc23

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PREFACE

This book aims to help a broader range of students by exploring a wide variety of significant topics related to this discipline. It will help students in achieving a higher level of understanding of the subject and excel in their respective fields. This book would not have been possible without the unwavered support of my senior professors who took out the time to provide me feedback and help me with the process. I would also like to thank my family for their patience and support.

The branch of management that involves formulation and implementation of goals is known as strategic management. It focuses on evaluating the available resources and assessing the internal and external environments in which the company operates. It involves identifying a company's objective and forming plans and policies to achieve those objectives. It is also concerned with the allocation of resources to achieve the goals of the organization. This discipline includes two processes. These are formulation and implementation. It uses various frameworks and concepts such as experience curve, industry structure and profitability, SWOT analysis, corporate strategy and portfolio theory and generic competitive strategies. Globalization, self-service, sustainability and internet and information availability are some of the strategic themes on which this discipline is based. This book is a compilation of chapters that discuss the most vital concepts in the field of strategic management. It presents this complex subject in the most comprehensible and easy to understand language. For someone with an interest and eye for detail, this book covers the most significant topics related to this discipline.

A brief overview of the book contents is provided below:

Chapter – What is Strategic Management?

Strategic management is the analysis, monitoring, evaluation and assessment of strategies and management decisions for meeting business objectives. Experience curve effects, core competency, Porter's generic strategies, etc. are studied under its domain. This chapter has been carefully written to provide an easy understanding of strategic management.

Chapter – Processes of Strategic Management

The strategic management processes enable the managers to implement a set of strategies that results in achieving the firm's goals. Strategic planning, strategic formulation, strategic thinking, balanced scorecard, etc. are some of its concepts. This chapter discusses the concepts related to strategic management process in detail.

Chapter – Strategic Analysis

There are various tools and elements that are used in strategic analysis of a business. These include SWOT analysis, PEST analysis, business motivation model, internal and external analysis, growth-share matrix, etc. This chapter closely examines the tools and elements used in strategic analysis to provide an extensive understanding of the subject.

Chapter – Strategy Implementation

The execution of strategies and plans which aims at accomplishing the long-term goals of an organization can be defined as strategy implementation. Strategy articulation, strategy validation, strategy communication and strategy engagement are a few of its focus areas. This chapter delves into the areas of strategy implementation for a thorough understanding of the subject.

Chapter – Business Strategies

Business strategy refers to the combination of action plans and important decisions taken by firms to achieve its business goals. A few of its types are investment strategy, workplace strategy, marketing strategy, functional level strategy, corporate-level strategy, etc. This is an introductory chapter which will briefly introduce about business strategy and its types.

Chapter – Marketing Strategies

Marketing strategy focuses on increasing sales and achieving marketing objectives of an organization through detailed research and effective use of its resources. It includes push and pull marketing strategy, alliance marketing, hunger marketing, ambush marketing, etc. All the concepts related to the subject of marketing strategy have been carefully analyzed in this chapter.

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1 What is Strategic Management?

- Components of a Strategy Statement
- Factors Influencing Changes in Strategic Management
- Experience Curve Effects
- Core Competency
- Strategic Decisions
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- Entrepreneurial Orientation
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- Porter's Generic Strategies
- Strategic Change
- Effects after Strategy Change

Strategic management is the analysis, monitoring, evaluation and assessment of strategies and management decisions for meeting business objectives. Experience curve effects, core competency, Porter's generic strategies, etc. are studied under its domain. This chapter has been carefully written to provide an easy understanding of strategic management.

Strategic management is the ongoing planning, monitoring, analysis and assessment of all that is necessary for an organization to meet its goals and objectives. Changes in the business environment require organizations to constantly assess their strategies for success. The strategic management process helps organizations take stock of their present situation, chalk out strategies, deploy them and analyze the effectiveness of the implemented management strategies.

Strategic management is predicated on an organization's clear understanding of its mission, or purpose for existing; its vision for where it wants to be in the future; and the values that will guide its actions. It requires a commitment to strategic planning, the subset of business management that involves an organization's ability to set both short- and long-term goals and plan the strategic decisions, activities and resource allocation needed to achieve those goals.

A process for managing an institution's strategies helps organizations make logical decisions and develop new goals quickly in order to keep pace with evolving technology, market and business conditions. Strategic management can, thus, help an organization gain competitive advantage, improve market share and plan for its future.

Five Stages of Strategic Management Process

There are many schools of thought on how to do strategic management, and academics and managers have developed numerous frameworks to guide the strategic management process. In general, the process typically includes five phases:

- Assessing the organization's current strategic direction.
- Identifying and analyzing internal and external strengths and weaknesses.
- Formulating action plans.
- Executing action plans.
- Evaluating to what degree action plans have been successful and making changes when desired results are not being produced.

Effective communication, data collection and organizational culture also play an important part in the strategic management process, especially at large, complex companies. Lack of communication and a negative corporate culture can result in a misalignment of the organization's strategic management plan and the activities undertaken by its various business units and departments. Thus, strategy management includes analyzing cross-functional business decisions prior to implementing them to ensure they are aligned with strategic plans.

Types of Strategic Management Strategies

The modern discipline of strategic management traces its roots to the 1950s and 1960s. Prominent thinkers in the field include the Austrian-born American management guru Peter Drucker, sometimes referred to as the founding father of management studies. Among his many contributions was the seminal idea that the purpose of a business is to create a customer, and what the customer wants determines what a business is. Management's main job is marshalling the resources and enabling employees to efficiently address customer's evolving needs and preferences.

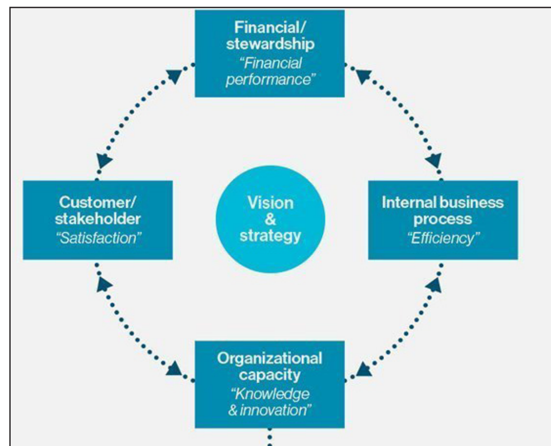
The focus on the customer, reinforced in the 1980s by Harvard Business School professor Theodore Levitt, was different from a previous emphasis on production as the touchstone of management strategy -- i.e., creating a product of high quality ensured success.

Distinctive competence, a term introduced in 1957 by sociology and law scholar Philip Selznick, underscored the idea of core competencies and competitive advantage in strategic management theory. Frameworks for assessing the strengths and weakness of an organization in relation to the threats and opportunities in its external environment were developed.

Balanced Scorecard in Strategic Management

The balanced scorecard is a management system that turns strategic goals into a set of performance objectives that are measured, monitored and changed, if necessary, to ensure the strategic goals are met.

The balanced scorecard takes a four-pronged approach to an organization's performance. It incorporates traditional financial analysis, including metrics such as operating income, sales growth and return on investment. It also entails a customer analysis, including customer satisfaction and retention; an internal analysis, including how business processes are linked to strategic goals; and a learning and growth analysis, including employee satisfaction and retention, as well as the performance of an organization's information services.



Value of Organizational Culture

Organizational culture can determine the success and failure of a business and is a key component that strategic leaders must consider in the strategic management process. Culture is a major factor in the way people in an organization outline objectives, execute tasks and organize resources. A strong organizational culture will make it easier for leaders and managers to motivate employees to execute their tasks in alignment

with the outlined strategies. At flat organizations, where lower-level managers and employees are expected to be involved in the decision-making and strategy, the strategic management process should enable them to do so.

It is important to create strategies that are suitable to the organization's culture. If a particular strategy does not match the organization's culture, it will hinder the ability to accomplish the strategy's intended outcomes.

Benefits of Strategic Management

Strategic management is generally thought to have financial and nonfinancial benefits. A strategic management process helps an organization and, in particular, its leadership, to think about and plan for its future existence, thus fulfilling a chief responsibility of a board of directors. Strategic management sets a direction for the organization and its employees. Unlike once-and-done strategic plans, effective strategic management continuously plans, monitors and tests an organization's activities, resulting in greater operational efficiency, market share and profitability.

Importance of Strategic Management

Planning or designing a strategy involves a great deal of risk and resource assessment, ways to counter the risks, and effective utilization of resources all while trying to achieve a significant purpose.

An organization is generally established with a goal in mind, and this goal defines the purpose for its existence. All of the work carried out by the organization revolves around this particular goal, and it has to align its internal resources and external environment in a way that the goal is achieved in rational expected time.

Undoubtedly, since an organization is a big entity with probably a huge underlying investment, strategizing becomes a necessary factor for successful working internally, as well as to get feasible returns on the expended money.

Strategic Management on a corporate level normally incorporates preparation for future opportunities, risks and market trends. This makes way for the firms to analyze, examine and execute administration in a manner that is most likely to achieve the set aims. As such, strategizing or planning must be covered as the deciding administration factor.

Strategic Management and the role it plays in the accomplishments of firms has been a subject of thorough research and study for an extensive period of time now. Strategic Management in an organization ensures that goals are set, primary issues are outlined, time and resources are pivoted, functioning is consolidated, internal environment is set towards achieving the objectives, consequences and results are concurred upon, and the organization remains flexible towards any external changes.

As more and more organizations have started to realize that strategic planning is the fundamental aspect in successfully assisting them through any sudden contingencies, either internally or externally, they have started to absorb strategy management starting from the most basic administration levels. In actuality, strategy management is the essence of an absolute administration plan. For large organizations, with a complex organizational structure and extreme regimentation, strategizing is embedded at every tier.

Apart from faster and effective decision making, pursuing opportunities and directing work, strategic management assists with cutting back costs, employee motivation and gratification, counteracting threats or better, converting these threats into opportunities, predicting probable market trends, and improving overall performance.

Keeping in mind the long-term benefits to organizations, strategic planning drives them to focus on the internal environment, through encouraging and setting challenges for employees, helping them achieve personal as well as organizational objectives. At the same time, it is also ensured that external challenges are taken care of, adverse situations are tackled and threats are analyzed to turn them into probable opportunities.

Advantages of Strategic Management

Discharges Board Responsibility

The first reason that most organizations state for having a strategic management process is that it discharges the responsibility of the Board of Directors.

Forces an Objective Assessment

Strategic management provides a discipline that enables the board and senior management to actually take a step back from the day-to-day business to think about the future of the organization. Without this discipline, the organization can become solely consumed with working through the next issue or problem without consideration of the larger picture.

Provides a Framework for Decision-making

Strategy provides a framework within which all staff can make day-to-day operational decisions and understand that those decisions are all moving the organization in a single direction. It is not possible (nor realistic or appropriate) for the board to know all the decisions the executive director will have to make, nor is it possible (nor realistic or practical) for the executive director to know all the decisions the staff will make. Strategy provides a vision of the future, confirms the purpose and values of an organization, sets objectives, clarifies threats and opportunities, determines methods to leverage strengths, and mitigate weaknesses (at a minimum). As such, it sets a framework and clear boundaries within which decisions can be made.

The cumulative effect of these decisions (which can add up to thousands over the year) can have a significant impact on the success of the organization. Providing a framework within which the executive director and staff can make these decisions helps them better focus their efforts on those things that will best support the organization's success.

Supports Understanding and Buy-in

Allowing the board and staff participation in the strategic discussion enables them to better understand the direction, why that direction was chosen, and the associated benefits. For some people simply knowing is enough; for many people, to gain their full support requires them to understand.

Enables Measurement of Progress

A strategic management process forces an organization to set objectives and measures of success. The setting of measures of success requires that the organization first determine what is critical to its ongoing success and then forces the establishment of objectives and keeps these critical measures in front of the board and senior management.

Provides an Organizational Perspective

Addressing operational issues rarely looks at the whole organization and the interrelatedness of its varying components. Strategic management takes an organizational perspective and looks at all the components and the interrelationship between those components in order to develop a strategy that is optimal for the whole organization and not a single component.

Disadvantages of Strategic Management

Future doesn't Unfold as Anticipated

One of the major criticisms of strategic management is that it requires the organization to anticipate the future environment in order to develop plans, and as we all know, predicting the future is not an easy undertaking. The belief being that if the future does not unfold as anticipated then it may invalidate the strategy taken. Recent research conducted in the private sector has demonstrated that organizations that use planning process achieve better performance than those organizations who don't plan - regardless of whether they actually achieved their intended objective. In addition, there are a variety of approaches to strategic planning that are not as dependent upon the prediction of the future.

It can be Expensive

There is no doubt that in the not-for-profit sector there are many organizations that

cannot afford to hire an external consultant to help them develop their strategy. Today there are many volunteers that can help smaller organizations and also funding agencies that will support the cost of hiring external consultants in developing a strategy. Regardless, it is important to ensure that the implementation of a strategic management process is consistent with the needs of the organization, and that appropriate controls are implemented to allow the cost/benefit discussion to be undertaken, prior to the implementation of a strategic management process.

Long Term Benefit vs. Immediate Results

Strategic management processes are designed to provide an organization with long-term benefits. If you are looking at the strategic management process to address an immediate crisis within your organization, it won't. It always makes sense to address the immediate crises prior to allocating resources (time, money, people, opportunity, and cost) to the strategic management process.

Impedes Flexibility

When you undertake a strategic management process, it will result in the organization saying "no" to some of the opportunities that may be available. This inability to choose all of the opportunities presented to an organization is sometimes frustrating. In addition, some organizations develop a strategic management process that become excessively formal. Processes that become this "established" lack innovation and creativity and can stifle the ability of the organization to develop creative strategies. In this scenario, the strategic management process has become the very tool that now inhibits the organization's ability to change and adapt.

A third way that flexibility can be impeded is through a well-executed alignment and integration of the strategy within the organization. An organization that is well aligned with its strategy has addressed its structure, board, staffing, and performance and reward systems. This alignment ensures that the whole organization is pulling in the right direction, but can inhibit the organization's adaptability. Again, there are a variety of newer approaches to strategy development used in the private sector (they haven't been widely accepted in the not-for-profit sector yet) that build strategy and address the issues of organizational adaptability.

Components of a Strategy Statement

The strategy statement of a firm sets the firm's long-term strategic direction and broad policy directions. It gives the firm a clear sense of direction and a blueprint for the firm's activities for the upcoming years. The main constituents of a strategic statement are as follows.

Strategic Intent

An organization's strategic intent is the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage. Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company's vision. It motivates the people. It clarifies the vision of the vision of the company.

Strategic intent helps management to emphasize and concentrate on the priorities. Strategic intent is, nothing but, the influencing of an organization's resource potential and core competencies to achieve what at first may seem to be unachievable goals in the competitive environment. A well expressed strategic intent should guide/steer the development of strategic intent or the setting of goals and objectives that require that all of organization's competencies be controlled to maximum value.

Strategic intent includes directing organization's attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and team participation as well as contribution; and utilizing intent to direct allocation of resources.

Strategic intent differs from strategic fit in a way that while strategic fit deals with harmonizing available resources and potentials to the external environment, strategic intent emphasizes on building new resources and potentials so as to create and exploit future opportunities.

Mission Statement

Mission statement is the statement of the role by which an organization intends to serve it's stakeholders. It describes why an organization is operating and thus provides a framework within which strategies are formulated. It describes what the organization does (i.e., present capabilities), who all it serves (i.e., stakeholders) and what makes an organization unique (i.e., reason for existence).

A mission statement differentiates an organization from others by explaining its broad scope of activities, its products, and technologies it uses to achieve its goals and objectives. It talks about an organization's present (i.e., "about where we are"). For instance, Microsoft's mission is to help people and businesses throughout the world to realize their full potential. Wal-Mart's mission is "To give ordinary folk the chance to buy the same thing as rich people". Mission statements always exist at top level of an organization, but may also be made for various organizational levels. Chief executive plays a significant role in formulation of mission statement. Once the mission statement is formulated, it serves the organization in long run, but it may become ambiguous with organizational growth and innovations.

In today's dynamic and competitive environment, mission may need to be redefined. However, care must be taken that the redefined mission statement should have original

fundamentals/components. Mission statement has three main components-a statement of mission or vision of the company, a statement of the core values that shape the acts and behaviour of the employees, and a statement of the goals and objectives.

Features of a Mission

- Mission must be feasible and attainable. It should be possible to achieve it.
- Mission should be clear enough so that any action can be taken.
- It should be inspiring for the management, staff and society at large.
- It should be precise enough, i.e., it should be neither too broad nor too narrow.
- It should be unique and distinctive to leave an impact in everyone's mind.
- It should be analytical, i.e., it should analyze the key components of the strategy.
- It should be credible, i.e., all stakeholders should be able to believe it.

Vision

A vision statement identifies where the organization wants or intends to be in future or where it should be to best meet the needs of the stakeholders. It describes dreams and aspirations for future. For instance, Microsoft's vision is "to empower people through great software, any time, any place, or any device". Wal-Mart's vision is to become worldwide leader in retailing.

A vision is the potential to view things ahead of themselves. It answers the question "where we want to be". It gives us a reminder about what we attempt to develop. A vision statement is for the organization and it's members, unlike the mission statement which is for the customers/clients. It contributes in effective decision making as well as effective business planning. It incorporates a shared understanding about the nature and aim of the organization and utilizes this understanding to direct and guide the organization towards a better purpose. It describes that on achieving the mission, how the organizational future would appear to be.

An effective vision statement must have following features:

- It must be unambiguous.
- It must be clear.
- It must harmonize with organization's culture and values.
- The dreams and aspirations must be rational/realistic.
- Vision statements should be shorter so that they are easier to memorize.

In order to realize the vision, it must be deeply instilled in the organization, being owned and shared by everyone involved in the organization.

Goals and Objectives

A goal is a desired future state or objective that an organization tries to achieve. Goals specify in particular what must be done if an organization is to attain mission or vision. Goals make mission more prominent and concrete. They co-ordinate and integrate various functional and departmental areas in an organization. Well-made goals have following features:

- These are precise and measurable.
- These look after critical and significant issues.
- These are realistic and challenging.
- These must be achieved within a specific time frame.
- These include both financial as well as non-financial components.

Objectives are defined as goals that organization wants to achieve over a period of time. These are the foundation of planning. Policies are developed in an organization so as to achieve these objectives. Formulation of objectives is the task of top level management. Effective objectives have following features:

- These are not single for an organization, but multiple.
- Objectives should be both short-term as well as long-term.
- Objectives must respond and react to changes in environment, i.e., they must be flexible.
- These must be feasible, realistic and operational.

Factors Influencing Changes in Strategic Management

Strategic management is the systematic process of analyzing, coordinating and implementing decisions and action plans to achieve sustainable competitive advantage. Factors influencing changes in strategic management may be internal or external to the business organization. Some of these factors include management functions, structural transformations, competition, socio-economic factors, laws and technology.

Changes in the composition of the board of directors or exit of chief executive officers influence changes in strategy. The incoming members of the management team may seek to review the existing strategies with the view of injecting new ideas to take the business to the next level.

Transformations in Organizational Structure

Structural transformations, such as mergers acquisitions and expansion to international markets, necessitate strategic realignment. Such transformations alter the management, capital, ownership and market structures of your organization, making changes in strategic management inevitable. Your company must adjust existing strategies and develop new ones to reconcile and realign the missions and objectives of the organization.

Competition from other Businesses

Rising competition in target markets triggers urgent reviews of strategies in efforts to enhance competitive advantage. Businesses employ strategic tools such as a SWOT analysis to examine strengths, weaknesses, opportunities and threats and change the existing strategies. For example, challenges such as product imitations by competitors pose threats to your competitive advantage. Changing strategies will enable you to change course by addressing the inherent weaknesses and threats.

Social and Cultural Factors

The social and cultural profiles of your target markets may prompt changes in strategic management. You want to make sure that the strategic orientation of your business is realigned to account for demographic and cultural sensitivities, especially when entering new markets or designing new products for specific market segments.

Laws and Regulations

Changes in laws, such as tax, environment and healthcare laws, influence changes in strategic management. You must adjust the existing strategies of your business to incorporate the requirements of the new laws. For example, a law requiring you to reduce your carbon footprint may necessitate the review of your production or supply chain management strategies in order to comply with the new requirements.

Technological Forces in Strategic Management

Your company may change strategies due to the availability or lack thereof of adequate technological capabilities. The acquisition of capital resources, such as automated equipment and advanced machinery, may prompt your organization to increase production volumes and adjust the supply chain functions. Information technology trends also influence changes in strategic management. For example, the growing influence

of e-commerce may prompt your business to abandon brick-and-mortar distribution strategies and embrace online distribution strategies.

Experience Curve Effects

In management, models of the learning curve effect and the closely related experience curve effect express the relationship between equation and efficiency or between efficiency gains and investment in the effort.

Learning Curve and Learning Curve Effect

"Learning curves" were first described qualitatively in 1885 by the German psychologist Hermann Ebbinghaus, who was investigating the difficulty of memorizing varying numbers of verbal stimuli. Subsequent findings about the complex processes of learning.

Experience shows that the more times a task has been performed, the less time is required on each subsequent iteration. This relationship was probably first quantified in 1936 by an engineer at Curtiss-Wright in the United States, where it was determined that every time total aircraft production doubled, the required labour time decreased by 20 percent. Subsequent empirical studies from other industries have yielded different values ranging from only a couple of percentages up to 30%, but in most cases it is a constant percentage: It did not vary at different scales of operation. The Learning Curve model posits that for each doubling of the total quantity of items produced, costs decrease by a fixed proportion.

Unit Curve

Empirical research has validated the following mathematical form for the unit cost, P_x, producing unit number x starting with P_1 for a wide variety of different products and services:

$$P_x = P_1 x^{\log_2(b)},$$

where (1-b) is the proportion reduction in the unit cost with each doubling in the cumulative production.

$$P_{2x} = P_1(2x)^{\log_2(b)} = P_x 2^{\log_2(b)} = P_x b$$

Of course, this is only a statistical average and will rarely if ever exactly predict the unit cost of producing any future product. However, it has been found to be useful in many contexts with b ranging from 0.75 to 0.9 in different industries (so 1-b ranges from 0.1 to 0.25).

Experience Curve

Generally, the production of any good or service shows the experience curve effect. Each time cumulative volume doubles, value added costs (including administration, marketing, distribution, and manufacturing) fall by a constant percentage.

The Experience Curve was developed by Bruce D. Henderson and the Boston Consulting Group (BCG) while analyzing overall cost behavior in the 1960s. In 1968, Henderson and BCG began to emphasize the implications of the experience curve for strategy. Research by BCG in the 1960s and 70s observed experience curve effects for various industries that ranged from 10 to 25 percent. These effects are often expressed graphically. The curve is plotted with the cumulative units produced on the horizontal axis and unit cost on the vertical axis. A curve showing a 15% cost reduction for every doubling of output is called an “85% experience curve”, indicating that unit costs drop to 85% of their original level.

The experience curve is described by a power law function sometimes referred to as Henderson’s Law:

$$C_n = C_1 n^{-a}$$

where:

- C_1 is the cost of the first unit of production
- C_n is the cost of the n-th unit of production
- n is the cumulative volume of production
- a is the elasticity of cost with regard to output

Reasons for the Effect

The primary reason for why experience and learning curve effects apply, of course, is the complex processes of learning involved. Learning generally begins with making successively larger finds and then successively smaller ones. The equations for these effects come from the usefulness of mathematical models for certain somewhat predictable aspects of those generally non-deterministic processes. They include:

- Labour efficiency: Workers become physically more dexterous. They become mentally more confident and spend less time hesitating, learning, experimenting, or making mistakes. Over time they learn short-cuts and improvements. This applies to all employees and managers, not just those directly involved in production.
- Standardization, specialization, and methods improvements: As processes, parts, and products become more standardized, efficiency tends to increase.

When employees specialize in a limited set of tasks, they gain more experience with these tasks and operate at a faster rate.

- Technology-Driven Learning: Automated production technology and information technology can introduce efficiencies as they are implemented and people learn how to use them efficiently and effectively.
- Better use of equipment: As total production has increased, manufacturing equipment will have been more fully exploited, lowering fully accounted unit costs. In addition, purchase of more productive equipment can be justifiable.
- Changes in the resource mix: As a company acquires experience, it can alter its mix of inputs and thereby become more efficient.
- Product redesign: As the manufacturers and consumers have more experience with the product, they can usually find improvements. This filters through to the manufacturing process. A good example of this is Cadillac's testing of various "bells and whistles" specialty accessories. The ones that did not break became mass-produced in other General Motors products; the ones that didn't stand the test of user "beatings" were discontinued, saving the car company money. As General Motors produced more cars, they learned how to best produce products that work for the least money.
- Network-building and use-cost reductions (network effects): As a product enters more widespread use, the consumer uses it more efficiently because they're familiar with it. One fax machine in the world can do nothing, but if everyone has one, they build an increasingly efficient network of communications. Another example is email accounts; the more there are, the more efficient the network is, the lower everyone's cost per utility of using it.
- Shared experience effects: Experience curve effects are reinforced when two or more products share a common activity or resource. Any efficiency learned from one product can be applied to the other products. (This is related to the principle of least astonishment).

Experience Curve Discontinuities

The experience curve effect can on occasion come to an abrupt stop. Graphically, the curve is truncated. Existing processes become obsolete and the firm must upgrade to remain competitive. The upgrade will mean the old experience curve will be replaced by a new one. This occurs when:

- Competitors introduce new products or processes that you must respond to.
- Key suppliers have much bigger customers that determine the price of products and services, and that becomes the main cost driver for the product.

- Technological change requires that you or your suppliers change processes.
- The experience curve strategies must be re-evaluated because:
  - They are leading to price wars.
  - They are not producing a marketing mix that the market values.

Strategic Consequences of the Effect

The BCG strategists examined the consequences of the experience effect for businesses. They concluded that because relatively low cost of operations is a very powerful strategic advantage, firms should capitalize on these learning and experience effects. The reasoning is increased activity leads to increased learning, which leads to lower costs, which can lead to lower prices, which can lead to increased market share, which can lead to increased profitability and market dominance. According to BCG, the most effective business strategy was one of striving for market dominance in this way. This was particularly true when a firm had an early leadership in market share. It was claimed that if you cannot get enough market share to be competitive, you should get out of that business and concentrate your resources where you can take advantage of experience effects and gain dominant market share. The BCG strategists developed product portfolio techniques like the BCG Matrix (in part) to manage this strategy.

Today we recognize that there are other strategies that are just as effective as cost leadership so we need not limit ourselves to this one path. See for example Porter generic strategies which talks about product differentiation and focused market segmentation as two alternatives to cost leadership. Sterman et al. show that expanding rapidly to realize experience curve benefits is a high risk strategy in dynamic markets with common features like bounded rationality and durable products.

Today we recognize that there are other strategies that are just as effective as cost leadership so we need not limit ourselves to this one path. Sterman et al. show that expanding rapidly to realize experience curve benefits is a high risk strategy in dynamic markets with common features like bounded rationality and durable products.

One consequence of the experience curve effect is that cost savings should be passed on as price decreases rather than kept as profit margin increases. The BCG strategists felt that maintaining a relatively high price, although very profitable in the short run, spelled disaster for the strategy in the long run. They felt that it encouraged competitors to enter the market, triggering a steep price decline and a competitive shakeout. If prices were reduced as unit costs fell (due to experience curve effects), then competitive entry would be discouraged and one's market share maintained. Using this strategy, you could always stay one step ahead of new or existing rivals.

Origins of the Experience Curve

Excerpts of Bruce D. Henderson's published writing describe the development of the experience curve.

Starting in 1966, according to Henderson:

> "The Boston Consulting Group's first effort to formulate the experience curve concept was an attempt to explain cost behavior over time in a process industry. The correlation between competitive profitability and market share was strikingly apparent".
>
> "The pattern of the learning curve was an attractive initial hypothesis to explain this. The name, Experience Curve, was selected to distinguish this cost behavior phenomenon from the well known and well documented learning curve effect. The two are related, but quite different".
>
> BCG found there were far reaching implications based on volume changes in production.
>
> "Semiconductors provided the evidence on which to build the experience curve concept itself. The wide variety of semiconductors offered a chance to compare differing growth rates and price decline rates in a similar environment. Price data supplied by the Electronic Industries Association was compared with accumulated industry volume. Two distinct patterns emerged".
>
> "In one pattern, prices, in current dollars, remained constant for long periods and then began a relatively steep and long continued decline in constant dollars. In the other pattern, prices, in constant dollars, declined steadily at a constant rate of about 25 percent each time accumulated experience doubled. That was the experience curve. That was 1966".

Criticisms

Some authors claim that in most organizations it is impossible to quantify the effects. They claim that experience effects are so closely intertwined with economies of scale that it is impossible to separate the two. In theory we can say that economies of scale are those efficiencies that arise from an increased scale of production, and that experience effects are those efficiencies that arise from the learning and experience gained from repeated activities, but in practice the two mirror each other: growth of experience coincides with increased production. Economies of scale should be considered one of the reasons why experience effects exist. Likewise, experience effects are one of the reasons why economies of scale exist. This makes assigning a numerical value to either of them difficult.

The well travelled road effect may lead people to overestimate the effect of the experience curve.

Core Competency

A core competency is a concept in management theory introduced by C. K. Prahalad and Gary Hamel. It can be defined as "a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace" and therefore are the foundation of companie's competitiveness.

Core competencies fulfill three criteria:

- Provides potential access to a wide variety of markets.
- Should make a significant contribution to the perceived customer benefits of the end product.
- Difficult to imitate by competitors.

For example, a company's core competencies may include precision mechanics, fine optics, and micro-electronics. These help it build cameras, but may also be useful in making other products that require these competencies.

A core competency results from a specific set of skills or production techniques that deliver additional value to the customer. These enable an organization to access a wide variety of markets.

Core competencies are developed through the process of continuous improvements over the period of time rather than a single large change. To succeed in an emerging global market, it is more important and required to build core competencies rather than to do vertical integration. For example, NEC utilized its portfolio of core competencies to dominate the semiconductor, telecommunications, and consumer electronics market.

The use and understanding of the concept of core competences can be very important to enterprises. They can use core competences in order to excel at the contrivance of core products. Enterprises could also use core competences to raise the values of customers and stakeholders.

Alexander and Martin state that the competitiveness of a company is based on the ability to develop core competences. A core competence is, for example, a specialised knowledge, technique, or skill. The core capability is the management ability to develop, out of the core competences, core products and new business. Competence building is, therefore, an outcome of strategic architecture which must be enforced by top management in order to exploit its full capacity.

Importantly, according to C. K. Prahalad and Gary Hamel definition, core competencies are the "collective learning across the corporation". They can, therefore, not be applied to the SBU (Strategic Business Unit) and represent resource combination steered

from the corporate level. Because the term "core competence" is often confused with "something a company is particularly good at", some caution should be taken not to dilute the original meaning.

In Competing for the Future, the authors C. K. Prahalad and Gary Hamel show how executives can develop the industry foresight necessary to adapt to industry changes and discover ways of controlling resources that will enable the company to attain goals despite any constraints. Executives should develop a point of view on which core competencies can be built for the future to revitalize the process of new business creation. Developing an independent point of view of tomorrow's opportunities and building capabilities that exploit them is the key to future industry leadership.

For an organization to be competitive, it needs not only tangible resources but intangible resources like core competences that are difficult and challenging to achieve. It is critical to manage and enhance the competences in response to industry changes in the future. For example, Microsoft has expertise in many IT based innovations where, for a variety of reasons, it is difficult for competitors to replicate or compete with Microsoft's core competences.

In a race to achieve cost cutting, quality, and productivity, most executives do not spend their time developing a corporate view of the future because this exercise demands high intellectual energy and commitment. The difficult questions may challenge their own ability to view the future opportunities but an attempt to find their answers will lead towards organizational benefits.

Core Competencies and Product Development

Core competencies are related to a firm's product portfolio via core products. Prahalad and Hamel defined core competencies as the engines for the development of core products and services. Competencies are the roots of which the corporation grows, like a tree whose fruit are end products.

Core products contribute "to the competitiveness of a wide range of end products. They are the physical embodiment of core competencies". Approaches for identifying product portfolios with respect to core competencies and vice versa have been developed in recent years. One approach for identifying core competencies with respect to a product portfolio has been proposed by Danilovic & Leisner. They use design structure matrices for mapping competencies to specific products in the product portfolio. Using their approach, clusters of competencies can be aggregated to core competencies. Bonjour & Micaelli introduced a similar method for assessing how far a company has achieved its development of core competencies. More recently Hein et al. link core competencies to Christensen's concept of capabilities, which is defined as resources, processes, and priorities. Furthermore, they present a method to evaluate different product architectures with respect to their contribution to the development of core competencies.

Strategic Decisions

Strategic decisions are the decisions that are concerned with whole environment in which the firm operates the entire resources and the people who form the company and the interface between the two.

Characteristics/Features of Strategic Decisions

- Strategic decisions have major resource propositions for an organization. These decisions may be concerned with possessing new resources, organizing others or reallocating others.
- Strategic decisions deal with harmonizing organizational resource capabilities with the threats and opportunities.
- Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.
- Strategic decisions involve a change of major kind since an organization operates in ever-changing environment.
- Strategic decisions are complex in nature.
- Strategic decisions are at the top most level, are uncertain as they deal with the future, and involve a lot of risk.
- Strategic decisions are different from administrative and operational decisions. Administrative decisions are routine decisions which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions which help execution of strategic decisions. To reduce cost is a strategic decision which is achieved through operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision.

The differences between Strategic, Administrative and Operational decisions can be summarized as follows:

Strategic Decisions	Administrative Decisions	Operational Decisions
Strategic decisions are long-term decisions.	Administrative decisions are taken daily.	Operational decisions are not frequently taken.
These are considered where The future planning is concerned.	These are short-term based Decisions.	These are medium-period based decisions.
Strategic decisions are taken in Accordance with organizational mission and vision.	These are taken according to strategic and operational Decisions.	These are taken in accordance with strategic and administrative decision.

These are related to overall Counter planning of all Organization.	These are related to working of employees in an Organization.	These are related to production.
These deal with organizational Growth.	These are in welfare of employees working in an organization.	These are related to production and factory growth.

Switching Barriers

Switching barriers or switching costs are terms used in microeconomics, strategic management, and marketing to describe any impediment to a customer's changing of suppliers (customer switching).

The definition of switching costs is quite broad. Thompson and Cats-Baril defines switching costs as "the costs associated with switching supplier", while Farrell and Klemperer write that "A consumer faces a switching cost between sellers when an investment specific to his current seller must be duplicated for a new seller". As these definitions indicate, switching costs can arise for several reasons.

Examples of switching costs include the effort needed to inform friends and relatives about a new telephone number after an operator switch; costs related to learning how to use the interface of a new mobile phone from a different brand; and costs in terms of time lost due to the paperwork necessary when switching to a new electricity provider.

Types of switching costs include exit fees, search costs, learning costs, cognitive effort, emotional costs, equipment costs, installation and start-up costs, financial risk, psychological risk, and social risk. In the marketing literature, customers face three types of switching costs: (1) financial switching costs (e.g., fees to break contract, lost reward points); (2) procedural switching costs (time, effort, and uncertainty in locating, adopting, and using a new brand/provider); and (3) relational switching costs (personal relationships and identification with brand and employees).

Some of these costs are easy to estimate. Exit fees include contractual obligations that must be paid to the current supplier and compensatory damages that may be awarded for breach of contract. Often, vendors combine sign-up incentives with penalties for early cancellation. Careful buyers who read the fine print should not be surprised by exit fees. Search costs and learning costs, the effort and expense required to find an alternative supplier and learn how to use the new product, are also usually expected.

On the other hand, the psychological, emotional, and social costs of switching are often overlooked or underestimated by both buyers and sellers. Gourville lists several rules of thumb to help understand why many consumers do not immediately switch from a product they currently use to the latest innovative improved product, even if the cost difference is minimal.

- People are sensitive to the *relative* advantages and disadvantages of any change from the status quo. Therefore, a new, improved product, no matter how great it is on its own merit, must be significantly better than what the consumer is currently using before he will switch.
- Different people have different reference points. For example, a high-tech travelling salesman would evaluate the advantages of a mobile phone over a landline telephone from a much different perspective than a homebound, fixed-income retiree.
- People exhibit loss aversion. The pain of giving up a benefit is much more significant than the pleasure of gaining that benefit. For example, DIVX technology may have failed, in part, because it offered the typical consumer no clear benefit to offset the perceived sacrifice of unlimited viewing time and the cost of having to hook into a phone line.

Switching costs are a major reason for pursuing order-of-magnitude improvements in costs, efficiencies, and benefits to the consumer. This business strategy has been called Andy Grove's 10x rule.

Where switching costs for a buyer are prohibitively high, the situation can be modelled as a monopoly, for a seller, a monopsony, and for both, a bilateral monopoly.

Shalev and Asbjornsen found that switching costs are not relevant to public sector procurement. Public sector buyers are almost always obliged to engage in an auction process as contracts expire. Given that periodic auctions cannot be avoided, switching costs are always incurred.

Competition, Collective Switching Costs and Market Performance

Switching costs affect competition. When a consumer faces switching costs, the rational consumer will not switch to the supplier offering the lowest price if the switching costs in terms of monetary cost, effort, time, uncertainty, and other reasons, outweigh the price differential between the two suppliers. If this happens, the consumer is said to be locked-in to the supplier. If a supplier manages to lock-in consumers, the supplier can raise prices to a certain point without fear of losing customers because the additional effects of lock-in (time, effort, etc.) prevent the consumer from switching.

QWERTY Example

Competition is also influenced by collective switching costs, especially in markets with strong network effects. Collective switching costs are the combined switching costs of all users in a particular market. For example, the QWERTY keyboard layout illustrates the difficulty of collective switching costs and the problems associated with co-ordinating an escape from a collective lock-in. Since its adoption, alternate keyboard layouts have been developed and used (e.g. the Dvorak layout). Individuals and firms who

perceive an alternate keyboard layout as more efficient may still be dissuaded from choosing it on the basis of switching costs.

New users who have to choose between QWERTY and another layout may favor QWERTY because it dominates the keyboard layout market. Individual lock-in leads to collective lock-in as network effects drive more and more new users to adopt QWERTY and prevent current QWERTY users from switching to another layout.

Collective switching costs affect competition by strengthening incumbents and hindering new entrants, who must overcome both the collective and individual switching costs to be able to succeed in the market. Recognition of these switching costs has recently led to several attempts to design alternative keyboard layouts which lower the barrier to entry by retaining many of the features of QWERTY. However, none of them is in widespread use.

Switching costs are likely to be present in a large class of markets. The importance of understanding switching costs has been emphasised with the rise of information technologies, since switching costs seems to be a phenomenon that is especially strong in the information economy. Shapiro and Varian write: "You just cannot compete effectively in the information economy unless you know how to identify, measure, and understand switching costs and map strategy accordingly". Businesses are not the only ones who need to be aware of and understand switching costs. Since switching costs affect market performance, governments and regulators also have incentives to understand switching costs in order to be able to promote competition effectively.

Mintzberg's Five Configurations of Strategic Management

The famous management expert, Henry Mintzberg, proposed a five configurations approach to strategic management wherein any organization can be broken down into five core elements or parts. The interactions between these parts determine the strategy of the organization.

The five parts according to Mintzberg are:

- The Operating Core which consists of those doing the basic work and whose output can be directly linked to the goods and services that the organization makes and sells. According to Mintzberg, this part is common to all organizations since the core work must be done and hence, the operating element has to be put in place.
- The Strategic Apex, which is composed of senior management and the senior leadership, which provides the vision, mission, and sense of purpose to the

organization. Indeed, it can be said that this part consists of those men and women who shape and control the destinies of the organization.

- The Middle Level Managers who are the "sandwich" layer between the apex and the operating core. This element is peopled by those who take orders from above and pass them as work to the operating core and supervise them. In other words, they perform the essential function of acting as a buffer between the senior management and the rank and file employees.
- The fourth element is the Technostructure that is composed of planners, analysts, and trainers who perform the intellectual work. This element provides the advice for the other parts and it is to be noted that they do not do any work but function in an advisory capacity.
- The final element is the Support Staff who perform supporting roles for the other units and exist as specialized functions that are responsible for the peripheral services in the organization.

The key aspect about these configurations is that it can be used to predict the organizational structure of any organization and used to model the strategy that the organization follows as a result of the interaction between these parts.

For instance, in many service sector companies, the organization structure is very fluid and interchangeable with the result that the middle managers perform crucial tasks and the apex gets directly involved in running the organization.

On the other hand, in many manufacturing companies, it is common to find the Technostructure prevailing as the organizational processes are bureaucratic and have mechanistic characteristics which makes the organization function like a machine. This is the configuration in many public sector and governmental organizations as well.

Finally, the startups have a structure that is composed of the strategic apex and the supporting staff in their initial years of operation as the organization structure is yet to be formalized.

The key implications of Mintzberg's configurations are that it gives us a useful model to describe how the organizational structure affects strategy. As many theoretical models depend on external strategy alone, this model is preferred by those who want to understand how internal dynamics produce strategy.

Entrepreneurial Orientation

Entrepreneurial orientation (EO) is a firm-level strategic orientation which captures an organization's strategy-making practices, managerial philosophies, and firm behaviors

that are entrepreneurial in nature. Entrepreneurial orientation has become one of the most established and researched constructs in the entrepreneurship literature. A general commonality among past conceptualizations of EO is the inclusion of innovativeness, proactiveness, and risk-taking as core defining aspects or dimensions of the orientation. EO has been shown to be a strong predictor of firm performance with a meta-analysis of past research indicating a correlation in magnitude roughly equivalent to the prescription of taking sleeping pills and getting better sleep. Still, some research has argued that EO does not enhance the performance for all firms. Instead, EO can be argued not to be a simple performance enhancing attribute but rather enhancing if it is applied under the right circumstances of the firm. In some cases, EO can even be disadvantageous for firms, if the situation of the firm does not fit with applying EO. Different situations (also known as context) can be the environment that the firm is situated within or internal situations such as structure and strategy.

Entrepreneurial orientation has most frequently been assessed using a nine-item psychometric instrument developed by Jeff Covin and Dennis Slevin. This instrument captures the perspective of Danny Miller that EO is a 'collective catchall' construct which represents what it means for a firm to be considered entrepreneurial across a wide range of contexts. A seminal quote from Miller:

> "In general, theorists would not call a firm entrepreneurial if it changed its technology or product line simply by directly imitating competitors while refusing to take any risks. Some proactiveness would be essential as well. By the same token, risk-taking firms that are highly leveraged financially are not necessarily entrepreneurial. They must also engage in product market or technological innovation".

Reviews of the Entrepreneurial orientation literature indicate that the majority of prior studies have adopted Miller's perspective of EO as the combination of innovativeness, proactiveness, and risk-taking.

Lumpkin and Dess offer an alternative view of EO as the combination of five dimensions, those put forth by Miller/Covin and Slevin as well as competitive aggressiveness and autonomy. Moreover, they suggest that additional insights stand to be gained from investigating the dimensions independently. Proceeding research has suggested that there is value in examining EO according to either conceptualization depending upon the demands of the research question being addressed. Research on the individual dimensions of risk-taking, proactiveness and innovativeness has found that the dimensions can combine in different ways to form configurations.

Taken together, as a strategic orientation EO enhances firm performance as well as overall variance in a firm's performance. Increased variance occurs as result of the observation that many entrepreneurial actions ultimately fail to generate an economic return thereby contributing to an increased distribution of firm performance outcomes. As a core firm strategic orientation, the breadth and depth of research on EO continues

to expand as the concept is adopted to understand the effects of being entrepreneurial across an increasing number of research contexts.

The recent study has extended into green entrepreneurial orientation, which highlights the green technological leadership, green products, green administrative techniques, and green operation technology.

However, the traditional use of EO has been focused on explanations, such as those within natural science, combined with a conception of entrepreneurs as possessing exceptional traits or exceptional risk-takers, as heroic individuals: these perspectives are incorrect. Recent studies propose a critical process re-conceptualization of EO aimed at opportunity designing in uncertain contexts as well as (proto) organizational projects. The major contributions are theoretical frameworks or empirical works under a process perspective that brings together research fields that have been isolated for too long, focusing on the interplay between routines and artifacts (as rules), agency and structure, sense-making and decision-making.

Marketing Management

Marketing management is the organizational discipline which focuses on the practical application of marketing orientation, techniques and methods inside enterprises and organizations and on the management of a firm's marketing resources and activities.

Structure

Marketing management employs tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others.

In competitor analysis, marketers build detailed profiles of each competitor in the market, focusing on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often conduct market research and marketing research to perform marketing analysis. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research, such as focus groups and various types of interviews.
- Quantitative marketing research, such as statistical surveys.

- Experimental techniques such as test markets.
- Observational techniques such as ethnographic (on-site) observation.

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

Brand Audit

A brand audit is a thorough examination of a brand's current position in an industry compared to its competitors and the examination of its effectiveness. When it comes to brand auditing, six questions should be carefully examined and assessed:

- How well the business current brand strategy is working?
- What the company's established resource strengths and weaknesses are?
- What its external opportunities and threats are?
- How competitive the business prices and costs are?
- How strong the business competitive position in comparison to its competitors is?
- What strategic issues are facing the business?

When a business is conducting a brand audit, the goal is to uncover business resource strengths, deficiencies, best market opportunities, outside threats, future profitability, and its competitive standing in comparison to existing competitors. A brand audit establishes the strategic elements needed to improve brand position and competitive capabilities within the industry. Once a brand is audited, any business that ends up with a strong financial performance and market position is more likely than not to have a properly conceived and effectively executed brand strategy.

A brand audit examines whether a business share of the market is increasing, decreasing, or stable. It determines if the company's margin of profit is improving, decreasing, and how much it is in comparison to the profit margin of established competitors. Additionally, a brand audit investigates trends in a business net profits, the return on existing investments, and its established economic value. It determines whether or not the business entire financial strength and credit rating is improving or getting worse. This kind of audit also assesses a business image and reputation with its customers. Furthermore, a brand audit seeks to determine whether or not a business is perceived as an industry leader in technology, offering product or service innovations, along with exceptional customer service, among other relevant issues that customers use to decide on a brand of preference.

A brand audit usually focuses on a business strengths and resource capabilities because these are the elements that enhance its competitiveness. A business competitive

strengths can exist in several forms. Some of these forms include skilled or pertinent expertise, valuable physical assets, valuable human assets, valuable organizational assets, valuable intangible assets, competitive capabilities, achievements and attributes that position the business into a competitive advantage, and alliances or cooperative ventures.

The basic concept of a brand audit is to determine whether a business resource strengths are competitive assets or competitive liabilities. This type of audit seeks to ensure that a business maintains a distinctive competence that allows it to build and reinforce its competitive advantage. What's more, a successful brand audit seeks to establish what a business capitalizes on best, its level of expertise, resource strengths, and strongest competitive capabilities, while aiming to identify a business position and future performance.

Marketing Strategy

Two customer segments are often selected as targets because they score highly on two dimensions:

- The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors.

- The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitably.

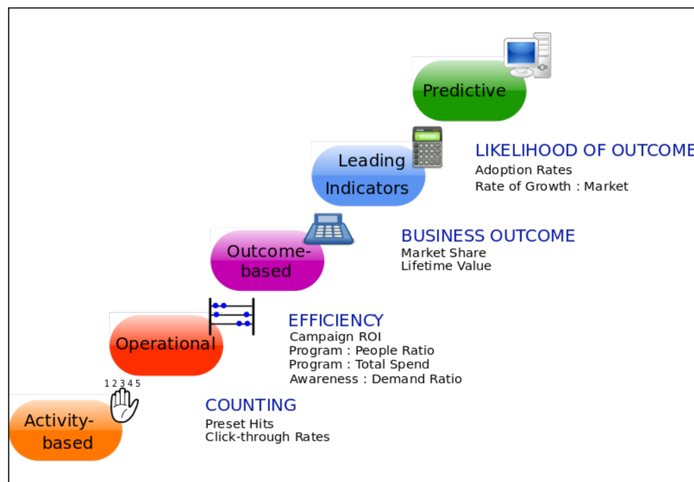
A commonly cited definition of marketing is simply "meeting needs profitably".

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segments than it will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers who are not in its target segment. The doorman at a swanky nightclub, for example, may deny entry to unfashionably dressed individuals because the business has made a strategic decision to target the "high fashion" segment of nightclub patrons.

In conjunction with targeting decisions, marketing managers will identify the desired positioning they want the company, product, or brand to occupy in the target customer's mind. This positioning is often an encapsulation of a key benefit the company's product or service offers that is differentiated and superior to the benefits offered by competitive products. For example, Volvo has traditionally positioned its products in the automobile market in North America in order to be perceived as the leader in "safety", whereas BMW has traditionally positioned its brand to be perceived as the leader in "performance".

Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage. The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers. To sum up,the marketing branch of a company is to deal with the selling and popularity of its products among people and its customers, as the central and eventual goal of a company is customer satisfaction and the return of revenue.

Implementation Planning



The Marketing Metrics Continuum provides a framework for how to categorize metrics from the tactical to strategic.

If the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make their own key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.

After the firm's strategic objectives have been identified, the target market selected, and the desired positioning for the company, product or brand has been determined, marketing managers focus on how to best implement the chosen strategy. Traditionally, this has involved implementation planning across the "4 Ps": product management, pricing (at what price slot does a producer position a product, e.g. low, medium or high price), place (the place or area where the products are going to be sold, which could be local, regional, countrywide or international) (i.e. sales and distribution channels), and promotion.

Taken together, the company's implementation choices across the 4 P's are often described as the marketing mix, meaning the mix of elements the business will employ to "go to market" and execute the marketing strategy. The overall goal for the marketing mix is to consistently deliver a compelling value proposition that reinforces the firm's

chosen positioning, builds customer loyalty and brand equity among target customers, and achieves the firm's marketing and financial objectives.

In many cases, marketing management will develop a marketing plan to specify how the company will execute the chosen strategy and achieve the business objectives. The content of marketing plans varies for each firm, but commonly includes:

- An executive summary.
- Situation analysis to summarize facts and insights gained from market research and marketing analysis.
- The company's mission statement or long-term strategic vision.
- A statement of the company's key objectives, often subdivided into marketing objectives and financial objectives.
- The marketing strategy the business has chosen, specifying the target segments to be pursued and the competitive positioning to be achieved.
- Implementation choices for each element of the marketing mix (the 4 P's).

Project, Process and Vendor Management

More broadly, marketing managers work to design and improve the effectiveness of core marketing processes, such as new product development, brand management, marketing communications, and pricing. Marketers may employ the tools of business process reengineering to ensure these processes are properly designed, and use a variety of process management techniques to keep them operating smoothly.

Effective execution may require management of both internal resources and a variety of external vendors and service providers, such as the firm's advertising agency. Marketers may therefore coordinate with the company's Purchasing department on the procurement of these services. Under the area of marketing agency management (i.e. working with external marketing agencies and suppliers) are techniques such as agency performance evaluation, scope of work, incentive compensation, RFx's and storage of agency information in a supplier database.

Reporting, Measurement, Feedback and Control Systems

Marketing management employs a variety of metrics to measure progress against objectives. It is the responsibility of marketing managers to ensure that the execution of marketing programs achieves the desired objectives and does so in a cost-efficient manner.

Marketing management therefore often makes use of various organizational control systems, such as sales forecasts, and sales force and reseller incentive programs, sales

force management systems, and customer relationship management tools (CRM). Some software vendors have begun using the term marketing operations management or marketing resource management to describe systems that facilitate an integrated approach for controlling marketing resources. In some cases, these efforts may be linked to various supply chain management systems, such as enterprise resource planning (ERP), material requirements planning (MRP), efficient consumer response (ECR), and inventory management systems.

International Marketing Management

Globalization has led some firms to market beyond the borders of their home countries, making international marketing a part of those firm's marketing strategy. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand. In part, this is because the role of a marketing manager (or sometimes called managing marketer in small- and medium-sized enterprises) can vary significantly based on a business's size, corporate culture, and industry context. For example, in a small- and medium-sized enterprises, the managing marketer may contribute in both managerial and marketing operations roles for the company brands. In a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product. To create an effective, cost-efficient marketing management strategy, firms must possess a detailed, objective understanding of their own business and the market in which they operate. In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

Guerrilla Marketing

Guerrilla marketing is an advertisement strategy in which a company uses surprise and unconventional interactions in order to promote a product or service. It is a type of publicity. The term was popularized by Jay Conrad Levinson's 1984 book Guerrilla Marketing.

Guerrilla marketing uses multiple techniques and practices in order to establish direct contact with the customers. One of the goals of this interaction is to cause an emotional reaction in the clients, and the ultimate goal of marketing is to get people to remember products or brands in a different way than they are accustomed to.

As traditional advertising media channels—such as print, radio, television, and direct mail—lose popularity, marketers and advertisers have to find new strategies to get their commercial messages to the consumer. Guerrilla marketing focuses on taking the consumer by surprise to make a big impression about the product or brand. This in turn creates buzz about the product being marketed. It is a way of advertising that increases

consumer's engagement with the product or service, and is designed to create a memorable experience. By creating a memorable experience, it also increases the likelihood that a consumer, or someone who interacted with the campaign, will tell their friends about the product. Thus, via word of mouth, the product or service being advertised reaches more people than initially anticipated.

Guerrilla marketing is relatively inexpensive, and focuses more on reach rather than frequency. For guerrilla campaigns to be successful, companies don't need to spend large amounts, they just need to have imagination, energy and time. Therefore, it has the potential to be effective for small businesses, especially if they are competing against bigger companies.

The message to consumers is often designed to be clear and concise. This type of marketing also works on the unconscious mind, as purchasing decisions are often made by the unconscious mind. To keep the product or service in the unconscious mind requires repetition, so if a buzz is created around a product, and it is shared amongst friends, it enables repetition.

Types

Ambient Marketing

Ambient communication is advertising presented on elements of the environment, including nearly every available physical surface. It is a compilation of intelligence, flexibility, and effective use of the atmosphere. These kinds of ads can be found anywhere and everywhere from hand dryers in public bathrooms and petrol pumps through to bus hand straps and golf-hole cups.

Ambush Marketing

Ambush marketing is a form of associative marketing, used by an organization to capitalize upon the awareness, attention, goodwill, and other benefits, generated by having an association with an event or property, without that organization having an official or direct connection to that event or property.

It is typically seen at major events where rivals of official sponsors attempt to build an association with the event and increase awareness for their brands, sometimes covertly. For example, Nike during the 2012 London Olympics created 'find your Greatnes's spots where they featured athletes from several locations called London (but without showing the real London or referring to the Olympic games) which was intended to build a strong association between London Olympics and Nike.

Stealth Marketing

Stealth marketing is a deliberate act of entering, operating in, or exiting a market in a furtive, secretive or imperceptible manner, or an attempt to do so.

Viral/Buzz Marketing

Viral marketing describes any strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message's exposure and influence. Like viruses, such strategies take advantage of rapid multiplication to explode the message to thousands, to millions. Off the Internet, viral marketing has been referred to as "word-of-mouth", "creating a buzz", "leveraging the media", "network marketing", But on the Internet, for better or worse, it's called "viral marketing".

Similarly, buzz marketing uses high-profile media to encourage the public to discuss the brand or product. Buzz marketing works best when consumer's responses to a product or service and subsequent endorsements are genuine, without the company paying them. Buzz generated from buzz marketing campaigns is referred to as "amplified WOM" (word-of-mouth), and "organic WOM" is when buzz occurs naturally by the consumer.

Grassroots Marketing

Grassroots campaigns aim to win customers over on an individual basis. A successful grassroots campaign is not about the dissemination of the marketing message in the hope that possible consumers are paying attention, but rather highlights a personal connection between the consumer and the brand and builds a lasting relationship with the brand.

Astroturfing

Astroturfing is among the most controversial guerrilla marketing strategies, and has a high risk factor for the company marketing the product or service. Astroturfing derives from artificial "turf", often used in stadiums or tennis courts also known as fake grass. Hence, fake endorsements, testimonials and recommendations are all products of Astroturfing in the public relations sector. Astroturfing involves generating an artificial hype around a particular product or company through a review or discussion on online blogs or forums by an individual who is paid to convey a positive view. This can have a negative and detrimental effect on a company, should the consumer suspect that the review or opinion is not authentic, damaging the company's reputation or even worse, resulting in litigation.

Street Marketing

Street marketing uses unconventional means of advertising or promoting products and brands in public areas. The main goal is to encourage consumers to remember and recall the brand or product marketed. As a division of guerrilla marketing, street marketing is specific to all marketing activities carried out in streets and public areas such

as parks, streets, events etc. Street marketing also encompasses advertising outdoors, such as on shopping trolleys (shopping carts, in the US), public toilets, sides of cars or public transport, manhole covers, footpaths, rubbish bins, etc.

Street marketing isn't confined to fixed advertisements. It is common practice for organisations to use brand ambassadors who distribute product samples or discount vouchers, and answer queries about the product while emphasizing the brand. The brand ambassadors may be accompanied by a kiosk which contains the product samples or demonstration materials, or they may be wearing a "walking billboard". The physical interaction with consumers has a greater influencing power than traditional passive advertising.

Street marketing is understood as mobilizing not only the space of the streets but also the imagination of the street: that of street culture and street art. The Y-generation broadly consisting of young urbanites (15 – 30 years old), is often put forth as the most susceptible target for the campaigns due to its associations with the culture of the street.

According to Marcel Saucet and Bernard Cova, street marketing can be used as a general term encompassing six principal types of activities:

- Distribution of flyers or products: This activity is more traditional and is the most common form of street marketing employed by brands.
- Product animations: This consists of personalizing a high-traffic space using brand imagery. The idea is to create a micro-universe in order to promote a new product or service.
- Human animations: The goal of such actions is to create a space in which the brand's message is communicated through human activity.
- Road shows: This form of mobile presentation is based on the development of means of transport: Taxi, bike, Segway, etc.
- Uncovered actions: These activities involve the customization of street elements.
- Event actions: These activities take the form of spectacles, such as flash mobs or contests. The idea is to promote a product, service or brand value through organization of a public event.

Typical Procedure

First, enterprises identify the public places where the campaign can be developed such as beaches, cultural events, close to schools, sporting events and recreation areas for children. Next, companies have to develop a plan to get close to different media and the target market. In order to attract attention, street marketing events not only involve

unusual activities, but use technology as part of the events. The purpose is to increase the value of the campaigns and get potential consumer's attention.

Besides, the plans that companies develop take into account that guerrilla or street marketing involves global communication and interaction not only with the customers or the media. They are also developed to identify opportunities and collect enough information about products, markets and competitors. For example, for business it is important that customers stay with them, instead of choosing the competitor's offers. They implement innovative strategies with which they will not lose position in the market, and they consider supplementation with other advertisement through other mediums, such as radio and television, when using street marketing.

There are various examples of strategies that are used in guerrilla marketing. One of them is to provide offers to increase sales. In many cases, businesses do not only supply their products or services to be recognized, but they also offer other things for free. Another instance is to present a fundraiser offer. The point of this strategy is to help other organizations, such as schools, by offering them money. Most companies implement this method not only to increase their sales, but to improve their reputation and image among the community. Finally, there is a strategy called "team selling" that consists of conforming groups of people, the majority of them young, who go knocking the doors of different houses in a neighborhood. They do this in order to help companies promoting and selling their products or services.

When doing guerrilla marketing or street marketing, organizations also consider focusing on the psychological approach. For many companies, this implies if they are having success or not. Street marketing focuses on some psychological aspects to know customer's behavior and preferences. For example, certain psychological areas study how people's brains are divided: 45% of people are left-brained, 45% are right brained, and 10% are balanced. Left-brained persons tend to be logical, right-brained ones tend to be emotional, and the rest combine the two. Then, according to the product or service that enterprises provide, and also the kind of customer, businesses decides the way they are going to manage their street marketing campaigns. Besides, almost all the enterprises base their street marketing campaigns on repeating the messages they spread among their customers. Repetition is related to the unconscious part of the mind. This is the one in charge of making decisions. It lets people know what they are going to choose, as well as what they are going to buy. Businesses follow the principle that establishes that, the more people paying attention to the campaign, the more possibilities that campaign has for being remembered.

When a company decides to do a guerrilla marketing campaign which could be anything out of viral, ambient, ambush, street or stealth, the focus for them is to meet the objectives. The main objectives for them are:

- To create enough buzz to serve in word-of-mouth, helping the brand to establish well with its products.

- To touch most of the five sensory identities of the customer/consumer enhancing personal experience with the brand and building good reputation.
- To reach the target successfully by taking the brand to them in their daily routine.

Through the experience and the ephemeral feelings shared between the company and the target, advertisers and agencies generate a feeling of intimacy that resonates beyond the encounter. This feeling of nearness becomes all the more lasting as the affected individuals relive this encounter on the internet through social media.

Online Guerilla Marketing

The web is rife with examples of guerrilla marketing, to the extent that many of us don't notice its presence - until a particularly successful campaign arises. The desire for instant gratification of internet users provides an avenue for guerrilla marketing by allowing businesses to combine wait marketing with guerrilla tactics. Simple examples consist of using 'loading' pages or image alt texts to display an entertaining or informative message to users waiting to access the content they were trying to get to. As users dislike waiting with no occupation on the web, it is essential, and easy, to capture their attention this way. Other website methods include interesting web features such as engaging landing pages.

Many online marketing strategies also use social media such as Facebook and LinkedIn to begin campaigns, share-able features and event host events. Other companies run competitions or discounts based on encouraging users to share or create content related to their product. Viral videos are an incredibly popular form of guerrilla marketing in which companies film entertaining or surprising videos that internet users are likely to share and enjoy, that subtly advertise their service or product. Some companies such as Google even create interactive elements like the themed Google logo games to spark interest and engagement. These dynamic guerrilla marketing tactics can become news globally and give businesses considerable publicity.

Examples:

There are various organizations who have implemented the guerrilla and street marketing strategies. The majority of them are small companies, but there are also big companies that have involved in the guerrilla and street marketing environment. Most of the examples of the strategies that both small and big enterprises have put into action include costumed persons, the distribution of tickets, people providing samples, among others. As stated before, one guerrilla marketing conventional method that is used by many businesses is to provide fliers. The goal is to create awareness on the customers about what the enterprise is doing. One example of this took place in Montpelier, Vermont, where the New England Culinary Institute (NECI) sent a group of students to a movie theatre to hand out 400 fliers. Those fliers had coupons in which

NECI was inviting people to go to its monthly Theme Dinners. Another company, Boston's Kung-Fu Tai Chi Club, chose the option of disseminating fliers instead of placing its advertisements on the newspapers. The purpose of the fliers was to promote the company's self-defence classes for women.

Other businesses apply the technique of sending disguised people to promote things on the streets. For example, match.com organized a street marketing activity in the "Feria del Libro" ("Book Fair") in Madrid. It consisted of a man dressed like a prince who was walking among the crowd looking for his "real love". He had a glass slipper and even got to try the shoe on some people. A woman behind him was giving bookmarks to the people which contained messages such as "Times have changed; the way to find love, too" or "You have been reading love stories all your life; experience yours on Match.com". Also, in Madrid and Barcelona, Nokia developed a campaign called "Avestruz" ("Ostrich") to promote the 5500 and 5700 mobiles. In the campaign, a group of real-size ostrich puppets tried to interact with young people in order to let them know these mobiles provide a high-quality MP3 playback. The puppets were holding their own telephones and listening to the music. When a young person appeared, the puppet tried to catch his/her attention to show him/her the quality of the mobile. The reason why Nokia decided to use ostriches was that they are big animals, so people could easily look at them.

There are enterprises that disseminate passes or tickets to different events. For example, Sony invests on joining promoters and tells them that they have to infiltrate in public meetings. What they have to do is to distribute free tickets to concerts and other musical events sponsored by the company. Another instance is the Spanish company Clickair (an extension of Iberia airlines), that developed a campaign in which a group of five people had to walk through Barcelona streets dressed as Euros. The group was supplying approximately 3,000 tickets to promote different Clickair destinations. The people who first sent a text message with the required information would get free tickets to go on a trip. In the end, the company received a total of 3,390 messages. Along with these examples, there are other street marketing techniques that are even more unusual. Lee Jeans, a French company dedicated to the selling of jeans, promoted the opening of their new store in rue des Rosiers in Paris. The method they applied consisted of distributing denims, as well as denim accessories, on the different streets of the neighborhood. Furthermore, in Italy, the members of the company Nintendo put into action a campaign in which they used post-it's to promote the Wii console. They pasted several post-it with the shapes of some characters from different video games. Those images were placed as if they were billboards on the streets. "Wii not forget", the name of the campaign, and a brief explanation of it, were the words written on the post-its. In some cases, some street marketing may incite the ire of local authorities; such was the case in Houston, Texas, when BMW's ad agency (Street Factory Media in Minneapolis) attached a replication, made from Styrofoam, of a Mini-Cooper to the side of a downtown building. For the cost of a small city-issued fine, the company received front page advertising on the Houston Chronicle.

Sony Ericsson used an undercover campaign in 2002 when they hired 60 actors in ten major cities and had them accost strangers and ask them: “Would you mind taking my picture?” The actor then handed the target a brand new picture phone while talking about how cool the new device was. “And thus an act of civility was converted into a branding event.

Guerrilla marketing is not just exclusive to small companies. For big companies it is a high risk, high reward strategy. When successful it can capture even more market share, but if it fails it can damage the company’s brand image. One successful guerrilla marketing campaign is the Coca-Cola ‘Happiness Machine”. In January 2010, Coca-Cola, filmed a reaction video of a Coke vending machine dispensing ‘dose’s of happiness to unsuspecting students in St. John’s University. A seemingly normal vending machine surprised students by dispensing items that were more than they bargained for. The students received goodies ranging from extra coke, pizza, flowers, to even a twelve-foot hero sub. “Coke’s goal to inspire consumers through small, surprise moments of happiness” said Paul Iannacchino Jr., Creative Director. With a budget of only $60,000, the video generated 500,000 views in the first week. It now has over 7 million views to date. The campaign was so popular that a 30-second edit of the footage was featured during American Idol’s season finale. The Coca-Cola “Happiness Machine” also went on to receive the CLIO’s prestigious Gold Interactive Award at the 51st annual awards dinner held in New York City. After the campaign’s success, Coca-Cola decided to continue with the ‘Happines’s theme and has released similar videos since then.

Strategic Risk

Because of the nature of guerrilla marketing, the message and objective must be clearly defined in order to avoid being misunderstood. Misinterpretation by the targeted audience of the message intended to be promoted is a risk. Word-of-mouth advertising does not always stay focused enough to present the intended message. The rumor-like spread of word-of-mouth marketing is uncontrollable once released, and can result in a misrepresentation of the message or confusion about a brand.

Some guerrilla marketing may incite the ire of local authorities. Then risks are assessed and may still be considered worthwhile. Such was the case in Houston, Texas, when BMW Auto’s ad agency, Street Factory Media, attached a replica of a Mini-Cooper (made of Styrofoam), to the side of a downtown building in January 2013. For the small cost of a city-issued fine, the company received front page advertising in the Houston Chronicle.

Another problem presents itself if marketers fail to properly execute an undercover campaign. They run considerable risk of backlash. An example of this can be found in Sony Entertainment’s on-line debacle with Zipatoni. The company attempted to promote Zipatoni through a stealth marketing campaign, which was quickly detected by

the internet community, resulting in Sony immediately experiencing a backlash from video game enthusiasts.

Street art is thus a subversive activity, hijacking public places and inventing rather paradoxical forms of expression that reformulate ways of communicating, all of which inform street marketing practices. Thus marketing in the street, given that it is inspired by the work of such artists, brings with it constraints and statutory risks for which agencies and advertisers are generally not prepared. The main problem is that, by definition, street mobilization campaigns require the use of public space, and that use must be authorized by government authorities to be legal. This is just as true for simple operations like distributing flyers as it is for mobilizing products or people and, of course, for a disguised campaign.

The authorizations necessary to carry out such a campaign are often very difficult to obtain within the time allotted for bringing the plan to fruition. Numerous potential operations have failed to obtain authorization for safety reasons, and in certain urban areas it is even expressly forbidden to undertake a guerrilla marketing campaign. In such cases, many agencies and advertisers will simply go ahead with the operation, meaning that they choose to act without authorization. How is such a choice reached, and on what bases? How is it justified? What impact does this choice have on the performance and costs of the operation? What transformations does this choice bring to the agency–advertiser relationship? These are the main questions posed in the development of street marketing operations today.

Inexpensive Costs

In a declining economy, guerrilla marketing is an increasing solution to giving companies the comparative edge over others. During times where companies are downsizing and cutting costs, companies look to guerrilla marketing as a cheaper strategy than conventional marketing. Instead of investing money in the marketing process, guerrillas invest energy, time and creativity. If done successfully, companies will be able to reach conventional goals for profits and growth with a smaller marketing budget. One such example is the Blair Witch Project. A group of film students filmed an amateur horror movie. By setting up an internet campaign devoted to spreading rumors about the fictitious 'Blair Witch', it created a lot of interest for the film. With a budget of $50,000, the movie grossed $250 million worldwide.

According to Jay Levinson, guerrilla marketing emphasizes strongly on customer follow-up rather than ignoring customers after their purchase. Focusing on customer follow-up is a cheaper strategy because the cost of selling to a new customer is six times higher than selling to an existing customer. During a tough economy, it is important to focus on building relationships rather than sales, and aiming at individuals instead of groups. This promotes repeat sales, referrals and increased size of purchase. The use of telephone as a follow-up tool is helpful in improving customer relationships. Email is also another inexpensive tool for maintaining relationships. Emails can be used to

direct people to the company website. The site can be then used to provide information and to advance sales.

Honesty is an important attribute when marketing to customers during tough times. When companies show that they are fully aware of the economic situation and why they have priced their products accordingly, this earns the customer's respect. Explaining the current situation and the risks and the steps the company is taking to the customers will give the customers assurance and also maintains their trust. One example is the Las Vegas tourism board. During the 2008 recession, Las Vegas was one of the cities hit the hardest. They released an ad campaign showing people they were fully aware of the recession, yet, in a dramatic way, showing 'that regular people are coming here and having a blast'. This piqued a lot of interest which led to an increase of tourism in Las Vegas during the recession.

Competitive Intelligence

Competitive intelligence (CI) is the systematic collection and analysis of information from multiple sources, and a coordinated CI program. It is the action of defining, gathering, analyzing, and distributing intelligence about products, customers, competitors, and any aspect of the environment needed to support executives and managers in strategic decision making for an organization.

CI means understanding and learning what is happening in the world outside the business to increase one's competitiveness. It means learning as much as possible, as soon as possible, about one's external environment including one's industry in general and relevant competitors.

Key points:

- Competitive intelligence is a legal business practice, as opposed to industrial espionage, which is illegal.
- The focus is on the external business environment.
- There is a process involved in gathering information, converting it into intelligence and then using it in decision making. Some CI professionals erroneously emphasise that if the intelligence gathered is not usable or actionable, it is not intelligence.

Another definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious ("early signal analysis"). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and

information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge.

The term CI is often viewed as synonymous with competitor analysis, but competitive intelligence is more than analyzing competitors; it embraces the entire environment and stakeholders: customers, competitors, distributors, technologies, and macroeconomic data.

Competitive intelligence has been influenced by national strategic intelligence. Although national intelligence was researched 50 years ago, competitive intelligence was introduced during the 1990s. Competitive-intelligence professionals can learn from national-intelligence experts, especially in the analysis of complex situations. Competitive intelligence may be confused with environmental scanning, business intelligence and market research. Craig Fleisher questions the appropriateness of the term, comparing it to business intelligence, competitor intelligence, knowledge management, market intelligence, marketing research and strategic intelligence.

Fleisher suggests that business intelligence has two forms. Its narrow (contemporary) form is more focused on information technology and internal focus than CI, while its broader (historical) definition is more inclusive than CI. Knowledge management (KM), when improperly achieved, is seen as an information-technology driven organizational practice relying on data mining, corporate intranets and mapping organizational assets to make it accessible to organization members for decision-making. CI shares some aspects of KM; they are human-intelligence- and experience-based for a more-sophisticated qualitative analysis. km is essential for effective change. A key effective factor is a powerful, dedicated IT system executing the full intelligence cycle.

Market intelligence (MI) is industry-targeted intelligence developed in real-time aspects of competitive events taking place among the four Ps of the marketing mix (pricing, place, promotion and product) in the product (or service) marketplace to better understand the market's attractiveness. A time-based competitive tactic, MI is used by marketing and sales managers to respond to consumers more quickly in the marketplace. Fleisher suggests it is not distributed as widely as some forms of CI, which are also distributed to non-marketing decision-makers. Market intelligence has a shorter time horizon than other intelligence areas, and is measured in days, weeks, or (in slower-moving industries) months.

Market research is a tactical, method-driven field consisting of neutral, primary research of customer data (beliefs and perceptions) gathered in surveys or focus groups, and is analyzed with statistical-research techniques. CI draws on a wider variety (primary and secondary) of sources from a wider range of stakeholders (suppliers, competitors, distributors, substitutes and media) to answer existing questions, raise new ones and guide action.

Ben Gilad and Jan Herring lay down a set of prerequisites defining CI, distinguishing it

from other information-rich disciplines such as market research or business development. They show that a common body of knowledge and a unique set of tools (key intelligence topics, business war games and blindspots analysis) distinguish CI; while other sensory activities in a commercial firm focus on one segment of the market (customers, suppliers or acquisition targets), CI synthesizes data from all high-impact players (HIP).

Gilad later focused his delineation of CI on the difference between information and intelligence. According to him, the common denominator among organizational sensory functions (whether they are called market research, business intelligence or market intelligence) is that they deliver information rather than intelligence. Intelligence, says Gilad, is a perspective on facts rather than the facts themselves. Unique among corporate functions, competitive intelligence has a perspective of risks and opportunities for a firm's performance; as such, it (not information activities) is part of an organization's risk-management activity.

Ethics

Ethics has been a long-held issue of discussion among CI practitioners. The questions revolve around what is and is not allowable in terms of CI activity. A number of scholarly treatments have been generated on this topic, most prominently addressed through Society of Competitive Intelligence Professionals publications. The book Competitive Intelligence Ethics: Navigating the Gray Zone provides nearly twenty separate views about ethics in CI, as well as another 10 codes used by various individuals or organizations. Combining that with the over two dozen scholarly articles or studies found within the various CI bibliographic entries, it is clear that no shortage of study has gone into better classifying, understanding and addressing CI ethics.

Competitive information may be obtained from public or subscription sources, from networking with competitor staff or customers, disassembly of competitor products or from field research interviews. Competitive intelligence research is distinguishable from industrial espionage, as CI practitioners generally abide by local legal guidelines and ethical business norms.

Outsourcing

Outsourcing has become a big business for competitive intelligence professionals. There are many different companies in this field, including market research and consulting firms.

Competitive Advantage

In business, a competitive advantage is the attribute that allows an organization to outperform its competitors. A competitive advantage may include access to natural

resources, such as high-grade ores or a low-cost power source, highly skilled labor, geographic location, high entry barriers, and access to new technology.

Competitive advantage is the leverage a business has over its competitors. This can be gained by offering clients better and greater value. Advertising products or services with lower prices or higher quality piques the interest of consumers. Target markets recognize these unique products or services. This is the reason behind brand loyalty, or why customers prefer one particular product or service over another.

Value proposition is important when understanding competitive advantage. If the value proposition is effective, that is, if the value proposition offers clients better and greater value, it can produce a competitive advantage in either the product or service. The value proposition can increase customer expectations and choices.

Michael Porter defined the two ways in which an organization can achieve competitive advantage over its rivals: cost advantage and differentiation advantage. Cost advantage is when a business provides the same products and services as its competitors, albeit at a lesser cost. Differentiation advantage is when a business provides better products and services as its competitors. In Porter's view, strategic management should be concerned with building and sustaining competitive advantage.

Competitive advantage seeks to address some of the criticisms of comparative advantage. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct this issue by stressing on maximizing scale economies in goods and services that garner premium prices.

The term *competitive advantage* refers to the ability gained through attributes and resources to perform at a higher level than others in the same industry or market. The study of this advantage has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in today's competitive market. "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player.

Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players. To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control, and these resources have the ability to generate competitive advantage. Superior performance outcomes and superiority in production resources reflect competitive advantage.

The quotes above signify competitive advantage as the ability to stay ahead of present or potential competition. Also, it provides the understanding that resources held by a

firm and the business strategy will have a profound impact on generating competitive advantage. Powell views business strategy as the tool that manipulates resources and creates competitive advantage. Hence, viable business strategy may not be adequate unless it possesses control over unique resources that have the ability to create such a relatively unique advantage.

Three Forms of Generic Competitive Strategy

Cost Leadership Strategy

Cost leadership is a business ability to produce a product or service that will be at a lower cost than other competitors. If the business is able to produce the same quality product but sell it for less, this gives them a competitive advantage over other businesses. Therefore, this provides a price value to the customers. Lower costs will result in higher profits as businesses are still making a reasonable profit on each good or service sold. If businesses are not making a large enough profit, Porter recommends finding a lower-cost base such as labor, materials, and facilities. This gives businesses a lower manufacturing cost over those of other competitors. The company can add value to the customer via transfer of the cost benefit to them.

Differential Strategy

A differential advantage is gained when a business's products or services are different from its competitors. Michael Porter recommended making those goods or services attractive to stand out from their competitors. The business will need strong research, development and design thinking to create innovative ideas. These improvements to the goods or service could include delivering high quality to customers. If customers see a product or service as being different from other products, consumers are willing to pay more to receive these benefits.

Focus Strategy

Focus strategy ideally tries to get businesses to aim at a few target markets rather than trying to target everyone. This strategy is often used for smaller businesses since they may not have the appropriate resources or ability to target everyone. Businesses that use this method usually focus on the needs of the customer and how their products or services could improve their daily lives. In this method, some firms may even let consumers give their inputs for their product or service.

This strategy can also be called the segmentation strategy, which includes geographic, demographic, behavioral and physical segmentation. By narrowing the market down to smaller segments, businesses are able to meet the needs of the consumer. Porter believes that once businesses have decided what groups they will target, it is essential to decide if they will take the cost leadership approach or differentiation approach. Focus

strategy will not make a business successful. Porter mentions that it is important to not use all 3 generic strategies because there is a high chance that companies will come out achieving no strategies instead of achieving success. This can be called “stuck in the middle”, and the business won’t be able to have a competitive advantage.

When businesses can find the perfect balance between price and quality, it usually leads to a successful product or service. A product or service must offer value through price or quality to ensure the business is successful in the market. To succeed, it’s not enough to be “just as good as” another business. Success comes to firms that can deliver a product or service in a manner that is different, meaningful, and based on their customer’s needs and desires. Deciding on the appropriate price and quality depends on the business’s brand image and what they hope to achieve in relation to their competition.

Underlying Internal Factors

Positioning is an important marketing concept. The main purpose of positioning is often to create the right perceptions in comparison to competitors. Thus, it creates competitive advantage. This positioning, or competitive advantage, is based on creating the right “image” or “identity” in the minds of the target group. This positioning decision exists of selecting the right core competencies to build upon and emphasize.

Therefore, both corporate identity and core competencies are underlying internal factors of competitive advantage.

Corporate Identity

The operational model for managing corporate reputation and image of Gray and Balmer proposes that corporate identity, communication, image, and reputation the fundamental components of the process of creating competitive advantage. Corporate identity through corporate communication creates corporate image and reputation, with an end result of competitive advantage.

Corporate identity is the reality of an organization. It refers to the distinct characteristics or core competencies of the organization. It is the mental picture of the company held by its audiences. Corporate communication refers to all the official and informal communication sources, through a variety of media, by which the company outsources its identity to its audiences or stakeholders. Corporate communication is the bridge between corporate identity and corporate image or reputation.

The above-stated process has two main objectives, namely to create the intended image in the minds of the company’s principal constituents and managing the process to create a favourable reputation in the minds of the important stakeholders. Gray and Balmer say that a strong image can be built through a coordinated image-building campaign and reputation, on the other hand, requires a praiseworthy identity that can only be shaped through consistent performance.

Core Competencies

A core competency is a concept introduced by Prahalad and Hamel. Core competencies are part of the corporate identity; they form the foundation of corporate competitiveness. The competitiveness of a company is based on the ability to develop core competencies. A core competency is, for example, a specialised knowledge, technique, or skill. Yang concluded, with the examination of a long-term development model, that developing core competencies and effectively implementing core capabilities are important strategic actions for any enterprise in order to pursue high long-term profits. In the end, real advantage can be created by the management's ability to unify corporate-wide technologies and production skills into competencies that capacitate individual businesses to adapt quickly to changing opportunities.

To sustain leadership in a chosen core competency area, companies should seek to maximize their competency factors in the core products like being important in positioning its values, distinctive (differentiated), superior, communicable (visibility), unique, affordable, and profitable. When a company achieves this goal, it allows it to shape the evolution of an end market.

Competitor Analysis

Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context to identify opportunities and threats. Profiling combines all of the relevant sources of competitor analysis into one framework in the support of efficient and effective strategy formulation, implementation, monitoring and adjustment.

Competitor analysis is an essential component of corporate strategy. It is argued that most firms do not conduct this type of analysis systematically enough. Instead, many enterprises operate on what is called "informal impressions, conjectures, and intuition gained through the tidbits of information about competitors every manager continually receives". As a result, traditional environmental scanning places many firms at risk of dangerous competitive blindspots due to a lack of robust competitor analysis.

One common and useful technique is constructing a competitor array. The steps may include:

- Define the industry scope and nature of the industry.
- Determine who the competitors are.

- Determine who the customers are and what benefits they expect.
- Determine the key strengths for example price, service, convenience, inventory, etc.
- Rank the key success factors by giving each one a weighting The sum of all the weightings must add up to one.
- Rate each competitor on each of the key success factors.
- Multiply each cell in the matrix by the factor weighting.

This can be displayed on a two dimensional matrix competitors along the top and key success factors down the side. An example of a competitor array follows:

Key Industry Success Factors	Weighting	Competitor no. 1 rating	Competitor no. 1 weighted	Competitor no. 2 rating	Competitor no. 2 weighted
1 - Extensive distribution	.4	6	2.4	3	1.2
2 - Customer focus	.3	4	1.2	5	1.5
3 - Economies of scale	.2	3	.6	3	.6
4 - Product innovation	.1	7	.7	4	.4
Totals	1.0	20	4.9	15	3.7

In this example, competitor no. 1 is rated higher than competitor no. 2 on product innovation ability (7 out of 10, compared to 4 out of 10) and distribution networks (6 out of 10), but competitor no. 2 is rated higher on customer focus (5 out of 10). Overall, competitor no. 1 is rated slightly higher than competitor no. 1 (20 out of 40 compared to 15 out of 40). When the success factors are weighted according to their importance, competitor #1 gets a far better rating (4.9 compared to 3.7).

Two additional columns can be added. In one column, a company can be rated on each of the key success factors (try to be objective and honest). In another column, benchmarks can be listed. They are the ideal standards of comparisons on each of the factors. They reflect the workings of a company using all the industry's best practices.

Competitor Profiling

The strategic rationale of competitor profiling is simple. Superior knowledge of rivals offers a legitimate source of competitive advantage. The raw material of competitive advantage consists of offering superior customer value in the firm's chosen market. The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy. Profiling facilitates this strategic objective in three important ways. First, profiling can reveal strategic weaknesses in rivals that the firm may exploit.

Second, the proactive stance of competitor profiling will allow the firm to anticipate the strategic response of their rivals to the firm's planned strategies, the strategies of other competing firms, and changes in the environment. Third, this proactive knowledge will give the firms strategic agility. Offensive strategy can be implemented more quickly in order to exploit opportunities and capitalize on strengths. Similarly, defensive strategy can be employed more deftly in order to counter the threat of rival firms from exploiting the firm's own weaknesses.

Firms practicing systematic and advanced competitor profiling may have a significant advantage. A comprehensive profiling capability is a core competence required for successful competition.

A common technique is to create detailed profiles on each of the major competitors. These profiles give an in-depth description of the competitor's background, finances, products, markets, facilities, personnel, and strategies. This involves:

- Background:
    - Location of offices, plants, and online presences.
    - History key personalities, dates, events, and trends.
    - Ownership, corporate governance, and organizational structure.
- Financials:
    - P-E ratios, dividend policy, and profitability.
    - Various financial ratios, liquidity, and cash flow.
    - Profit growth profile; method of growth (organic or acquisitive).
- Products:
    - Products offered, depth and breadth of product line, and product portfolio balance.
    - New products developed, new product success rate, and R&D strengths.
    - Brands, strength of brand portfolio, brand loyalty and brand awareness.
    - Patents and licenses.
    - Quality control conformance.
    - Reverse engineering or deformulation.
- Marketing:
    - Segments served, market shares, customer base, growth rate, and customer loyalty.

    - Promotional mix, promotional budgets, advertising themes, ad agency used, sales force success rate, online promotional strategy.
    - Distribution channels used (direct & indirect), exclusivity agreements, alliances, and geographical coverage.
    - Pricing, discounts, and allowances.
- Facilities:
    - Plant capacity, capacity utilization rate, age of plant, plant efficiency, capital investment.
    - Location, shipping logistics, and product mix by plant.
    - Personnel.
    - Number of employees, key employees, and skill sets.
    - Strength of management, and management style.
    - Compensation, benefits, and employee morale & retention rates.
- Corporate and marketing strategies:
    - Objectives, mission statement, growth plans, acquisitions, and divestitures.
    - Marketing strategies.

Media Scanning

Scanning competitor's ads can reveal much about what that competitor believes about marketing and their target market. Changes in a competitor's advertising message can reveal new product offerings, new production processes, a new branding strategy, a new positioning strategy, a new segmentation strategy, line extensions and contractions, problems with previous positions, insights from recent marketing or product research, a new strategic direction, a new source of sustainable competitive advantage, or value migrations within the industry. It might also indicate a new pricing strategy such as penetration, price discrimination, price skimming, product bundling, joint product pricing, discounts, or loss leaders. It may also indicate a new promotion strategy such as push, pull, balanced, short term sales generation, long term image creation, informational, comparative, affective, reminder, new creative objectives, new unique selling proposition, new creative concepts, appeals, tone, and themes, or a new advertising agency. It might also indicate a new distribution strategy, new distribution partners, more extensive distribution, more intensive distribution, a change in geographical focus, or exclusive distribution. Similar techniques can be used by observing a competitor's search engine optimization targets and practices. For example, by conducting keyword research, one may be able to determine a competitor's target market, keywords,

or products. Other metrics allow for detection of a competitor's success. Little of this intelligence is definitive: additional information is needed before conclusions should be drawn.

A competitor's media strategy reveals budget allocation, segmentation and targeting strategy, and selectivity and focus. From a tactical perspective, it can also be used to help a manager implement his own media plan. By knowing the competitor's media buy, media selection, frequency, reach, continuity, schedules, and flights, the manager can arrange their own media plan so that they do not coincide.

Other sources of corporate intelligence include trade shows, patent filings, mutual customers, annual reports, and trade associations.

Some firms hire competitor intelligence professionals to obtain this information. The Society of Competitive Intelligence Professionals maintains a listing of individuals who provide these services.

New Competitors

In addition to analysing current competitors, it is necessary to estimate future competitive threats. The most common sources of new competitors are:

- Companies competing in a related product/market.
- Companies using related technologies.
- Companies already targeting the target prime market segment but with unrelated products.
- Companies from other geographical areas and with similar products.
- New start-up companies organized by former employees and managers of existing companies.

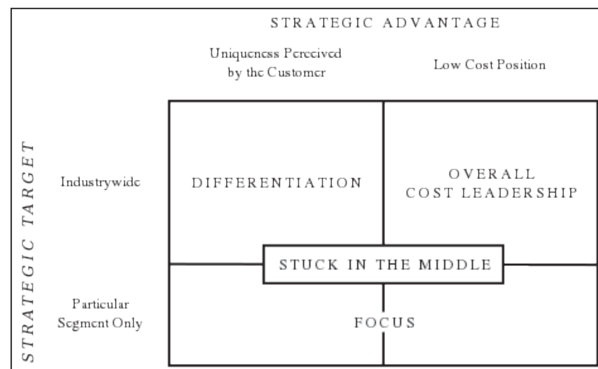
The entrance of new competitors is likely when:

- There are high profit margins in the industry.
- There is unmet demand (insufficient supply) in the industry.
- There are no major barriers to entry.
- There is future growth potential.
- Competitive rivalry is not intense.
- Gaining a competitive advantage over existing firms is feasible.
- Dissatisfaction with the existing suppliers.

Porter's Generic Strategies

Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three/four generic strategies, either lower cost, differentiated, or focus. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope. The concept was described by Michael Porter in 1980.

Concept



Michael Porter's Three Generic Strategies.

Porter wrote in 1980 that strategy targets either cost leadership, differentiation, or focus. These are known as Porter's three generic strategies and can be applied to any size or form of business. Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources. Porter's generic strategies detail the interaction between cost minimization strategies, product differentiation strategies, and market focus strategies of firms.

Porter described an industry as having multiple segments that can be targeted by a firm. The breadth of its targeting refers to the competitive scope of the business. Porter defined two types of competitive advantage: lower cost or differentiation relative to its rivals. Achieving competitive advantage results from a firm's ability to cope with the five forces better than its rivals. Porter wrote: "Achieving competitive advantage requires a firm to make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it". He also wrote: "The two basic types of competitive advantage [differentiation and lower cost] combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above average performance in an industry: Cost leadership, differentiation

and focus. The focus strategy has two variants, cost focus and differentiation focus". In general:

- If a firm is targeting customers in most or all segments of an industry based on offering the lowest price, it is following a cost leadership strategy.
- If it targets customers in most or all segments based on attributes other than price (e.g., via higher product quality or service) to command a higher price, it is pursuing a differentiation strategy. It is attempting to differentiate itself along these dimensions favorably relative to its competition. It seeks to minimize costs in areas that do not differentiate it, to remain cost competitive.
- If it is focusing on one or a few segments, it is following a focus strategy. A firm may be attempting to offer a lower cost in that scope (cost focus) or differentiate itself in that scope (differentiation focus).

The concept of choice was a different perspective on strategy, as the 1970s paradigm was the pursuit of market share (size and scale) influenced by the experience curve. Companies that pursued the highest market share position to achieve cost advantages fit under Porter's cost leadership generic strategy, but the concept of choice regarding differentiation and focus represented a new perspective.

Empirical research on the profit impact of marketing strategy indicated that firms with a high market share were often quite profitable, but so were many firms with low market share. The least profitable firms were those with moderate market share. This was sometimes referred to as the hole in the middle problem. Porter's explanation of this is that firms with high market share were successful because they pursued a cost leadership strategy and firms with low market share were successful because they used market segmentation to focus on a small but profitable market niche. Firms in the middle were less profitable because they did not have a viable generic strategy.

Porter suggested combining multiple strategies is successful in only one case. Combining a market segmentation strategy with a product differentiation strategy was seen as an effective way of matching a firm's product strategy (supply side) to the characteristics of your target market segments (demand side). But combinations like cost leadership with product differentiation were seen as hard (but not impossible) to implement due to the potential for conflict between cost minimization and the additional cost of value-added differentiation.

Since that time, empirical research has indicated companies pursuing both differentiation and low-cost strategies may be more successful than companies pursuing only one strategy.

Some commentators have made a distinction between cost leadership, that is, low cost strategies, and best cost strategies. They claim that a low cost strategy is rarely able to provide a sustainable competitive advantage. In most cases firms end up in price wars.

Instead, they claim a best cost strategy is preferred. This involves providing the best value for a relatively low price.

Cost Leadership Strategy

This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this.

The first approach is achieving a high asset utilization. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects. For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firms low costs and prices.

The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, etc. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

The third dimension is control over the value chain encompassing all functional groups (finance, supply/procurement, marketing, inventory, information technology etc.) to ensure low costs. For supply/procurement chain this could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods. Other procurement advantages could come from preferential access to raw materials, or backward integration.

Keep in mind that if you are in control of all functional groups this is suitable for cost leadership; if you are only in control of one functional group this is differentiation. For example, Dell Computer initially achieved market share by keeping inventories low and only building computers to order via applying Differentiation strategies in supply/procurement chain. This will be clarified in other sections.

Cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes and big market share. Small businesses can be "cost focused" not "cost leaders" if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a startup or small company to offer a cheaper product or service where incumbent's costs and prices have become too high. An example is the success of low-cost budget airlines who, despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents. At the beginning low-cost budget airlines chose "cost focused" strategies but later when the market grow, big airlines started to offer the same low-cost attributes, and so cost focus became cost leadership.

A cost leadership strategy may have the disadvantage of lower customer loyalty, as price-sensitive customers will switch once a lower-priced substitute is available. A reputation as a cost leader may also result in a reputation for low quality, which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a differentiation strategy in future.

Differentiation Strategy

Differentiate the products/services in some way in order to compete successfully. Examples of the successful use of a differentiation strategy are Hero, Asian Paints, HUL, Nike athletic shoes (image and brand mark), BMW Group Automobiles, Perstorp BioProducts, Apple Computer (product's design), Mercedes-Benz automobiles.

A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other Intellectual Property (IP), unique technical expertise (e.g. Apple's design skills or Pixar's animation prowess), talented personnel (e.g. a sports team's star players or a brokerage firm's star traders), or innovative processes. Successful differentiation is displayed when a company accomplishes either a premium price for the product or service, increased revenue per unit, or the consumer's loyalty to purchase the company's product or service (brand loyalty). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire

the product or service but is ineffective when its uniqueness is easily replicated by its competitors. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors. This way, Chiquita was able to brand bananas, Starbucks could brand coffee, and Nike could brand sneakers. Fashion brands rely heavily on this form of image differentiation.

Differentiation strategy is not suitable for small companies. It is more appropriate for big companies. To apply differentiation with attributes throughout predominant intensity in any one or several of the functional groups (finance, purchase, marketing, inventory etc.). This point is critical. For example, GE uses finance function to make a difference. You may do so in isolation of other strategies or in conjunction with focus strategies (requires more initial investment). It provides great advantage to use differentiation strategy (for big companies) in conjunction with focus cost strategies or focus differentiation strategies. Case for Coca-Cola and Royal Crown beverages is good sample for this.

Variants on the Differentiation Strategy

The shareholder value model holds that the timing of the use of specialized knowledge can create a differentiation advantage as long as the knowledge remains unique. This model suggests that customers buy products or services from an organization to have access to its unique knowledge. The advantage is static, rather than dynamic, because the purchase is a one-time event.

The unlimited resources model utilizes a large base of resources that allows an organization to outlast competitors by practicing a differentiation strategy. An organization with greater resources can manage risk and sustain profits more easily than one with fewer resources. This provides a short-term advantage only. If a firm lacks the capacity for continual innovation, it will not sustain its competitive position over time.

Focus Strategies

This dimension is not a separate strategy for big companies due to small market conditions. Big companies which chose applying differentiation strategies may also choose to apply in conjunction with focus strategies (either cost or differentiation). On the other hand, this is definitely an appropriate strategy for small companies especially for those wanting to avoid competition with big one.

In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialised needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a

competitive advantage through product innovation and brand marketing rather than efficiency. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment.

Examples of firm using a focus strategy include Southwest Airlines, which provides short-haul point-to-point flights in contrast to the hub-and-spoke model of mainstream carriers, United, and American Airlines.

Recent Developments

Michael Treacy and Fred Wiersema in their book The Discipline of Market Leaders have modified Porter's three strategies to describe three basic "value disciplines" that can create customer value and provide a competitive advantage. They are operational excellence, product leadership, and customer intimacy.

Criticisms of Generic Strategies

Several commentators have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting.

Porter stressed the idea that only one strategy should be adopted by a firm and failure to do so will result in "stuck in the middle" scenario. He discussed the idea that practising more than one strategy will lose the entire focus of the organization hence clear direction of the future trajectory could not be established. The argument is based on the fundamental that differentiation will incur costs to the firm which clearly contradicts with the basis of low cost strategy and on the other hand relatively standardised products with features acceptable to many customers will not carry any differentiation hence, cost leadership and differentiation strategy will be mutually exclusive. Two focal objectives of low cost leadership and differentiation clash with each other resulting in no proper direction for a firm. In particular, Miller questions the notion of being "caught in the middle". He claims that there is a viable middle ground between strategies. Many companies, for example, have entered a market as a niche player and gradually expanded. According to Baden-Fuller and Stopford the most successful companies are the ones that can resolve what they call "the dilemma of opposites". Furthermore, Reeves and Routledge's study of entrepreneurial spirit demonstrated this is a key factor in organisation success, differentiation and cost leadership were the least important factors.

However, contrarily to the rationalisation of Porter, contemporary research has shown evidence of successful firms practising such a "hybrid strategy". Research writings of Davis state that firms employing the hybrid business strategy (Low cost and differentiation strategy) outperform the ones adopting one generic strategy. Sharing the same view point, Hill challenged Porter's concept regarding mutual exclusivity of low cost and differentiation strategy and further argued that successful combination of those

two strategies will result in sustainable competitive advantage. As to Wright and other multiple business strategies are required to respond effectively to any environment condition. In the mid to late 1980s where the environments were relatively stable there was no requirement for flexibility in business strategies but survival in the rapidly changing, highly unpredictable present market contexts will require flexibility to face any contingency. After eleven years Porter revised his thinking and accepted the fact that hybrid business strategy could exist and writes in the following manner.

Though Porter had a fundamental rationalisation in his concept about the invalidity of hybrid business strategy, the highly volatile and turbulent market conditions will not permit survival of rigid business strategies since long-term establishment will depend on the agility and the quick responsiveness towards market and environmental conditions. Market and environmental turbulence will make drastic implications on the root establishment of a firm. If a firm's business strategy could not cope with the environmental and market contingencies, long-term survival becomes unrealistic. Diverging the strategy into different avenues with the view to exploit opportunities and avoid threats created by market conditions will be a pragmatic approach for a firm. Critical analysis done separately for cost leadership strategy and differentiation strategy identifies elementary value in both strategies in creating and sustaining a competitive advantage. Consistent and superior performance than competition could be reached with stronger foundations in the event "hybrid strategy" is adopted. Depending on the market and competitive conditions hybrid strategy should be adjusted regarding the extent which each generic strategy (cost leadership or differentiation) should be given priority in practice.

Strategic Change

A restructuring of an organization's business or marketing plan that is typically performed in order to achieve an important objective. For example, a strategic change might include shifts in a corporation's policies, target market, mission or organizational structure.

The three major types of strategic change processes are:

Restructuring

Managers often choose 'restructuring' of the organization for the implementation of strategic change.

Researches imply that environment is an-important determinant of organization structure which is also subject to the 'by-plays of interpersonal power and politics'. In practice, the appropriateness of organizational structure is determined by situations.

In today's turbulent environment that demands total customer satisfaction to be achieved through continuous quality improvement, the need for a new organizational structure can hardly be overemphasized.

Implementing strategic change requires a complete deviation from the traditional structure and a switchover to a dynamic design capable of dealing with the requirements of a constantly changing the environment.

Changing organization structure alone, however, may not yield the desired results; changes need to be made in many other aspects of the organization such as information system, human resource policies, and corporate culture.

These changes should be made in such a way a that they support the transition from the old to the new paradigm.

And, the overall efficacy of the changes depends on how far senior managers of the organization lend their active support and participation.

In order to restructure an organization, managers:

- Reorganize the departments and make changes in the hierarchy.
- Resort to downsizing. In restructuring programs, it is common among the companies to bring in changes in the relationship between departments or divisions in order to cut costs and to develop speed in cooperation among various functions.

When companies undertake to downsize, they reduce the number of employees In a planned way to reduce costs and eventually to be competitive in the marketplace.

Reengineering

In reengineering, the focus of the managers is on the 'business processe's rather than on 'business functions.' What is done in reengineering is that managers radically redesign the business processes.

The objective is to reduce costs, improve quality, bring in superiority In service, and achieve dramatic improvements in speed (of doing things throughout the organization).

A business process, such as product designing or inventory control, requires cross-functional coordination for success.

For example, you can think of a firm that produces cards birthday cards, marriage cards, greetings cards, and valentines cards.

The company originally established the card-design process in such a way that all workers (artists, writers, and editors) worked in different functions to produce all

types of cards. After reengineering, the workers are now working in cross-functional teams.

Each of them now works on a specific type of card. As a result, the firm can now introduce new cards in the market within a few weeks, compared with a few months prior to reengineering.

Innovation

Innovation is primarily an improvement over existing products or services.

Thus, innovation requires extensive research and development efforts. Innovation implies that organizations are using their existing skills, competencies, and resources to create new goods or services or even new technology. This the organizations do to be able to better respond to the customer's needs.

Innovation may be wonderful in achieving spectacular success, while it may lead to disaster if the research and development efforts fail to bring desired results. Although innovation involves high risks, it has the greatest prospects for long-term success.

7 Steps of Strategic Change Process

Organization's must follow 7 steps process is followed for the implementation of strategic change programs:

- Diagnosing the Need for Change.
- Stakeholder Analysis.
- Igniting Change.
- Creating Change Network and Building Teams.
- Preparing and Executing Change Management Plan.
- Identifying and Managing Resistances to Change.
- Institutionalizing Successful Change Programs.
- Evaluating the Effects of Changes.

Diagnosing the Need for Change

Determining the Value of Diagnosis

Although some organizations are good at anticipating the need for change, many organizations fail to do it. Even some never recognize the problem or opportunity at all.

Organization's longterm survival is threatened due to such failures.

When organizations suffer from complacency for success, it: may sometimes set the stage for failure. This happens because managers of successful companies become locked into patterns of behavior that produced success, and these patterns are not usually questioned.

Such 'trap of succes's may become 'death spiral', as remarked by Nadler and Shaw.

In order to protect an organization from a death spiral, managers need to recognize the need for change, look to the outside world, since what is happening, anticipate implications of the signals for change, and formulate change agenda.

Here begins the initial step in the entire change management process.

Initial preparation and planning for change management require a diagnosis for change in the organization. In diagnosis for change, usually, an analysis is made of:

- Organizational member's readiness for change.
- Organizational member's competency for change.

Organizational Member's Readiness for Change

The intervention success depends heavily on the organization being ready for planned change. Organization member's readiness for change depends on creating a felt need for change.

This involves making members so dissatisfied with the status quo that they are motivated to try new things and ways of behaving; indicators of readiness for change include sensitivity to, pressure for change, dissatisfaction with the status quo, availability of resources to support change, and commitment of significant management time.

When these conditions are present, interventions can be designed to address the organizational issues uncovered during diagnosis. When readiness for change is low, however, interventions need to focus oh increasing the organization's willingness to change.

Organizational Member's Competency for Change

Managing planned change requires particular knowledge and skills. These include the ability to motivate change, to lead change, to develop political support, to manage the transition, and to sustain momentum.

If organization members do not have these capabilities, then a preliminary training intervention may be needed before members can meaningfully engage in intervention design.

The results of the diagnosis are used as basic information to develop a change management plan. For diagnosis of the need for change, the tool that is widely used is known as the RWA Scale.

Here R stands for readiness, N stands for will, and A stands for ability. It is a 5-point Likert-type scale. You will find in the RWA Scale that item numbers 1-4 represent preparation for change, item numbers 5, 9 and 10 indicate a willingness to change, and item numbers 6-8 indicate change-ability/capacity.

Diagnosis of the need for change is primarily essential for the basic reason that unless you know clearly the change situations, you will feel shattered while dealing with changes in your organization. When you understand the need for change management, you will be able to successfully exploit the change situation.

And successful exploitation of change situation requires:

- Knowledge of the circumstances surrounding a situation.
- Understanding of the interactions.
- Awareness of the potential impact of associated variables.

Diagnosis helps predict the future.

However, predictions produce at best a blurred picture of what might be, not a blueprint of future events or circumstances. The effective and progressive management of change can assist in shaping a future which may better serve the organization's survival prospects.

Diagnosing the Organization (Organizational Diagnosis)

Diagnosing organization is a major phase in the model of planned change.

In general terms, diagnosis is the process of understanding how the organization is currently functioning. It provides the information necessary to design change interventions.

Diagnosis can focus on understanding organizational problems, including their causes and consequences or in identifying the organization's positive attributes.

It includes choosing an appropriate model for understanding the organization and gathering, analyzing and feeding back, information to managers and organization members about the problems or opportunities. Thus, diagnosis can be either problem-oriented or development-oriented.

Diagnosis is problem-oriented where organizations do have specific problems. It seeks reasons for the problems. Diagnosis is development-oriented when organizational leaders/managers are interested in improving the overall effectiveness of their organization.

It assesses the current functioning of the organization to discover areas for future development.

Whatever the orientation, diagnosis provides a systematic understanding of organizations so that appropriate interventions may be developed for solving problems and enhancing effectiveness.

The milieu of any organization is the world in which it exists.

Changes in this world discipline the organization. The organization is either rewarded for adapting well or penalized for adapting poorly or not at all. The purpose of the organizational analysis is to steer the organization toward tomorrow's opportunities and welfare.

Sometimes it so happens that the opportunities and threats in the external environment as well as the weaknesses within the organization go unnoticed or are inadequately assessed.

Although eminently important, the managerial processes and methods and techniques are for naught if the world around the organization changes and organization is not poised to adapt to the changes.

As Peter Drucker arid others have astutely observed, it is far more important to do the right things than to do things right.

An organization's ability to achieve the desired levels of performance can be enhanced or diminished by its environment. In order to be on track, the organization needs to have the ability to minimize threats and capitalize on opportunities.

However, this ability depends on the actions that the organization can take in the face of environmental trends.

It is impossible to consider an organization's fitness for the future without enumerating tie an organization's strengths and evaluating the significance of those strengths. It is also necessary to determine areas of vulnerability.

Collecting and Analyzing Diagnostic Information

When you are involved with the process of diagnosing a need for change, you need to collect, analyze/interpret information and finally, feedback the information to those concerned.

The quality of information gathered plays an important role in developing appropriate interventions to deal with changes.

Data collection involves gathering information on specific organizational features such as the inputs, design components, and outputs.

The process begins by establishing an effective relationship between the data collector/change agent and those from whom data will be collected and then choosing data collection techniques. You can use four methods to collect data: questionnaires, interviews, observations, and unobtrusive measures (e.g., data from an organization's records and archives).

Data analysis organizes and examines the information to make clear the underlying causes of an organizational problem or to identify areas for future development.

For data analysis, you can use several methods quantitative techniques such as mean, standard deviation, correlation coefficient, and difference tests, or qualitative techniques.

However, of the several methods for summarizing diagnostic data in qualitative terms, you can use 'Content Analysi's and 'Force- Field Analysi's.

The content analysis attempts to summarize contents into meaningful categories; force field analysis organizes information pertaining to organizational change into two major categories; forces for change and forces for maintaining the status- quo or resisting change.

Because diagnosis is an important step that occurs frequently in the planned change process, a working familiarity with these techniques is essential.

Feeding Back Diagnostic Information

In the diagnostic process, feedback of diagnostic information is a crucially important element. After the information has been collected and analyzed, this must be fed back to the management of the organization.

The information or data can have an impact on organizational change only if organization members can use the information to devise appropriate action plans.

A key objective of the feedback process is to be sure that the organization's management has ownership of the data. If organizational members own the data, they will be motivated to solve the organizational problems.

The success of data feedback depends largely on its ability to mouse organizational action and to direct energy toward organizational problem-solving.

Whether feedback helps to energize the organization depends on the content of the feedback data and on the process by which they are fed back to organization members.

Stakeholder Analysis

An organization's challenge is to balance the needs of the different persons, groups of people and organizations that have some kind of stake or interest in the organization. They are called stakeholders.

They each have a stake in the success and actions of the organization.

While each organization will have its own cast of specific stakeholders, the generic stakeholder groups or categories remain fairly similar within industries. An organization needs to attempt to create a desirable outcome for each stakeholder.

Since different groups have different agendas, an organization must strive to understand the various stakeholder desires and expectations. Management's job is to balance the ways in which the organization creates value for its stakeholders.

Igniting Change

Igniting change is stimulating organizational people and other stakeholders for change to happen. Stimulation is done through empowerment, education, and motivation of the stakeholders.

You can do all these through various initiatives. You can hold various workshops, seminars or 'symposiums. You can also organize different types of awareness and empowerment events as well as skill training programs.

For igniting change in your organization, you need to:

- Establish a sense of urgency.
- Form a powerful change-coalition.
- Communicate changes.

Establishing a Sense of Urgency

Organizations may fail to recognize the need for change because the people of the organizations do not pay enough attention to what is happening in the wider environment.

Sometimes, they feel what is happening outside their organization, but they fail to recognize its implications, in the future.

Organizational people generally feel safe to live in a 'comfort, zone'. This feeling makes it difficult for the change agents to convince the people about the need for change in their domain of activities in John Kotter's language, 'hard to drive people out of their comfort zones'.

People don't like to opt for change mainly because of the history of past success and the lack of an immediate crisis.

That's why Kotter has suggested for unfreezing' that involves alerting organizational members to the need for change and motivating them to let go of the status quo.

In order to establish urgency, it is essential to critically examine the service quality,

client satisfaction and the like. To establish a sense of urgency, you may follow the following steps:

- Identify the forces driving the need for change.
- Link the driving forces to customers and broader organizational challenges.
- Highlight that the price of staying the same is higher than the price of change.
- Compel action.

Forming a Powerful Change-Coalition

Organizational people may form coalitions for varied reasons. The most common, the purpose is to combat a common threat or to take an advantage of a certain opportunity. The common threat or existence of opportunity is what gives rise to the coalition and allows it to exist.

Such collaborative processes can gain political influence and potentially initiate social movements. Four elements are necessary to maintain a coalition:

- Members must frame the issue that brings them together with a common interest.
- Member's trust in each other and believe that their peers have a credible commitment to the common issues and goals.
- The coalition must have a mechanisms to manage differences in language, orientation, tactics, culture, ideology, etc. between and among the members.
- The shared incentive to participate and, consequently, benefit.

Forming a change-coalition important, tor such coalition plays a role of the change management team. A change initiative will never take off the ground unless the organization can put together a strong team to direct the change process.

Change-coalition should behave like one body with the CEO.

It should share the CEO's willingness to change and vision. You may follow the criteria mentioned below for the selection of people in the change- coalition:

- A person of reputation in the organization.
- A person who knows change and innovation well.
- A person who knows how to motivate others.
- A person who can challenge a stereotyped way of thinking, culture, and customs.

- A person who is sympathetic and an articulate communicator.
- A person who has spiritual strength with flexibility.
- A person who can secure sponsorship from stakeholders both inside and outside the organization.
- A person who is a hard worker and wants to succeed.

Communicating Changes

Change-coalition needs to create a vision for change and develop tools of communication for change.

- For vision communication it would be wise to use easy words, avoid jargon, avoid specialized term, utilize metaphor/analogy/case, use multiple channels and methods (such as hard copy, email, telephone, video-conferencing, audio-conferencing, face-to-face communication on a one-to-one or one-to-group or group-to-group basis), provide logical description, and listen first god explain.
- Explaining and Asking: Be direct in stating the change and explaining the rationale for the change in relation to the overall goals you wish to achieve. Ask people for their opinion before you implement change. In addition to encouraging them to participate in the implementation of the change, listen to what they have to say.
- Spraying arid Praying: Shower employees with all kinds of information in the hope that they will feel informed and have access to all the information they require.
- Telling and Selling: Tell the employees/organization members about the key issues related to the proposed change. Then sell them the wisdom of your approach. For this to be successful, plan your presentations well in advance and encourage meaningful dialogue and also provide the people with the opportunity to discuss their concerns.
- Underscoring and Exploring: Tell the people about a limited set of fundamental issues linked to the change. Then give them the freedom to explore the implications of these issues. Listen attentively to them for avoiding potential misunderstandings.
- Familiarity and Language: Be thoroughly familiar with what you are communicating. Explain the change in language people understand to avoid any kind of semantic barriers.
- Identifying and Replying: Involve yourself in lots of listening in order to identify concerns of employees and then respond to these concerns.

- Withholding and Updating: If you are a believer of information is power and if you are also assuming that most employees are not sophisticated enough to grasp the 'big picture', then you may follow the strategy of withholding information until necessary. When confronted by rumors, your strategy may be to uphold the 'party line'.
- Anticipating: Anticipate how people will react, the questions they will raise and the issues that may result. Design your communication to answer those concerns immediately.
- Updating: Keep your personal key communicators up-to-date regularly.
- Appreciation and Solicitation: Expect the change to generate a corps of resisters and appreciate them. Solicit ideas that will strengthen what you want to do.
- Continuing Process: Keep communicating about the change after it has been made. Recognize and celebrate its successful implementation.

Creating Change Network and Building Teams

It is important to build change network through the identification of change-sponsors, advocates, change management team, change- agents and targets. The members in the change network perform a number of activities for bringing in change in the organization:

Creating Change Network

Change-sponsors

As 'change effort champion's within an organization, they initiate/sponsor the change, provide adequate resources, develop management supports, and support the goals with words and deed. They take up responsibility for change management actions.

The sponsors of change, along with the change management team leaders, are willing to give visible and active commitment and support to the change management project. They have the ability to direct resources to the project and they are willing to institute leadership by example.

Change-sponsors can be 'initiating sponsor's or 'sustaining sponsor's. The initiating-sponsors are key decision-makers and have power and resources to penalize those who resist initiative and have the power to maintain focus.

Their responsibilities include:

- Championing importance and value of the transition to the initiative with stakeholders.
- Providing feedback, committing time to stay in touch with status & communicating.

The sustaining-sponsors are influential individuals and they have the power to help sustain transition and enforce consequences. Their responsibilities include championing importance and value of transition across leadership.

Advocates

They want the change-efforts to, succeed but lack the power and resources to implement the change.

Their responsibilities include:

- Maintaining a consistent understanding of the initiative, status and issues.
- Advising on ways to address issues and Champion the initiative to sponsors and stakeholders.

Change Management Team

The change management team comprises organizational members who carry out the change-efforts.

Their responsibilities include:

- Maintaining liaison with the sponsors.
- Change-agents.
- Advocates.
- Other stakeholders.

Change-agents

They implement the change and remain accountable for their success. Their responsibilities include:

- Maintaining an understanding of project plan & status.
- Providing content expertise, work with the project team to help effectiveness & assist in meetings.

Targets

They are directly impacted by the initiative. Their responsibilities include:

- Understanding the objectives of the project.
- Maintaining open communication.
- Providing feedback.

Building Teams

Implementation of change program requires team building in the organization. Team building refers to a broad range of planned activities. It helps groups Improve the way they accomplish tasks and helps group members enhance their interpersonal and problem-solving skills.

Team building is an effective approach to improving teamwork and task accomplishment.

A team can facilitate various organization-development interventions such as organizational restructuring, work design and. strategic change. These change programs are typically designed by change-management team and implemented through various committees and workgroups.

Indeed, most technostructure, human resource management, and strategic interventions depend on some form of team building for effective implementation.

Management of the organization forms teams composed of key organizational members. Support of outside consultants can be solicited in the process. The cross-sectional tasks have to be reviewed by change management teams. It is essential to bind the members together to work on the task.

Team-building Activities

Team-building activities may take any or all of the following forms:

- Activities relevant to one or more individuals.
- Activities specific to the group's operation and behavior.
- Activities affecting the groups, relationship with the rest of the organization.

Usually, a specific team-building activity will overlap these three categories. On occasion, a change in one area may have negative results in other areas.

Preparing and Executing Change Management Plan

Once you have finished the job of diagnosing the need for change management, completed the stakeholder analysis, undertaken the initiatives for igniting Change, built up to change network, and determined the team activities related to change, you are now ready to develop a change management plan for your organization.

This plan will provide you and others involved with change management the directions for implementing the change with necessary resources and assistance.

Organizational change management encompasses alt activities aimed at helping an organization successfully accept and adopt new technologies and new ways to serve its customers.

Effective change management enables the transformation of strategy, processes, technology, and people to enhance performance and ensure continuous improvement in an ever-changing environment.

A comprehensive and structured approach to organizational change management is critical to the success of any project that will bring about significant change.

Characteristics of Effective Change Management Plan

- Purposeful: The planned activities are clearly linked to the change goals and priorities.
- Task-specific: The types of activities involved are clearly identified rather than broadly generalized.
- Integrated: discrete activities are linked.
- Temporal: Events and activities are timetabled.
- Adaptable: There are Contingency plans for adapting to unanticipated opportunities and problems.
- Agreed: Senior managers and other stakeholders support the plan.
- Cost-effective: Unnecessary waste is avoided.

Key Elements of Change Management Plan

Most organizations include the following elements in the change management plan. These are broad; usually, each element contains more specific sub-elements.

- The goal of the change.
- Scope and schedule.
- Strategy and methods.
- Design of change management system.
- Institutionalization.

Identifying and Managing Resistances to Change

Ample evidence indicates that people and organizations seek to preserve the status-quo and thus create resistance to any kind of change in normal functions.

Also, people are willing to change only when there are compelling reasons to do so. This warrants the necessity to find out the resistances created by people in organizations. You can adopt several ways to find resistances in your organization.

Identifying Resistances

- Try to understand first the major sources of resistance. In practice, you will find two sources of resistance to change personal-level sources and opganizationa-Hevel sources. Personal level resistances emanate from:
  - Anxiety about letting go of the known and moving to the uncertain future.
  - Being unsure whether their existing skills and contributions will be valued in the future.
  - The felt tension regarding whether they can leam to function effectively and to achieve benefits in the new situation. At the organizational level, resistances to change may come from 3 sources.
  - The habit of following common procedures and the sunk cost of resources invested in the status quo called technical resistance.
  - The potential threat of calling into question the past decisions of the top-level leaders/officials— called political resistance.
  - Systems and procedures of the organization that reinforce the status quo, promoting conformity to existing values, norms, and assumptions about how things should operate called cultural resistance.
- Carefully evaluate the negative and positive factors related to employee's desire for change. These include:
  - Fear of losing something of value (fear of job loss, fear of losing control over one's situation which contributes heavily to the human motivation to avoid significant system change).
  - Threats to power and influence.
  - Misunderstanding about the implications of the change.
  - Lack of trust between the persons initiating the change and the stakeholders.
  - Stakeholder's assessment of the situation differently.
  - Imminent negative consequences.
  - Enhanced job security.
  - Affiliation and sense of belonging.
  - Career advancement.
  - Acquisition of power or position.
  - Ownership for the future state.

- Incentive or compensation.
- Trust and respect for leadership.
- Hope in a future state, and more.

- Assess the resister's (employee's) personal and family situation (health, financial position, stability, mobility, relationships, etc.)
- Explore the resister's professional career history and plans (successes, failures, promotions, aspirations, years left before retirement, 2nd Career potential, etc).
- Identify the degree that this change will affect them personally (in some cases even large changes can have only a minimal impact on some employees).
- Evaluate your organization's history with change (past change success or failure, the likelihood that this change will really happen, consequences for employees that have resisted change in the past).
- Assess your organization's values and culture (how the organization treats employees and how employees treat one another).

Overcoming Resistance to Change

It is important to remember that resistance to change may not be resistance to the change itself.

Rather it may be a reaction to the way in which change is introduced and the levels of consultation and information provided related to that change.

Keeping this in view, you need to think about the ways resistance can be overcome. The possible strategies for overcoming resistances are:

- When you will find that the resisters have no adequate skills or knowledge to cope with the changing scenarios, and as a result, they are resisting the change, you can overcome this problem through providing training and positive reinforcement.
- When you will find that misunderstandings might arise about the processes and procedures that will apply in the changed situation, you can educate and persuade them through helping them understand the consequences that these new processes and procedures may have for their ability to deliver a performance. Also, you can involve them in the planning of the change.
- When you will find that the resisters have a lacking in motivation to apply skills whatever they have and consequently they are resisting the change, you can deal with such situation by providing negative consequences, stalling with hassles and remedies.

- When you will find that people tend to resist change because they are uncertain about the consequences due to lack of information that fuels rumors and gossips, you should undertake effective communication programs to inform the employees about the possible change programs. Such a step can help employees realistically prepare for change.
- You can also follow one of the most effective but oldest strategies for overcoming resistance to change. It is about involving employees directly in planning and implementing change. Participation can lead both of you and the employees to designing high-quality changes and to overcome resistance to implementing them.

Institutionalizing Successful Change Programs

This is the last stage in the process of change management.

At this stage, the managers or consultants appointed for the purpose conduct an evaluation of the effects of the change program. They carry out the evaluation to understand the effects of changes made in the strategy and structure on organizational performance.

They compare the present way of doing things (that is, alter the change has been implemented) with the way of doing things before implementation. They use the information of evaluation for undertaking another change program if needed. Information is also used % decide on institutionalizing the change program, if successful.

Evaluating the Effects of Changes

Once it is determined that a change program (intervention) has been implemented and is effective, attention is directed at institutionalizing the successful change program.

Successful change programs are made a permanent part of the organizations normal functioning through institutionalization. Just recall that change occurs in three stages unfreezing, moving and refreezing. Institutionalization of change programs concerns refreezing.

It involves the long-term persistence of organizational changes. To the extent that changes persist, they can be said to be institutionalized.

Such changes exist as a part of the culture of the organization.

Effects after Strategy Change

Positive Effects

Changing strategy can have a number of positive effects. New strategic directions can help a company to adapt to changes in the legal environment or the marketplace. New

strategies can help a company to perform more effectively or cost-efficiently, or can help them to enter a new, more profitable industry or market segment. Changes in strategy can also help a stagnant company to reclaim its former growth rates.

Negative Effects

Not all of the effects of change are positive. Internal employee resistance can be a major barrier to effective change implementation, as certain people strongly resist any kind of change to the status quo or daily routine. There is also always the possibility of failure in new initiatives, leaving a company in a worse position than it was before the change.

Considerations

Regular changes in strategic direction are healthy and natural for a successful company. Markets, technology, legal issues and operational trends do not stay stagnant, and neither should a dynamic, adaptable company. Involve a wide range of people in your monitoring and planning activities on a regular basis to fully leverage the creativity of your workforce.

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Processes of Strategic Management

2

- **Strategic Management Process**
- **Strategic Planning**
- **Strategic Thinking**
- **Strategy Formulation**
- **Balanced Scorecard**

The strategic management processes enable the managers to implement a set of strategies that results in achieving the firm's goals. Strategic planning, strategic formulation, strategic thinking, balanced scorecard, etc. are some of its concepts. This chapter discusses the concepts related to strategic management process in detail.

Strategic Management Process

The strategic management process is more than just a set of rules to follow. It is a philosophical approach to business. Upper management must think strategically first, then apply that thought to a process. The strategic management process is best implemented when everyone within the business understands the strategy.

Clarify your Vision

The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff; give each person a task with which he can succeed. Keep in mind during this process your goals to be detailed, realistic and match the values of your vision. Typically, the final step in this stage is to write a mission statement that succinctly communicates your goals to both your shareholders and your staff.

Gather and Analyze Information

Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on understanding the needs of the business as a sustainable entity, its strategic direction and identifying initiatives that will help your business grow. Examine any external or internal issues that can affect your goals and objectives. Make sure to identify both the strengths and weaknesses of your organization as well as any threats and opportunities that may arise along the path.

Formulate a Strategy

The first step in forming a strategy is to review the information gleaned from completing the analysis. Determine what resources the business currently has that can help reach the defined goals and objectives. Identify any areas of which the business must seek external resources. The issues facing the company should be prioritized by their importance to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to develop alternative approaches that target each step of the plan.

Implement your Strategy

Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

Evaluate and Control

Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured. These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan.

Monitoring internal and external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data gained in this stage should be retained to help with any future strategies.

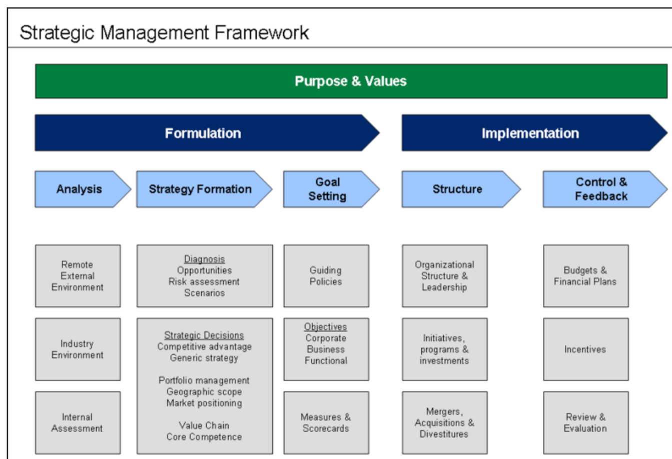
Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy. Strategic planning became prominent in corporations during the 1960s and remains an important aspect of strategic management. It is executed by strategic planners or strategists, who involve many parties and research sources in their analysis of the organization and its relationship to the environment in which it competes.

Strategy has many definitions, but generally involves setting strategic goals, determining actions to achieve the goals, and mobilizing resources to execute the actions. A strategy describes how the ends (goals) will be achieved by the means (resources). The senior leadership of an organization is generally tasked with determining strategy. Strategy can be planned (intended) or can be observed as a pattern of activity (emergent) as the organization adapts to its environment or competes.

Strategy includes processes of formulation and implementation; strategic planning helps coordinate both. However, strategic planning is analytical in nature (i.e., it involves "finding the dots"); strategy formation itself involves synthesis (i.e., "connecting the dots") via strategic thinking. As such, strategic planning occurs around the strategy formation activity.

Process



Strategic management processes and activities.

Strategic planning is a process and thus has inputs, activities, outputs and outcomes. This process, like all processes, has constraints. It may be formal or informal and is typically iterative, with feedback loops throughout the process. Some elements of the process may be continuous and others may be executed as discrete projects with a

definitive start and end during a period. Strategic planning provides inputs for strategic thinking, which guides the actual strategy formation. Typical strategic planning efforts include the evaluation of the organization's mission and strategic issues to strengthen current practices and determine the need for new programming. The end result is the organization's strategy, including a diagnosis of the environment and competitive situation, a guiding policy on what the organization intends to accomplish, and key initiatives or action plans for achieving the guiding policy.

Michael Porter wrote in 1980 that formulation of competitive strategy includes consideration of four key elements:

- Company strengths and weaknesses.
- Personal values of the key implementers (i.e., management and the board).
- Industry opportunities and threats.
- Broader societal expectations.

The first two elements relate to factors internal to the company (i.e., the internal environment), while the latter two relate to factors external to the company (i.e., the external environment). These elements are considered throughout the strategic planning process.

Inputs: Data is gathered from a variety of sources, such as interviews with key executives, review of publicly available documents on the competition or market, primary research (e.g., visiting or observing competitor places of business or comparing prices), industry studies, etc. This may be part of a competitive intelligence program. Inputs are gathered to help support an understanding of the competitive environment and its opportunities and risks. Other inputs include an understanding of the values of key stakeholders, such as the board, shareholders, and senior management. These values may be captured in an organization's vision and mission statements.

Activities

Strategic planning activities include meetings and other communication among the organization's leaders and personnel to develop a common understanding regarding the competitive environment and what the organization's response to that environment (its strategy) should be. A variety of strategic planning tools may be completed as part of strategic planning activities.

The organization's leaders may have a series of questions they want to be answered in formulating the strategy and gathering inputs, such as:

- What is the organization's business or interest?
- What is considered "value" to the customer or constituency?

- Which products and services should be included or excluded from the portfolio of offerings?
- What is the geographic scope of the organization?
- What differentiates the organization from its competitors in the eyes of customers and other stakeholders?
- Which skills and resources should be developed within the organization?

Outputs: The output of strategic planning includes documentation and communication describing the organization's strategy and how it should be implemented, sometimes referred to as the strategic plan. The strategy may include a diagnosis of the competitive situation, a guiding policy for achieving the organization's goals, and specific action plans to be implemented. A strategic plan may cover multiple years and be updated periodically.

The organization may use a variety of methods of measuring and monitoring progress towards the strategic objectives and measures established, such as a balanced scorecard or strategy map. Companies may also plan their financial statements (i.e., balance sheets, income statements, and cash flows) for several years when developing their strategic plan, as part of the goal-setting activity. The term operational budget is often used to describe the expected financial performance of an organization for the upcoming year. Capital budgets very often form the backbone of a strategic plan, especially as it increasingly relates to Information and Communications Technology (ICT).

Outcomes

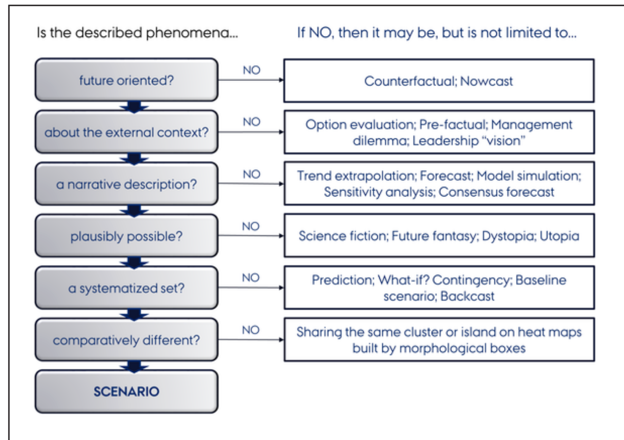
Whilst the planning process produces outputs, strategy implementation or execution of the strategic plan produces Outcomes. These outcomes will invariably differ from the strategic goals. How close they are to the strategic goals and vision will determine the success or failure of the strategic plan. There will also arise unintended Outcomes, which need to be attended to and understood for strategy development and execution to be a true learning process.

Tools and Approaches

A variety of analytical tools and techniques are used in strategic planning. These were developed by companies and management consulting firms to help provide a framework for strategic planning. Such tools include:

- PEST analysis, which covers the remote external environment elements such as political, economic, social and technological (PESTLE adds legal/regulatory and ecological/environmental).
- Scenario planning, which was originally used in the military and recently used

by large corporations to analyze future scenarios. The flowchart to the right provides a process for classifying a phenomenon as a scenario in the intuitive logics tradition.



- Process for classifying a phenomenon as a scenario in the Intuitive Logics tradition.
- Porter five forces analysis, which addresses industry attractiveness and rivalry through the bargaining power of buyers and suppliers and the threat of substitute products and new market entrants.
- SWOT analysis, which addresses internal strengths and weaknesses relative to the external opportunities and threats.
- Growth-share matrix, which involves portfolio decisions about which businesses to retain or divest.
- Balanced Scorecards and strategy maps, which creates a systematic framework for measuring and controlling strategy.
- Responsive Evaluation, which uses a constructivist evaluation approach to identify the outcomes of objectives, which then supports future strategic planning exercises.

Strategic Planning vs. Financial Planning

Simply extending financial statement projections into the future without consideration of the competitive environment is a form of financial planning or budgeting, not strategic planning. In business, the term "financial plan" is often used to describe the expected financial performance of an organization for future periods. The term "budget" is used for a financial plan for the upcoming year. A "forecast" is typically a combination of actual performance year-to-date plus expected performance for the remainder of the year, so is generally compared against plan or budget and prior performance. The

financial plans accompanying a strategic plan may include 3–5 years of projected performance.

McKinsey & Company developed a capability maturity model in the 1970s to describe the sophistication of planning processes, with strategic management ranked the highest. The four stages include:

- Financial planning, which is primarily about annual budgets and a functional focus, with limited regard for the environment.
- Forecast-based planning, which includes multi-year financial plans and more robust capital allocation across business units.
- Externally oriented planning, where a thorough situation analysis and competitive assessment is performed.
- Strategic management, where widespread strategic thinking occurs and a well-defined strategic framework is used.

Categories 3 and 4 are strategic planning, while the first two categories are non-strategic or essentially financial planning. Each stage builds on the previous stages; that is, a stage 4 organization completes activities in all four categories.

For Michael C. Sekora, Project Socrates founder in the Reagan White House, during the cold war the economically challenged Soviet Union was able to keep on western military capabilities by using technology-based planning while the U.S. was slowed by finance-based planning, until the Reagan administration launched the Socrates Project, which should be revived to keep up with China as an emerging superpower.

Criticism

Strategic Planning vs. Strategic Thinking

Strategic planning has been criticized for attempting to systematize strategic thinking and strategy formation, which Henry Mintzberg argues are inherently creative activities involving synthesis or "connecting the dots" which cannot be systematized. Mintzberg argues that strategic planning can help coordinate planning efforts and measure progress on strategic goals, but that it occurs "around" the strategy formation process rather than within it. Further, strategic planning functions remote from the "front lines" or contact with the competitive environment (i.e., in business, facing the customer where the effect of competition is most clearly evident) may not be effective at supporting strategy efforts.

Evidence on Strategic Planning's Impact

While much criticism surrounds strategic planning, evidence suggests that it does work. In a recent meta-analysis including data from almost 9,000 public and private

organizations, strategic planning is found to have a positive impact on organizational performance. Strategic planning is particularly potent in enhancing an organization's capacity to achieve its goals (i.e., effectiveness). However, the study argues that just having a plan is not enough. For strategic planning to work, it needs to include some formality (i.e., including an analysis of the internal and external environment and the stipulation of strategies, goals and plans based on these analyses), comprehensiveness (i.e., producing many strategic options before selecting the course to follow) and careful stakeholder management (i.e., thinking carefully about whom to involve during the different steps of the strategic planning process, how, when and why).

Scenario Planning

Scenario planning, also called scenario thinking or scenario analysis, is a strategic planning method that some organizations use to make flexible long-term plans. It is in large part an adaptation and generalization of classic methods used by military intelligence.

The original method was that a group of analysts would generate simulation games for policy makers. The methods combine known facts about the future, such as demographics, geography, military, political, industrial information, and mineral reserves, with key driving forces identified by considering social, technical, economic, environmental, and political (STEEP) trends.

In business applications, the emphasis on understanding the behavior of opponents was reduced (shifting more toward a game against nature). At Royal Dutch/Shell for example, scenario planning was viewed as changing mindsets about the exogenous part of the world, prior to formulating specific strategies.

Scenario planning may involve aspects of systems thinking, specifically the recognition that many factors may combine in complex ways to create sometime surprising futures (due to non-linear feedback loops). The method also allows the inclusion of factors that are difficult to formalize, such as novel insights about the future, deep shifts in values, unprecedented regulations or inventions. Systems thinking used in conjunction with scenario planning leads to plausible scenario storylines because the causal relationship between factors can be demonstrated. In these cases when scenario planning is integrated with a systems thinking approach to scenario development, it is sometimes referred to as dynamic scenarios.

Critics of using a subjective and heuristic methodology to deal with uncertainty and complexity argue that the technique has not been examined rigorously, nor influenced sufficiently by scientific evidence. They caution against using such methods to "predict" based on what can be described as arbitrary themes and "forecasting techniques".

Another challenge of scenario-building is that "predictors are part of the social context about which they are trying to make a prediction and may influence that context in the process". As a consequence, societal predictions can become self-destructing. For

example, a scenario in which a large percentage of a population will become HIV infected based on existing trends may cause more people to avoid risky behavior and thus reduce the HIV infection rate, invalidating the forecast (which might have remained correct if it had not been publicly known). Or, a prediction that cybersecurity will become a major issue may cause organizations to implement more security cybersecurity measures, thus limiting the issue.

Crafting Scenarios

These combinations and permutations of fact and related social changes are called "scenarios". The scenarios usually include plausible, but unexpectedly important situations and problems that exist in some small form in the present day. Any particular scenario is unlikely. However, future studies analysts select scenario features so they are both possible and uncomfortable. Scenario planning helps policy-makers and firms anticipate change, prepare a responses, and create more robust strategies.

Scenario planning helps a firm anticipate the impact of different scenarios and identify weaknesses. When anticipated years in advance, those weaknesses can be avoided or their impacts reduced more effectively than when similar real-life problems are considered under the duress of an emergency. For example, a company may discover that it needs to change contractual terms to protect against a new class of risks, or collect cash reserves to purchase anticipated technologies or equipment. Flexible business continuity plans with "PREsponse protocols" can help cope with similar operational problems and deliver measurable future value.

Zero-sum Game Scenarios

Strategic military intelligence organizations also construct scenarios. The methods and organizations are almost identical, except that scenario planning is applied to a wider variety of problems than merely military and political problems.

As in military intelligence, the chief challenge of scenario planning is to find out the real needs of policy-makers, when policy-makers may not themselves know what they need to know, or may not know how to describe the information that they really want.

Good analysts design wargames so that policy makers have great flexibility and freedom to adapt their simulated organisations. Then these simulated organizations are "stressed" by the scenarios as a game plays out. Usually, particular groups of facts become more clearly important. These insights enable intelligence organizations to refine and repackage real information more precisely to better serve the policy-makers' real-life needs. Usually the game's simulated time runs hundreds of times faster than real life, so policy-makers experience several years of policy decisions, and their simulated effects, in less than a day.

This chief value of scenario planning is that it allows policy-makers to make and learn from mistakes without risking career-limiting failures in real life. Further, policymakers can make these mistakes in a safe, unthreatening, game-like environment, while responding to a wide variety of concretely presented situations based on facts. This is an opportunity to "rehearse the future", an opportunity that does not present itself in day-to-day operations where every action and decision counts.

How Military Scenario Planning or Scenario Thinking is Done?

- Decide on the key question to be answered by the analysis: By doing this, it is possible to assess whether scenario planning is preferred over the other methods. If the question is based on small changes or a very small number of elements, other more formalized methods may be more useful.

- Set the time and scope of the analysis: Take into consideration how quickly changes have happened in the past, and try to assess to what degree it is possible to predict common trends in demographics, product life cycles. A usual timeframe can be five to 10 years.

- Identify major stakeholders: Decide who will be affected and have an interest in the possible outcomes. Identify their current interests, whether and why these interests have changed over time in the past.

- Map basic trends and driving forces: This includes industry, economic, political, technological, legal, and societal trends. Assess to what degree these trends will affect your research question. Describe each trend, how and why it will affect the organisation. In this step of the process, brainstorming is commonly used, where all trends that can be thought of are presented before they are assessed, to capture possible group thinking and tunnel vision.

- Find key uncertainties: Map the driving forces on two axes, assessing each force on an uncertain/(relatively) predictable and important/unimportant scale. All driving forces that are considered unimportant are discarded. Important driving forces that are relatively predictable (ex. demographics) can be included in any scenario, so the scenarios should not be based on these. This leaves you with a number of important and unpredictable driving forces. At this point, it is also useful to assess whether any linkages between driving forces exist, and rule out any "impossible" scenarios (ex. full employment and zero inflation).

- Check for the possibility to group the linked forces and if possible, reduce the forces to the two most important. (To allow the scenarios to be presented in a neat xy-diagram).

- Identify the extremes of the possible outcomes of the two driving forces and

check the dimensions for consistency and plausibility. Three key points should be assessed:

- Time frame: are the trends compatible within the time frame in question?
- Internal consistency: do the forces describe uncertainties that can construct probable scenarios.
- Vs the stakeholders: are any stakeholders currently in disequilibrium compared to their preferred situation, and will this evolve the scenario? Is it possible to create probable scenarios when considering the stakeholders? This is most important when creating macro-scenarios where governments, large organisations et al. will try to influence the outcome.

Define the scenarios, plotting them on a grid if possible. Usually, two to four scenarios are constructed. The current situation does not need to be in the middle of the diagram (inflation may already be low), and possible scenarios may keep one (or more) of the forces relatively constant, especially if using three or more driving forces. One approach can be to create all positive elements into one scenario and all negative elements (relative to the current situation) in another scenario, then refining these. In the end, try to avoid pure best-case and worst-case scenarios.

Write out the scenarios. Narrate what has happened and what the reasons can be for the proposed situation. Try to include good reasons why the changes have occurred as this helps the further analysis. Finally, give each scenario a descriptive (and catchy) name to ease later reference.

Assess the scenarios. Are they relevant for the goal? Are they internally consistent? Are they archetypical? Do they represent relatively stable outcome situations?

Identify research needs. Based on the scenarios, assess where more information is needed. Where needed, obtain more information on the motivations of stakeholders, possible innovations that may occur in the industry and so on.

Develop quantitative methods. If possible, develop models to help quantify consequences of the various scenarios, such as growth rate, cash flow etc. This step does of course require a significant amount of work compared to the others, and may be left out in back-of-the-envelope-analyses.

Converge towards decision scenarios. Retrace the steps above in an iterative process until you reach scenarios which address the fundamental issues facing the organization. Try to assess upsides and downsides of the possible scenarios.

In Military Applications

Scenario planning is also extremely popular with military planners. Most state's department of war maintains a continuously updated series of strategic plans to cope with

well-known military or strategic problems. These plans are almost always based on scenarios, and often the plans and scenarios are kept up-to-date by war games, sometimes played out with real troops. This process was first carried out (arguably the method was invented by) the Prussian general staff of the mid-19th century.

Strategic Thinking

Strategic thinking is defined as a mental or thinking process applied by an individual in the context of achieving a goal or set of goals in a game or other endeavor. As a cognitive activity, it produces thought.

When applied in an organizational strategic management process, strategic thinking involves the generation and application of unique business insights and opportunities intended to create competitive advantage for a firm or organization. It can be done individually, as well as collaboratively among key people who can positively alter an organization's future. Group strategic thinking may create more value by enabling a proactive and creative dialogue, where individuals gain other people's perspectives on critical and complex issues. This is regarded as a benefit in highly competitive and fast-changing business landscapes.

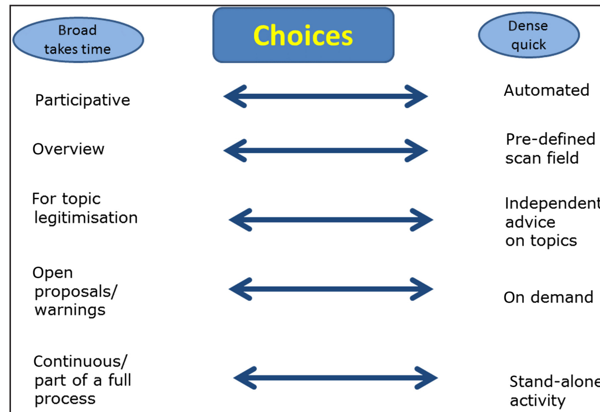
Strategic thinking includes finding and developing a strategic foresight capacity for an organization, by exploring all possible organizational futures, and challenging conventional thinking to foster decision making today. Recent strategic thought points ever more clearly towards the conclusion that the critical strategic question is not the conventional "What?", but "Why?" or "How?". The work of Henry Mintzberg and other authors, further support the conclusion; and also draw a clear distinction between strategic thinking and strategic planning, another important strategic management thought process.

General Andre Beaufre wrote in 1963 that strategic thinking "is a mental process, at once abstract and rational, which must be capable of synthesizing both psychological and material data. The strategist must have a great capacity for both analysis and synthesis; analysis is necessary to assemble the data on which he makes his diagnosis, synthesis in order to produce from these data the diagnosis itself—and the diagnosis in fact amounts to a choice between alternative courses of action".

There is no generally accepted definition for strategic thinking, no common agreement as to its role or importance, and no standardised list of key competencies of strategic thinkers. There is also no consensus on whether strategic thinking is an uncommon ideal or a common and observable property of strategy. Most agree that traditional models of strategy making, which are primarily based on strategic planning, are not working. Strategy in today's competitive business landscape is moving away from the

basic 'strategic planning' to more of 'strategic thinking' in order to remain competitive. However, both thought processes must work hand-in-hand in order to reap maximum benefit. It has been argued that the real heart of strategy is the 'strategist'; and for a better strategy execution requires a strategic thinker who can discover novel, imaginative strategies which can re-write the rules of the competitive game; and set in motion the chain of events that will shape and "define the future".

There are many tools and techniques to promote and discipline strategic thinking. The flowchart to the right provides a process for classifying a phenomenon as a scenario in the intuitive logics tradition, and how it differs from a number of other planning approaches.



Strategic Thinking vs. Strategic Planning

In the view of F. Graetz, strategic thinking and planning are "distinct, but interrelated and complementary thought processes" that must sustain and support one another for effective strategic management. Graetz's model holds that the role of strategic thinking is "to seek innovation and imagine new and very different futures that may lead the company to redefine its core strategies and even its industry". Strategic planning's role is "to realise and to support strategies developed through the strategic thinking process and to integrate these back into the business".

Henry Mintzberg wrote in 1994 that strategic thinking is more about synthesis (i.e., "connecting the dots") than analysis (i.e., "finding the dots"). It is about "capturing what the manager learns from all sources (both the soft insights from his or her personal experiences and the experiences of others throughout the organization and the hard data from market research and the like) and then synthesizing that learning into a vision of the direction that the business should pursue". Mintzberg argued that strategic thinking cannot be systematized and is the critical part of strategy formation, as opposed to strategic planning exercises. In his view, strategic planning happens around the strategy formation or strategic thinking activity, by providing inputs for the strategist to consider and providing plans for controlling the implementation of the strategy after it is formed.

According to Jeanne Liedtka, strategic thinking differs from strategic planning along the following dimensions of strategic management:

	Strategic Thinking	Strategic Planning
Vision of the Future	Only the shape of the future can be predicted.	A future that is predictable and specifiable in detail.
Strategic Formulation and Implementation	Formulation and implementation are interactive rather than sequential and discrete.	The roles of formulation and implementation can be neatly divided.
Managerial Role In Strategy Making	Lower-level managers have a voice in strategy-making, as well as greater latitude to respond opportunistically to developing conditions.	Senior executives obtain the needed information from lower-level managers, and then use it to create a plan which is, in turn, disseminated to managers for implementation.
Control	Relies on self-reference a sense of strategic intent and purpose embedded in the minds of managers throughout the organisation that guides their choices on a daily basis in a process that is often difficult to measure and monitor from above.	Asserts control through measurement systems, assuming that organisations can measure and monitor important variables both accurately and quickly.
Managerial Role in Implementation	All managers understand the larger system, the connection between their roles and the functioning of that system, as well as the interdependence between the various roles that comprise the system.	Lower-level managers need only know his or her own role well and can be expected to defend only his or her own turf.
Strategy Making	Sees strategy and change as inescapably linked and assumes that finding new strategic options and implementing them successfully is harder and more important than evaluating them.	The challenge of setting strategic direction is primarily analytic.
Process and Outcome	Sees the planning process itself as a critical value-adding element.	Focus is on the creation of the plan as the ultimate objective.

Strategic Thinking Competencies

Liedtka observed five "major attributes of strategic thinking in practice" that resemble competencies:

- Systems perspective, refers to being able to understand implications of strategic actions. "A strategic thinker has a mental model of the complete end-to-end system of value creation, his or her role within it, and an understanding of the competencies it contains".
- Intent focused which means more determined and less distractible than rivals in the marketplace. Crediting Hamel and Prahalad with popularising the concept, Liedtka describes strategic intent as "the focus that allows individuals

within an organization to marshal and leverage their energy, to focus attention, to resist distraction, and to concentrate for as long as it takes to achieve a goal".

- Thinking in time means being able to hold past, present and future in mind at the same time to create better decision making and speed implementation. "Strategy is not driven by future intent alone. It is the gap between today's reality and intent for the future that is critical". Scenario planning is a practical application for incorporating "thinking in time" into strategy making.
- Hypothesis driven, ensuring that both creative and critical thinking are incorporated into strategy making. This competency explicitly incorporates the scientific method into strategic thinking.
- Intelligent opportunism, which means being responsive to good opportunities. "The dilemma involved in using a well-articulated strategy to channel organisational efforts effectively and efficiently must always be balanced against the risks of losing sight of alternative strategies better suited to a changing environment.

Strategy Formulation

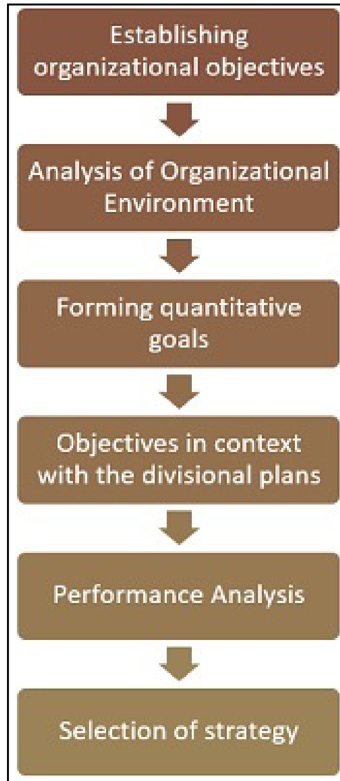
Strategy Formulation is an analytical process of selection of the best suitable course of action to meet the organizational objectives and vision. It is one of the steps of the strategic management process. The strategic plan allows an organization to examine its resources, provides a financial plan and establishes the most appropriate action plan for increasing profits.

It is examined through SWOT analysis. SWOT is an acronym for strength, weakness, opportunity and threat. The strategic plan should be informed to all the employees so that they know the company's objectives, mission and vision. It provides direction and focus to the employees.

Steps of Strategy Formulation

The steps of strategy formulation include the following:

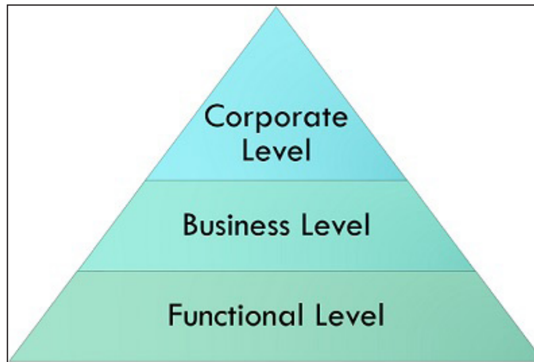
- Establishing Organizational Objectives: This involves establishing long-term goals of an organization. Strategic decisions can be taken once the organizational objectives are determined.
- Analysis of Organizational Environment: This involves SWOT analysis, meaning identifying the company's strengths and weaknesses and keeping vigilance over competitor's actions to understand opportunities and threats.



- Strengths and weaknesses are internal factors which the company has control over. Opportunities and threats, on the other hand, are external factors over which the company has no control. A successful organization builds on its strengths, overcomes its weakness, identifies new opportunities and protects against external threats.
- Forming quantitative goals: Defining targets so as to meet the company's short-term and long-term objectives. Example, 30% increase in revenue this year of a company.
- Objectives in context with divisional plans: This involves setting up targets for every department so that they work in coherence with the organization as a whole.
- Performance Analysis: This is done to estimate the degree of variation between the actual and the standard performance of an organization.
- Selection of Strategy: This is the final step of strategy formulation. It involves evaluation of the alternatives and selection of the best strategy amongst them to be the strategy of the organization.
- Strategy formulation process is an integral part of strategic management, as it helps in framing effective strategies for the organization, to survive and grow in the dynamic business environment.

Levels of Strategy Formulation

There are three levels of strategy formulation used in an organization:



- Corporate level strategy: This level outlines what you want to achieve: growth, stability, acquisition or retrenchment. It focuses on what business you are going to enter the market.
- Business level strategy: This level answers the question of how you are going to compete. It plays a role in those organization which have smaller units of business and each is considered as the strategic business unit (SBU).
- Functional level strategy: This level concentrates on how an organization is going to grow. It defines daily actions including allocation of resources to deliver corporate and business level strategies.

Hence, all organisations have competitors, and it is the strategy that enables one business to become more successful and established than the other.

Balanced Scorecard

A balanced scorecard is a strategic management performance metric used to identify and improve various internal business functions and their resulting external outcomes. Balanced scorecards are used to measure and provide feedback to organizations. Data collection is crucial to providing quantitative results as managers and executives gather and interpret the information and use it to make better decisions for the organization.

The balanced scorecard model reinforces good behavior in an organization by isolating four separate areas that need to be analyzed. These four areas, also called legs, involve learning and growth, business processes, customers, and finance.

The balanced scorecard is used to attain objectives, measurements, initiatives, and goals that result from these four primary functions of a business. Companies can easily

identify factors hindering business performance and outline strategic changes tracked by future scorecards.

The balanced scorecard can provide information about the company as a whole when viewing company objectives. An organization may use the balanced scorecard model to implement strategy mapping to see where value is added within an organization. A company also uses a balanced scorecard to develop strategic initiatives and strategic objectives.

Characteristics of the Balanced Scorecard Model

Information is collected and analyzed from four aspects of a business:

- Learning and growth are analyzed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees use the information to convert it to a competitive advantage over the industry.
- Business processes are evaluated by investigating how well products are manufactured. Operational management is analyzed to track any gaps, delays, bottlenecks, shortages, or waste.
- Customer perspectives are collected to gauge customer satisfaction with quality, price, and availability of products or services. Customers provide feedback about their satisfaction with current products.
- Financial data, such as sales, expenditures, and income are used to understand financial performance. These financial metrics may include dollar amounts, financial ratios, budget variances, or income targets.

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Strategic Analysis 3

- Tools of Strategic Analysis
- Trend Analysis
- Business Models
- Business Model Canvas
- Growth–share Matrix
- Internal Analysis
- External Analysis

There are various tools and elements that are used in strategic analysis of a business. These include SWOT analysis, PEST analysis, business motivation model, internal and external analysis, growth-share matrix, etc. This chapter closely examines the tools and elements used in strategic analysis to provide an extensive understanding of the subject.

Strategic analysis is a process that involves researching an organization's business environment within which it operates. Strategic analysis is essential to formulate strategic planning for decision making and smooth working of that organization. With the help of strategic planning, the objective or goals that are set by the organization can be fulfilled.

In a constant strive to improve, organizations must periodically conduct a strategic analysis which will, in turn, help them determine what areas need improvement and areas that are already doing well. For an organization to function efficiently, it is important to think about how positive changes need to be implemented.

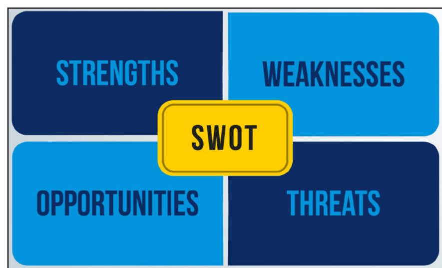
Strategic analysis is essential if a company has a goal and a mission for themselves. All leading organization who are well known for their achievements have years of strategic planning being implemented at various stages. Strategic planning is a long-term task involving continuous and systematic planning and resource investment. The main question that a company should consider when performing a strategic analysis is: How is the market constituted? How are the active clients in this sector? While conducting strategic analysis, organizations must know their competitors and thus be able to

define a strategy that will help them an unbeatable player in that market. One of the most important functions of strategic planning is to predict future events and deduce alternative strategies if a certain plan doesn't work out as expected.

Types of Strategic Analysis

Internal strategic analysis: As the name suggests, through this analysis organizations look inwards or within the organization and identify the positive and negative points, and establish the set of resources that can be used to improve the company's image within the market. Internal analysis starts from evaluating the performance of the organization. This includes evaluating the potential of an organization and its capacity to grow.

The analysis of the strengths of the company should be oriented to the market, focusing on the client. The strengths only make sense when they help the company to fulfill client's needs. When doing an internal strategic analysis one should also know the weaknesses and limitations that a company faces existentially or in the future.



SWOT analysis is one of the most reputed techniques for internal strategic analysis. There is no better way to benefit from a strategically performed analysis than to use it to detect the strengths, opportunities, weaknesses, and threats that your project may suffer.

Performing SWOT analysis will help you create a strong and long term vision through strategic planning for your organization. The important thing is to constantly evaluate the environment in which the company operates, and act accordingly. It is essential for an organization to take into account the SWOT principle in order to be able to plan efficiently. Through a thorough SWOT analysis companies will be able to prevent a number of problems that can arise if there is no systematic analysis.

Let us further break down these attributes and understand how an organization can conduct a complete strategic analysis to be able to plan and perform better with each passing year.

- Strengths of a company: There are several attributes within the company that are positive, that you can control in order to obtain better results, they are your strengths, which makes you stand out from others. Surely there are certain resources or strategies that have led to your organization's process year on year. Knowing these resources or strategies are also considered as strengths. Knowing

this type of information is very important because these are the elements that give you an advantage over your competition.

- Business weakness: It is practically impossible for an organization or a company to have only strengths and not have weaknesses. Therefore, there are certain characteristics of an organization that they need to be improved in order to be able to perform better and compete in the market. These are called business weaknesses. Most of the factors are foreseeable and an organization needs to identify them well in advance and approach the problems with a corrective measure.
- Threats to an organization: There are going to negative factors that will affect the growth of the organization and these factors can be analyzed too. These factors need to detected and a risk management strategy needs to be put in place so that threats like stronger brand value of the competitors, better relationship of competitors with retailers etc. don't have an adverse effect on the company's growth. Also, threats like multiple players in the market with the same products, downturn in economy, better advertising of the same product by competitors are some threats that have to be dealt with carefully so that competitors don't take advantage of the situation.
- Opportunities for the company: Detect the opportunities you have to grow. Knowing the path organizations must follow is a great step towards success. Take advantage of all those external factors that are positive for the organization. Identify all the opportunities and take advantage of them.
- External strategic analysis: Once the organization has successfully completed its internal analysis, the organization needs to know about external factors that can be a hindrance in their growth. To do so, they need to know how the market functions and how consumers react or behave to certain products or services. Measuring customer satisfaction is a common external analysis method. PESTLE analysis is one of the most widely used external analysis techniques. The process one is most likely to adopt when using a PESTLE technique is relatively a simple one.

PESTLE analysis (Political, Economic, Social, Legal and Environmental) describes a framework of macro-environmental factors used in the environmental scanning component of external strategic analysis. The model has been extended by adding Ethics and Demographic factors. It is a part of the external analysis when conducting a strategic analysis or doing market research and gives an overview of the different macro environmental factors that the organization has to take into consideration. By using PESTLE analysis one can:

- Find out the key issues beyond the organization's control, like changes in political scenario changing rules that can be implemented at any point in time.
- Identify the impact of each issue.
- See how important these issues are to the organization.
- Rate the likelihood of its occurrence.
- Briefly consider the implications if the issue did occur.

Strategic Analysis and Market Research

Market research can provide you with the necessary information to know the different market scenarios and suggest strategies to achieve more sales. Market research is either qualitative or quantitative in nature of conduct. Market research can provide you with the necessary information to know the different market scenarios and propose strategies to achieve more sales. For example, through market research, an organization can know the degree of recognition that the brand has and plan marketing campaign correctly.

Organizations can also bet effectively the introduction of a new product into the market, or innovate through the new ideas of customers. Ask the right questions to customers and get their feedback. The data provided by the investigation will help you to plan correctly what you have to do, for example, in case your competitors lower their prices, or are there changes in the behavior of your consumers?

Strengths of Strategic Analysis

- Strategic analysis allows you to have clarity of the internal positive attributes of the organization that are under control. By knowing these positive attributes an organization can focus on the factors that lead to positive performance and can replicate the strategy wherever applicable.
- It helps identify strength of both internal as well as external resources, such that it leads to an increasing competitive advantage.
- It offers you the internal components that add value or offer a competitive advantage to your business. When you have a reasonable competitive advantage

over you competitors half the game plan is clear. The only aspect that would need clarity is what is not going the company's way.

Weaknesses of Strategic Analysis

- Strategic analysis can generate too many ideas, but doesn't help to choose which one is the best.
- Sometimes too much time is spent on existential problem solving, such that there is little or no time left for innovating new products or making service level changes at the organizational level.

Tools of Strategic Analysis

SWOT Analysis

SWOT analysis (or SWOT matrix) is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning. It is designed for use in the preliminary stages of decision-making processes and can be used as a tool for evaluation of the strategic position of a city or organization. It is intended to specify the objectives of the business venture or project and identify the internal and external factors that are favorable and unfavorable to achieving those objectives. Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage. SWOT has been described as the tried-and-true tool of strategic analysis, but has also been criticized for its limitations.

Strengths and weakness are frequently internally-related, while opportunities and threats commonly focus on the external environment. The name is an acronym for the four parameters the technique examines:

- Strengths: characteristics of the business or project that give it an advantage over others.
- Weaknesses: characteristics of the business that place the business or project at a disadvantage relative to others.
- Opportunities: elements in the environment that the business or project could exploit to its advantage.
- Threats: elements in the environment that could cause trouble for the business or project.

The degree to which the internal environment of the firm matches with the external

environment is expressed by the concept of strategic fit. Identification of SWOTs is important because they can inform later steps in planning to achieve the objective. First, decision-makers should consider whether the objective is attainable, given the SWOTs. If the objective is *not* attainable, they must select a different objective and repeat the process.

Internal and External Factors

SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:

- Internal factors: The *strengths* and *weaknesses* internal to the organization.
- External factors: The *opportunities* and *threats* presented by the environment external to the organization.

Analysis may view the internal factors as strengths or as weaknesses depending upon their effect on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses (distractions, competition) for another objective. The factors may include all of the 4Ps as well as personnel, finance, manufacturing capabilities, and so on.

The external factors may include macroeconomic matters, technological change, legislation, and sociocultural changes, as well as changes in the marketplace or in competitive position. The results are often presented in the form of a matrix.

SWOT analysis is just one method of categorization and has its own weaknesses. For example, it may tend to persuade its users to compile lists rather than to think about actual important factors in achieving objectives. It also presents the resulting lists uncritically and without clear prioritization so that, for example, weak opportunities may appear to balance strong threats.

It is prudent not to eliminate any candidate SWOT entry too quickly. The importance of individual SWOTs will be revealed by the value of the strategies they generate. A SWOT item that produces valuable strategies is important. A SWOT item that generates no strategies is not important.

Use

SWOT analysis can be used in any decision-making situation when a desired end-state (objective) is defined, not just profit-seeking organizations. Examples include non-profit organizations, governmental units, and individuals. SWOT analysis may also be used in pre-crisis planning and preventive crisis management. SWOT analysis may also be used in creating a recommendation during a viability study/survey.

Strategy Building

SWOT analysis can be used to build organizational or personal strategy. Steps necessary to execute strategy-oriented analysis involve identification of internal and external factors (using the popular 2x2 matrix), selection and evaluation of the most important factors, and identification of relations existing between internal and external features.

For instance, strong relations between strengths and opportunities can suggest good conditions in the company and allow using an *aggressive* strategy. On the other hand, strong interactions between weaknesses and threats could be analyzed as a potential warning and advice for using a *defensive* strategy.

Matching and Converting

One way of using SWOT is matching and converting. Matching is used to find competitive advantage by matching the strengths to opportunities. Another tactic is to convert weaknesses or threats into strengths or opportunities. An example of a conversion strategy is to find new markets. If the threats or weaknesses cannot be converted, a company should try to minimize or avoid them.

Corporate Planning

As part of the development of strategies and plans to enable the organization to achieve its objectives, that organization will use a systematic/rigorous process known as corporate planning. SWOT alongside PEST/PESTLE can be used as a basis for the analysis of business and environmental factors.

- Set objectives: Defining what the organization is going to do.
- Environmental scanning:
    - Internal appraisals of the organization's SWOT: This needs to include an assessment of the present situation as well as a portfolio of products/services and an analysis of the product/service lifecycle.
- Analysis of existing strategies: This should determine relevance from the results of an internal/external appraisal. This may include gap analysis of environmental factors.
- Strategic Issues defined: Key factors in the development of a corporate plan that the organization must address.
- Develop new/revised strategies: Revised analysis of strategic issues may mean the objectives need to change.
- Establish critical success factors: The achievement of objectives and strategy implementation.

- Preparation of operational, resource, projects plans for strategy implementation.
- Monitoring all results: Mapping against plans, taking corrective action, which may mean amending objectives/strategies.

Marketing

In many competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds it necessary to invest in research to collect the data required to perform accurate marketing analysis. Accordingly, management often conducts market research (alternately marketing research) to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research such as focus groups.
- Quantitative marketing research such as statistical surveys.
- Experimental techniques such as test markets.
- Observational techniques such as ethnographic (on-site) observation.
- Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

Below is an example SWOT analysis of a market position of a small management consultancy with specialism in HRM.

Strengths	Weaknesses	Opportunities	Threats
Reputation in marketplace	Shortage of consultants at operating level rather than partner level.	Well established position with a well-defined market niche.	Large consultancies operating at a minor level.
Expertise at partner level in HRM consultancy	Unable to deal with multidisciplinary assignments because of size or lack of ability.	Identified market for consultancy in areas other than HRM.	Other small consultancies looking to invade the marketplace.

In Community Organization

The SWOT analysis has been used in community work as a tool to identify positive and negative factors within organizations, communities, and the broader society that

promote or inhibit successful implementation of social services and social change efforts. It is used as a preliminary resource, assessing strengths, weaknesses, opportunities, and threats in a community served by a nonprofit or community organization. This organizing tool is best used in collaboration with community workers and community members before developing goals and objectives for a program design or implementing an organizing strategy. The SWOT analysis is a part of the planning for social change process and will not provide a strategic plan if used by itself. After a SWOT analysis is completed, a social change organization can turn the SWOT list into a series of recommendations to consider before developing a strategic plan.

SWOT ANALYSIS		
	Strengths 1. 2. 3. 4.	Weaknesses 1. 2. 3. 4.
Opportunities 1. 2. 3. 4.	Opportunity-Strength strategies *Use strengths to take advantage of opportunities* 1. 2.	Opportunity-Weakness strategies *Overcome weaknesses by taking advantage of opportunities* 1. 2.
Threats 1. 2. 3. 4.	Threat-Strength strategies *Use strengths to avoid threats* 1. 2.	Threat-Weakness Strategies *Minimize weaknesses and avoid threats* 1. 2.

One example of a SWOT Analysis used in community organizing.

SWOT ANALYSIS			
Internal		External	
Strengths	Weaknesses	Opportunities	Threats

A simple SWOT Analysis used in Community Organizing.

Strengths and weaknesses (internal factors within an organization):

- Human resources: Staff, volunteers, board members, target population.
- Physical resources: Your location, building, equipment.
- Financial: Grants, funding agencies, other sources of income.
- Activities and processes: Programs you run, systems you employ.

- Past experiences: Building blocks for learning and success, your reputation in the community.

Opportunities and threats (external factors stemming from community or societal forces):

- Future trends in your field or the culture.
- The economy: Local, national, or international.
- Funding sources: Foundations, donors, legislatures.
- Demographics: Changes in the age, race, gender, culture of those you serve or in your area.
- The physical environment: Is your building in a growing part of town? Is the bus company cutting routes?
- Legislation: Do new federal requirements make your job harder or easier?
- Local, national, or international events.

Although the SWOT analysis was originally designed as an organizational method for business and industries, it has been replicated in various community work as a tool for identifying external and internal support to combat internal and external opposition. The SWOT analysis is necessary to provide direction to the next stages of the change process. It has been used by community organizers and community members to further social justice in the context of Social Work practice.

Application in Community Organization

As mentioned above, SWOT can be crucial to determining the success of a project, while factoring in funding, as well as accessibility and logic. Often, a city will spend a year weighing the Risk-benefits of a project before they even vote on it.

Elements to Consider

Elements to consider in a SWOT analysis include understanding the community that a particular organization is working with. This can be done via public forums, listening campaigns, and informational interviews. Data collection will help inform the community members and workers when developing the SWOT analysis. A needs and assets assessment is tooling that can be used to identify the needs and existing resources of the community. When these assessments are done and data has been collected, an analysis of the community can be made that informs the SWOT analysis.

Steps for Implementation

A SWOT analysis is best developed in a group setting such as a work or community

meeting. A facilitator can conduct the meeting by first explaining what a SWOT analysis is as well as identifying the meaning of each term.

One way of facilitating the development of a SWOT analysis includes developing an example SWOT with the larger group then separating each group into smaller teams to present to the larger group after set amount of time. This allows for individuals, who may be silenced in a larger group setting, to contribute. Once the allotted time is up, the facilitator may record all the factors of each group onto a large document such as a poster board, and then the large group, as a collective, can go work through each of the threats and weaknesses to explore options that may be used to combat negative forces with the strengths and opportunities present within the organization and community. A SWOT meeting allows participants to creatively brainstorm, identify obstacles, and possibly strategize solutions/way forward to these limitations.

When to use SWOT Analysis

The uses of a SWOT analysis by a community organization are as follows: to organize information, provide insight into barriers that may be present while engaging in social change processes, and identify strengths available that can be activated to counteract these barriers.

A SWOT analysis can be used to:

- Explore new solutions to problems.
- Identify barriers that will limit goals/objectives.
- Decide on direction that will be most effective.
- Reveal possibilities and limitations for change.
- To revise plans to best navigate systems, communities, and organizations.
- As a brainstorming and recording device as a means of communication.
- To enhance "credibility of interpretation" to be used in presentation to leaders or key supporters.

Benefits and Advantages

The SWOT analysis in social work practice framework is beneficial because it helps organizations decide whether or not an objective is obtainable and therefore enables organizations to set achievable goals, objectives, and steps to further the social change or community development effort. It enables organizers to take visions and produce practical and efficient outcomes that effect long-lasting change, and it helps organizations gather meaningful information to maximize their potential. Completing a SWOT analysis is a useful process regarding the consideration of key organizational priorities, such as gender and cultural diversity and fundraising objectives.

Limitations

SWOT is intended as a starting point for discussion and cannot, in itself, show managers how to achieve a competitive advantage. Because the SWOT analysis is a snapshot of the firm at a particular moment in time, the analysis might obscure the fact that both the internal and external environment are rapidly changing.

Some findings from Menon et al. and Hill and Westbrook have suggested that SWOT may harm performance and that "no-one subsequently used the outputs within the later stages of the strategy". Others have critiqued the misuse of the SWOT analysis as a technique that can be quickly designed without critical thought leading to a misrepresentation of strengths, weaknesses, opportunities, and threats within an organization's internal and external surroundings. If a firm becomes preoccupied with a single strength, such as cost control, they can neglect their weaknesses, such as product quality.

Another limitation includes the development of a SWOT analysis simply to defend previously decided goals and objectives. This misuse leads to limitations on brainstorming possibilities and "real" identification of barriers. This misuse also places the organization's interest above the well-being of the community. Further, a SWOT analysis should be developed as a collaborative with a variety of contributions made by participants including community members. The design of a SWOT analysis by one or two community workers is limiting to the realities of the forces, specifically external factors, and devalues the possible contributions of community members.

Michael Porter developed the five forces framework as a reaction to SWOT, which he found lacking in rigor and *ad hoc*.

SVOR Alternative

In project management, the alternative to SWOT known by the acronym SVOR (Strengths, Vulnerabilities, Opportunities, and Risks) compares the project elements along two axes: internal and external, and positive and negative. It takes into account the mathematical link that exists between these various elements, considering also the role of infrastructures. The SVOR table provides an intricate understanding of the elements at play in a given project:

Forces	Internal	Mathematical link	External
Positive	Total Forces	Total Forces given constraints = Infrastructures / Opportunities	Opportunities
Mathematical link	Vulnerabilities given constraints = 1 / Total Forces	constant k	Opportunities given constraints = 1 / Risks
Negative	Vulnerabilities	Risks given constraints = k / Vulnerabilities	Risks

Constraints consist of: calendar of tasks and activities, costs, and norms of quality. The "*k*" constant varies with each project (for example, it may be valued at 1.3).

PEST Analysis

PEST analysis (political, economic, socio-cultural and technological) describes a framework of macro-environmental factors used in the environmental scanning component of strategic management. It is part of an external analysis when conducting a strategic analysis or doing market research, and gives an overview of the different macro-environmental factors to be taken into consideration. It is a strategic tool for understanding market growth or decline, business position, potential and direction for operations.

Variants that build on the PEST framework include:

- PESTEL or PESTLE, which adds legal and environmental factors. Popular in the United Kingdom.
- SLEPT, adding legal factors.
- STEPE, adding ecological factors.
- STEEPLE and STEEPLED, adding ethics and demographic factors (occasionally rendered as PESTLEE).
- DESTEP, adding demographic and ecological factors.
- SPELIT, adding legal and intercultural factors, popular in the United States since the mid-2000s.
- PMESII-PT, a form of environmental analysis which looks at the aspects of political, military, economic, social, information, infrastructure, physical environment and time aspects in a military context.

There is also STEER, which considers sociocultural, technological, economic, ecological, and regulatory factors, but does not specifically include political factors.

Composition

The basic PEST analysis includes four factors:

- Political factors relate to how the government intervenes in the economy. Specifically, political factors have areas including tax policy, labour law, environmental law, trade restrictions, tariffs, and political stability. Political factors may also include goods and services which the government aims to provide or be provided (merit goods) and those that the government does not want to be provided (demerit goods or merit bads). Furthermore, governments have a high impact on the health, education, and infrastructure of a nation.

- Economic factors include economic growth, exchange rates, inflation rate, and interest rates. These factors greatly affect how businesses operate and make decisions. For example, interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates can affect the costs of exporting goods and the supply and price of imported goods in an economy.
- Social factors include the cultural aspects and health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. High trends in social factors affect the demand for a company's products and how that company operates. For example, the ageing population may imply a smaller and less-willing workforce (thus increasing the cost of labour). Furthermore, companies may change various management strategies to adapt to social trends caused from this (such as recruiting older workers).
- Technological factors include technological aspects like R&D activity, automation, technology incentives and the rate of technological change. These can determine barriers to entry, minimum efficient production level and influence the outsourcing decisions. Furthermore, technological shifts would affect costs, quality, and lead to innovation.

Expanding the analysis to PESTLE or PESTEL adds:

- Legal factors include discrimination law, consumer law, antitrust law, employment law, and health and safety law. These factors can affect how a company operates, its costs, and the demand for its products.
- Environmental factors include ecological and environmental aspects such as weather, climate, and climate change, which may especially affect industries such as tourism, farming, and insurance. Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones.

Other factors for the various offshoots include:

- Demographic factors include gender, age, ethnicity, knowledge of languages, disabilities, mobility, home ownership, employment status, religious belief or practice, culture and tradition, living standards and income level.
- Regulatory factors include acts of parliament and associated regulations, international and national standards, local government by-laws, and mechanisms to monitor and ensure compliance with these.

More factors discussed in the SPELIT Power Matrix include:

- Inter-cultural factors consider collaboration in a global setting.

- Other business-related factors that might be considered in an environmental analysis include Competition, Demographics, Ecological, Geographical, Historical, Organizational, and Temporal (schedule).

Applicability of the Factors

The model's factors will vary in importance to a given company based on its industry and the goods it produces. For example, consumer and B2B companies tend to be more affected by the social factors, while a global defense contractor would tend to be more affected by political factors. Additionally, factors that are more likely to change in the future or more relevant to a given company will carry greater importance. For example, a company which has borrowed heavily will need to focus more on the economic factors (especially interest rates).

Furthermore, conglomerate companies who produce a wide range of products (such as Sony, Disney, or BP) may find it more useful to analyze one department of its company at a time with the PESTEL model, thus focusing on the specific factors relevant to that one department. A company may also wish to divide factors into geographical relevance, such as local, national, and global.

Value chain analysis focuses on analyzing the internal activities of a business in an effort to understand costs, locate the activities that add the most value, and differentiate from the competition. To develop an analysis, Porter's model outlines primary business functions as the basic areas and activities of inbound logistics, operations, outbound logistics, marketing and sales, and service. The model also identifies the discrete tasks found in the important support activities of firm infrastructure, human resources management, technology, and procurement.

The overall goal of value chain analysis it to identify areas and activities that will benefit from change in order to improve profitability and efficiency.

Cost Drivers of Value Chain Analysis

Cost advantage results from a reduction in costs associated with activities in a value chain. After the value chain has been defined, it's important to associate costs to the activities and then make adjustments for efficiency. Porter's 10 cost drivers are factors that can impact the cost of an activity. An organization can aim to control these cost drivers in order to improve efficiency, add value, and differentiate.

- Economies of scale.
- Learning and spillovers.
- Pattern of capacity utilization.
- Linkages.

- Interrelationships.
- Integration.
- Timing.
- Organization policies.
- Location.
- Institutional factors.

Value chain analysis is more than a straightforward cost-to-profit model. It expands on the principles of economies of scale and capacity. There are limits to lowering costs and increasing capacity that can inhibit business growth. Value chain analysis stresses that competitive differentiation can also focus on the perceived value to the customer that justifies a product's price tag. Finding these perceived values could mean the difference between getting a consumer to spend three dollars on a cup of Starbuck's coffee rather than one dollar on a competitor's discount brand.

Using Value Chain Analysis

The management and analysis of value chains are becoming both industry specific and increasingly global, taking into account fast-changing markets, adjustments necessitated by new technologies, delivery methods, trade and government involvement, and fast-paced and fickle consumer demands. Add to that the global value chain's emphasis on sustainability, as well as its goal to expand the economic prospects of the world's poorest nations by fostering partnerships (especially in the agri-business sector). An example of this is discussed in the December 2009 briefing paper, Upgrading Along Value Chains: Strategies for Poverty Reduction in Latin America by Jonathan Mitchell, Christopher Coles, and Jodie Keane. In both micro and macro-change management strategies, business leaders continue to successfully implement Porter's deceptively simple value chain framework.

The reason for this continued success is that Porter's framework is, first and foremost, a general model. It is not meant to be a standalone, rigid framework that creates barriers between functions or gives equal weight to every task that brings a product or service to market. Various departments, including human resources, marketing, sales, and operations utilize value chain analysis. Similarly, a wide variety of industries such as enterprise, manufacturing, retail, service, and technology, in addition to governments and their agencies, successfully adapt the basic value chain concept, and understand that not all functions or activities need to receive the same level of scrutiny.

For example, the Department of Defense (DOD) has a design-chain operations reference (DCOR) that cites little need to spend time or resources analyzing marketing and sales activities in their overall value chain. Although this is probably an accurate and

reasonable evaluation for the DOD's purposes, it's one that few other enterprises are likely to echo.

Therefore, the first order of any value chain strategy is to identify the important tasks and functions necessary to deliver your product or service. Once you identify value activities, you can then focus analysis on where you can add value and discover areas for optimization, differentiation, or cost efficiency. When you complete these aspects of analysis, you're ready to put together a plan for changes.

Examples of Value Chain Analysis by Industry

For now and into the near future, value chains are useful management strategies for many different industries. However, as industries become more global, more cooperative, and more socially aware, they've come to perceive value chains differently based on their specific needs. Companies like FedEx see the future as a circular chain that values renewability. The World Bank, the United Nations Conference on Trade Development, and the International Crops Institute for the Semi-Arid Tropics all use global value chains to foster international cooperation to assist the world's poorest countries.

Companies that depend on global resources are developing initiatives to support global value chains by working with governments, United Nations partners, and economic aid organizations. In fact, in December of 2015, twenty value chain experts from various organizations, including OECD, FAP, ILO, UNIDO, WFP, WTO, ACID/VOCA, and GIZ, gathered for the "Inclusive and Sustainable Value Chain Development" meeting in Vienna, Austria, to discuss inclusive and sustainable agriculture value chains.

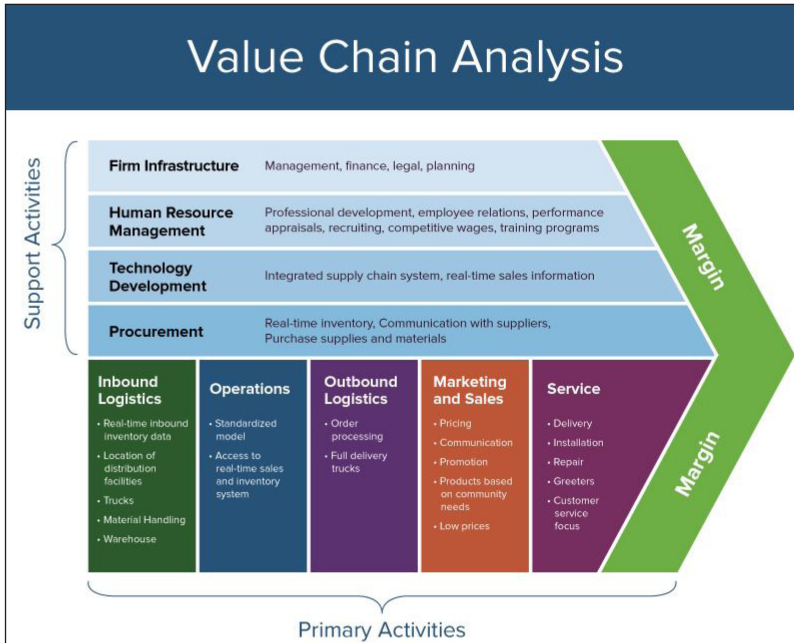
As one of the biggest purchasers of cocoa in the world, Nestlé has developed the "Every Woman, Every Child Initiative". To improve company value, they have committed to providing expertise, sustainable solutions, and social improvements, especially in the area of child labor. A number of companies create partnerships to provide opportunities for overseas development assistance through the development of agri-food value chains, such as those in the macadamia industry in Kenya, the sweet sorghum by-products in a country (say x), and the seed nut harvests in another country (say y). These initiatives advocate a greatly expanded view of the value chain called collaborative value networks.

Additional examples include:

- Food and Beverage: Selecting and sourcing high-quality coffee beans, developing loyalty through excellent customer service, and aggressively marketing their brand were key elements in Starbuck's creation of a unique identity and a robust competitive edge. Rather than focusing on premium pricing, Pizza Hut outpaced the competition by offering fast delivery of a less expensive product.
- Delivery Service: To increase market share and brand loyalty, FedEx's value

chain emphasizes and invests in employee development through excellent human resources initiatives and infrastructure improvements.

- Retail: Walmart is constantly performing value chain analysis in order to keep costs low for their customers. From regularly evaluating suppliers and integrating in-store and online shopping experiences to remaining innovative in order to differentiate, Walmart is driven by their commitment to helping people save money.



Implementing and Using Value Chain Analysis

Porter's generic strategies — so named because they can be administered to products or services in all industries — act as a starting point, not an absolute, step-by-step guide. However, Porter's generic model identifies three general steps in value chain analysis: the initial evaluation of tasks, the location of areas of cross-functionality, and the discovery of dynamic areas of opportunity.

Additionally, to help manage and fulfill the strategies of Porter's model, there are numerous templates, articles, online courses, and other roadmaps available to develop goals, strategies, and methods of value chain analysis. Many present industry-specific insight, models, and assistance.

For example, approaches that focus on discovering cost advantages and disadvantages include:

- Identifying primary and supporting activities.
- Rating the importance of each activity in providing value to the product or service.

- Identifying the cost drivers that cause a change in the activity cost.
- Identifying linkages and dependencies.
- Identifying cost reduction and value improvement opportunities.

Approaches with a focus on finding differentiation include:

- Identifying activities that create value for your customers.
- Identifying differentiation activities that improve customer value.
- Identifying the best opportunity for differentiation.

Value chain analysis as a tool also concentrates on finding activity links or, as Porter called them, bridges between both the primary and secondary functions of a department, business unit, or enterprise. Although the model is clear in defining general, discrete functions, there are numerous areas of interactions and cross-functionality that can identify cost opportunities, areas of greater efficiencies, and methods to distinguish a brand.

Factors that can influence the value you provide include finding and utilizing the right people, motivating the team, remaining relevant, incorporating technology, and listening to customer feedback.

When analyzing the value chain, it is important to include many stakeholders, and to study the entire market to find areas for competitive opportunities. It is also vital to provide clarity and information, and to define goals. There are thousands of activities varying in importance in the primary and supporting areas of the chain, and opportunities are discovered through cooperative research and analysis, brainstorming, surveying, and observation.

Advantages of Value Chain Analysis

The advantages of value chain analysis can be seen by breaking product and service activities into smaller pieces in an effort to fully understand the associated costs and areas of differentiation. With value chain analysis, you can easily identify those activities where you can quickly reduce cost, optimize effort, eliminate waste, and increase profitability.

Analyzing activities also gives insights into elements that bring greater value to the end user. Some of the resulting activities may be as simple as negotiating with suppliers on raw material cost, focusing on end-user experiences that are enhanced by new communication or customer service experiences, and identifying activities that are better served by outsourcing — those that are not a core competency, result in process improvements, or are less expensive when performed by external suppliers. It is common practice for organizations of all sizes and in all industry verticals to outsource to strategic partners.

A company may choose to design a product or service, but use an outsourced provider to build or manufacture the product. When deciding to outsource, it's important to consider whether the end customer will have a concern with the company outsourcing the specific activity, whether outsourcing impacts delivery time, and of course, the associated costs. In addition to negotiations, creating a better experience, and finding opportunities to outsource, analysis may also advocate the need for greater or more expensive resources that increase product value, develop loyalty, or create differentiation from your competition.

Disadvantages of Value Chain Analysis

Value chain analysis is no simple feat. Some of the difficulties involve gathering data (which can be labor and time-intensive), identifying the tasks or functions that can add perceived or real value and developing and deploying the plan. Additionally, it is not always easy to find appropriate information in order to break your value chain down into primary and supporting activities.

Porter's five Forces Analysis

Porter's Five Forces Framework is a tool for analyzing competition of a business. It draws from industrial organization (IO) economics to derive five forces that determine the competitive intensity and, therefore, the attractiveness (or lack of it) of an industry in terms of its profitability. An "unattractive" industry is one in which the effect of these five forces reduces overall profitability. The most unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven to normal profit levels.

Porter refers to these forces as the microenvironment, to contrast it with the more general term macroenvironment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to re-assess the marketplace given the overall change in industry information. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business model or network to achieve a profit above the industry average. A clear example of this is the airline industry. As an industry, profitability is low because the industry's underlying structure of high fixed costs and low variable costs afford enormous latitude in the price of airline travel. Airlines tend to compete on cost, and that drives down the profitability of individual carriers as well as the industry itself because it simplifies the decision by a customer to buy or not buy a ticket. A few carriers--Richard Branson's Virgin Atlantic is one-have tried, with limited success, to use sources of differentiation in order to increase profitability.

Porter's five forces include three forces from 'horizontal' competition-the threat of substitute products or services, the threat of established rivals, and the threat of new

entrants-and two others from 'vertical' competition-the bargaining power of suppliers and the bargaining power of customers.

Porter developed his five forces framework in reaction to the then-popular SWOT analysis, which he found both lacking in rigor and *ad hoc*. Porter's five-forces framework is based on the structure–conduct–performance paradigm in industrial organizational economics. Other Porter strategy tools include the value chain and generic competitive strategies.

Five Forces

Threat of new Entrants

Profitable industries that yield high returns will attract new entities. New entrants eventually will decrease profitability for other firms in the industry. Unless the entry of new firms can be made more difficult by incumbents, abnormal profitability will fall towards zero (perfect competition), which is the minimum level of profitability required to keep an industry in business.

The following factors can have an effect on how much of a threat new entrants may pose:

- The existence of barriers to entry (patents, rights, etc.). The most attractive segment is one in which entry barriers are high and exit barriers are low. It's worth noting, however, that high barriers to entry almost always make exit more difficult.
- Government policy such as sanctioned monopolies, legal franchise requirements, or regulatory requirements.
- Capital requirements - clearly the Internet has influenced this factor dramatically. Web sites and apps can be launched cheaply and easily as opposed to the brick and mortar industries of the past.
- Absolute cost.
- Cost advantage independent of size.
- Economies of scale.
- Product differentiation.
- Brand equity.
- Switching costs are well illustrated by structural market characteristics such as supply chain integration but also can be created by firms. Airline frequent flyer programs are an example.

- Expected retaliation - For example, a specific characteristics of oligopoly markets is that prices generally settle at an equilibrium because any price rises or cuts are easily matched by the competition.
- Access to distribution channels.
- Customer loyalty to established brands. This can be accompanied by large brand advertising expenditures or similar mechanisms of maintained brand equity.
- Industry profitability (the more profitable the industry, the more attractive it will be to new competitors).

Threat of Substitutes

A substitute product uses a different technology to try to solve the same economic need. Examples of substitutes are meat, poultry, and fish; landlines and cellular telephones; airlines, automobiles, trains, and ships; beer and wine; and so on. For example, tap water is a substitute for Coke, but Pepsi is a product that uses the same technology (albeit different ingredients) to compete head-to-head with Coke, so it is not a substitute. Increased marketing for drinking tap water might "shrink the pie" for both Coke and Pepsi, whereas increased Pepsi advertising would likely "grow the pie" (increase consumption of all soft drinks), while giving Pepsi a larger market share at Coke's expense.

Potential factors:

- Buyer propensity to substitute. This aspect incorporated both tangible and intangible factors. Brand loyalty can be very important as in the Coke and Pepsi example above; however contractual and legal barriers are also effective.
- Relative price performance of substitute.
- Buyer's switching costs. This factor is well illustrated by the mobility industry. Uber and its many competitors took advantage of the incumbent taxi industry's dependence on legal barriers to entry and when those fell away, it was trivial for customers to switch. There were no costs as every transaction was atomic, with no incentive for customers not to try another product.
- Perceived level of product differentiation which is classic Michael Porter in the sense that there are only two basic mechanisms for competition - lowest price or differentiation. Developing multiple products for niche markets is one way to mitigate this factor.
- Number of substitute products available in the market.
- Ease of substitution.
- Availability of close substitute.

Bargaining Power of Customers

The bargaining power of customers is also described as the market of outputs: the ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes. Firms can take measures to reduce buyer power, such as implementing a loyalty program. Buyer's power is high if buyers have many alternatives. It is low if they have few choices.

Potential factors:

- Buyer concentration to firm concentration ratio.
- Degree of dependency upon existing channels of distribution.
- Bargaining leverage, particularly in industries with high fixed costs.
- Buyer switching costs.
- Buyer information availability.
- Availability of existing substitute products.
- Buyer price sensitivity.
- Differential advantage (uniqueness) of industry products.
- RFM (customer value) Analysis.

Bargaining Power of Suppliers

The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the firm can be a source of power over the firm when there are few substitutes. If you are making biscuits and there is only one person who sells flour, you have no alternative but to buy it from them. Suppliers may refuse to work with the firm or charge excessively high prices for unique resources.

Potential factors are:

- Supplier switching costs relative to firm switching costs.
- Degree of differentiation of inputs.
- Impact of inputs on cost and differentiation.
- Presence of substitute inputs.
- Strength of distribution channel.
- Supplier concentration to firm concentration ratio.

- Employee solidarity (e.g. labor unions).
- Supplier competition: the ability to forward vertically integrate and cut out the buyer.

Competitive Rivalry

For most industries the intensity of competitive rivalry is the major determinant of the competitiveness of the industry. Having an understanding of industry rivals is vital to successfully marketing a product. Positioning pertains to how the public perceives a product and distinguishes it from competitor's. An organization must be aware of its competitor's marketing strategies and pricing and also be reactive to any changes made.

Potential factors:

- Sustainable competitive advantage through innovation.
- Competition between online and offline organizations.
- Level of advertising expense.
- Powerful competitive strategy which could potentially be realized by adhering to Porter's work on low cost versus differentiation.
- Firm concentration ratio.

Usage

Strategy consultants occasionally use Porter's five forces framework when making a qualitative evaluation of a firm's strategic position. However, for most consultants, the framework is only a starting point and value chain analysis or another type of analysis may be used in conjunction with this model. Like all general frameworks, an analysis that uses it to the exclusion of specifics about a particular situation is considered naïve·

According to Porter, the five forces framework should be used at the line-of-business industry level; it is not designed to be used at the industry group or industry sector level. An industry is defined at a lower, more basic level: a market in which similar or closely related products and services are sold to buyers. A firm which competes in a single industry should develop, at a minimum, one five forces analysis for its industry. Porter makes clear that for diversified companies, the primary issue in corporate strategy is the selection of industries (lines of business) in which the company will compete. The average *Fortune Global 1,000* company competes in 52 industries.

Criticisms

Porter's framework has been challenged by other academics and strategists. For

instance, Kevin P. Coyne and Somu Subramaniam claim that three dubious assumptions underlie the five forces:

- That buyers, competitors, and suppliers are unrelated and do not interact and collude.
- That the source of value is structural advantage (creating barriers to entry).
- That uncertainty is low, allowing participants in a market to plan for and respond to changes in competitive behavior.

An important extension to Porter's work came from Adam Brandenburger and Barry Nalebuff of Yale School of Management in the mid-1990s. Using game theory, they added the concept of complementors (also called "the 6th force") to try to explain the reasoning behind strategic alliances. Complementors are known as the impact of related products and services already in the market. The idea that complementors are the sixth force has often been credited to Andrew Grove, former CEO of Intel Corporation. Martyn Richard Jones, while consulting at Groupe Bull, developed an augmented five forces model in Scotland in 1993. It is based on Porter's Framework and includes Government (national and regional) as well as pressure groups as the notional 6th force. This model was the result of work carried out as part of Groupe Bull's Knowledge Asset Management Organisation initiative.

Porter indirectly rebutted the assertions of other forces, by referring to innovation, government, and complementary products and services as "factors" that affect the five forces.

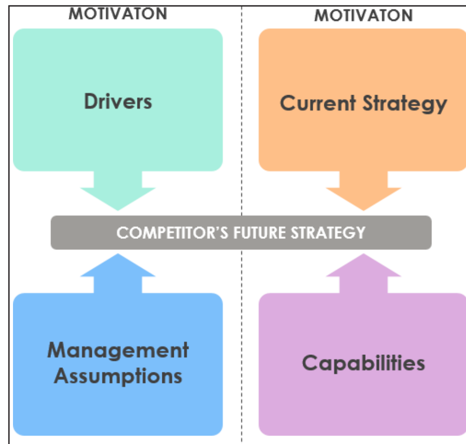
It is also perhaps not feasible to evaluate the attractiveness of an industry independently of the resources that a firm brings to that industry. It is thus argued that this theory be combined with the resource-based view (RBV) in order for the firm to develop a sounder framework.

Four Corners Analysis

The Four Corners Analysis, developed Michael Porter, is a model well designed to help company strategists assess a competitor's intent and objectives, and the strengths it is using to achieve them. It is a useful technique to evaluate competitors and generate insights concerning likely competitor strategy changes and determine competitor reaction to environmental changes and industry shifts. By examining a competitor's current strategy, future goals, assumptions about the market, and core capabilities, the Four Corners Model helps analysts address four core questions:

- Motivation: What drives the competitor? Look for drivers at various levels and dimensions so you can gain insights into future goals.
- Current Strategy: What is the competitor doing and what is the competitor capable of doing?

- Capabilities: What are the strengths and weaknesses of the competitor?
- Management Assumptions: What assumptions are made by the competitor's management team?



From there, you can identify a competitive strategy that manoeuvres around the rival's objectives and strengths, and that plays to your company's capabilities.

Advantage of Porter's Four Corners Analysis

Porter's Four Corners tool has been around for a long time and it's earned a place for itself as a useful and respected management tool. The real advantage of this approach is:

- Try to get inside the mind of the opposition.
- Explore the beliefs and assumptions of your competitors.
- Use past behavior to predict future action, but actively tries to see if there is likely to be a shift in their strategy.

Components of Four Corners Analysis

The four corners refer to the four elements that are critical in analyzing a market rival, including independently and collectively assessing its: drivers / future goals, management assumptions, strategy and capabilities. Unlike the other static models (i.e. SWOT Analysis) that they don't actually help the analyst understand what would motivate a competitor to take particular actions, the four corners method was developed to capture insights about what competitors plan to do from the present forward. Now, let's take a look of the four component of the analysis:

Drivers

Analyzing a competitor's goals assists in understanding whether they are satisfied with

their current performance and market position. This helps predict how they might react to external forces and how likely it is that they will change strategy. We may brainstorm by considering the following points:

- What is it that drives them forwards?
- What is it that drives them to compete?
- How does this motivate and shape their strategy?

Management Assumptions

The perceptions and assumptions that a competitor has about itself, the industry and other companies will influence its strategic decisions. Analyzing these assumptions can help identify the competitor's biases and blind spots. We may brainstorm by considering the following points:

- What do they believe about themselves and the world in which they operate?
- What assumptions have they made about their own strengths and weaknesses in relation to their competitors?
- Is this likely to make their strategy proactive or reactive? Aggressive or defensive?

Current Strategy

A company's strategy determines how a competitor competes in the market. However, there can be a difference between 'intended strategy' (the strategy as stated in annual reports, interviews and public statements) and the 'realised strategy' (the strategy that the company is following in practice, as evidenced by acquisitions, capital expenditure and new product development). Where the current strategy is yielding satisfactory results, it is reasonable to assume that an organisation will continue to compete in the same way as it currently does. We may brainstorm by considering the following points:

- How do your competitors actually act and are they happy will they be with the efficacy of their actions?
- Is there a gap between intended strategy and realized strategy?
- Is there likely to be a sea-change in their strategy due to current lack of success or are they likely to keep moving in the same direction?

Capabilities

The drivers, assumptions and strategy of an organisation will determine the nature, likelihood and timing of a competitor's actions. However, an organisation's capabilities

will determine its ability to initiate or respond to external forces. We may brainstorm by considering the following points:

- What are their best options for responding to competition from their rivals? For example:
    - Are they more likely to respond with a price drop?
    - Or through aggressively targeting its distribution network?

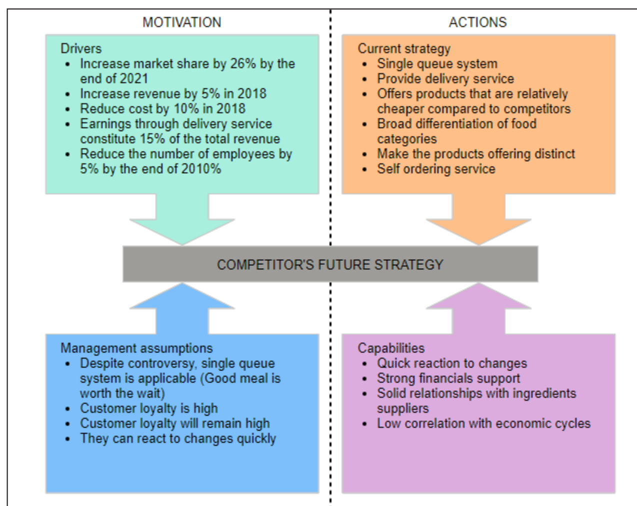
Four Corners Analysis Template

The table below shows a Four Corners Analysis Template that consists of some typical kinds of things people would consider in developing a Four Corners Analysis model.

Drivers	Current Strategy	Capabilities	Management Assumptions
• Financial goals • Corporate culture • Organizational structure • Leadership team backgrounds • External constraints • Business philosophy	• How the business creates value • Where the business is choosing to invest • Relationships and networks the business has developed	• Company's perceptions of its strengths and weaknesses • Cultural traits • Organizational value • Perceived industry forces • Belief about competitor's goals	• Marketing skills • Ability to service channels • Skills and training of work force • Patents and copyrights • Financial strength • Leadership qualities of CEO

Four Corners Analysis Example

The figure below shows a Four Corners Analysis Example that involves the strategic analysis of a rival fast food restaurant.



Business Motivation Model (BMM)

The Business Motivation Model (BMM) gives an organisation the possibility to develop an organised business plan that takes into account all facets of business strategy. This incorporates company vision, objectives, mission, strategies, tactics, and internal and external influences to subsequently determine the potential impact of the organisation.

For each organisation, it's wise to be able to indicate, before the strategic plan, what the result will be. This is highly important information to all stakeholders. By means of Business Motivation Model (BMM), strategic decisions can be substantiated.

Mutual Relationship

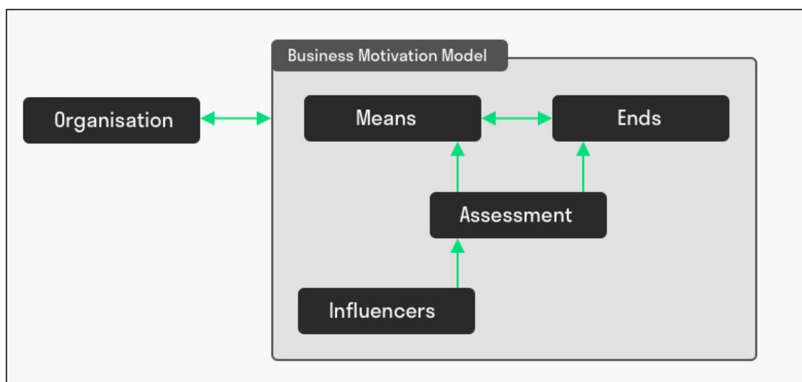
The Business Motivation Model (BMM) zooms in on the scope of the strategic decisions, the so-called ends (results) an organisation strives for, the means necessary for this purpose and what might influence the strategy. The BMM demonstrates the mutual relationship between these factors, where the next two fundamental questions are posed and must be answered:

- What is required to achieve the end goal? This question focuses on the means the organisation will utilise.
- Which elements are included in the business plan and why? By identifying the specific ends to the means, this question can be answered.

In some cases, changes must be made. By taking this decision, the end result will change. The results of such a decision refer to the effect on the operational activities. A company Business Motivation Model (BMM) is separate, but is always connected to the operational activities, such as executive tasks and work regulations.

Four Elements Business Strategy

BMM offers support in recording the four elements of the business strategy. Below you can find all four with a further clarification:



Means/Scope

A company Business Motivation Model (BMM) has a large scope; it may concern the entire organisation or merely part of the organisation or division. In such a division structure, the higher-level divisions might start to view their 'fellow' divisions as separate organisations, with their own guidelines, procedures and regulations. This creates distance between the divisions.

A Business Motivation Model (BMM) organisation might also represent part of the company because this is where most relevance can be found for the stakeholder, or because this is the seat of the most responsibility and authority.

Ends

The ends focus on the future results a company wishes to achieve and in doing so, determine what an organisation wants. The ends can be divided into the following three levels:

Vision

The vision indicates an organisation's course and therefore offers a nice summary of what an organisation aims to achieve. A vision also states what the organisation's core business is and how the identity is expressed. It's important that the (strategic) objectives always support the vision.

Goals

The desired results indicated what an organisation aims to achieve in the medium to long term. In doing so, these describe the goal, preferably according to the SMART Goals method; specifically mentioned the result, measurable in quantity (e.g. percentage), acceptable and realistic for the entire organisations, employees and suppliers, and time-related. This last term refers to the period that must be stated in months and/or years, so everyone in the organisation knows what they must work on the coming period. The required or expected values of essential performance indicators can also be registered as objectives and desired results can be supported by progress management systems.

Objectives

Decisions are represented in the ends that define what the business has decided, and what it wants to be. However, this requires resources that need to be defined. What will the company use to achieve the end goal? First, primary activities can be considered. These can be recorded in actions. By following and monitoring the course of the actions, the organisation knows exactly what has been used to achieve the intended goal. It's beneficial to consider all these processes on a strategic, tactical as well as on

an operational level. On the strategic level, the focus will mainly lie on completing the mission in the long term. On the tactical level, the focus lies on the department policy and on the operational level, focus lies on the execution of all work processes. In order to guide the process in the desired direction, guidelines are required; established methods to arrive at a good result.

Influencers

This concerns everything that could influence an organisation. A distinction must be made between internal and external influencers. The internal influencer has an impact from within the organisation itself. This could refer to the employees, who are stuck in their habits, the quality of the raw materials being used, the way machines and tools are used, the layout and routing on the work and production floor that hinder fast and efficient working, etc.

The external influencer comes from outside and puts pressure on the organisation. This could include political factors, that impose certain sanctions on the organisation with regulations. This could also be customers, competitors and suppliers. Customers largely determine the sales market. If they don't like a product, they won't buy it. Competitors put pressure on an organisation, because chances are they will attract the customers of another company. Suppliers can also influence the organisation, for instance through pricing and the quality of the delivered goods.

All these factors combined can be the cause of changes within the organisation.

Assessment/Assessors

Both internal and external influencers can cause significant changes within organisations. Such changes will impact the organisations and must therefore be followed, analysed and assessed closely. That's where the assessors come in. These aren't necessarily parties from within the organisation. After all, changes affect various stakeholders. This means that assessors can come from various places. Think of a project group that is formed from the employees to look at the changing work processes. This could also be a customer panel, looking at and testing a renewed product. A group of shareholders might also take a close look at the changing strategic course of an organization.

It's a good idea, though, for assessors to include previous assessments and decisions that were recorded in the BMM in their assessment. Based on previously obtained information, this allows them to generate the most objective assessment. The assessment as this is recorded in the BMM might take the form of a report, a study/investigation, the results of a questionnaire or a final report. The results of an assessment must be taken seriously by the organization's board.

Trend Analysis

Trend analysis is a method to analyze the statistical data and recorded market behavior over a defined period of time and generate valuable insights using this data for strategizing and forecasting future business plans. It helps to identify the dominant traits of the market and the consumers associated with it.

One of the reasons why organizations or businesses want to conduct trend analysis is to understand and obtain greater insights on how the market is reacting, what are the primary preference of the consumers and what are the strategies an organization would need to induce.

There are several ways in which the market trend can be analyzed. Some of the most popular market research methods are Quantitative Market Research methods like Surveys and Qualitative Market Research methods online interviews, and observing the consumer behavior with supporting data. Amongst the above-mentioned methods, questionnaires or surveys help gather the best data insights.

Using Trend Analysis for Better Market Research

This is a very common strategic tool for understanding the market behavior. It also helps to make predictions for the future and helps an organization understand the relevance of creating a particular product and better strategic forecasting.

This involves collecting relevant data for respective pre-defined metrics and analyzing the same to get a clear picture of the performance behavior over a defined period. The authenticity of the data determines, the accuracy of the projection. More the accuracy, better the prediction.

Channel	Australia	USA	Belgium	Mean (Amount in USD)
Coupon	24K	89K	37K	50K
Display Ads	36K	24K	31K	30.33K
SEM	12K	37K	56K	35K
SEO	38K	63K	44K	48.33K

Here are the factors to be considered for efficient trend analysis:

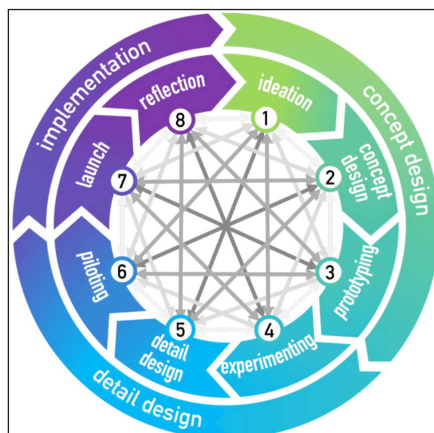
- What does the consumer need: A business or an organization that understands the consumer needs are most likely to excel in providing the most suited product to its consumer. Consumer behavior shift can be identified by deploying surveys time to time. The data that is obtained needs to be analyzed to obtain accurate results.

- Industry cost factors: One of the most important aspect that any organization should take into primary consideration is the cost fluctuation in the market. The cost factor comes into play if a similar product is available in the market at a lower cost. Analyzing consumer behavior with regards to changing prices plays a vital role in market research.
- Changing dynamics of the market: Organizations need to analyze trends with respect to innovation in products, market competition, changes in operations and delivery methods. For example, if a particular product has dropped in sales despite all other factor being the same, it is time to do a situation analysis to evaluate the packaging, competitor's products and alternatives available as well as a quick innovation check.

Business Models

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts. The process of business model construction and modification is also called *business model innovation* and forms a part of business strategy.

In theory and practice, the term *business model* is used for a broad range of informal and formal descriptions to represent core aspects of a business, including purpose, business process, target customers, offerings, strategies, infrastructure, organizational structures, sourcing, trading practices, and operational processes and policies including culture.



The literature has provided very diverse interpretations and definitions of a business model. A systematic review and analysis of manager responses to a survey defines business models as the design of organizational structures to enact a commercial opportunity. Further extensions to this design logic emphasize the use of narrative or coherence

in business model descriptions as mechanisms by which entrepreneurs create extraordinarily successful growth firms.

Business models are used to describe and classify businesses, especially in an entrepreneurial setting, but they are also used by managers inside companies to explore possibilities for future development. Well-known business models can operate as "recipes" for creative managers. Business models are also referred to in some instances within the context of accounting for purposes of public reporting.

Theoretical and Empirical Insights

Design Logic and Narrative Coherence

Design logic views the business model as an outcome of creating new organizational structures or changing existing structures to pursue a new opportunity. Gerry George and Adam Bock conducted a comprehensive literature review and surveyed managers to understand how they perceived the components of a business model. In that analysis these authors show that there is a design logic behind how entrepreneurs and managers perceive and explain their business model. In further extensions to the design logic, George and Bock use case studies and the IBM survey data on business models in large companies, to describe how CEOs and entrepreneurs create narratives or stories in a coherent manner to move the business from one opportunity to another. They also show that when the narrative is incoherent or the components of the story are misaligned, that these businesses tend to fail. They recommend ways in which the entrepreneur or CEO can create strong narratives for change.

Complementarities between Partnering Firms

Berglund and Sandström argued that business models should be understood from an open systems perspective as opposed to being a firm-internal concern. Since innovating firms do not have executive control over their surrounding network, business model innovation tends to require soft power tactics with the goal of aligning heterogeneous interests. As a result, open business models are created as firms increasingly rely on partners and suppliers to provide new activities that are outside their competence base. In a study of collaborative research and external sourcing of technology, Hummel et al. similarly found that in deciding on business partners, it is important to make sure that both partie's business models are complementary. For example, they found that it was important to identify the value drivers of potential partners by analyzing their business models, and that it is beneficial to find partner firms that understand key aspects of one's own firm's business model.

The University of Tennessee conducted research into highly collaborative business relationships. Researchers codified their research into a sourcing business model known as Vested (also referred to as Vested Outsourcing). Vested is a hybrid sourcing business model in which buyers and suppliers in an outsourcing or business relationship focus

on shared values and goals to create an arrangement that is highly collaborative and mutually beneficial to each.

Categorization

From about 2012, some research and experimentation has theorized about a so-called “liquid business model”.

Shift from Pipes to Platforms

Sangeet Paul Choudary distinguishes between two broad families of business models in an article in *Wired* magazine. Choudary contrasts pipes (linear business models) with platforms (networked business models). In the case of pipes, firms create goods and services, push them out and sell them to customers. Value is produced upstream and consumed downstream. There is a linear flow, much like water flowing through a pipe. Unlike pipes, platforms do not just create and push stuff out. They allow users to create and consume value.

Alex Moazed, founder and CEO of Applico, defines a platform as a business model that creates value by facilitating exchanges between two or more interdependent groups usually consumers and producers of a given value. As a result of digital transformation, it is the predominant business model of the 21st century.

In an op-ed on MarketWatch, Choudary, Van Alstyne and Parker further explain how business models are moving from pipes to platforms, leading to disruption of entire industries.

Platform

There are three elements to a successful platform business model. The *Toolbox* creates connection by making it easy for others to plug into the platform. This infrastructure enables interactions between participants. The *Magnet* creates pull that attracts participants to the platform. For transaction platforms, both producers and consumers must be present to achieve critical mass. The *Matchmaker* fosters the flow of value by making connections between producers and consumers. Data is at the heart of successful matchmaking, and distinguishes platforms from other business models.

Chen stated that the business model has to take into account the capabilities of Web 2.0, such as collective intelligence, network effects, user-generated content, and the possibility of self-improving systems. He suggested that the service industry such as the airline, traffic, transportation, hotel, restaurant, information and communications technology and online gaming industries will be able to benefit in adopting business models that take into account the characteristics of Web 2.0. He also emphasized that Business Model 2.0 has to take into account not just the technology effect of Web 2.0 but also the networking effect. He gave the example of the success story of Amazon in

making huge revenues each year by developing an open platform that supports a community of companies that re-use Amazon's on-demand commerce services.

Impacts of Platform Business Models

Jose van Dijck identifies three main ways that media platforms choose to monetize, which mark a change from traditional business models. One is the subscription model, in which platforms charge users a small monthly fee in exchange for services. She notes that the model was ill-suited for those "accustomed to free content and services," leading to a variant, the freemium model. A second method is via advertising. Arguing that traditional advertising is no longer appealing to people used to "user-generated content and social networking," she states that companies now turn to strategies of customization and personalization in targeted advertising. Eric K. Clemons asserts that consumers no longer trust most commercial messages; Van Dijck argues platforms are able to circumvent the issue through personal recommendations from friends or influencers on social media platforms, which can serve as a more subtle form of advertisement. Finally, a third common business model is monetization of data and metadata generated from the use of platforms.

Applications

Malone et al. found that some business models, as defined by them, indeed performed better than others in a dataset consisting of the largest U.S. firms, in the period 1998 through 2002, while they did not prove whether the existence of a business model mattered.

In the healthcare space, and in particular in companies that leverage the power of Artificial Intelligence, the design of business models is particularly challenging as there are a multitude of value creation mechanisms and a multitude of possible stakeholders. An emerging categorization has identified seven archetypes.

The concept of a business model has been incorporated into certain accounting standards. For example, the International Accounting Standards Board (IASB) utilizes an "entity's business model for managing the financial assets" as a criterion for determining whether such assets should be measured at amortized cost or at fair value in its financial instruments accounting standard, IFRS 9. In their 2013 proposal for accounting for financial instruments, the Financial Accounting Standards Board also proposed a similar use of business model for classifying financial instruments. The concept of business model has also been introduced into the accounting of deferred taxes under International Financial Reporting Standards with 2010 amendments to IAS 12 addressing deferred taxes related to investment property.

Both IASB and FASB have proposed using the concept of business model in the context of reporting a lessor's lease income and lease expense within their joint project on accounting for leases. In its 2016 lease accounting model, IFRS 16, the IASB chose

not to include a criterion of "stand alone utility" in its lease definition because "entities might reach different conclusions for contracts that contain the same rights of use, depending on differences between customer's resources or supplier's business models". The concept has also been proposed as an approach for determining the measurement and classification when accounting for insurance contracts. As a result of the increasing prominence the concept of business model has received in the context of financial reporting, the European Financial Reporting Advisory Group (EFRAG), which advises the European Union on endorsement of financial reporting standards, commenced a project on the "Role of the Business Model in Financial Reporting" in 2011.

Design

Business model design generally refers to the activity of designing a company's business model. It is part of the business development and business strategy process and involves design methods. Massa and Tucci highlighted the difference between crafting a new business model when none is in place, as it is often the case with academic spinoffs and high technology entrepreneurship, and changing an existing business model, such as when the tooling company Hilti shifted from selling its tools to a leasing model. They suggested that the differences are so profound (for example, lack of resource in the former case and inertia and conflicts with existing configurations and organisational structures in the latter) that it could be worthwhile to adopt different terms for the two. They suggest business model design to refer to the process of crafting a business model when none is in place and business model reconfiguration for process of changing an existing business model, also highlighting that the two process are not mutually exclusive, meaning reconfiguration may involve steps which parallel those of designing a business model.

Economic Consideration

Al-Debei and Avison consider value finance as one of the main dimensions of BM which depicts information related to costing, pricing methods, and revenue structure. Stewart and Zhao defined the business model as a statement of how a firm will make money and sustain its profit stream over time.

Component Consideration

Osterwalder et al. consider the Business Model as the blueprint of how a company does business. Slywotzky regards the business model as the totality of how a company selects its customers, defines and differentiates it offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers and captures profits.

Strategic Outcome

Mayo and Brown considered the business model as the design of key interdependent

systems that create and sustain a competitive business. Casadesus-Masanell and Ricart explain a business model as a set of choices (policy, assets and governance) and consequences (flexible and rigid) and underline the importance of considering how it interacts with models of other players in the industry instead of thinking of it in isolation.

Definitions of Design or Development

Zott and Amit consider business model design from the perspectives of design themes and design content. Design themes refer to the system's dominant value creation drivers and design content examines in greater detail the activities to be performed, the linking and sequencing of the activities and who will perform the activities.

Design Themes Emphasis

Environment-strategy-structure-operations Business Model Development

Developing a Framework for Business Model Development with an emphasis on Design Themes, Lim proposed the Environment-Strategy-Structure-Operations (ESSO) Business Model Development which takes into consideration the alignment of the organization's strategy with the organization's structure, operations, and the environmental factors in achieving competitive advantage in varying combination of cost, quality, time, flexibility, innovation and affective.

Design Content Emphasis

Business model design includes the modeling and description of a company's:

- Value propositions.
- Target customer segments.
- Distribution channels.
- Customer relationships.
- Value configurations.
- Core capabilities.
- Commercial network.
- Partner network.
- Cost structure.
- Revenue model.

A business model design template can facilitate the process of designing and describing a company's business model.

Daas et al. developed a decision support system (DSS) for business model design. In their study a decision support system (DSS) is developed to help SaaS in this process, based on a design approach consisting of a design process that is guided by various design methods.

Examples: In the early history of business models it was very typical to define business model types such as bricks-and-mortar or e-broker. However, these types usually describe only one aspect of the business (most often the revenue model). Therefore, more recent literature on business models concentrate on describing a business model as a whole, instead of only the most visible aspects.

The following examples provide an overview for various business model types that have been in discussion since the invention of term *business model*:

- Bricks and clicks business model: Business model by which a company integrates both offline (*bricks*) and online (*clicks*) presences. One example of the bricks-and-clicks model is when a chain of stores allows the user to order products online, but lets them pick up their order at a local store.
- Collective business models: Business system, organization or association typically composed of relatively large numbers of businesses, tradespersons or professionals in the same or related fields of endeavor, which pools resources, shares information or provides other benefits for their members. For example, a science park or high-tech campus provides shared resources (e.g. cleanrooms and other lab facilities) to the firms located on its premises, and in addition seeks to create an innovation community among these firms and their employees.
- Cutting out the middleman model: The removal of intermediaries in a supply chain: "cutting out the middleman". Instead of going through traditional distribution channels, which had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly, for example via the Internet.
- Direct sales model: Direct selling is marketing and selling products to consumers directly, away from a fixed retail location. Sales are typically made through party plan, one-to-one demonstrations, and other personal contact arrangements.
- Distribution business models, various.
- Fee in, free out: Business model which works by charging the first client a fee for a service, while offering that service free of charge to subsequent clients.

- Franchise: Franchising is the practice of using another firm's successful business model. For the franchisor, the franchise is an alternative to building 'chain store's to *distribute* goods and avoid investment and liability over a chain. The franchisor's success is the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

- Sourcing business model: Sourcing Business Models are a systems-based approach to structuring supplier relationships. A sourcing business model is a type of business model that is applied to business relationships where more than one party needs to work with another party to be successful. There are seven sourcing business models that range from the transactional to investment-based. The seven models are: Basic Provider, Approved Provider, Preferred Provider, Performance-Based/Managed Services Model, Vested outsourcing Business Model, Shared Services Model, and Equity Partnership Model. Sourcing business models are targeted for procurement professionals who seek a modern approach to achieve the best fit between buyers and suppliers. Sourcing business model theory is based on a collaborative research effort by the University of Tennessee (UT), the Sourcing Industry Group (SIG), the Center for Outsourcing Research and Education (CORE), and the International Association for Contracts and Commercial Management (IACCM).

- Freemium business model: Business model that works by offering basic Web services, or a basic downloadable digital product, for free, while charging a premium for advanced or special features.

- Pay what you can (PWYC): A non-profit or for-profit business model which does not depend on set prices for its goods, but instead asks customers to pay what they feel the product or service is worth to them. It is often used as a promotional tactic, but can also be the regular method of doing business. It is a variation on the gift economy and cross-subsidization, in that it depends on reciprocity and trust to succeed.

  "Pay what you want" (PWYW) is sometimes used synonymously, but "pay what you can" is often more oriented to charity or socially oriented uses, based more on *ability* to pay, while "pay what you want" is often more broadly oriented to perceived value in combination with willingness and ability to pay.

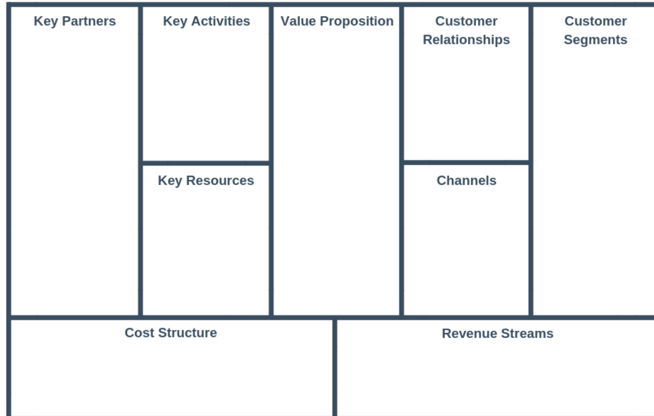
- Value-added reseller model: Value Added Reseller is a model where a business makes something which is resold by other businesses but with modifications which add value to the original product or service. These modifications or additions are mostly industry specific in nature and are essential for the distribution. Businesses going for a VAR model have to develop a VAR network. It is one of the latest collaborative business models which can help in faster development cycles and is adopted by many Technology companies especially software.

Other examples of business models are:

- Auction business model.
- All-in-one business model.
- Chemical leasing.
- Low-cost carrier business model.
- Loyalty business models.
- Monopolistic business model.
- Multi-level marketing business model.
- Network effects business model.
- Online auction business model.
- Online content business model.
- Online media cooperative.
- Premium business model.
- Professional open-source model.
- Pyramid scheme business model.
- Razor and blades model.
- Servitization of products business model.
- Subscription business model.
- Network Orchestrators Companies.
- Virtual business model.

Frameworks

Although Webvan failed in its goal of disintermediating the North American supermarket industry, several supermarket chains have launched their own delivery services to target the niche market to which Webvan catered.



Example of Business Model Canvas.

Technology centric communities have defined "frameworks" for business modeling. These frameworks attempt to define a rigorous approach to defining business value streams. It is not clear, however, to what extent such frameworks are actually important for business planning. Business model frameworks represent the core aspect of any company; they involve "the totality of how a company selects its customers defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resource, goes to market, creates utility for customers, and captures profits". A business framework involves internal factors (market analysis; products/services promotion; development of trust; social influence and knowledge sharing) and external factors (competitors and technological aspects).

Related Concepts of Business Model

The process of business model design is part of business strategy. Business model design and innovation refer to the way a firm (or a network of firms) defines its business logic at the strategic level.

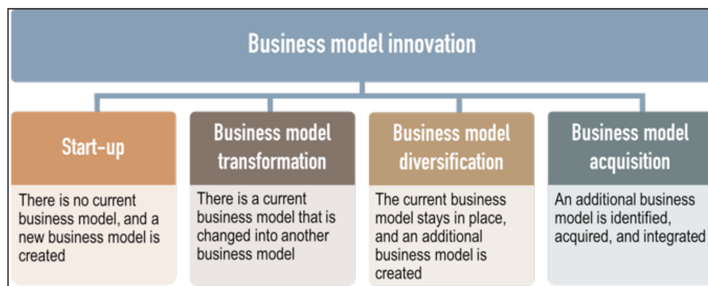
In contrast, firms implement their business model at the operational level, through their business operations. This refers to their process-level activities, capabilities, functions and infrastructure (for example, their business processes and business process modeling), their organizational structures (e.g. organigrams, workflows, human resources) and systems (e.g. information technology architecture, production lines).

The brand is a consequence of the business model and has a symbiotic relationship with it, because the business model determines the brand promise, and the brand equity becomes a feature of the model. Managing this is a task of integrated marketing.

The standard terminology and examples of business models do not apply to most nonprofit organizations, since their sources of income are generally not the same as the beneficiaries. The term 'funding model' is generally used instead.

The model is defined by the organization's vision, mission, and values, as well as sets of boundaries for the organization—what products or services it will deliver, what customers or markets it will target, and what supply and delivery channels it will use. While the business model includes high-level strategies and tactical direction for how the organization will implement the model, it also includes the annual goals that set the specific steps the organization intends to undertake in the next year and the measures for their expected accomplishment. Each of these is likely to be part of internal documentation that is available to the internal auditor.

Business Model Innovation



Business model innovation types.

When an organisation creates a new business model, the process is called business model innovation. There is a range of reviews on the topic, the latter of which defines business model innovation as the conceptualisation and implementation of new business models. This can comprise the development of entirely new business models, the diversification into additional business models, the acquisition of new business models, or the transformation from one business model to another. The transformation can affect the entire business model or individual or a combination of its value proposition, value creation and deliver, and value capture elements, the alignment between the elements. The concept facilitates the analysis and planning of transformations from one business model to another. Frequent and successful business model innovation can increase an organisation's resilience to changes in its environment and if an organisation has the capability to do this, it can become a competitive advantage.

Business Model Canvas

Business Model Canvas is a strategic management and lean startup template for developing new or documenting existing business models. It is a visual chart with elements describing a firm's or product's value proposition, infrastructure, customers, and finances. It assists firms in aligning their activities by illustrating potential trade-offs.

The nine "building blocks" of the business model design template that came to be called the Business Model Canvas were initially proposed in 2005 by Alexander Osterwalder based on his earlier work on business model ontology. Since the release of Osterwalder's work around 2008, new canvases for specific niches have appeared.

Formal descriptions of the business become the building blocks for its activities. Many different business conceptualizations exist; Osterwalder's 2010 book and 2004 thesis propose a *single reference model* based on the similarities of a wide range of business model conceptualizations. With his *business model design template*, an enterprise can easily describe its business model. Osterwalder's canvas has nine boxes; the name of each is given below.

- Infrastructure:
    - Key Activities: The most important activities in executing a company's value proposition. An example for Bic, the pen manufacturer, would be creating an efficient supply chain to drive down costs.
    - Key Resources: The resources that are necessary to create value for the customer. They are considered assets to a company that are needed to sustain and support the business. These resources could be human, financial, physical and intellectual.
    - Partner Network: In order to optimize operations and reduce risks of a business model, organizations usually cultivate buyer-supplier relationships so they can focus on their core activity. Complementary business alliances also can be considered through joint ventures or strategic alliances between competitors or non-competitors.
- Offering:
    - Value Propositions: The collection of products and services a business offers to meet the needs of its customers. According to Osterwalder, a company's value proposition is what distinguishes it from its competitors. The value proposition provides value through various elements such as newness, performance, customization, "getting the job done", design, brand/status, price, cost reduction, risk reduction, accessibility, and convenience/usability.
        - The value propositions may be.
        - Quantitative price and efficiency.
        - Qualitative overall customer experience and outcome.
- Customers:
    - Customer Segments: To build an effective business model, a company must

identify which customers it tries to serve. Various sets of customers can be segmented based on their different needs and attributes to ensure appropriate implementation of corporate strategy to meet the characteristics of selected groups of clients. The different types of customer segments include:

- Mass Market: There is no specific segmentation for a company that follows the Mass Market element as the organization displays a wide view of potential clients. e.g. Car.
- Niche Market: Customer segmentation based on specialized needs and characteristics of its clients. e.g. Rolex.
- Segmented: A company applies additional segmentation within existing customer segment. In the segmented situation, the business may further distinguish its clients based on gender, age, and income.
- Diversify: A business serves multiple customer segments with different needs and characteristics.
- Multi-Sided Platform/Market: For a smooth day-to-day business operation, some companies will serve mutually dependent customer segments. A credit card company will provide services to credit card holders while simultaneously assisting merchants who accept those credit cards.

◦ Channels: A company can deliver its value proposition to its targeted customers through different channels. Effective channels will distribute a company's value proposition in ways that are fast, efficient and cost-effective. An organization can reach its clients through its own channels (store front), partner channels (major distributors), or a combination of both.

◦ Customer Relationships: To ensure the survival and success of any businesses, companies must identify the type of relationship they want to create with their customer segments. Various forms of customer relationships include:

- Personal Assistance: Assistance in a form of employee-customer interaction. Such assistance is performed during sales and after sales.
- Dedicated Personal Assistance: The most intimate and hands-on personal assistance in which a sales representative is assigned to handle all the needs and questions of a special set of clients.
- Self Service: The type of relationship that translates from the indirect interaction between the company and the clients. Here, an organization provides the tools needed for the customers to serve themselves easily and effectively.
- Automated Services: A system similar to self-service but more personalized as it has the ability to identify individual customers and their

preferences. An example of this would be Amazon.com making book suggestions based on the characteristics of previous book purchases.

        - Communities: Creating a community allows for direct interactions among different clients and the company. The community platform produces a scenario where knowledge can be shared and problems are solved between different clients.
        - Co-creation: A personal relationship is created through the customer's direct input to the final outcome of the company's products/services.

- Finances:
    - Cost Structure: This describes the most important monetary consequences while operating under different business models. A company's DOC.
    - Classes of Business Structures:
        - Cost-Driven This business model focuses on minimizing all costs and having no frills. e.g. Low-cost airlines.
        - Value-Driven Less concerned with cost, this business model focuses on creating value for products and services. e.g. Louis Vuitton, Rolex.
    - Characteristics of Cost Structures:
        - Fixed Costs Costs are unchanged across different applications. e.g. salary, rent.
        - Variable Costs Costs vary depending on the amount of production of goods or services. e.g. music festivals.
        - Economies of Scale Costs go down as the amount of goods are ordered or produced.
        - Economies of Scope Costs go down due to incorporating other businesses which have a direct relation to the original product.
    - Revenue Streams: The way a company makes income from each customer segment. Several ways to generate a revenue stream:
        - Asset Sale (the most common type) Selling ownership rights to a physical good. e.g. retail corporations.
        - Usage Fee Money generated from the use of a particular service. e.g. UPS.
        - Subscription Fees Revenue generated by selling access to a continuous service. e.g. Netflix.
        - Lending/Leasing/Renting Giving exclusive right to an asset for a particular period of time. e.g. Leasing a Car.

- Licensing Revenue generated from charging for the use of a protected intellectual property.
- Brokerage Fees Revenue generated from an intermediate service between 2 parties. e.g. Broker selling a house for commission.
- Advertising Revenue generated from charging fees for product advertising.

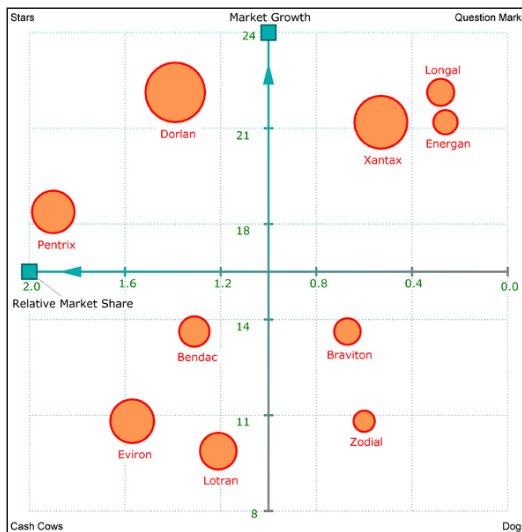
Application

The Business Model Canvas can be printed out on a large surface so groups of people can jointly start sketching and discussing business model elements with post-it note notes or board markers. It is a hands-on tool that fosters understanding, discussion, creativity, and analysis. It is distributed under a Creative Commons license from Strategyzer AG and can be used without any restrictions for modeling businesses.

The Business Model Canvas is also available in web-based software format.

Growth–share Matrix

The growth–share matrix (the product portfolio matrix, Boston Box, BCG-matrix, Boston matrix, Boston Consulting Group analysis, portfolio diagram) is a chart that was created by Bruce D. Henderson for the Boston Consulting Group in 1970 to help corporations to analyze their business units, that is, their product lines. This helps the company allocate resources and is used as an analytical tool in brand marketing, product management, strategic management, and portfolio analysis. Some analysis of market performance by firms using its principles has called its usefulness into question.



Portfolio growth–share matrix.

To use the chart, analysts plot a scatter graph to rank the business units (or products) on the basis of their relative market shares and growth rates.

- Cash cows is where a company has high market share in a slow-growing industry. These units typically generate cash in excess of the amount of cash needed to maintain the business. They are regarded as staid and boring, in a "mature" market, yet corporations value owning them due to their cash-generating qualities. They are to be "milked" continuously with as little investment as possible, since such investment would be wasted in an industry with low growth.

- Dogs, more charitably called pets, are units with low market share in a mature, slow-growing industry. These units typically "break even", generating barely enough cash to maintain the business's market share. Though owning a break-even unit provides the social benefit of providing jobs and possible synergies that assist other business units, from an accounting point of view such a unit is worthless, not generating cash for the company. They depress a profitable company's return on assets ratio, used by many investors to judge how well a company is being managed. Dogs, it is thought, should be sold off.

- Question marks (also known as adopted children or Wild dogs) are businesses operating with a low market share in a high-growth market. They are a starting point for most businesses. Question marks have a potential to gain market share and become stars, and eventually cash cows when market growth slows. If question marks do not succeed in becoming a market leader, then after perhaps years of cash consumption, they will degenerate into dogs when market growth declines. Question marks must be analyzed carefully in order to determine whether they are worth the investment required to grow market share.

- Stars are units with a high market share in a fast-growing industry. They are graduated question marks with a market- or niche-leading trajectory, for example: amongst market share front-runners in a high-growth sector, and having a monopolistic or increasingly dominant unique selling proposition with burgeoning/fortuitous proposition drives from: novelty, fashion/promotion (e.g. newly prestigious celebrity-branded fragrances), customer loyalty (e.g. greenfield or military/gang enforcement backed, and innovative, grey-market/ illicit retail of addictive drugs, for instance the British East India Company's, late-1700s opium-based Qianlong Emperor embargo-busting, Canton System), goodwill (e.g. monopsonies) and gearing (e.g. oligopolies, for instance Portland cement producers near boomtowns), etc. The hope is that stars become next cash cows.

Stars require high funding to fight competitors and maintain their growth rate. When industry growth slows, if they remain a niche leader or are amongst the market leaders, stars become cash cows; otherwise, they become dogs due to low relative market share.

As a particular industry matures and its growth slows, all business units become either *cash cows* or *dogs*. The natural cycle for most business units is that they start as *question marks*, then turn into *stars*. Eventually, the market stops growing; thus, the business unit becomes a *cash cow*. At the end of the cycle, the cash cow turns into a *dog*.

As BCG stated in 1970:

Only a diversified company with a balanced portfolio can use its strengths to truly capitalize on its growth opportunities. The balanced portfolio has:

- Stars whose high share and high growth assure the future.
- Cash cows that supply funds for that future growth.
- Question marks to be converted into stars with the added funds.

Practical Use

"To be successful, a company should have a portfolio of products with different growth rates and different market shares. The portfolio composition is a function of the balance between cash flows. High growth products require cash inputs to grow. Low growth products should generate excess cash. Both kinds are needed simultaneously".—Bruce Henderson.

For each product or service, the 'area' of the circle represents the value of its sales. The growth–share matrix thus offers a "map" of the organization's product (or service) strengths and weaknesses, at least in terms of current profitability, as well as the likely cashflows.

The need which prompted this idea was, indeed, that of managing cash-flow. It was reasoned that one of the main indicators of cash generation was relative market share, and one which pointed to cash usage was that of market growth rate.

Relative Market Share

This indicates likely cash generation, because the higher the share the more cash will be generated. As a result of 'economies of scale' (a basic assumption of the BCG Matrix), it is assumed that these earnings will grow faster the higher the share. The exact measure is the brand's share relative to its largest competitor. Thus, if the brand had a share of 20 percent, and the largest competitor had the same, the ratio would be 1:1. If the largest competitor had a share of 60 percent, however, the ratio would be 1:3, implying that the organization's brand was in a relatively weak position. If the largest competitor only had a share of 5 percent, the ratio would be 4:1, implying that the brand owned was in a relatively strong position, which might be reflected in profits and cash flows. If this technique is used in practice, this scale is logarithmic, not linear.

On the other hand, exactly what is a high relative share is a matter of some debate. The best evidence is that the most stable position (at least in fast-moving consumer goods markets) is for the brand leader to have a share double that of the second brand, and triple that of the third. Brand leaders in this position tend to be very stable—and profitable; the Rule of 123.

The selection of the relative market share metric was based upon its relationship to the experience curve. The market leader would have greater experience curve benefits, which delivers a cost leadership advantage.

Another reason for choosing relative market share, rather than just profits, is that it carries more information than just cash flow. It shows where the brand is positioned against its main competitors, and indicates where it might be likely to go in the future. It can also show what type of marketing activities might be expected to be effective.

Market Growth Rate

Rapidly growing in rapidly growing markets, are what organizations strive for; but, as we have seen, the penalty is that they are usually net cash users they require investment. The reason for this is often because the growth is being 'bought' by the high investment, in the reasonable expectation that a high market share will eventually turn into a sound investment in future profits. The theory behind the matrix assumes, therefore, that a higher growth rate is indicative of accompanying demands on investment. The cut-off point is usually chosen as 10 per cent per annum. Determining this cut-off point, the rate above which the growth is deemed to be significant (and likely to lead to extra demands on cash) is a critical requirement of the technique; and one that, again, makes the use of the growth–share matrix problematical in some product areas. What is more, the evidence, from fast-moving consumer goods markets at least, is that the most typical pattern is of very low growth, less than 1 per cent per annum. This is outside the range normally considered in BCG Matrix work, which may make application of this form of analysis unworkable in many markets. Where it can be applied, however, the market growth rate says more about the brand position than just its cash flow. It is a good indicator of that market's strength, of its future potential (of its 'maturity' in terms of the market life-cycle), and also of its attractiveness to future competitors. It can also be used in growth analysis.

Critical Evaluation

While theoretically useful, and widely used, several academic studies have called into question whether using the growth–share matrix actually helps businesses succeed, and the model has since been removed from some major marketing textbooks. One study which looked at 129 firms found that those who follow portfolio planning models like the BCG matrix had lower shareholder returns.

There are further criticisms to the B.C.G Matrix. The Matrix assumes that dogs have low market share and relatively low market growth rate. This can be challenged as there are several dogs on the market which are very profitable and retain significant market share. BIC razor blades are a modern day example. BIC Razor Blades cost the firm an average of £0.05 to produce and have a retail selling price of £2.43. This market is to expand by 25% annually for the next 5 years. This demonstrates how the B.C.G Matrix contradicts itself as a dog with little cash usage has considerably high market share within the market.

Misuse

As originally practiced by the Boston Consulting Group, the matrix was used in situations where it could be applied for graphically illustrating a portfolio composition as a function of the balance between cash flows. If used with this degree of sophistication its use would still be valid. However, later practitioners have tended to over-simplify its messages. In particular, the later application of the names (problem children, stars, cash cows and dogs) has tended to overshadow all else—and is often what most students, and practitioners, remember.

This is unfortunate, since such simplistic use contains at least two major problems:

- 'Minority applicability'. The cashflow techniques are only applicable to a very limited number of markets (where growth is relatively high, and a definite pattern of product life-cycles can be observed, such as that of ethical pharmaceuticals). In the majority of markets, use may give misleading results.
- 'Milking cash cow's. Perhaps the worst implication of the later developments is that the (brand leader) cash cows should be milked to fund new brands. This is not what research into the fast-moving consumer goods markets has shown to be the case. The brand leader's position is the one, above all, to be defended, not least since brands in this position will probably outperform any number of newly launched brands. Such brand leaders will, of course, generate large cash flows; but they should not be 'milked' to such an extent that their position is jeopardized. In any case, the chance of the new brands achieving similar brand leadership may be slim—certainly far less than the popular perception of the Boston Matrix would imply.

Perhaps the most important danger is, however, that the apparent implication of its four-quadrant form is that there should be balance of products or services across all four quadrants; and that is, indeed, the main message that it is intended to convey. Thus, money must be diverted from 'cash cow's to fund the 'stars' of the future, since 'cash cows' will inevitably decline to become 'dogs'. There is an almost mesmeric inevitability about the whole process. It focuses attention, and funding, on to the 'stars'. It presumes, and almost demands, that 'cash cows' will turn into 'dogs'.

The reality is that it is only the 'cash cows' that are really important—all the other elements are supporting actors. It is a foolish vendor who diverts funds from a 'cash cow' when these are needed to extend the life of that 'product'. Although it is necessary to recognize a 'dog' when it appears (at least before it bites you) it would be foolish in the extreme to create one in order to balance up the picture. The vendor, who has most of his (or her) products in the 'cash cow' quadrant, should consider himself (or herself) fortunate indeed, and an excellent marketer, although he or she might also consider creating a few stars as an insurance policy against unexpected future developments and, perhaps, to add some extra growth. There is also a common misconception that 'dogs' are a waste of resources. In many markets 'dogs' can be considered loss-leaders that while not themselves profitable will lead to increased sales in other profitable areas.

Alternatives

As with most marketing techniques, there are a number of alternative offerings vying with the growth–share matrix although this appears to be the most widely used. The next most widely reported technique is that developed by McKinsey and General Electric, which is a three-cell by three-cell matrix—using the dimensions of 'industry attractiveness' and 'business strengths'. This approaches some of the same issues as the growth–share matrix but from a different direction and in a more complex way (which may be why it is used less, or is at least less widely taught). A more practical approach is that of the Boston Consulting Group's Advantage Matrix, which the consultancy reportedly used itself though it is little known amongst the wider population.

Other Uses

The initial intent of the growth–share matrix was to evaluate business units, but the same evaluation can be made for product lines or any other cash-generating entities. This should only be attempted for real lines that have a sufficient history to allow some prediction; if the corporation has made only a few products and called them a product line, the sample variance will be too high for this sort of analysis to be meaningful.

Internal Analysis

As the name suggests, internal analysis focuses on evaluating all aspects of the organization itself. Although internal analysis can sometimes take into account the actions of external organizations or market-wide shifts, it is largely related to the inherent traits of the organization at hand.

For example, internal analysis can allow you to identify both strong and weak aspects of your organization, without taking into account the performance of external organizations.

Here's another way to think about internal analysis: if your organization was the only one that existed — meaning your organization had no competition — and your business environment was entirely neutral — meaning it didn't in any way affect your organization — then what factors would you consider when analyzing your organization?

Importance of Internal Analysis

In the context of strategic management, internal analysis is crucial for a few reasons. Your organization might be spending too much in some areas due to internal inefficiencies, or, alternatively, your organization could be leaving money on the table. The only way to reveal these things — and get a true understanding of how resources are being used in your organization — is by means of internal analysis.

Using SWOL as a tool

The SWOT model is an excellent tool for internal analysis, since it encourages you to think about your organization and only your organization. The acronym SWOT stands for Strengths, Weaknesses, Opportunities, and Threats, which are the four factors you take into account during SWOT analysis.

As you can see, the first two of these factors — Strengths and Weaknesses — are very much internal. Neither your competitors nor your external business environment can affect what your organization does well and what your organization does poorly: those things are entirely up to you.

With the latter two factors — Opportunities and Threats — you could argue that SWOT analysis doesn't have an entirely internal focus. However, that simply depends on how you use it. If you choose to ignore external factors (such as competitive rivalry, material costs, or government regulations), the Opportunities and Threats categories can still provide valuable insight to the internal aspects of your organization, in the context of strategic management.

SWOT analysis is as easy as it sounds: listing and evaluating the Strengths, Weaknesses, Opportunities, and Threats affecting your organization. Trying to come up with these factors isn't always so easy; it takes a lot of brainstorming.

External Analysis

Unlike internal analysis, external analysis is less about the organization itself, and more about its business environment (including its competitors). Again: the term is mostly self-explanatory — looking at external business analysis factors instead of internal ones.

So, what exactly would an example of an external factor be? The number of new competitors entering your industry, the cost of materials used to manufacture your products, or the regulatory frameworks set out by governments — these are all examples of variables which are out of your organization's control, and should be taken into account in external analysis.

One helpful way to tell whether a business analysis factors is external or not is to ask "does this factor apply to other organizations?" For example, an increased tax rate applies all organizations — not just yours — so you know it's an external factor.

Importance of External Analysis

As you might expect, external analysis is also very important in the context of strategic management. When evaluating your organization's goals and resources, you absolutely need to look at the surrounding business environment. In a perfect world, it would be enough just to look inside your organization; in the real world, you need to be conscious of external forces that might affect your business' operations and throw you off course.

Using PESTLE as a Tool

For analyzing external factors, the PESTLE model should be your tool of choice. PESTLE stands for Political, Economic, Sociocultural, Technological, Legal, and Environmental, which are the six categories of environmental factors you should take into account during business analysis (like in strategic management).

If you look closely, you'll see that these almost all of the factors that fall into these six categories aren't inherently related to your organization, but are related to the overarching business environment:

- Political: How are government decisions influencing your organization?
- Economic: How is the local or global economy influencing your organization?
- Sociocultural. How are changes in social and cultural norms influencing your organization?
- Technological: How is the advancement, presence, or lack of technology influencing your organization?
- Legal: How are legal issues influencing your organization?
- Environmental: How is the environment influencing your organization?

Similarly to SWOT analysis, using PESTLE analysis is surprisingly easy. Simply categorize the external factors affecting your business as Political, Economic, Sociocultural, Technological, Legal, or Environmental.

The challenge is finding those factors in the first place. It's helpful if you have some experience in your industry, which would give you a headstart on where to look. Otherwise, you'll need to do a lot of brainstorming and trawl through plenty of reports to find out which factors really affect your organization.

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Strategy Implementation

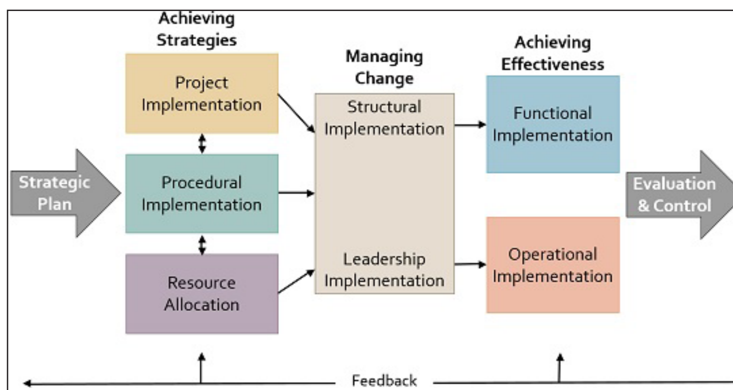
4

- **Strategy Articulation**
- **Strategy Validation**
- **Strategy Communication**
- **Strategy Engagement**

The execution of strategies and plans which aim at accomplishing the long-term goals of an organization can be defined as strategy implementation. Strategy articulation, strategy validation, strategy communication and strategy engagement are a few of its focus areas. This chapter delves into the areas of strategy implementation for a thorough understanding of the subject.

Strategy Implementation refers to the execution of the plans and strategies, so as to accomplish the long-term goals of the organization. It converts the opted strategy into the moves and actions of the organisation to achieve the objectives.

Simply put, strategy implementation is the technique through which the firm develops, utilises and integrates its structure, culture, resources, people and control system to follow the strategies to have the edge over other competitors in the market.



Strategy Implementation is the fourth stage of the Strategic Management process, the other three being a determination of strategic mission, vision and objectives, environmental and organisational analysis, and formulating the strategy. It is followed by Strategic Evaluation and Control.

Process of Strategy Implementation

- Building an organization, that possess the capability to put the strategies into action successfully.
- Supplying resources, in sufficient quantity, to strategy-essential activities.
- Developing policies which encourage strategy.
- Such policies and programs are employed which helps in continuous improvement.
- Combining the reward structure, for achieving the results.
- Using strategic leadership.

The process of strategy implementation has an important role to play in the company's success. The process takes places after environmental scanning, SWOT analyses and ascertaining the strategic issues.

Prerequisites of Strategy Implementation

- Institutionalization of Strategy: First of all the strategy is to be institutionalized, in the sense that the one who framed it should promote or defend it in front of the members, because it may be undermined.
- Developing proper organizational climate: Organizational climate implies the components of the internal environment, that includes the cooperation, development of personnel, the degree of commitment and determination, efficiency, etc., which converts the purpose into results.
- Formulation of operating plans: Operating plans refers to the action plans, decisions and the programs, that take place regularly, in different parts of the company. If they are framed to indicate the proposed strategic results, they assist in attaining the objectives of the organization by concentrating on the factors which are significant.
- Developing proper organisational structure: Organization structure implies the way in which different parts of the organisation are linked together. It highlights the relationships between various designations, positions and roles. To implement a strategy, the structure is to be designed as per the requirements of the strategy.
- Periodic Review of Strategy: Review of the strategy is to be taken at regular intervals so as to identify whether the strategy so implemented is relevant to the purpose of the organisation. As the organization operates in a dynamic environment, which may change anytime, so it is essential to take a review, to know if it can fulfil the needs of the organization.

Even the best-formulated strategies fail if they are not implemented in an appropriate manner. Further, it should be kept in mind that, if there is an alignment between strategy and other elements like resource allocation, organizational structure, work climate, culture, process and reward structure, then only the effective implementation is possible.

Aspects of Strategy Implementation

- Creating budgets which provide sufficient resources to those activities which are relevant to the strategic success of the business.
- Supplying the organization with skilled and experienced staff.
- Conforming that the policies and procedures of the organisation assist in the successful execution of the strategies.
- Leading practices are to be employed for carrying out key business functions.
- Setting up an information and communication system, that facilitate the workforce of the organisation, to perform their roles effectively.
- Developing a favourable work climate and culture, for proper implementation of the strategy.

Strategy implementation is the time-taking part of the overall process, as it puts the formulated plans into actions and desired results.

Strategy Articulation

The purpose of articulating the strategy is to translate the strategy into a form where managers and stakeholders agree consensually on what needs to be achieved. The strategy articulation will describe the strategic outcomes to be achieved, preferably expressed in the form of quantitative or qualitative goals. This strategy articulation can, for example, be expressed in the form of a Destination Statement.

Strategy Validation

Validating the strategy is an essential part of the implementation. This validation can be both internal to the organization or external. In addition, when implementing a strategy, the human aspect also needs to be considered. And an implementation can be done only if the organisational members are engaged.

Strategy Communication

Strategic communication can mean either communicating a concept, a process, or data that satisfies a long term strategic goal of an organization by allowing facilitation of advanced planning, or communicating over long distances usually using international telecommunications or dedicated global network assets to coordinate actions and activities of operationally significant commercial, non-commercial and military business or combat and logistic subunits. It can also mean the related function within an organization, which handles internal and external communication processes. Strategic communication can also be used for political warfare.

Strategic communication refers to policy-making and guidance for consistent information activity within an organization and between organizations. Equivalent business management terms are: integrated (marketing) communication, organizational communication, corporate communication, institutional communication, etc.

In the U.S. government context, strategic communication has been defined as “Focused United States Government efforts to understand and engage key audiences to create, strengthen, or preserve conditions favorable for the advancement of United States Government interests, policies, and objectives through the use of coordinated programs, plans, themes, messages, and products synchronized with the actions of all instruments of national power”.

Strategic communication management could be defined as the systematic planning and realization of information flow, communication, media development and image care in a long-term horizon. It conveys deliberate messages through the most suitable media to the designated audiences at the appropriate time to contribute to and achieve the desired long-term effect. Communication management is process creation. It has to bring three factors into balance: the messages, the media channels and the audiences.

An alternative view of strategic communication is offered by Steve Tatham of the UK Defence Academy. He argues that whilst it is desirable to bound and coordinate communications together - particularly from governments or the military - it should be regarded in a much more fundamental manner than simply process. The ‘informational effect’ should be placed at the very epi-centre of command and that all action must be calibrated against that effect - including the evaluation of 2nd and 3rd order effects. This is, he argues, proper Strategic Communication (communication singular — an abstract noun) whilst the actual process of communicating (which include Target Audience Analysis, evaluation of conduits, measurements of effect etc.) — is Strategic Communications.

Communication is strategic when it is completely consistent with the organisation mission, vision, values and when it is able to enhance the strategic positioning and competitiveness between their competitors. It is important to understand the concept

of communication strategy, it should be seen from the organization's perspective and no one else beside them. As a result of this communication, strategic communication should follow 'The nature of organisational communication in general, and strategic communication in particular, is defined as the purposeful use of communication by an organisation to fulfill its mission' stated by. Therefore, the Strategic Communications Framework should be lay out to aim the objectives of communicating to the audience/organisation. The deliberate application of the specific content will help achieve the business goal clearly. While communication is something that does happen in the organisation, businesses that take steps to implement sound strategies impacting the effectiveness of their business communications can achieve measurable results. According to Mulhern, Technological advancement have been a huge factor in business meaning that information can be communicated through many diverse channels and media like the internet and through ads. Technology have been rapidly growing throughout the year pretty fast, accelerating communication that allow customers to connect and communicate with others. This will make it easier for them to reach to each other in a traditional communication way that suit the demand of their needs. 'These changes mean that marketers are in a far more challenging competitive environment in attempting to fulfil customers wants and needs, while simultaneously seeking to develop long-term relationships'. Having changes in communication will help communication goals, organisation, and communication channels. This will have an effect of measuring the effectiveness of the communication tactics used in a business for their audience. To start a business no matter how small it is, communication strategy should be a goal to start with and it will indicate the future of the business. A business that communicate with their employees about benefit options will have increased the level of trust between them.

Application Objectives

Strategic communication provides a conceptual umbrella that enables organizations to integrate their disparate messaging efforts. It allows them to create and distribute communications that, while different in style and purpose, have an inner coherence. This consistency can, in some instances, foster an echo chamber that reinforces the organizational message and brand. At minimum, it prevents contradictory, confusing messaging to different groups across all media platforms.

Strategic Planning

To have an object, the first thing to do is have a plan for the business to communicate how the business is formed and to see how strong its core is. Ensure that alignment with the organization's understanding of where it is currently at. An approach that could be used to determine the current state of the objective, is to do a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. When using a SWOT analysis, the strengths and weaknesses must be realistic. This is to help make improvements or adjustments that were not so good. The analysis will help get a better understanding of

the business and will help plan and make the objectives more solid because it shows the strengths, weaknesses, opportunities, and threats the business is facing. This helps decide where the business is today, and where it will be in the future. Planning is a continuous process of research and analysis, task analysis, execution, and assessment. Success in this process requires diligent and continual analysis, and assessment being fed back into planning and actions.

Talk to Key Stakeholders

Have interviews with the customers to learn their priorities and what goals they want to achieve with the organization. Having a good understanding of the business issues, this will allow the organisation to offer effective solutions that will help the objective. Ask questions to see what the customer's aim is, with the main goal to focus on what needs to be achieved and done and not what he/ or she wants. 'Sustainability calls for a value chain approach, whereby firms need to take wider responsibility and collaborate with a range of stakeholders to ensure that unsustainable practices are addressed'.

Develop Actionable Objectives

Objectives should have a specific end points to provide an indicator of success. Kotler et al., stated by understanding the consumer and the marketplace, he or she can design a marketing strategy. To have an understanding to what is happening around the organisation will ensure that planning the marketing strategy will be easy because the vision is there and making sure the objectives are SMART. Objectives are the intended goals of a business campaigns, to show what is achievable. The objectives are effective when using SMART goals: they need to be specific, measurable, achievable, realistic and time-sensitive. Have assignments for individuals or groups so the responsibilities for each of these objectives are already set and no adjustments are needed because they have been assigned to a specific person or group. The responsibility is in their hands. This is to indicate the specific individual or group have a direct preliminary objective they are assigned to. They will need to develop a range of possible strategies and tactics to achieve the objectives given to them.

Develop and Prioritise Potential Strategies and Tactics

Brainstorm a list of potential strategies achievable for each of the objectives given out by the business and its customers, and have tactics that will support these strategies and objectives. Gather as a team to discuss the merits of each proposed strategy to the organisation. The discussion must be about the strategies that will most likely be able to be used and those that are unlikely to be used. Some strategies will not be achievable, will be difficult or no solution will be available for it so these will be crossed of the list. This shortens the list and helps to round up the best strategies left to be used. Collectively decide which strategies and tactics are going to be pursued to provide a clear objective for the business. The main focus is to achieve the objectives that were given out by the organisation.

Metrics, Timelines and Responsibilities

Have the detail behind those strategies and tactics name out so that there is a clear objective and what is needed to be focus on. Explain how it will be successful, how it is measured, the time frame and who will be responsible. To ensure that everything is successfully plan out and the success of these strategies and tactics. To do this planning wisely is a key part, planning does not only help a business achieve the objective but also help with communication within the group. Everyone will be assigned to a responsibility so that these strategies and tactics are meet.

Defense Application

The recently approved NATO Policy on Strategic Communication defines Strategic Communication as "the coordinated and appropriate use of NATO communications activities and capabilities Public Diplomacy, Military Public Affairs, Information Operations and Psychological Operations, as appropriate in support of Alliance policies, operations and activities, and in order to advance NATO's aims". "It is important to underline that Strategic Communication is first and foremost a process that supports and underpins all efforts to achieve the Alliance's objectives; an enabler that guides and informs our decisions, and not an organization in itself. It is for this reason that Strategic Communication considerations should be integrated into the earliest planning phases - communication activities being a consequence of that planning".

Commercial Application

Strategic Communication is communication aligned with the company's overall strategy, to enhance its strategic positioning.

Concept Development and Experimentation

Strategic communication is currently subject to multinational CD&E, led by the military, because communication is always an indispensable part of crisis management and compliance strategies. Across the spectrum of missions and broadly covering all levels of involvement in a civil-military, comprehensive approach context, the function of Strategic Communication and its military tool for implementation Information Operations have evolved and are still under development, in particular concerning their exact delineation of responsibilities and the integration of non-military and non-coalition actors.

Three major lines of development are acknowledged as state of the art, with practical impact on current crisis management operations and multinational interoperability: (1) U.S. national developments, which one can argue have resulted in the most mature concepts for both Strategic Communication and Information Operations so far; (2) NATO concept development, which in the case of Strategic Communication is very much driven by current mission requirements (such as ISAF in Afghanistan), but also has benefitted much from multinational CD&E in the case of Information Operations; and (3) multinational CD&E

projects such as the U.S.-led Multinational Experiment (MNE) series and the Multinational Information Operations Experiment (MNIOE), led by Germany.

Intensive discussions involving civil and military practitioners of Strategic Communication and Information Operations - with a view on existing national and NATO approaches to Strategic Communication, and current best practice - have questioned whether a new approach and definition of Strategic Communication really is required. Consequently, a reorientation of CD&E efforts was suggested, focussing now on the theme of "Integrated Communication", which better reflects the shared baseline assessment with a broader scope, including but not limited to Strategic Communication:

- The ineffective top-down approach to communication (mission-specific, strategic-political guidance for information activities; information strategy; corporate vision; shared narrative) and
- The insufficient horizontal and vertical integration of communication (cohesion of a coalition; corporate identity; cultural awareness; communication by words and deeds - the "say-do-gap"; involvement of non-coalition actors - participatory communication).

This change also should prevent false expectations of potential customers of resulting concepts who currently are reluctant to engage in CD&E on the widely implemented subject of Strategic Communication.

Examples of a Communication Strategy

Communication Goals Communication goals are the desired end-results of a program of communication. These are typically documented as the first step in developing a communication strategy. Communication goals are designed to be measurable but aren't time bound as the schedule for achieving goals is found in the communication plan. Goals need not indicate how they will be achieved but you can include a notes field if you want to capture early ideas.

Goal	Measurement
Generate media and influencer interest in the launch.	Media impact estimated number of views of media about the new product. Target: 14 million views.
Generate awareness of the product amongst our loyal customers.	Product awareness amongst loyal customers. Target: 95% awareness.
Generate awareness of the product among our target market.	Product awareness amongst target markets. Target: 15% awareness.
Generate demand for the product.	First six month sales of 29000 units.

Target Audience

A target audience is anyone you seek to communicate with as part of your strategy. For internal communications, this is usually the stakeholders of a project or function. For marketing communications, a target audience may include customers, media representatives and a target market.

Target Audience	Definition	Examples
Media	Media industry professionals with influence over media with more than 1000000 unique viewers a month.	Newspaper Reporters Magazine Writers Television Producers Industry Bloggers
Industry Influence	Industry enthusiasts with influence over media with more than 200000unique visitors a month.	Reviewers Social Media Personalities Bloggers
Loyal Customers	Customers who have made a purchase within the last five years or who have subscribed to our content.	Loyalty Card Members Social Media Subscribers Sales Contact
Target Market	Urban professionals and students between 18 and 65 who are fan of high performance bicycles.	Bicycle Commuters University Students Weekend Riders

Communication Plan

A communication plan is an outline of how a communication strategy will be achieved including a schedule a responsibilities.

Communication	Audience	Goals	Schedule	Format	Responsibility
Promotional Media	Media Industry Influence Loyal Customers Target Market	Media impact – 14 million views.	Release January 14th	Brochure Product Video Technology Video Safety Video Web Content	Creative Director
Launch Roadshow	Media Industry Influence	Media impact – 14 million views.	Industry Events: January 22nd March 4th March 11th April 12th	Booth Presentation After Party Media Engagement	Sales Manager

Launch Advertising	Loyal Customers Target Market	Product awareness Target: 95% for loyal customers, 15% of target market.	Month of March in preparation for March 26th release.	Direct Mail Catalog Digital Advertising	Product Manager
Spring Sale Advertising and Promotion	Loyal Customers Target Market	Sell 9000 units.	April and May.	TV Advertising Promotional Pricing Coupons	Product Manager
Back to School Advertising	Loyal Customers Target Market	Sell 10000 units.	August.	Media Advertising Broadcast Advertising Digital Advertising	Product Manager
Black Friday and Christmas Advertising	Loyal Customers Target Market	Sell 10000 units.	November and December.	Magazine Advertising Broadcast Advertising Digital Advertising Promotional Advertising	Product Manager

Communication Channels

It is also common to breakdown your communication plan by channel.

Strategy Engagement

A strategic engagement plan walks you through a series of steps that start before you begin brainstorming ideas for your strategy. It also outlines clearly what you will do and when. This will allow you to maximize the chances of your new strategy being embraced by the organization. There are 5 key sections to a strategic engagement plan:

- Pre-planning.
- Cascading strategy.
- Strategy communications plan.
- Combining strategy and business as usual.
- Celebrating success.

Pre-planning

The first part of your strategic engagement plan should address involving people. Further, how you're actually going to go about involving people from throughout your organization in your strategic planning process. By involving people early on, you're much more likely to get buy-in to your goals. There's a fine line of course between genuinely involving people in ideation vs. simply paying lip-service to their ideas and then doing what you were going to do anyway. Its fine to have a rough idea of your vision (as a leader, that's absolutely part of your role) but you need to be open-minded enough to the ideas that come your way as part of this process.

Identify your Stakeholders

Start off by figuring out who the stakeholders are that you want to involve in the planning process. Think broadly and don't forget that many of those stakeholders might be outside your organization (shareholders, friends and family, etc.). Make a list of the stakeholders different internally and externally to keep track of whether you've effectively involved them.

Meet with Them

Arrange a series of workshops with each stakeholder group. In the workshop, outline your overall vision and explain to them why you value their input. You should also detail how specifically you would like them to contribute to the planning process. Prepare a series of questions for these meetings to tease out the key points you'd like their contribution on. Things like:

- What do you think our strengths and weaknesses as an organization are?
- Can you identify any opportunities and threats you see for us?
- What do you think we should focus on over the next 5 years?
- Are there any organizations in our space that you really admire? Why?

Be sure to actively engage with each stakeholder group. Write notes from each meeting and send out a summary afterward by email. This will help you reflect on what they've said, and proves that you were genuinely listening to their ideas.

Reflect the Feedback in your Plan

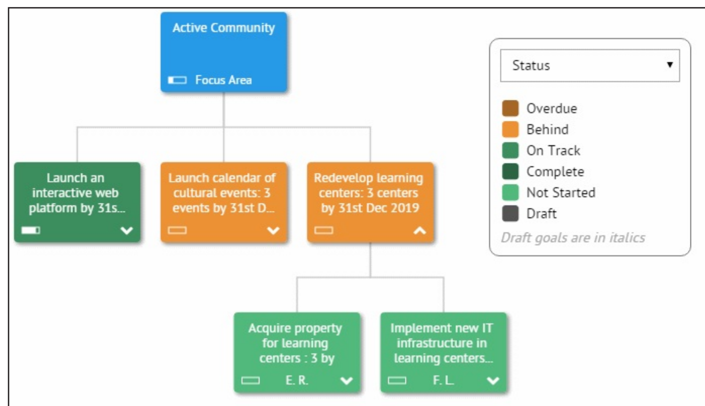
You'll almost certainly get some valuable ideas by implementing this part of your strategic engagement plan. Be sure to reflect those ideas in your strategic plan, then circle back with your stakeholders to show them their feedback was incorporated. If someone has an idea that you're not able to incorporate, it's fine to be upfront with them about that. Let the person know why you decided against incorporating their feedback. Most

likely they'll appreciate the fact that you listened and gave due consideration to their ideas, even if you didn't implement them on this occasion.

Cascading Strategy

Let's assume you've successfully completed your strategic planning process (we've written tons of content on that subject, so check out this guide if you need more help with actually creating your strategic plan). The reality is that your plan will still be fairly high level at this stage. To operationalize your plan, you're going to need to cascade it throughout your organization.

Cascading strategy essentially means taking the high level elements from your strategic plan and assigning them to key people, then working with those people to develop them into more detailed goals. These people then in-turn cascade their goals to their teams - etc etc. A strategy cascade will look something like this:



There are systems out there that can help with this process (including Cascade Strategy) but the process for doing this is as follows:

Delegate High Level Goals

You should assign a key member of your leadership team against each of the high-level goals in your plan. This will likely be an easy process since most strategic revolve around goals that relate to typical business areas such as marketing, sales, etc. Part of the process should be to ask them to work with their own teams to flesh-out that particular component of the plan and then present back that work to the rest of the leadership team.

A great tactic here is to ask them to actually go and create their own 'sub-plan' for their team that breaks the high level goal into a number of smaller focus areas, which link back to the high level goal in the main strategic plan. This gives a strong sense of empowerment around owning their own strategy, rather than simply owning a deliverable on the main strategy.

Present back and Iterate

Once each team member has created a strategic plan of their own to deliver their component of the main plan, have them present to the leadership team. Use this opportunity to review and iterate each team members understanding of the main plan. You'll want to ensure each team member understands how their goals align back to the original strategic vision.

Repeat

Depending on the size of your organization, you may need to repeat this process of strategy cascading several times. This will ensure that literally everyone in the organization gets involved to some degree. The best strategic engagement plans are the ones which are 100% inclusive. That doesn't mean that you have to be involved personally in every round of strategy cascade. You can leave that your managers and trust them to ensure that alignment to the overall vision remains intact.

Strategy Communications Plan

The third part of your strategic engagement plan involves the creation of a communications plan. This is where you take your strategy on the road and start to whip-up some excitement throughout the organization.

Stakeholder Communication

Remember the list of stakeholders that you drew up in step 1.1? It's time revist that list, except this time we're going to figure out a series of mini-plans for how we're going to communicate the strategy to them, and what outcomes we want to achieve from doing so.

By defining your outcomes, you'll better structure your messages and communication technique.

Example:

Stakeholder Group: The board.

Desired Outcome: Board members have confidence that the goals are sufficiently ambitious, without being risky. They should be confident that we have the resources to deliver this plan, and that they will be regularly updated on its progress.

When you communicate your plan to this group, you'll probably end up toning down the hype behind the plan, and focusing on the hard business outcomes. Stats and specific KPIs will help to demonstrate to this group that you've thought deeply about the detail of the plan and can be absolutely trusted to deliver it.

Example:

Stakeholder Group: Customers.

Desired Outcome: To give inspiration and hope to our customers that they've the made right choice is choosing us as a provider. That they're doing business with an ambitious, innovative and progressive company. That they themselves are a valued part of the organization's current and future success.

Unlike the board communication, you won't be focusing on detailed numbers or stats. Your language should be much more inspirational and motivational. Even though you're communicating the same plan, your delivery is going to be very different!

It may seem obvious that you'll deliver differently to different groups, but take the time to plan out your messaging for each one anyway when you're up there in-front of people, that extra little preparatory step will be 100% worth it.

Wow Factor

Don't let the hard work you've put into your plan go to waste by delivering it with a boring PowerPoint presentation! And worse still, DO NOT deliver a new strategic plan over email.

The benefit of spending a little extra time and money on delivery are centered on one inescapable fact. If your people see that you've invested in this new strategic plan, they'll take it so much more seriously.

When we work with clients in our cloud strategy tool Cascade, we try to encourage them to record videos. We ask clients to record videos focusing on the key elements of the plan (the vision statement, the focus areas, etc). Those videos then become a key component of the delivery (i.e. they're played on a big screen at the launch event). But, they also become a reference point for new employees joining the company to understand what their new organization is all about. If you are using a cloud strategy tool for the first time, that in itself will give you brownie points as something new and innovative.

Here are a few more tips and ideas to bring your plan to life:

- Hire an animator or graphic designer to create cartoons for your focus areas (one of our clients based in South Africa did a great job of this using safari animals to represent their focus areas The Lion (Financial Growth), The Giraffe (Innovation), etc.)
- Arrange a fun launch party that is solely dedicated to the launch of the strategy (don't tack it on to some other event, that sends a BAD signal about its importance.)
- Invest in some of those cheesy but surprisingly effective desk toys, branded with your new vision/focus areas

Follow Through

It's so easy to go big on the launch of your strategy, and then just go back to business as

usual right afterwards (more on that later). From a communications perspective, one of the best things you can do is ask some follow up questions about how people thought the launch went with each of your stakeholder groups. You could do this in-person or via a survey for larger organizations.

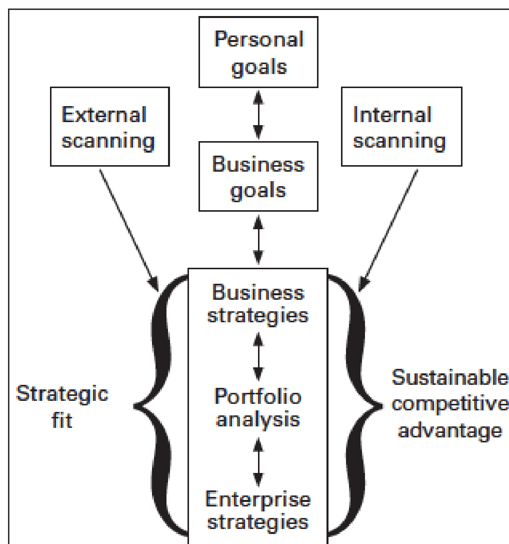
If there were certain aspects of the strategy that people didn't quite understand, be sure to arrange follow up sessions to address those concerns in more detail. This is not only incredibly helpful for your people, but it also reinforces how seriously you're taking the launch.

Incorporate an Element of Bau into your Strategic Plan

Your strategic plan probably won't involve changing every single thing about your organization. That would be to ignore your strengths and the positives of whatever has brought you this far in life. A good tip is to actually account for this as part of your strategic plan.

For example, let's say that your strategic plan includes a major shift towards being more customer focused. It's likely that you'll already have some KPIs around this area in your team, so build on those KPIs (make them more aggressive perhaps) rather than replacing them completely. Take a close look at the different projects that are already happening throughout your organization and see if you can blend them into the focus areas you've created for your strategy. Don't force them in - it's possible that there will be some aspects of your BAU activities that need to cease or change dramatically. But try to find a balance that doesn't involve a total overhaul from the ground up.

Create your Strategic Governance



One of things that should change under your new strategy, is that people need to be talking about the new plan and how their goals are progressing against it. You should

absolutely introduce a regime of meetings and reporting that focuses solely on the progress of the strategy. That should include things like strategy dashboards, dedicated strategy meetings (at least once per quarter) and inclusion of strategy in all team-meetings.

Integrate your Business Processes

The last thing that you want is for people to view strategy as something additional to their roles. Rather, people need to view their roles themselves as strategic and the goals they're working on should reflect this. A common issue we see - people allocate strategic goals to their teams, but then maintain a separate process of annual reviews. The annual reviews will instead focus on a different set of goals entirely. We often see this with clients who are working with legacy HR system. HR systems that include goal management aspects without clear linkage to strategy.

Define Clear Milestones

Strategies tend to span several years - but you can't wait that long to start celebrating success. Instead, define a series of clear milestones (usually linked to delivery of certain KPIs or major projects) that you'll be celebrating along the way. You'll want to ensure that these milestones occur at least twice a year and that they are as inclusive as possible. I.e. don't always celebrate sales milestones along, as this will likely not be engaging to many of your operational staff. Balance the celebratory milestones across the different focus areas of your strategic plan.

Splash Out

Yep, this is one of those times when you might have to spend a little bit of money! We're not talking extravagant, though you should absolutely think about holding a team event /party for each of your milestones. The actual event should be different each time (don't let them get repetitive). It might be something as intimate as a team lunch (for smaller teams) to all out venue hire where appropriate. Include a budget for these celebrations in your strategic engagement plan.

Link Reward to Strategic Success

Linking reward to strategic success covers somewhat similar ground to step 4.3. Make sure there's a clear link between the reward and remuneration your people receive and the success of the strategy. Reward and remuneration can be addressed on two levels. Firstly, ensure the goals people own (the one they're measured against typically annually) line up against the organization's strategic plan. So, if people deliver the goals they own, the organization's strategy succeeds and people get rewarded for it. This creates a clear linkage in their minds between the strategy and their own internal drivers. Secondly, it's worth considering some kind of company-wide bonus scheme to reward everyone when certain milestones of the strategy are delivered.

As part of your strategic engagement plan, you need to figure out how this reward is going to be structured and much money you plan to invest in it.

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Business Strategies 5

- Investment Strategy
- Workplace Strategy
- Strategy Mapping
- Functional Level Strategy
- Corporate-level Strategy
- Cost Leadership
- Operations Strategy
- Transformational Strategy

Business strategy refers to the combination of action plans and important decisions taken by firms to achieve its business goals. A few of its types are investment strategy, workplace strategy, marketing strategy, functional level strategy, corporate-level strategy, etc. This is an introductory chapter which will briefly introduce about business strategy and its types.

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy it is essential to consider that decisions are not taken in a vaccum and that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers, employees or suppliers.

Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others. Strategy is the blueprint of decisions in an organization that shows its objectives and goals, re-

duces the key policies, and plans for achieving these goals, and defines the business the company is to carry on, the type of economic and human organization it wants to be, and the contribution it plans to make to its shareholders, customers and society at large.

Features of Strategy

- Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
- Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
- Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.
- Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of the competitors.

Components of a Strategy Statement

The strategy statement of a firm sets the firm's long-term strategic direction and broad policy directions. It gives the firm a clear sense of direction and a blueprint for the firm's activities for the upcoming years. The main constituents of a strategic statement are as follows:

Strategic Intent

An organization's strategic intent is the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage. Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company's vision. It motivates the people. It clarifies the vision of the vision of the company.

Strategic intent helps management to emphasize and concentrate on the priorities. Strategic intent is, nothing but, the influencing of an organization's resource potential and core competencies to achieve what at first may seem to be unachievable goals in the competitive environment. A well expressed strategic intent should guide/steer the development of strategic intent or the setting of goals and objectives that require that all of organization's competencies be controlled to maximum value.

Strategic intent includes directing organization's attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and

team participation as well as contribution; and utilizing intent to direct allocation of resources.

Strategic intent differs from strategic fit in a way that while strategic fit deals with harmonizing available resources and potentials to the external environment, strategic intent emphasizes on building new resources and potentials so as to create and exploit future opportunities.

Mission Statement

Mission statement is the statement of the role by which an organization intends to serve it's stakeholders. It describes why an organization is operating and thus provides a framework within which strategies are formulated. It describes what the organization does (i.e., present capabilities), who all it serves (i.e., stakeholders) and what makes an organization unique (i.e., reason for existence).

A mission statement differentiates an organization from others by explaining its broad scope of activities, its products, and technologies it uses to achieve its goals and objectives. It talks about an organization's present (i.e., "about where we are"). For instance, Microsoft's mission is to help people and businesses throughout the world to realize their full potential. Wal-Mart's mission is "To give ordinary folk the chance to buy the same thing as rich people". Mission statements always exist at top level of an organization, but may also be made for various organizational levels. Chief executive plays a significant role in formulation of mission statement. Once the mission statement is formulated, it serves the organization in long run, but it may become ambiguous with organizational growth and innovations.

In today's dynamic and competitive environment, mission may need to be redefined. However, care must be taken that the redefined mission statement should have original fundamentals/components. Mission statement has three main components-a statement of mission or vision of the company, a statement of the core values that shape the acts and behaviour of the employees, and a statement of the goals and objectives.

Features of a Mission

- Mission must be feasible and attainable. It should be possible to achieve it.
- Mission should be clear enough so that any action can be taken.
- It should be inspiring for the management, staff and society at large.
- It should be precise enough, i.e., it should be neither too broad nor too narrow.
- It should be unique and distinctive to leave an impact in everyone's mind.
- It should be analytical,i.e., it should analyze the key components of the strategy.
- It should be credible, i.e., all stakeholders should be able to believe it.

Vision

A vision statement identifies where the organization wants or intends to be in future or where it should be to best meet the needs of the stakeholders. It describes dreams and aspirations for future. For instance, Microsoft's vision is "to empower people through great software, any time, any place, or any device". Wal-Mart's vision is to become worldwide leader in retailing.

A vision is the potential to view things ahead of themselves. It answers the question "where we want to be". It gives us a reminder about what we attempt to develop. A vision statement is for the organization and it's members, unlike the mission statement which is for the customers/clients. It contributes in effective decision making as well as effective business planning. It incorporates a shared understanding about the nature and aim of the organization and utilizes this understanding to direct and guide the organization towards a better purpose. It describes that on achieving the mission, how the organizational future would appear to be.

An effective vision statement must have following features:

- It must be unambiguous.
- It must be clear.
- It must harmonize with organization's culture and values.
- The dreams and aspirations must be rational/realistic.
- Vision statements should be shorter so that they are easier to memorize.

In order to realize the vision, it must be deeply instilled in the organization, being owned and shared by everyone involved in the organization.

Goals and Objectives

A goal is a desired future state or objective that an organization tries to achieve. Goals specify in particular what must be done if an organization is to attain mission or vision. Goals make mission more prominent and concrete. They co-ordinate and integrate various functional and departmental areas in an organization. Well-made goals have following features:

- These are precise and measurable.
- These look after critical and significant issues.
- These are realistic and challenging.
- These must be achieved within a specific time frame.
- These include both financial as well as non-financial components.

Objectives are defined as goals that organization wants to achieve over a period of time. These are the foundation of planning. Policies are developed in an organization so as to achieve these objectives. Formulation of objectives is the task of top level management. Effective objectives have following features:

- These are not single for an organization, but multiple.
- Objectives should be both short-term as well as long-term.
- Objectives must respond and react to changes in environment, i.e., they must be flexible.
- These must be feasible, realistic and operational.

Strategy Evaluation Process and its Significance

Strategy Evaluation is as significant as strategy formulation because it throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results. The managers can also assess the appropriateness of the current strategy in todays dynamic world with socio-economic, political and technological innovations. Strategic Evaluation is the final phase of strategic management.

The significance of strategy evaluation lies in its capacity to co-ordinate the task performed by managers, groups, departments etc, through control of performance. Strategic Evaluation is significant because of various factors such as - developing inputs for new strategic planning, the urge for feedback, appraisal and reward, development of the strategic management process, judging the validity of strategic choice etc.

The process of Strategy Evaluation consists of following steps:

- Fixing benchmark of performance: While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includes determination of net profit, ROI, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.
- Measurement of performance: The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the

right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.

- Analyzing Variance: While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.
- Taking Corrective Action: Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.

Importance of Strategy

It is important for an organization, business or department to have strategy in place for the success of the organization, business or department. Strategy is a set of choices that defines the nature, direction and value system of an organization. It is a mindset which should be understood by every person in the organization and used to guide all decision-making within the organization.

Strategy is important to an organization because it can provide an overall strategic direction to the management of the organization and gives a specific direction to areas like financial strategy, marketing strategy, organizational development strategy and human resources strategy, to achieve success in execution.

The importance of strategic planning is that it is planning for the corporate whole, not for its parts. It is not business planning, although it should inform and shape the business plan, it is not production planning, although it should guide what is produced, it is not

workforce or technology planning or any other type of partial planning, and it definitely is not marketing, even though it guides who to market to and where to market. It is not coordinating, forecasting or budgeting. It is a process designed to yield a corporate strategic plan a statement of strategies designed to affect the long term performance of the organization as a corporate whole.

Understanding your Company and Industry

Strategy allows organisations to develop a clearer understanding of their own organisation i.e. who we are, what we do and what's required for them to succeed. Strategy helps leadership & employees understand their core capabilities, identify and address weaknesses and mitigate risks. It also helps organisations better design themselves so that they are focusing on the right things that are most likely to deliver the best performance, productivity and profit both now and in the future.

In developing strategy, leaders make conscious and informed choices about who they are and what they stand for:

- What are our core values and beliefs?
- What markets and customer groups will we serve?
- What products and services will we offer and how profitable is each one?
- What competitive advantages will cause us to succeed?
- What core competencies must we have to fuel our growth?
- How will we sell our products and services?
- How will we market our products and services?
- What infrastructure, core processes and resources must we have to succeed?
- What financial results will we achieve?

Growing in a Changing World

One of the fundamental attribute of strategy is to be contemporary. Strategy planners ensure that strategy evolves with time in response to changing circumstances. Understanding what is taking place within the external environment is important to prepare a strategy that will ensure long-term profit and growth. With the rate of change becoming faster every year, it's increasingly important that we understand what trends are going to impact on our business and our industry, and how we're going to respond to them.

Strategy enables us to find opportunities for growth and sustained profitability and it can help us identify and respond to changes that could make us extinct.

Creating a Vision and Direction for the Whole Organisation

Strategy creates context for operating decisions. It establishes the playing field and provides guidance for decision-making, the experience and skills needed by employees, positioning of marketing and advertising, the priority of initiatives, how to structure the company, and a many other issues.

Strategy provides the organisation with a common purpose, goals and a set of actions to reach the goal ensures that everyone is working for the same outcome (your organisations success). It is a mindset which should be understood by every person in the organization and used to guide all decision-making within the organization.

While strategy is can be difficult for many organisations to commence, its benefits are far-reaching and many. From creating new business opportunities, to streamlining the operations and engaging staff, a well-formulated strategy will enable increased growth, productivity and profit both now and into the future.

Features of Strategic Management

Strategic management is a modern approach to manage business enterprise successfully and to face future challenges. The following are the main features.

- Organized and systemised method of managing: strategic management is an organized and systemized method of managing enterprises it involves two phases. Strategic planning and execution.
    - Strategic planning phase involves determination of organisation objectives, strategies to attain objectives, and selecting the best course of action to deploy resources to exploit present and future opportunities and to counter act present and future threats.
    - The implementationphase over all activities necessary to execute the strategic plan. It involves development of action plan, implementation and monitoring, recycling and reformulating plan of the enterprise.
- Based on structure of plans: it consists if plans like strategic plans, functional plans, operating plans, and organisational plans.
- Follow systems approach: strategic management concepts follow system approach. It is a treated as a system. In this system, the organisational objectives take precedence over departmental objectives.
- Future oriented: it is related with impact of present decisions on the future product- market path of the organisation.
- Dynamic process: It is a continues dynamic process it reviews the whole planning process continuously.

- Long range time span: The time plan of strategic planning is long range. It means the organisation should plan for a period of 5 to 10 years.

Dimension of Strategic Management

Strategic management include a set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the ultimate objectives of an organisation. The strategic management encompasses tasks pertaining strategic planning, implementation planning and monitoring.

- Strategic planning: Planning is deciding in advance the future course of action. It involves projecting the future course of action for the business as a whole and also for the different sections of the organisation. Planning is thus the first step for action. It helps to bridge the gap between future and present.
- Strategic planning encompasses all the functional areas of a business and is affected within the exiting and long term frame work of economic, political, technological, and social factors.
- Implementation planning: Implementation planning is related with optional aspects of strategic management. To implement strategies suitable organisation structure should be suitably designed. It is designed on the basis of overall objectives of the organisation. While designing organisation structure environmental factors like economic, social and political technological, ethical, competitive, factors should be taken in to consideration. The structure should be designed in such a way that it is able to attain over all objectives on the basis of strategies determined by the top level management.
- Monitoring: Effective formulation of strategy, its implementation through designing of suitable organisational structure, and development of organisation strategies are required for the success of an organisation. Apart from this, to know whether strategy is effective or not, monitoring is required. The management should monitor action plans, and to see whether actual results are matching with plans. It there is any deviation; corrective acting should be taken to modify strategy. Thus monitoring is the essence of strategic management.

Steps in Strategic Management

The strategic management phase involves the following steps:

- Establishing the hierarchy of strategic intent.
- Formulation of strategies.
- Implementation of strategies.
- Performing strategic evaluation and control.

Hierarchy of Strategic Intent

Strategic intent refers to the purpose for which the organisation is constituted. These may be objectives and goals of the organisation. The hierarchy of strategic intent lays of the foundation of the strategic management. The organisation expresses its strategic intent through a series of formulations on vision, mission, business definition, objectives and strategies.

Vision

Each organisation should have vision. It is the dream or future aspiration of the organisation.

Kotler defines "vision as a description something (an organisation, corporate culture, a business, technology, an activity) in the future. Vision is a powerful motivator for action. It inspires the management to act".

Mission

Mission is an important part of strategic intent. Thomson defines mission is the "essential purpose of the organisation , concerning particularly why it is an existence, the nature of the business it is in, and the customers it seeks to serve and satisfy".

Mission Statement

Mission statement can be prepared on the basis of the vision of the organisation. The mission statement indicates the basic reason of the existence of organisation. Once it is formulated, it serves the organisations many years. A mission should have the following features.

- Feasibility: A mission should be realistic & achievable. That means it should be feasible. The feasibility depends upon the availability of resources with the organisation to achieve the vision.
- Precise: It should not too narrow or broad.
- Clear: It should be clear.
- Motivator: It should motivate the organisation to work.
- Distinctive: It should not be indiscriminative.
- Indicator of major components of strategy: It should indicate the major components of the strategy to be adopted by the organization.

Business

For defining the business, first of the entire organisation should know what the business it is going to be conducted is. The business is defined at different levels.

Goals and Objectives

Goals denote what an organisation is expected to accomplish in future period of time.

The objective is the long-term results that an organisation seeks to achieve in basic mission. Objective should not be static they should be dynamic. They are the expected results which have to be achieved usually within a specified time period.

Formulation of Strategies

It is the second step in strategic management. In this step the following process are to be carried out.

- Environment appraisal.
- Organisational appraisal.
- Consider alternative strategies.
- Analysis, section of the strategies, formulation of strategies and preparation of strategic plan.

External Analysis or Environmental Appraisal

Environmental appraisal helps to find out the opportunities and threats operating in the environment and organisational appraisal or internal analysis helps to find out the strength and weakness of organisation in order to create a match between them. Some of the basic objectives of strategy are to integrate the organisation with environment. For this purpose knowledge of environment is necessity. So an environmental appraisal to be done. It includes collection of relevant information from the environment or environmental issues, interpreting its impact in the future working of the organisation and determines the opportunities offered and threat faced by the organisation in future.

Environmental scanning: To identify opportunities and threats affecting the business it should be monitored properly and to collect data to derive information about opportunities and threats that affect the business. The process by which organisation monitor their significant environment to identify opportunities and threats affecting their business is known as environmental scanning.

Internal Analysis of Organisational Structure

Organisational appraisal related with appraisal of internal environment. The purpose of organisational appraisal is to determine the organisational capability in terms of the strength and weakness that lie in the different functional areas. This is necessary since the strength and weakness have to be matched with the environmental opportunities and threats for strategy formulation. Organisational appraisal helps the organisation to

decide about what it can do. The important method used for internal analysis is value chain analysis, bench marking etc.

SWOT Analysis

SWOT analysis is under taken to understand the firm's external and internal environments. A conscious identification of the relevant environment enables an organisation to focus its attention on those factors, which are intimately related to its mission, purpose, objectives, and strategies.

The strength and weakness of the firm is the cornerstone of business policy formulation. SWOT means analysis and comparative strengths and weakness of a firm in relation to competition, and environmental opportunities and threats, which a company may likely to face. So it is a systematic study and identification of those aspects and strategy that best suit the individual company position in a given situation. A proper strategy should improve organisation business strength and opportunities and at the same time reduces its weakness and threats. Strength is the power and excellence, which resumes skills and advantages in relation with competitors and the requirements of the community a company serves. It refers to the competitive advantages and excellence, which a company can exert in a market place.

Weakness is the incapability, limitation and deficiency of resources. It hinders the growth of the organisation.

Consideration of Strategic Alternatives

After formulating objectives, and having analyzed the strength and weakness of the firm and the environmental opportunities and threats, the next step is to generate possible alternation strategies. Environmental appraisal and organisational appraisal led to the generation of strategic alternatives. There may be different alternative strategies to achieve objectives must be considered to make the choice to be wide.

Strategic Analysis and Choice

Strategies are to be chosen at the corporate level, business level and functional level. Different types of strategic alternatives are considered to adopt a suitable strategy. This necessitates the evaluation of alternative strategies with reference to certain criteria like suitability and feasibility, adaptability, etc. A strategic choice has to be made from among these alternatives.

Strategic choice is a decision making process. It is the decision to select the best strategy from among the grand strategies to meet the organisation objectives. The process of strategic choice includes focusing on alternatives, considering the selection factors, evaluation of strategic alternatives and making the strategic choice.

Strategy Implementation

After the selection of appropriate strategy it is to be implemented. It is the operation part. Implementation strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems to achieve the best integration of people, structure, process and resources in achieving organisational objectives. The term implementation of is used in a wider sense. So that is encompasses the formulation of plan implement to strategy. Formulation of different level of strategies is an essential and important aspect of important implementations in a multi unit business.

Three levels of strategies are to be formulated:

- Corporate level strategy.
- Business level strategy.
- Functional level strategy.

Corporate Strategy

Corporate strategy the entire process of determining major business activities, the future productsa and services, the market, target customer group, supply, financiers and the tactics to be adopted to challenge the competitors, it is also related to the major outside interest group, expectations of stake holders, information for the future projected performance, and evaluation of the environment and rational behind the organisation. All these are necessary for formulations of organisation's purpose, mission, objectives, goals policies and strategies. It is a long term strategy it is decided by top level management.

Business Strategy or Competitive Strategy

It is the managerial plan for running and directing a business unit. It defines what is the product-market posture of an individual business unit. Business strategy is concerned with strategies pertaining to the product mix. Market segments, competitive edge, how to position the business in the market, alignment of different components of business etc. The top level executives of the strategic business unit are responsible for determining of business strategies.

Functional Strategies

It is the plan to manage a principal subordinate activity within a business. Strategies are determined for each functional activities of, an organisations like marketing strategies etc. All the functional strategies should support to the accomplishment of overall business strategy.

Michael Porter's Five Forces

In his five forces model, market factors can be analysed so as to make a strategic assessment of competitive position of a given supplier in a given market. The five forces that the porter suggests the drive competition are:

- Existing competitive challenge between suppliers.
- Threat of new market entrants.
- Bargaining power of buyers.
- Power of suppliers.
- Threat of substitute products(including technology change).

Typically this five forces model is shown as a series of five boxes.

Generic Strategies to Counter the Five Forces

Strategy can be formulated on three levels- corporate level, business unit level and functional level. The business unit level is the primary context of industry rivalry. Michael porter recognized three generic strategies (cost leadership, differentiation, and focus) that can be implemented at the business init level to make a competitive advantage. The proper generic strategy will position the firm of leverage its strength and defend against the adverse effects of the five forces.

Cost Leadership Strategy

This generic strategy for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of competitors, or below the average industry prices to gain market share. In the event of a price war, the firm can preserve some profitability while the rivalry suffers losses. Even without a price war, as the industry matures and prices refuse, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy regularly targets a broad market.

Differentiation Strategy

A differentiation strategy calls for the development of a product or service that suggests unique accredited that are valued by customers and that customers perceive to be better than of different from the products of competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hop that the higher price will more than cover the extra cost incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may able to pass along the cost to its customers who cannot find alternative products easily.

Focus Strategy

The focus strategy focus on a narrow segment and within that segment attempts to get either a cost benefit or differentiation. The need of the group can be better serviced by focusing entirely on it. A firm using focus strategy often enjoys a high degree of customer loyalty, and this ingrained loyalty discourages other firms from challenging directly.

Investment Strategy

An investment strategy is what guides an investor's decisions based on goals, risk tolerance, and future needs for capital. Some investment strategies seek rapid growth where an investor focuses on capital appreciation, or they can follow a low-risk strategy where the focus is on wealth protection.

Many investors buy low-cost, diversified index funds, use dollar-cost averaging, and reinvest dividends. Dollar-cost averaging is an investment strategy where a fixed dollar amount of stocks or a particular investment are acquired on a regular schedule regardless of the cost or share price. The investor purchases more shares when prices are low and fewer shares when prices are high. Over time, some investments will do better than others, and the return averages out over time.

Some experienced investors select individual stocks and build a portfolio based on individual firm analysis with predictions on share price movements.

Graham's five Investment Strategies

- In 1949, Benjamin Graham identified five strategies for common stock investing in "The Intelligent Investor".
- General trading: The investor predicts and participates in the moves of the market similar to dollar-cost averaging.
- Selective trading: The investor picks stocks that they expect will do well in the market over the short term; a year, for example.
- Buying cheap and selling dear: The investor enters the market when prices low and sells a stock when the prices are high.
- Long-pull selection: The investor selects stocks that they expect to grow quicker than other sticks over a period of years.
- Bargain purchases: The investor selects stocks that are priced below their true value as measured by some techniques.

Graham emphasized that every investor must decide how they want to manage their portfolio. Experienced investors may prefer and be comfortable with a buy low and sell high strategy, whereas investors who have less time to research and follow the market might benefit more from investing in funds that track the market and adopt a long-term view.

There is no right way to manage a portfolio, but investors should behave rationally by using facts and data to back up decisions by attempting to reduce risk and maintain sufficient liquidity.

Investment Strategy and Risk

Risk is a huge component of an investment strategy. Some individuals have a high tolerance for risk while other investors are risk-averse. One overarching rule, however, is that investors should only risk what they can afford to lose. Another rule of thumb is the higher the risk, the higher the potential return, and some investments are riskier than others. There are investments that guarantee an investor will not lose money, but there will also be minimal opportunity to earn a return.

For example, U.S. Treasury bonds, bills, and bank certificates of deposit (CDs) are considered safe because they are backed by the credit of the United States. However, these investments provide a low return on investment. Once the cost of inflation and taxes has been included in the return on income equation, there may be little growth in the investment.

Workplace Strategy

Workplace Strategy is the study of workplace environments and how to set the physicality of an office as it relates to the business objectives. That is, if the business objective is to foster innovation, workplace strategy will look at the physical office space and determine the correct layout, functionality, equipment, software, design and more, that will support the goal of fostering innovation. Workplace strategy studies the experience one has while within the office environment.

10 strategies that can help employees work better:

Put People First

- Engage employees and culture: Engaged employees are committed to an organization's goals and values, and motivated to contribute to its success. Their productivity and job satisfaction is supported by a workplace that enables connections between coworkers and teams, communicates organizational goals and values through the environment, facilitates work activities and allows individual expression through personalization and reconfiguration of space.

- Why is this important? Because, according to Gallup's State of the American Workplace survey in 2013, employee disengagement cost $450 million to $550 million in productivity loss annually in the United States.
- Wellness matters: Because employee's physical and psychological well-being affects productivity, performance and quality, progressive companies are using their workplaces to support a healthy lifestyle by providing spaces for physical activity, appropriate levels of sensory stimulation, environmental control and social interaction.

Right Tools

- Accommodate personalization: The proliferation of personal technology tools blurs the boundaries of traditional work settings. As a platform for mobile work and in combination with social media and virtual meeting technology, the ability to work, connect and collaborate anywhere and at any time is expanding exponentially. The workplace must engage technology seamlessly while facilitating productivity and efficiency gains.
- Access shared tools: High-tech and low-tech equipment and communication tools support the work process. Whether it's a white board, an ergonomic hot desk or a dock station, the right tools appropriately placed can go a long way to support work efficiency and effectiveness.

Transformational Process

- Embrace mobility: Organizations are adopting mobile/flexible working as a strategy to increase productivity, employee engagement and performance. What that looks like depends upon the organization's culture, work process and real estate. Drivers like attraction and retention, work-life balance, employee satisfaction and real estate costs dovetail with the need to build stronger networks and teams to craft an approach that supports working anywhere, anytime as long as the work gets done.
- Manage change: The success of any workplace change depends on carefully and actively managing that change to improve acceptance, ensure timeliness and promote necessary culture shifts. The most effective change management programs are highly communicative and consist of defining the scope of workplace changes, participation, on-going education with occupants and feedback.
- Reshape teamwork: Today's dynamic operational environment is transforming teamwork to become more virtual (distributed), self-directed and mobile. International Data Corporation estimates that one in every three workers worldwide are not tied to a desk in an office. Communication happens primarily through electronic media (email, telephone, video conference). Corresponding challenges

for the workplace include virtual team building, social networking and a periodic need for face to face interaction.

Places to Work and Connect

- Support working alone: The wave of new workplace practices increases the potential for visual, acoustic, thermal and lighting distractions, which in turn results in lost efficiency and lower job satisfaction. The workplace needs to provide settings to support concentration, working alone and privacy (visual, acoustical, spatial and digital).
- The impacts of "techno-stress" (excessive information and stimulation) are real. Some studies have shown that the average smart phone user checks his or her phone 150 times a day. Knowledge workers also spend 11 hours per week with email — and it takes 67 seconds to recover from reading each email and returning to the previous task.
- Create space for collaboration: The most beneficial work relationships occur when people physically interact with each other, working collaboratively, sharing knowledge and communicating effectively. Branded spaces should be designed in proximity to team members with collaboration tools that will accommodate and support small groups, impromptu discussions and web meetings.
- Socialize for best connections: Socializing in the workplace is critical to foster relationship development for knowledge sharing, effective teamwork, sense of community and shared culture. Enhance social interaction by providing casual and flexible spaces that act as destinations located along common paths of travel.

Strategy Mapping

Strategy mapping is a cornerstone of business-aligned strategies. Done right, it produces clearly defined objectives with measurable results. It is a principle method of aligning, planning and communicating the overall business direction and strategy.

A strategy map is built from the top down, so it is important to understand the ultimate objective of the organisation before identifying the supporting objectives needed to achieve it. There are several benefits to be gained from strategy mapping. Perhaps the most critical is the focus on cross-functionality.

The strategy map forces the organisation to think about how the various functions interact with and support each other. Another benefit to be gained is the improvement in organisational communication. Strategy mapping specifically assists in graphically drawing and communicating the strategy among executives.

Then it helps by cascading smaller chunks to line managers and even smaller but more specific objectives to their employees, by connecting such things as:

- Shareholder value.
- Customer satisfaction.
- Risk management.
- Quality and production management.
- Innovation.
- Organisational design and more.

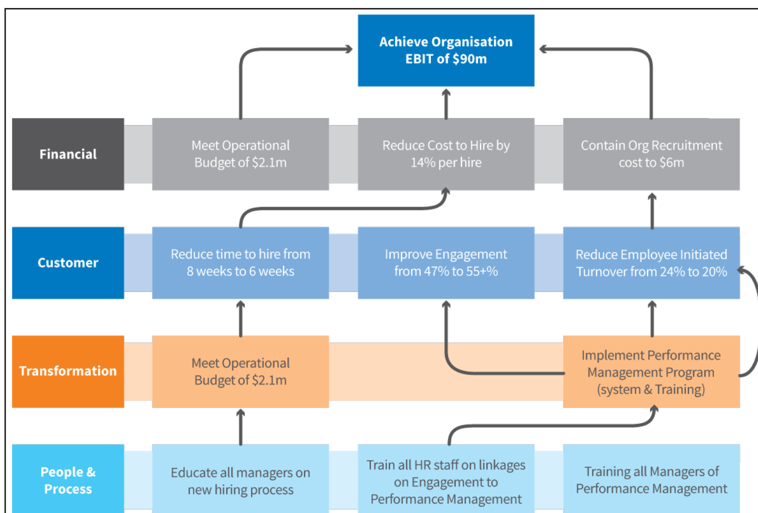
Therefore, alignment can be created around the strategy, which makes for much easier implementation and execution. A common disconnect is that employees see no connection between their job and the strategy of the organisation; the strategy map can help close this gap.

A clear picture of what the ultimate objective of the organisation is and how the various functions fit into achieving it goes a long way towards illustrating the 'fit' of different employee groups.

The strategy map provides a good start to the strategic process. It assists in taking multiple departments with multiple objectives and to develop a common purpose and direction. It can also provide the framework to determine what initiatives are critical to facilitate strategic plan execution and what measures would be best to assess strategic performance.

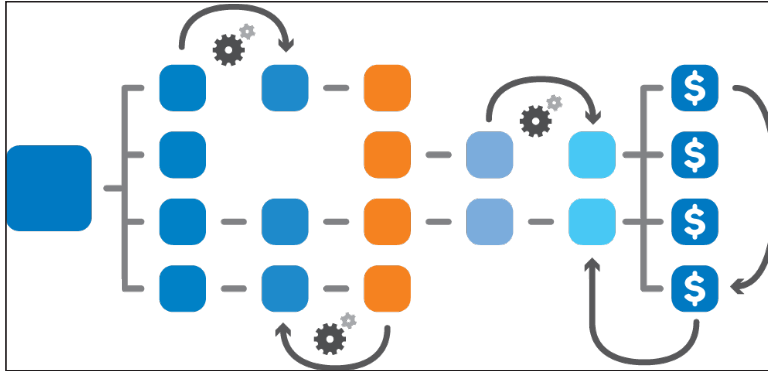
Sample Strategy Map Alignment Example

PeopleStreme Sample Strategy Mapping and Alignment Example for the HR Department



Need of using Strategy Mapping

Strategy Mapping software and consultation helps resolve the greatest tension between the HR department and the business leader. The goal of the Strategy Map is to build a graphical Strategy Mapping representation to communicate and align every employee as an important contributor to the organisation strategy or Balanced Scorecard.



Failing to get every worker to understand their own part in the strategy can easily lead to a failure of the strategy itself. Success means a strong improvement in Employee Engagement and discretionary effort from every employee.

Regardless of what the strategy or the leaders say, it is ordinary employees who make or break organisations.

If nobody gets it, how can they achieve it? To achieve a high degree of alignment directly between Human Capital and business strategy, measures of employee performance must:

- Fit the strategy tightly.
- Be communicated in plain English.
- And then be measured on a regular basis.

Measures to consider are far more than purely financial and might include:

- Customer service standards.
- Compliance frameworks e.g. risk, OH&S.
- Production and quality standards.
- Job skills and competencies.
- Employee behaviours.

Strategy communication often fails one or two levels below the executive team. If the

leaders don't participate in the strategy, who else will bother? The process used to communicate the strategy and set clear Performance Management targets at executive level is called Strategy Mapping.

Functional Level Strategy

Functional Level Strategy can be defined as the day to day strategy which is formulated to assist in the execution of corporate and business level strategies. These strategies are framed as per the guidelines given by the top level management.

Functional Level Strategy is concerned with operational level decision making, called tactical decisions, for various functional areas such as production, marketing, research and development, finance, personnel and so forth.

As these decisions are taken within the framework of business strategy, strategists provide proper direction and suggestions to the functional level managers relating to the plans and policies to be opted by the business, for successful implementation.

Role of Functional Strategy

- It assists in the overall business strategy, by providing information concerning the management of business activities.
- It explains the way in which functional managers should work, so as to achieve better results.

Functional Strategy states what is to be done, how is to be done and when is to be done are the functional level, which ultimately acts as a guide to the functional staff. And to do so, strategies are to be divided into achievable plans and policies which work in tandem with each other. Hence, the functional managers can implement the strategy.

Functional Areas of Business

There are several functional areas of business which require strategic decision making, discussed as under:

- Marketing Strategy: Marketing involves all the activities concerned with the identification of customer needs and making efforts to satisfy those needs with the product and services they require, in return for consideration. The most important part of a marketing strategy is the marketing mix, which covers all the steps a firm can take to increase the demand for its product. It includes product, price, place, promotion, people, process and physical evidence.
- For implementing a marketing strategy, first of all, the company's situation is

analysed thoroughly by SWOT analysis. It has three main elements, i.e. planning, implementation and control.

- There are a number of strategic marketing techniques, such as social marketing, augmented marketing, direct marketing, person marketing, place marketing, relationship marketing, Synchro marketing, concentrated marketing, service marketing, differential marketing and demarketing.
- Financial Strategy: All the areas of financial management, i.e. planning, acquiring, utilizing and controlling the financial resources of the company are covered under a financial strategy. This includes raising capital, creating budgets, sources and application of funds, investments to be made, assets to be acquired, working capital management, dividend payment, calculating the net worth of the business and so forth.
- Human Resource Strategy: Human resource strategy covers how an organization works for the development of employees and provides them with the opportunities and working conditions so that they will contribute to the organization as well. This also means to select the best employee for performing a particular task or job. It strategizes all the HR activities like recruitment, development, motivation, retention of employees, and industrial relations.
- Production Strategy: A firm's production strategy focuses on the overall manufacturing system, operational planning and control, logistics and supply chain management. The primary objective of the production strategy is to enhance the quality, increase the quantity and reduce the overall cost of production.
- Research and Development Strategy: The research and development strategy focuses on innovating and developing new products and improving the old one, so as to implement an effective strategy and lead the market. Product development, concentric diversification and market penetration are such business strategies which require the introduction of new products and significant changes in the old one.
- For implementing strategies, there are three Research and Development approaches.
- To be the first company to market a new technological product.
- To be an innovative follower of a successful product.
- To be a low-cost producer of products.

Functional level strategies focus on appointing specialists and combining activities within the functional area.

Corporate-level Strategy

Corporate-Level Strategy refers to the top management's approach or game plan for administering and directing the entire concern. These are based on the company's business environment and internal capabilities. It also called as Grand Strategy.

It reflects the combination and pattern of business moves, actions and hidden goals, in the strategic interest of the concern, considering various business divisions, product lines, customer groups, technologies and so forth.

Salient Features of Corporate-level Strategy

- Corporate Level Strategies is developed by the company's highest level of management considering the company's overall growth and opportunities in future.
- It describes the orientation and direction of the enterprise in the long run and the overall boundaries which acts as the basis for formulating the company's middle and low-level strategies, i.e. business strategies and functional strategies.
- While formulating corporate-level strategies, the company's available resources and environmental factors are kept in mind.
- It is concerned with the decisions regarding the two-way flow of company's information and resources between the various levels of management.

In better words, corporate-level strategy implies the topmost degree of strategic decision making, which covers those business plans which are concerned with the company's objective, procurement and optimal allocation of resources and coordination of business strategies of different units and divisions for satisfactory performance.

Classification of Corporate-level Strategies

The corporate-level strategies are classified into four parts:

Stability Strategy

Stability is a critical business goal which is required to defend the existing interest and strengths, to follow the business objectives, to continue with the existing business, to keep the efficiency in operations, etc.

In the stability strategy, the firm continues with its existing business and product markets, as well as it maintains the current level of endeavour as the firm is satisfied with the marginal growth.

Expansion Strategy

Also called a growth strategy, wherein the company's business is reevaluated so as to extend the capacity and scope of business and considerably increasing the overall investment in the business.

In the expansion strategy, the enterprise looks for considerable growth, either from the existing business or product market or by entering a new business, which may or may not be related to the firm's existing business. Basically, it encompasses diversification, merger and acquisitions, strategic alliance, etc.

Retrenchment Strategy

This is pursued when the company opts for decreasing its scope of activity or operations. In retrenchment strategy, a number of business activities are retrenched (cut or reduced) so as to minimize cost, as a response to the firm's financial crisis. Sometimes, the business itself is dropped by selling out or liquidation.

Therefore, areas where there is a problem is identified and reasons for those problems are diagnosed, after that corrective or remedial steps are taken to solve those problems. So, when the firm concentrates on the ways to reverse the process of decline, it is called a turnaround strategy.

However, if it drops the loss-making venture or part of the company or minimizes the functions undertaken, it is called a divestment or divestiture strategy. If nothing works, then the firm may choose for closing down the firm, it is called a liquidation strategy.

Combination Strategy

In this strategy, the enterprise combines any or all of the three corporate strategies, so as to fulfil the firm's requirements. The firm may choose to stabilize some areas of activity while expanding the other and retrenching the rest (loss-making ones).

The primary focus on corporate-level strategies is on the "directing" the managers on 'how to manage the scope of various business activitie's and 'how to make optimum utilization of firm's resources (material, money, men, machinery), etc. on different business activitie's.

Cost Leadership

Cost Leadership is the mechanism of establishing a competitive advantage by having the lowest cost of operation in the industry. This strategy is especially beneficial in a market where the price is an important factor.

The primary objective of a firm aiming to attain cost leadership is to become the lowest cost producer in comparison to the competitors. This is usually achieved by large scale production which enables the firm to attain economies of scale or by innovating the production process.

Acquiring quality raw materials at the lowest price is the basic goal of a cost leadership strategy. Further, there is an additional requirement of quality labour who'll convert these raw materials into valuable goods for the consumer.

But, it needs to be noted that the way the cost of products differs from their price, similarly, cost leadership isn't the same as price leadership.

The expenses incurred by a business in the process of bringing a product or service into the market is known as the cost; while the money which the customers pay for that product or service is known as its price. The value of the price is usually higher than the value of the cost.

Thus, the cost is the money which a company GIVES to the production and introduction of a product in the market (like labour, capital, materials, wages, bills, and other transaction costs). Whereas the price is the money which the company GETS from that product (a total of the production costs and seller's profit).

Cost Leadership vs. Price Leadership

Although the two often go together, cost leadership is not necessarily price leadership. A company could be the lowest cost producer yet not offer the lowest-priced products or services, thus possessing higher profitability. A cost leader will be more profitable than a competitor at the same price point.

The profitability of cost leaders gives them room to innovate, manoeuvre, and survive as compared to their lower-margin competitors, especially in price centred industries.

The goal of a cost leading company is to reduce costs, and not just prices. Also, a company with the lowest prices isn't necessarily the one with the lowest costs.

Now that we have possessed a good knowledge of cost leadership, let's move on to achieving it in real life.

How to Achieve Cost Leadership

Although a little bit tricky, achieving cost leadership isn't a tough deal.

A unique and effective cost leadership strategy which is better than the competitors is the key.

A cost leadership strategy works on the basic principle that more the number of units produced, lower will be the unitary cost. It exploits the scale of production, by producing highly standardized products using advanced technology. In short, a successful cost leadership strategy enables companies to sell more units sold at a lower margin per unit.

However, there are no shortcuts or escapes for a company aiming to achieve cost leadership in the long run. Either they have to commit to cost reduction or they lose the race.

Here are a few cost leadership strategies through which one can establish and maintain an upper hand:

- Economies of scale: Efficient production decreases the costs of production. Size of the company matters a lot when we talk about economies of scale. In short, larger the business, lower the costs.
- Advantages of size: Increased purchasing power is a major outcome of the advantages of size. In short, more the money given to the suppliers, more the likeliness of extracting unique deals that become advantages.
- Technology: Better and innovative technologies and methods of production are a major deal in cutting costs. In short, better the technology used by a business, more are its chances of staying a cost leader in the long run.

- Focus: A company needs not to be huge to be a cost leader in the market. Even if a company manages to produce just one product, but with full focus and efficiency, it can manage to become the cost leader in that field of the market. In short, more the focus that a company renders to its good, more are its chances of becoming a cost leader in that domain.
- Raw materials: Costs can be greatly reduced depending upon the amount of access a company has over the basic raw materials required for production. A company might pay huge sums for a particular resource, while another may not have to do so. In short, more the access of a company to potential raw materials, more are its chances of cutting costs as compared to competitors.
- Operating efficiency: Getting more tasks done in comparatively lesser time and costs emerge as a golden way of increasing efficiency and also, cutting costs. In short, the lesser the amount of money and time that a company spends on getting a task done, more are its chances of coming out as an effective and cost-advantaged company.

These were a few ways through which companies can cut on costs and improve their chances of becoming cost leaders in the market.

Cost Leadership Examples

- Aldi: Aldi has successfully cut down on excesses at every point of production and uses a no-frills marketing strategy too. As a result, is able to provide the consumers with quality products at low prices.
- Amazon: Amazon offers maximum value for its customers at the lowest price and wraps its business around the customers wherein they find it to be a reliable portal for their online shopping needs.
- McDonald's: McDonald's practices a division of labour by employing and training inexperienced staff instead of skilled cooks and thus manages to cut huge amounts of costs from the salaries of its employees.

Operations Strategy

Operations strategy is the collective concrete actions chosen, mandated, or stimulated by corporate strategy. It is, of course, implemented within the operations function. This operations strategy binds the various operations decisions and actions into a cohesive consistent response to competitive forces by linking firm policies, programs, systems, and actions into a systematic response to the competitive priorities chosen and communicated by the corporate or business strategy. In simpler terms, the operations

strategy specifies how the firm will employ its operations capabilities to support the business strategy.

Operations strategy has a long-term concern for how to best determine and develop the firm's major operations resources so that there is a high degree of compatibility between these resources and the business strategy. Very broad questions are addressed regarding how major resources should be configured in order to achieve the firm's corporate objectives. Some of the issues of relevance include long-term decisions regarding capacity, location, processes, technology, and timing.

The achievement of world-class status through operations requires that operations be integrated with the other functions at the corporate level. In broad terms, an operation has two important roles it can play in strengthening the firm's overall strategy. One option is to provide processes that give the firm a distinct advantage in the marketplace. Operations will provide a marketing edge through distinct, unique technology developments in processes that competitors cannot match.

The second role that operations can play is to provide coordinated support for the essential ways in which the firm's products win orders over their competitors, also known as distinctive competencies. The firm's operations strategy must be conducive to developing a set of policies in both process choice and infrastructure design (controls, procedures, systems, etc.) that are consistent with the firm's distinctive competency. Most firms share access to the same processes and technology, so they usually differ little in these areas. What is different is the degree to which operations matches its processes and infrastructure to its distinctive competencies.

Factors

Industries have characteristics or strategic elements that affect their ability to prosper in the marketplace (i.e., attributes, resources, competencies, or capabilities). The ones that most affect a firm's competitive abilities are called key success factors (KSFs). These KSFs are actually what the firm must be competent at doing or concentrating on achieving in order to be competitively and financially successful; they could be called prerequisites for success. In order to determine their own KSFs, a firm must determine a basis for customer choice. In other words, how do customers differentiate between competitors offering the same or similar products or services and how will the firm distinguish itself from these competitors? Once this is determined, the firm has to decide what resources and competitive capabilities it needs in order to compete successfully, and what will it take to achieve a sustainable competitive advantage. These KSFs can be related to technology, operations, distribution, marketing, or to certain skills or organizational capability. For example, the firm may derive advantages from superior ability to transform material or information (technology or operations), to quickly master new technologies and bring processes online (technology or organizational capability), or to quickly design and introduce new products, service a broad

range of products, customize products or services on demand, or provide short lead times (skills).

The set of KSFs that are delegated totally or substantially to the operations function has been termed the manufacturing mission. It represents what top management expects from operations in terms of its strategic contribution. All decisions made relative to system design, planning, control and supervision must aim at accomplishing the manufacturing mission. As such, the manufacturing mission is the principal driver of the operations function and gives it its reason for existence. All world-class manufacturers have an explicit, formal manufacturing mission.

From the manufacturing mission the operations function derives its distinctive competencies (also called competitive priorities or competitive weapons). Distinctive competence is defined as the characteristic of a given product/service or its producing firm that causes the buyer to purchase it rather than the similar product/service of a competitor. It is generally accepted that the distinctive competencies are cost/price, quality, flexibility, and service/time. Various experts include other competencies, such as location, but these can usually be categorized within one of the generally accepted four. Some experts also feel that innovation is quickly becoming a fifth distinctive competency, if it hasn't already. It should be noted that a firm's position on the product-process matrix is a controlling factor for the manufacturing mission and the firm's competitive priority or priorities.

Distinctive Competencies

Price/Cost

A firm competing on a price/cost basis is able to provide consumers with an in-demand product at a price that is competitively lower than that offered by firms producing the same or similar good/service. In order to compete on a price basis, the firm must be able to produce the product at a lesser cost or be willing to accept a smaller profit margin. Firms with this competency are generally in a position to mass produce the product or service, thereby giving the firm economies of scale that drive the production cost per unit down considerably. Commodity items are mass-produced at such volume that they utilize a continuous process, thus deriving tremendous economies of scale and very low prices Consumers purchasing commodity-type products are usually not greatly aware of brand difference, and will buy strictly on the basis of price; e.g., as long as it is a major brand of gasoline and location is not a factor, consumers will opt for the lowest price. Wal-Mart is able to offer low prices by accepting a lower profit margin per unit sold. Their tremendous volume more than makes up for the lower profit margin.

Quality

David Garvin lists eight dimensions of quality as follows:

- Performance: Performance refers to a product's primary operating characteristics.

For an automobile this could mean fast acceleration, easy handling, a smooth ride or good gas mileage. For a television it could mean bright color, clarity, sound quality or number of channels it can receive. For a service this could merely mean attention to details or prompt service.

- Conformance: Conformance is the degree to which a product's design and operating characteristics meet predetermined standards. When a manufacturer utilizing coils of steel receives a shipment from the mill, it checks the width of the coil, the gauge (thickness) of the steel, the weight of the coil, and puts a sample on a Rockwell hardness tester to check to ensure that the specified hardness has been provided. Receiving inspection will also check to see if specified characteristics are met (e.g., hot-rolled, pickled, and oiled). Services may have conformance requirements when it comes to repair, processing, accuracy, timeliness, and errors.

- Features: Features are the bells and whistles of a product or service. In other words, characteristics that supplement the basic function of the product or service. Desirable, but not absolutely necessary, features on a VCR include four heads, slow-motion capability, stereo or surround sound, split screens or inset screens, and 365-day programming ability. Service examples include free drinks on an airline flight or free delivery of flowers.

- Durability: Durability is defined as mean time until replacement. In other words, how long does the product last before it is worn out or has to be replaced because repair is impossible? For some items, such as light bulbs, repair is impossible and replacement is the only available option. Durability may be had by use of longer life materials or improved technology processes in manufacturing. One would expect home appliances such as refrigerators, washer and dryers, and vacuum cleaners to last for many years. One would also hope that a product that represents a significant investment, such as an automobile, would have durability as a primary characteristic of quality.

- Reliability: Reliability refers to a product's mean time until failure or between failures. In other words, the time until a product breaks down and has to be repaired, but not replaced. This is an important feature for products that have expensive downtime and maintenance. Businesses depend on this characteristic for items such as delivery trucks and vans, farm equipment and copy machines since their failure could conceivably shut down the business altogether.

- Serviceability: Serviceability is defined by speed, courtesy, competence and ease of repair. This is can be an extremely important characteristic as witnessed by the proliferation of toll-free hot lines for customer service. A number of years ago, a major television manufacturer advertised that its product had its "works in a box". This meant that the television set was assembled out of modular units. Whenever there were problems with the set, a repairman making a house

call simply had to replace the problem module, making the product easily and quickly serviceable.

- Aesthetics: A product's looks, feel, smell, sound, or taste are its aesthetic qualities. Since these characteristics are strictly subjective and captive to preference, it is virtually impossible to please everyone on this dimension.
- Perceived Quality: Perceived quality is usually inferred from various tangible and intangible aspects of the product. Many consumers assume products made in Japan are inherently of high quality due to the reputation of Japanese manufacturers, whereas 50 years ago, the perception was the complete opposite. Other characteristics such as high price or pleasing aesthetics may imply quality.

Firms competing on this basis offer products or services that are superior to the competition on one or more of the eight dimensions. Obviously, it would be undesirable if not impossible for firms to compete on all eight dimensions of quality at once. This would be prohibitively expensive, and there are some limitations imposed by trade-offs that must be made due to the nature of the product. For example, a firm may sacrifice reliability in order to achieve maximum speed.

Service

Service can be defined in a number of ways. Superior service can be characterized by the term customer service or it could mean rapid delivery, on-time delivery, or convenient location.

Flexibility

Firms may compete on their ability to provide either flexibility of the product or volume. Firms that can easily accept engineering changes (changes in the product) offer a strategic advantage to their customers. This can also apply to services. A number of years ago, a well-known fast food restaurant advertised "hold the pickles, hold the lettuce, special orders don't upset us," which meant that ordering a nonstandardized version of the product would not slow down the delivery process. Also, some firms are able to absorb wide fluctuations in volume allowing customers with erratic demand the luxury of not holding excessive inventories in anticipation of change in demand.

Tradeoffs

Firms usually focus on one distinctive competency (rarely more than two). For some competencies there are tradeoffs involved. An automobile manufacturer producing a product that is considered to be of high quality (leather seats, real wood trim, and an outstanding service package) will not be able to compete on a cost/price basis as the cost of manufacture prohibits it. An automotive parts house would like to keep their customers happy by offering the lowest prices possible. However, if the automotive

parts house also wants to be able to fill almost every single order from walk-in customers, it must maintain an extensive inventory. The expense of this inventory could preclude the parts house from offering prices competitive with other similar firms not choosing to provide this level of service. Therefore, one parts house is competing on the basis of service (but not cost/price) while the other is competing of the basis of cost/price (but not service). The customer may have to wait a few days to get the desired part; if the customer cannot wait, he or she can pay more and purchase the part immediately from the competitor.

Order Winners/Qualifiers

A qualifier is a competitive characteristic a firm or product must be able to exhibit to be a viable competitor in the marketplace. An order winner is a competitive characteristic of a product or service that causes a customer to choose this firm's product or service rather than that of a competitor (distinctive competence). For example, say a consumer in the market for a new automobile has a predetermined level of quality that the automobile must possess before being considered for purchase. The consumer has narrowed his or her choice down to five models of automobile that all meet this minimum quality requirement. From this point the consumer, with all else being equal, will probably purchase the automobile that he or she can get for the least cost. Therefore, quality is the qualifier (must be present to be considered) and cost/price is the order winner (basis for the final choice).

Need for an Operations Strategy

In too many instances, a firm's operations function is not geared to the business's corporate objectives. While the system itself may be good, it is not designed to meet the firm's needs. Rather, operations is seen as a neutral force, concerned solely with efficiency, and has little place within the corporate consciousness. Steven C. Wheelwright and Robert H. Hayes described four generic roles that manufacturing can play within a company, from a strategic perspective. While they specifically discuss the manufacturing function, the term operations can be substituted with no loss in relevance. These generic roles are labeled stages 1 to 4, as explained below.

Stage 1 firms are said to be internally neutral, meaning that the operations function is regarded as being incapable of influencing competitive success. Management, thereby, seeks only to minimize any negative impact that operations may have on the firm. One might say that operations maintain a reactive mode. When strategic issues involving operations arise, the firm usually calls in outside experts.

Stage 2 firms are said to be externally neutral, meaning they seek parity with competitors (neutrality) by following standard industry practices. Capital investments in new equipment and facilities are seen as the most effective means of gaining competitive advantage.

Stage 3 firms are labeled internally supportive, that is, operation's contribution to the firm is dictated by the overall business strategy but operations has no input into the overall strategy. Stage 3 firms do, however, formulate and pursue a formal operations strategy.

Stage 4 firms are at the most progressive stage of operations development. These firms are said to be externally supportive. Stage 4 firms expect operations to make an important contribution to the competitive success of the organization. An operation is actually involved in major marketing and engineering decisions. They give sufficient credibility and influence to operations so that its full potential is realized. Firms within Stage 4 are known for their overall manufacturing capability.

Since the bulk of many, if not all, firms have the bulk of their labor force and assets tied to the operations function, it makes sense for most firms to strive for a position in Stage 3 or Stage 4. Firms can, of course, evolve from one stage to the next with few, if any, skipping a stage. In fact, most outstanding firms are in Stage 3, as Stage 4 is extremely difficult to reach.

The need for an operations strategy that reflects and supports the corporate strategy is not only crucial for the success of the corporate strategy but also because many decisions are structural in nature. In other words, the results are not easily changed. The firm could be locked into a number of operations decisions, which could take years to change if the need arose. These could range from process investment decisions to human resource management practices. Too often, marketing-led strategies leave operations to resolve the resulting issues from their unilateral view of what is best for the business as a whole. If corporate management cannot fully appreciate the issues and consequences of relegating operations to a tactical status it could find itself needing to make structural changes that are costly, time consuming, and much too late to make the competitive impact necessary to compete effectively.

Firms that fail to fully exploit the strategic power of operations will be hampered in their competitive abilities and vulnerable to attack from those competitors who do exploit their operations strategy. To do this effectively, operations must be involved throughout the whole of the corporate strategy. Corporate executives have tended to assume that strategy has only to do with marketing initiatives. They erroneously make the assumption that operation's role is strictly to respond to marketing changes rather than make inputs into them. Secondly, corporate executives assume that operations have the flexibility to respond positively to changing demands. These assumptions place unrealistic demands upon the operations function.

Operations management's attention must increasingly be toward strategy. The balance and direction of its activity should reflect its impact on the firm's performance toward achieving its goals through its strategy, and on the performance of operations itself, recognizing that both need to be done well. Linda Nielsen-Englyst recommends a four-phase process for formulating and updating operations strategy: learning, reviewing,

aligning, and redirecting. Phase one is a learning stage where alternatives to the intended strategy are evaluated in practice. Phase two involves reviewing alternatives over time, allowing ideas to grow and mature. Phase three, the alignment stage, is an analytical process where the firm attempts to identify and document financial rationale for changing the intended strategy. Finally, in the redirecting phase, the firm tests its ideas in practice through local initiatives.

Transformational Strategy

Changing economic times and the rise of political and consumer unrest can pose challenges to a business's viability. Consumers may begin cutting back the purse strings or choosing products from different competitors. In these instances, a business may adopt a transformational strategy to position itself for long-term profitability.

Transformational strategy is about making drastic and significant changes within a business to change the course of its short- and long-term viability. The need for such a change in course of action normally results from some sort of external factor, such as a downturn in the economy or the rise of a competitor, which force the business's owner and its managers to rethink their policies and procedures. As such, transformational strategy has objectives in increasing the company's revenue and market share, improving customer satisfaction and retention and cutting costs to funnel money into other parts of the business.

Tools

Enacting radical change within an organization requires the business owner and mangers to use purposeful tools to ensure that the strategies they adopt are worthwhile and effective. These tools include reviewing employee and management performance, scrutinizing financial data, overhauling technology and service programs and optimizing project management plans. Often, a combination of tools and strategies will help transform the business. For example, a company that is losing market share to a competitor might change its customer service approach, lower its price and expand its marketing efforts.

Stakeholder Engagement

Involving the organization's core people is important to transformational strategy. The employees, board members, managers and important third parties such as vendors and core customers should be involved in the transformation process. Opening the lines of communication between the business owners and the stakeholders can reveal weakness in the company's policies and procedures and yield valuable insight on things within the business that need to change. Involving stakeholders in transformational

strategy also helps to widen and deepen the resources and tools available to the business. The old saying that "two heads are better than one" comes into play here -- having more people on board to strategize and implement solutions helps to transformation the business in a timely and effective manner.

Setting Goals

An important part of transformational strategy is setting goals and objectives. Setting goals to transform the business helps give the owners and management a clear plan of action. The first step is recognizing the need for a change and then agreeing with the stakeholders the steps that are needed to implement the change. This is often centered around a vision for what the organization should ideally look like -- should it widen its market reach, narrowly focus on a few products or expand its public relations efforts into social media? Questions such as these help to test and implement changes. Crucially, the transformational strategy must be supported by leadership. Managers and business owners have to constantly re-evaluate the plans for change to ensure that they are meeting the stated goals.

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Marketing Strategies 6

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- Diversification
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- GE Multifactoral Analysis
- Hunger Marketing
- Horizontal Marketing System
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- Mass-market Theory
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- Product Bundling
- Ambush Marketing
- Co-marketing

Marketing strategy focuses on increasing sales and achieving marketing objectives of an organization through detailed research and effective use of its resources. It includes push and pull marketing strategy, alliance marketing, hunger marketing, ambush marketing, etc. All the concepts related to the subject of marketing strategy have been carefully analyzed in this chapter.

Marketing strategy is the comprehensive plan formulated particularly for achieving the marketing objectives of the organization. It provides a blueprint for attaining these marketing objectives. It is the building block of a marketing plan. It is designed after detailed marketing research. A marketing strategy helps an organization to concentrate its scarce resouces on the best possible opportunities so as to increase the sales.

A marketing strategy is designed by:

- Choosing the target market: By target market we mean to whom the organization

wants to sell its products. Not all the market segments are fruitful to an organization. There are certain market segments which guarantee quick profits, there are certain segments which may be having great potential but there may be high barriers to entry. A careful choice has to be made by the organization. An in-depth marketing research has to be done of the traits of the buyers and the particular needs of the buyers in the target market.

- Gathering the marketing mix: By marketing mix we mean how the organization proposes to sell its products. The organization has to gather the four P's of marketing in appropriate combination. Gathering the marketing mix is a crucial part of marketing task. Various decisions have to be made such as :
  - What is the most appropriate mix of the four P's in a given situation?
  - What distribution channels are available and which one should be used?
  - What developmental strategy should be used in the target market?
  - How should the price structure be designed?

Importance of Marketing Strategy

- Marketing strategy provides an organization an edge over its competitors.
- Strategy helps in developing goods and services with best profit making potential.
- Marketing strategy helps in discovering the areas affected by organizational growth and thereby helps in creating an organizational plan to cater to the customer needs.
- It helps in fixing the right price for organization's goods and services based on information collected by market research.
- Strategy ensures effective departmental co-ordination.
- It helps an organization to make optimum utilization of its resources so as to provide a sales message to its target market.
- A marketing strategy helps to fix the advertising budget in advance, and it also develops a method which determines the scope of the plan, i.e., it determines the revenue generated by the advertising plan.

Push Marketing Strategy

A push marketing strategy, also called a push promotional strategy, refers to a strategy in which a firm attempts to take ("push") its products to consumers. In a push marketing

strategy, the goal is to use various active marketing techniques to "push" their products to be seen by consumers starting at the point of purchase.

Push marketing strategies are usually used to gain product exposure. Once a product becomes established in the market, a pull marketing strategy is used.

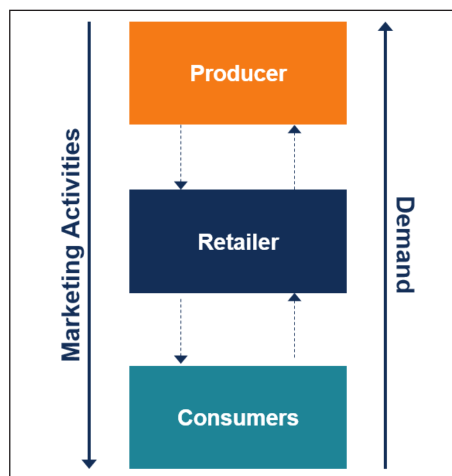
Examples of using a Push Marketing Strategy

In a push marketing strategy, the firm takes the product to consumers. The consumers are unaware or actively seeking the product, but are introduced to it through several push marketing methods:

- Direct selling to customers in showrooms.
- Point of Sale displays (POS).
- Trade show promotion.
- Packaging designs to encourage a purchase.

Illustration of a Push Marketing Strategy

A push marketing strategy is illustrated as follows:



As illustrated above, a push marketing strategy involves using marketing activities to push a product to consumers.

With reference to the illustration above, a production company may try to convince a retailer to stock its product. Once the retailer stocks the product, the retailer pushes the products to consumers at a slight markup, who purchases them.

A push marketing strategy can be contrasted with a pull marketing strategy, where marketing activities are done directly to consumers.

Practical Example of a Push Marketing Strategy

Colin recently launched a new product the Fanner 3000. After spending months in the hot weather of Hong Kong, Colin developed an innovative fan product that emits no sound, is priced competitively, is energy efficient, and is able to cool the room to a determined temperature.

To market this product, Colin convinces major retailers to stock this product and prepares to present and sell his product at an upcoming trade show. Creating visibility is a top priority, so Colin manages to persuade the major retailers to display the Fanner 3000 near check-out counters. In addition, he ensures that his product is stocked and abundant as customer demand rolls in.

Advantages of a Push Marketing Strategy

- It is useful for manufacturers that are trying to establish a sales channel and are seeking distributors to help with product promotion.
- It creates product exposure, product demand, and consumer awareness about a product.
- Demand can be forecast able and predictable as the producer is able to produce and push as much or little product to consumers.
- Economies of scale can be realized if the product is able to be produced at scale due to high demand.

Disadvantages of a Push Marketing Strategy

- It requires an active sales team that is able to work/network actively with retailers and distributors and establish relationships.
- Poor negotiating power with retailers and distributors; the producers are the ones asking retailers to stock their products.
- Demand may not exist among retailers, wholesalers, or consumers; the producer may be left with products that they are unable to distribute.
- It requires demand forecasting, which can be hard in a fast-moving market where consumer preference changes quickly.

Pull Marketing Strategy

A pull marketing strategy, also called a pull promotional strategy, refers to a strategy in which a firm increases demand for its products and draws ("pulls") consumers to the

product. Pull marketing strategies revolve around getting consumers to want a particular product. A pull marketing strategy can be used by itself or in conjunction with a push marketing strategy.

In a pull marketing strategy, the goal is to make a consumer actively seek a product and get retailers to stock the product due to direct consumer demand.

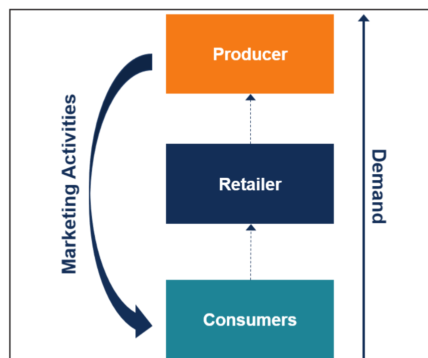
Examples of using a Pull Marketing Strategy

In a pull marketing strategy, the firm markets the product directly to consumers. The consumers would then seek out the products to purchase. There are several pull marketing methods available today, including:

- Social media networks.
- Word of mouth.
- Media coverage.
- Sales promotions and discounts.
- Advertising.
- Email marketing.

Illustration of a Pull Marketing Strategy

A push marketing strategy is illustrated as follows:



As illustrated above, a pull marketing strategy involves using marketing activities to pull consumers to its products.

With reference to the illustration above, a production company runs marketing campaigns directly to consumers. Due to the marketing campaigns, consumers seek out a particular product and go to retailers to purchase the product. Retailers reach out to the producer to stock the product due to direct consumer demand.

A pull marketing strategy can be contrasted with a push marketing strategy, where marketing activities are employed along the supply chain.

Example of a Pull Marketing Strategy

Colin recently launched a new product the Fanner 3000. After spending months in the hot weather of Hong Kong, Colin developed an innovative fan product that emits no sound, is priced competitively, is energy efficient, and is able to cool the room to a determined temperature.

To market his product, Colin decided to drive demand to the product through social media buzz, word of mouth, and media coverage. To be more specific, Colin ran several Facebook and Instagram advertisements, worked with YouTube influencers to create video promotions and got his product featured on a technology media coverage website. A week into the marketing activities, Colin's phone starts ringing as retailers and distributors inquire about stocking the product at their stores.

Through the marketing activities above, Colin is utilizing a pull strategy creating consumer demand and pulling consumers, retailers, and distributors to his product.

Advantages of a Pull Marketing Strategy

There are several advantages to a pull marketing strategy:

- Able to establish direct contact with consumers and build consumer loyalty.
- Stronger bargaining power with retailers and distributors.
- Focuses on creating brand equity and product value.
- Consumers are actively seeking out the product, which removes the pressure of conducting outbound marketing.
- Used to test a product's acceptance in the market and gain feedback on the product.

Disadvantages to a Pull Marketing Strategy

There are several disadvantages to a pull marketing strategy:

- Works effectively only when there is high brand loyalty.

- Lead time is long as consumers are comparing alternatives before making a purchase.
- Requires creating high demand for a product, which can be difficult in a highly competitive landscape.
- Requires strong marketing efforts to convince consumers to actively seek out the product.

Difference between Push and Pull Strategy

Basis for Comparison	Push Strategy	Pull Strategy
Meaning	Push strategy is a strategy that involves direction of marketing efforts to channel partners.	Pull strategy is a strategy that involves promotion of marketing efforts to the final consumer.
What is it?	A strategy in which third party stocks company's product.	A strategy in which customers demand company's product from sellers.
Objective	To make customer aware of the product or brand.	To encourage customer to seek the product or brand.
Uses	Sales force, Trade promotion, money etc.	Advertising, Promotion and other forms of communication.
Emphasis on	Resource Allocation.	Responsiveness.
Suitability	When the brand loyalty is low.	When the brand loyalty is high.
Lead Time	Long.	Short.

Aggressiveness Strategy

Business strategies can be categorized in many ways. One popular method is to assess strategies based on their degree of aggressiveness. Aggressiveness strategies are rated according to their marketing assertiveness, their risk propensity, financial leverage, product innovation, speed of decision making, amongst others. Typically the range of aggressiveness strategies is classified into four categories: prospector, defender, analyzer, and reactor.

Prospector Strategy

This is the most aggressive of the four strategies. It typically involves active programs to expand into new markets and stimulate new opportunities. New product development is vigorously pursued and offensive marketing warfare strategies are a common way of obtaining additional market share. They respond quickly to any signs of market opportunity, and do so with little research or analysis.

A large proportion of their revenue comes from new products or new markets. They are

often highly leveraged, sometimes with a substantial equity position held by venture capitalists. The risk of product failure or market rejection is high. Their market domain is constantly in flux as new opportunities arise and past product offerings atrophy.

They value being the first in an industry, thinking that their "first mover advantage" will provide them with premium pricing opportunities and high margins. Price skimming is a common way of recapturing the cost of development. They can be opportunistic in headhunting key employees, both technical and managerial. Advertising, sales promotions, and personal selling costs are a high percentage of sales.

Typically the firm will be structured with each strategic business unit having considerable autonomy. The industry that they operate in tends to be in the introduction or growth stage of its life cycle, with few competitors and evolving technology

Defender Strategy

This strategy entails a decision not to aggressively pursue markets. As a result, they tend to do none of the things prospectors do. A defender strategy entails finding, and maintaining a secure and relatively stable market. Rather than being on the cutting edge of technological innovation, product development, and market dynamics; a defender tries to insulate themselves from changes wherever possible.

In their attempt to secure this stable market they either keep prices low, keep advertising and other promotional costs low, engage in vertical integration, offer a limited range of products, or offer better quality products or customer service. They tend to be slower in making decisions and will only commit to a change after extensive research and analysis.

Their goals tend to be efficiency oriented rather than effectiveness oriented. The industry tends to be mature, with well defined technology, products, and market segments. Most sales tend to be repeat or replacement purchases. Individual strategic business units typically have moderate to low levels of autonomy.

Analyzer

The analyzer is in between the defender and prospector. They take less risk and make less mistakes than a prospector, but are less committed to stability than defenders. Most firms are analyzers. They are seldom a first mover in an industry, but are often second or third place entrants.

They tend to expand into areas close to their existing core competency. Rather than develop wholly new products, they make incremental improvements in existing products. Rather than expanding into new markets, they gradually expand existing markets. They try to maintain a balanced portfolio of products with some stable income generators and some potential winners. They watch the developments in their industry closely, but don't act until they are sure that the time is right.

Reactor

A reactor has no proactive strategy, often reacting to events as they occur. They respond only when they are forced to by macro environmental pressures. This is the least effective of the four strategies. It is without direction or focus.

Miles, Snow *et al.* have identified three reasons why organizations become Reactors:

- Top Management may not have clearly articulated the organization's strategy.
- Management does not fully shape the organization's structure and processes to fit a chosen strategy.
- Tendency for Management to maintain the organization's current strategy-structure relationship despite overwhelming changes in environmental conditions.

Alliance Marketing

Alliance marketing is joining two or more organizations on the purpose of sharing marketing strategy, promoting concepts, services or products. Basically, alliance marketing can imply to any business as long as it finds an organization that has a mutual goal.

Alliance Marketing is similar to Joint Venture Marketing. Except it does not always involve the creation of a new company or brand in the right to sell its product or service.

Alliance marketing is also used where a group of companies often in new technology areas come together to sell the technology concept. An alliance will always have a common theme which all stakeholders can benefit from. Stakeholders stands for are groups of individuals within whom the organisation has interacts and has interdependency.

Alliance marketing is built for controlling organisation's marketing cost. Distinctive from coexisting marketing, which is based on the game, alliance marketing is based on strategic perspective considering organisation marketing operation, from the interior to exterior resources. Exterior resources can be, for example, organisation's public relation, environmental resources, supplier, political environment.

The role of alliance marketing is to provide the organisation a way to promote its product while producing, advertising and making pricing strategy. The earliest alliance marketing is in the form of marketing economic union, price alliance and service alliance.

Types of Alliance

Alliances of Non-competitive Businesses

This is alliance form when two or more organisation join together to offer end-to-end service to the same customer. For example, auto-repair business joins together to serve the customer.

Destination Alliances

This is where tourism industry organisation merge marketing resources to promote their location or destination to tourism. For example, the tourism industry in South Pacific where individual organisation have weak marketing resources, corporate to promote eco-tourism.

Technology Alliances

This is a form to advertise new devices or concept, and to join resources and marketing power together. The alliance used to avoid failure to compete with alternative technology and ensure they have the chance to research and develop the technology.

Alliances to Expand into new Markets

It is useful when an organisation requires a huge investment of resources and to develop new distribution channels. For example, organisation establish an international market needs an alliance to a local company to enter the new foreign market.

Domestic Expansion

This forms of alliance help the organisation expand domestically by having more resources and marketing power. For example, the alliance between Pepsi and Starbucks create a bigger distribution network for ready-to-drink beverage, which gives revenue to both organisations without direct competition. Another example can be an alliance by the Japanese company between Sony and Ericsson corporation to sell mobile phones together.

Need of Alliance Marketing:

- Gain access to different customer by combining the marketing resources, which include targeting consumers together.
- Gain specialist knowledge and marketing methods.
- Reduce cost by sharing resources.
- Share idea and responsibility.
- Gain access to new market, for example, entering a new market in another country.

Marketing Economic Alliance

Marketing economic alliance is a union that aims to units and organise marketing elite from a different region. To condense internet resources, organisation resources and personal resources all together, consequently, alliance marketing.

Marketing economic alliance is in forms of combining industry or regional marketing method with resources and regional advantages. It is combining marketing knowledge, marketing examples, marketing practice, marketing idea together.

Marketing alliance is the outcome of marketing economic alliance, it helps to better adapt to changing market environment, raise marketing power.

Defensive Strategy

Defensive strategy is defined as a marketing tool that helps companies to retain valuable customers that can be taken away by competitors. Competitors can be defined as other firms that are located in the same market category or sell similar products to the same segment of people. When this rivalry exists, each company must protect its brand, growth expectations, and profitability to maintain a competitive advantage and adequate reputation among other brands. To reduce the risk of financial loss, firms strive to take their competition away from the industry.

Importance of Defensive Strategy

Telstra Dome.

Incumbents usually appear when a company is profitable or economically successful and other competitors fight against it to reach that position in the market. Customers are essential for a business growth but a company can't control their product and services preferences, so firms have to do the impossible to keep the satisfaction of customers at any cost. It is important to give the customers what they want and say what they want to hear.

For example, in the late 1990s the Australian telecommunication company Telstra was facing the fear of competition for the first time due to the facts that a new entrant called Optus

was already threatening the company's operation. The managers of Telstra knew that they have to act quickly and decided to implement a defensive strategy. They created a model to predict consumers' responses and Telstra redesigned its internal operations leaving Optus in a vulnerable situation. The company gained more market share and reputation.

Blockbuster store.

When technology is changing, companies tend to have more risk of losing potential customers with other firms. For example, Blockbuster was one of the biggest and recognized DVD rental company around the world. When Netflix appeared in the industry, Blockbuster had to take a defensive strategy to fight against that strong competitor. The company launched an online platform where people had to pay a little amount of money and watch movies online. This strategy was useful at first but Netflix offers were preferred by a lot of people in economic terms. Blockbuster went into bankruptcy and liquidated its stores because they were losing so much money.

There are two main assumptions of the defensive strategy:

- Attacking the benefits, which means that companies have to seek the way of weaken the product of the competition.
- Highlighting the risks, which means that company has to take into consideration the risk that could face and protect its brand.

Elements

Starbucks shop.

There are three strategies considered as essential elements of defensive strategy:

Retrenchment

A new defensive strategy requires planning. It consists of the reduction of the expenses by selling assets or having employees' layoffs to increase profitability. This forces employees to manufacture the company's products with limited resources or with cheaper raw material. For example, in years before 2009, Starbucks has had 600 closings in the United States and 61 in Australia. In 2009 the CEO of Starbucks, Howard Schultz, was planning on closing 300 company - operated stores around the world and 200 of them were established in the United States. After all that, the company planned to open 140 stores in the United States and 170 stores globally spread in the same year. To accomplish that, the firm wanted to cut 700 work positions around the world. Also, Starbucks was planning on entering to the value - meal race to compete with the McDonald's new McCafé coffee bars and survive the global recession.

Five guidelines indicate when a company should begin retrenchment should be implemented:

- The company has clear knowledge of their competence but has failed to focus and achieve their goals.
- The company is the weaker competitor in an industry or market place.
- An organization doesn't operate with efficiency, scarcity of employee motivation, low reliability and high level of stress due to the fact that employees have to increase their operation level.
- The enterprise has failed to take advantage of external opportunities, focus on internal strengths, and has ignored competence threats—leading to further mismanagement and disorganization.
- The organization has developed too fast for its internal operation, so it needs to pause and restructure.

Divestiture

Divestiture is when the company sells some of its assets to accomplish a certain objective, such as higher returns or reduces debts. Usually, companies that implement this strategy want to invest that capital to create higher future revenue. This strategy has helped some organizations to get more focused on their core business and improve their performance in the market. It is common that enterprises sell their poorly assets or divisions, but the global economic collapse forced them to negotiate even their valuable properties and goods. It is similar to the retrenchment tool, but divestiture actions don't directly fire employees to cut costs.

For example, in 2009 Ailing Lehman Brothers Holdings divested its venture-capital division as the firm sold part of the assets to generate enough cash to pay their debts. The acquiring firm, HarbourVEst Partners LLC, changed the name of the Lehman division to Tenaya Capital.

Liquidation

Hard Rock Park. This park was liquidated in 2009.

Liquidation is the hardest strategy to perform by a company because it means that it went into bankruptcy. This can be caused because the operation and administration of the firm was not appropriate or the managers were not trained enough to control the activities of the firm. In this case, the unique solution is to sell all the company's assets in small parts to shareholders, stakeholders or other companies that are economically solvent. Although this is a tough decision, it is better to stop the operational chaos instead of continuing losing more money.

For example, in 2009 the Hard Rock Park in Myrtle Beach located in South Carolina was liquidated just nine months after its inauguration, despite of two years of construction. Promoters expected that this thematic park would be the greatest in South Carolina, but it only generated $20 million in ticket sales—far below the $24 million in annual interest they owed. They had projected at least 30,000 customers per day, but tourist were not interested in the attractions, and the owners lost huge amounts of money.

Dimensions

There are five dimensions of defensive strategy:

Dimension	Meaning	Items for measuring
Personal communication	Sharing important information and having an effective communication between seller and buyer or customer.	- Personal communication to customers. - Time designated for effective communication with customer. Sender → Message Reciever Process for an effective communication - Customer can complain or show happiness through communication.

Firm-customer's trust development	Confidence between employees inside the organization and with the customer.	- Trust the employees to achieve the organization's goals. - Give reliable information to customers. - Know that customers are trustworthy.
Bonding development	Create bonds and a business relationship between the company and its clients.	- Establish a long-term relationship with the customers. - Cooperation to have an adequate control of the company.
Customer complaint management	The company's ability to deal with potential customer complaints to maintain its reputation	- The enterprise provides a division for customer service. - The company has the responsibility to train its employees so they can deal with customer's discontent. - Firms give compensation if customers have a reason to complain.
Switching barriers	The company generates barriers to maintain profitability and keep customers.	- The customer feels happy and trusts the company's products or services. - The organization gives discount for continuous buyers. - Originality of the firm's brand and product. This can give the company a competitive advantage.

Diversification

Diversification is a corporate strategy to enter into a new market or industry in which the business doesn't currently operate, while also creating a new product for that new market. This is the most risky section of the Ansoff Matrix, as the business has no experience in the new market and does not know if the product is going to be successful

Diversification is one of the four main growth strategies defined by Igor Ansoff's Product/Market matrix:

Present		Products	
		New	
Markets	Present	Market penetration	Product development
	New	Market development	Diversification

Ansoff pointed out that a diversification strategy stands apart from the other three strategies. Whereas, the first three strategies are usually pursued with the same technical, financial, and merchandising resources used for the original product line, the diversification usually requires a company to acquire new skills and knowledge in product

development as well as new insights into market behavior simultaneously. This not only requires the acquisition of new skills and knowledge, but also requires the company to acquire new resources including new technologies and new facilities, which exposes the organisation to higher levels of risk.

Product diversification involves addition of new products to existing products either being manufactured or being marketed. Expansion of the existing product line with related products is one such method adopted by many businesses. Adding tooth brushes to tooth paste or tooth powders or mouthwash under the same brand or under different brands aimed at different segments is one way of diversification. These are either brand extensions or product extensions to increase the volume of sales and the number of customers.

Typology of Diversification Strategies

Table: Trend in product variety for some models.

Poduct	1970	1998	2012
Automobile models	140	260	684
Newspapers	339	790	>5000
TV Screens (size)	5	15	43
Movies (at the cinema)	267	458	1410
Breakfast Cereals	160	340	4945
Types of Milk	4	19	>50
Mouthwash	15	66	113
Sports Shoes	5	285	3371
Brands of Mineral Water	16	50	195
Types of Tights	5	90	594

The strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company.

There are three types of diversification: concentric, horizontal, and conglomerate.

Concentric Diversification

This means that there is a technological similarity between the industries, which means that the firm is able to leverage its technical know-how to gain some advantage. For example, a company that manufactures industrial adhesives might decide to diversify into adhesives to be sold via retailers. The technology would be the same but the marketing effort would need to change.

It also seems to increase its market share to launch a new product that helps the particular company to earn profit. For instance, the addition of tomato ketchup and sauce to the existing "Maggi" brand processed items of Food Specialities Ltd. is an example of technological-related concentric diversification.

The company could seek new products that have technological or marketing synergies with existing product lines appealing to a new group of customers. This also helps the company to tap that part of the market which remains untapped, and which presents an opportunity to earn profits.

Horizontal Diversification

The company adds new products or services that are often technologically or commercially unrelated to current products but that may appeal to current customers. This strategy tends to increase the firm's dependence on certain market segments. For example, a company that was making notebooks earlier may also enter the pen market with its new product.

When is Horizontal Diversification Desirable?

Horizontal diversification is desirable if the present customers are loyal to the current products and if the new products have a good quality and are well promoted and priced. Moreover, the new products are marketed to the same economic environment as the existing products, which may lead to rigidity or instability.

Another Interpretation

Horizontal integration occurs when a firm enters a new business (either related or unrelated) at the same stage of production as its current operations. For example, Avon's move to market jewellery through its door-to-door sales force involved marketing new products through existing channels of distribution. An alternative form of that Avon has also undertaken is selling its products by mail order (e.g., clothing, plastic products) and through retail stores (e.g.,Tiffany's). In both cases, Avon is still at the retail stage of the production process.

Goal of Diversification

According to Calori and Harvatopoulos, there are two dimensions of rationale for diversification. The first one relates to the nature of the strategic objective: Diversification may be defensive or offensive.

Defensive reasons may be spreading the risk of market contraction, or being forced to diversify when current product or current market orientation seems to provide no further opportunities for growth. Offensive reasons may be conquering new positions, taking opportunities that promise greater profitability than expansion opportunities, or using retained cash that exceeds total expansion needs.

The second dimension involves the expected outcomes of diversification: Management may expect great economic value (growth, profitability) or first and foremost great coherence with their current activities (exploitation of know-how, more efficient use of available resources and capacities). In addition, companies may also explore diversification just to get a valuable comparison between this strategy and expansion.

Risks

Of the four strategies presented in the Ansoff matrix, Diversification has the highest level of risk and requires the most careful investigation. Going into an unknown market with an unfamiliar product offering means a lack of experience in the new skills and techniques required. Therefore, the company puts itself in a great uncertainty. Moreover, diversification might necessitate significant expanding of human and financial resources, which may detract focus, commitment, and sustained investments in the core industries. Therefore, a firm should choose this option only when the current product or current market orientation does not offer further opportunities for growth. In order to measure the chances of success, different tests can be done:

- The attractiveness test: the industry that has been chosen has to be either attractive or capable of being made attractive.
- The cost-of-entry test: the cost of entry must not capitalize all future profits.
- The better-off test: the new unit must either gain competitive advantage from its link with the corporation or vice versa.

Because of the high risks explained above, many companies attempting to diversify have led to failure. However, there are a few good examples of successful diversification:

- Apple moved from PCs to mobile devices.
- Virgin Group moved from music production to travel and mobile phones.
- Walt Disney moved from producing animated movies to theme parks and vacation properties.
- Canon diversified from a camera-making company into producing an entirely new range of office equipment.

First-mover Advantage

In marketing strategy, first-mover advantage (FMA) is the advantage gained by the initial ("first-moving") significant occupant of a market segment. First-mover advantage may be gained by technological leadership, or early purchase of resources.

A market participant has first-mover advantage if it is the first entrant and gains a competitive advantage through control of resources. With this advantage, first-movers can be rewarded with huge profit margins and a monopoly-like status.

Not all first-movers are rewarded. If the first-mover does not capitalize on its advantage, its "first-mover disadvantages" leave opportunity for new entrants to enter the market and compete more effectively and efficiently than the first-movers; such firms have "second-mover advantage".

Mechanisms Leading to First-mover Advantages

The three primary sources of first-mover advantages are technological leadership, preemption of scarce assets, and switching costs/buyer choice under uncertainty.

Technological Leadership

The first of the three is technological leadership. A firm can gain FMA when it has had a unique breakthrough in its research and development (R&D). A new, innovative technology can provide sustainable cost advantage for the early entrant; if the technology, and the learning curve to acquire it, can be kept proprietary, and the firm can maintain leadership in market share. The diffusion of innovation can diminish the first-mover advantages over time, through workforce mobility, publication of research, informal technical communication, reverse engineering, and plant tours. Technological pioneers can protect their R&D through patents. However, in most industries, patents confer only weak protection, are easy to invent around, or have transitory value given the pace of technological change. With their short life-cycles, patent-races can actually prove to be the downfall of a slower moving first-mover firm.

Examples of Technological Leadership

- In a 1981 paper Michael Spence discusses how the technological learning curve can be kept proprietary, making for a huge barrier to entry on the part of others. Although the starters in a FMA market have complete control for a period of time, the competition still remains, trying to chase the originators. Spence states that firms trying to emerge as first-movers will usually sell their products below cost in an effort to understand the market better (i.e. gain intelligence); and then, once established, turn the market around and control the market's cost. Though Spence states that this sort of competition reduces profitability, most of the time it is needed to break into the new markets.
- Papers by Gilbert and Newbery and Reinganum illustrate what happens if a first-mover firm, or close followers, were to assume what each other's R&D departments are doing. This can result in the second- or third-movers surpassing the leaders because they are out-thinking their competition.

- Procter & Gamble is an example where a company's technology leadership helped propel their product (disposable diapers) into the US market. They used a learning-based preemption to help invest in low-priced European synthetic fiber, which helped keep costs down, and allowed for selling the diapers profitably at a cheaper price.
- Physical aspects of FMA are not the only way certain firms acquire this advantage. Managerial systems that help the organizational and behavior aspects of the company may prove to be highly beneficial to emerging companies. When a firm's management style is unlike any other, and grasps certain concepts of management and the economy that other firms do not, then they will benefit (e.g. American Tobacco, Campbell Soup, Quaker Oats, Procter & Gamble, Toyota).

Preemption of Scarce Assets

If the first-mover firm has superior information, it may be able to purchase assets at market prices below those that will prevail later in the evolution of the market. In many markets there is room for only a limited number of profitable firms; the first-mover can often select the most attractive niches and may be able to take strategic actions that limit the amount of space available for subsequent entrants. First-movers can establish positions in geographic or product space such that latecomers find it unprofitable to occupy the interstices. Entry is repelled through the threat of price warfare, which is more intense when firms are positioned more closely. Incumbent commitment is provided through sunk investment cost. When economies of scale are large, first-mover advantages are typically enhanced. The enlarged capacity of the incumbent serves as a commitment to maintain greater output following entry, with the threat of price cuts against late entrants.

Examples of Preemption of Scarce Assets

- Main provides an example of preemption of input factors achieved by controlling natural resources. He states that the concentration of high-grade nickel in a single geographic area made it possible for the first company in the region to gain almost all of the supply. It has since controlled a vast proportion of the world's production and distribution of the product.
- For the preemption of locations in geographic space, a theory developed by Prescott and Visscher and others states that the first-mover has a huge advantage in claiming a certain geographic area so long as that area provides the firm with all the resources it needs to thrive. If said area can be claimed and then made to flourish, then the cost of entry to other firms would be too great. When a firm establishes itself on a certain plot of land, it can gain full control of the market incorporated within that land, thereby holding on to that power for a long period of time.

- Preemption of investment in plant and equipment can prove to be another advantage for the first-mover. Schmalensee says that when economies scale are large, FMA is usually larger and more profitable, sometimes enabling a monopoly position. He then states that advantages also arise from scale economies which provide only minor entry barriers, but also immense opportunities for future growth, development, and profit.

Switching Costs and Buyer Choice under Uncertainty

Switching costs are extra resources that late entrants must invest in order to attract customers away from the first-mover firm. Buyers may rationally stick with the first brand they encounter that performs the job satisfactorily. If the pioneer is able to achieve significant consumer trial, it can define the attributes that are perceived as important within a product category. For individual customers the benefits of finding a superior brand are seldom great enough to justify the additional search costs that must be incurred. Switching costs for corporate buyers can be more readily justified because they purchase in larger amounts.

Switching costs play a huge role in where, what, and why consumers buy what they buy. Over time, users grow accustomed to a certain product and its functions, as well as the company that produces the products. Once consumers are comfortable and set in their ways, they apply a certain cost, which is usually fairly steep, to switching to other similar products.

Examples of Switching Costs

- A switching cost where the seller actually creates the cost is described in Klemperer. For instance, in the case of airline frequent-flyer miles programs, many consumers find it important that an airline provides this service; and they are actually willing to pay more for an airfare ticket if it means they will earn points towards their next flight.

- Buyer choice under uncertainty has developed into an advantage for first-movers, who realize that by getting their brand name known quickly through advertisements, flashy displays, and possible discounts, and by getting people to try their products and becoming satisfied customers, brand loyalty will develop. A study by Ries and Trout showed that newcomers that emerged into the market as far back as 1923 were still at the top of their specific markets almost seven decades later.

First-mover Disadvantages

Although being a first-mover can create an overwhelming advantage, in some cases products that are first to market do not succeed. These products are victims of first-mover disadvantages. These disadvantages include “free-rider effects, resolution

of technological or market uncertainty, shifts in technology or customer needs, and incumbent inertia”.

Free-rider Effects

Secondary or late-movers to an industry or market have the ability to study first-movers and their techniques and strategies. “Late movers may be able to ‘free-ride’ on pioneering firms investments in a number of areas including R&D, buyer education, and infrastructure development”. The basic principle of this effect is that the competition is allowed to benefit and not incur the costs which the first-mover has to sustain. These “imitation costs” are much lower than the “innovation costs” the first-mover had to incur, and can also cut into the profits the pioneering firm would otherwise enjoy.

Studies of free-rider effects say the biggest benefit is riding the coattails of a company’s research and development, and learning-based productivity improvement. Other studies have looked at free rider effects in relation to labor costs, as first-movers may have to hire and train personnel to succeed, only to have the competition hire them away.

Resolution of Technological or Market Uncertainty

First-movers must deal with the entire risk associated with developing a new technology and creating a new market for it. Late-movers have the advantage of not sustaining those risks to the same extent. While first-movers have nothing to draw upon when deciding potential revenues and firm sizes, late-movers are able to follow industry standards and adjust accordingly. The first-mover must take on all the risk as these standards are set, and in some cases they do not last long enough to operate under the new standards.

Shifts in Technology or Customer Needs

“New entrants exploit technological discontinuities to displace existing incumbents”. Late entrants are sometimes able to assess a market need that will cause an initial product to be seen as inferior. This can occur when the first-mover does not adapt or see the change in customer needs, or when a competitor develops a better, more efficient, and sometimes less-expensive product. Often this new technology is introduced while the older technology is still growing, and the new technology may not be seen as an immediate threat.

An example of this is the steam locomotive industry not responding to the invention and commercialization of diesel fuel. This disadvantage is closely related to incumbent inertia, and occurs if the firm is unable to recognize a change in the market, or if a ground-breaking technology is introduced. In either case, the first-movers are at a disadvantage in that although they created the market, they have to sustain it, and can miss opportunities to advance while trying to preserve what they already have.

Incumbent Inertia

While firms enjoy the success of being the first entrant into the market, they can also become complacent and not fully capitalize on their opportunity. According to Lieberman and Montgomery:

Vulnerability of the first-mover is often enhanced by 'incumbent inertia'. Such inertia can have several root causes:

- The firm may be locked into a specific set of fixed assets.
- The firm may be reluctant to cannibalize existing product lines.
- The firm may become organizationally inflexible.

Firms that have heavily invested in fixed assets cannot readily adjust to the new challenges of the market, as they have less financial ability to change. Firms that simply do not wish to change their strategy or products and incur sunk costs from "cannibalizing" or changing the core of their business, fall victim to this inertia. Such firms are less likely to be able to operate in a changing and competitive environment. They may pour too much of their assets into what works in the beginning, and not project what will be needed long term.

Some studies which investigated why incumbent organizations are unable to be sustained in the face of new challenges and technology, pinpointed other aspects of incumbents' failures. These included: "the development of organizational routines and standards, internal political dynamics, and the development of stable exchange relations with other organizations".

All in all, some firms are too rigid and invested in the "now", and are unable to project the future to continue to maximize their current market stronghold.

General Conceptual Issues

Endogeneity and Exogeneity of First-mover Opportunities

First-mover advantages are typically the result of two things: technical proficiency (endogeneic) and luck (exogeneic).

Skill and technical proficiency can have a clear impact on profits and the success of a new product; a better product will simply sell faster. An innovative product that is the first of its kind has the potential to grow enormously. Technically competent companies are able to manufacture their products better, at a lower cost than their competitors, and have better marketing proficiency. An example of technical proficiency aiding first-mover advantage is Procter and Gamble's first disposable baby diaper. The ability to get ahead of the market through technical breakthroughs, the use of materials that were low in cost, as well as their general manufacturing proficiency and distribution channels, allowed P&G to dominate the disposable diaper industry.

Luck can also have a large effect on profits in first-mover-advantage situations, specifically in terms of timing and creativity. Simple examples such as a research "mistake" turning into an incredibly successful product (serendipity), or a factory warehouse being burned to the ground (unlucky), can have an enormous impact in some instances. Initially, Procter and Gamble's lead was aided by its ability to maintain a proprietary learning curve in manufacturing, and by being the first to take over shelf space in stores. Large increases in the birth rate, in the years that Procter and Gamble's first disposable diapers were released, also added to their industry profits and first-mover advantage.

Definitional and Measurement Issues

What Constitutes a First-mover?

Much of the problem with the concept of first-mover advantage is that it may be hard to define. Should a first mover advantage apply to firms entering an existing market with technological discontinuity, the calculator replacing the slide rule for example, or should it apply solely be new products? The imprecision of the definition has certainly named undeserving firms as pioneers in certain industries, which has led to some debate over the real concept of first-mover advantage.

Another common argument is whether first-mover advantage constitutes the initiation of research and development versus the entry of a new product into the market. Typically the definition is the latter, since plenty of firms spend millions in research and development that never result in a product entering a market. Many factors affect the answer to these questions; including the sequence of entry; elapsed time since the pioneer's first release; and categorizations such as early follower, late follower, differentiated follower, etc.

Alternative Measures of First-mover Advantage: Profits vs. Market Share vs. Probability of Survival

A commonly accepted way of measuring a first-mover advantage by pioneering firm's profits as the consequence of its early entry. Such profits are an appropriate measure, since the sole objective of stockholders is to maximize the value of their investment.

Still, some issues have risen with this definition, specifically that dis-aggregate profit data are seldom obtainable. In turn, market shares and rates of company survival are typically used as alternative measures since both are commonly linked to profits. Still these links can be weak and lead to ambiguity. Early entrants always have a natural advantage in market share, which does not always translate to higher profits.

Magnitude and Duration of First-mover Advantages

Though the name "first-mover advantage" hints that pioneering firms will remain more profitable than their competitors, this is not always the case. Certainly a pioneering

firm will reap the benefits of early profits, but sometimes profits fall close to zero as a patent expires. This commonly leads to the sale of the patent, or exit from the market, which shows that the first-mover is not guaranteed longevity. This commonly accepted fact has led to the concept known as "second-mover advantage".

Second-mover Advantage

First-movers are not always able to benefit from being first. Whereas firms who are the first to enter the market with a new product can gain substantial market share due to lack of competition, sometimes their efforts fail. Second-mover advantage occurs when a firm following the lead of the first-mover is actually able to capture greater market share, despite having entered late.

First-mover firms often face high research and development costs, and the marketing costs necessary to educate the public about a new type of product. A second-mover firm can learn from the experiences of the first mover firm, and may not face such high research and development costs, if it is able create its own version of a product using existing technology. A second-mover firm also does not face the marketing task of having to educate the public about the new project because the first-mover has already done so. As a result, the second-mover can use its resources to focus on making a superior product or out-marketing the first-mover.

Often second-movers are able to overwhelm first-movers by taking the first-mover's product from a niche consumer market to a mass market. While firms may enjoy a first-mover advantage if they jump out to an early lead and hold onto it, the notion that winners are always the first to enter the market is a misconception. Markides and Geroski's Fast Second describes this effect in further detail.

The following are a few examples of first-movers whose market share was subsequently eroded by second-movers:

- Atari vs. Nintendo.
- Apple's Newton PDA vs. Palm Pilot PDA.
- Charles Stack Online Bookstore vs. Amazon.com; although the public was largely unaware of Charles Stack Online Bookstore and a compelling argument can be made that Amazon has had much more success than the second-mover BarnesandNoble.com.

Second-mover firms are sometimes called "fast followers".

Obviously, every market is different. Thus, while some markets may highly reward first-movers, others may not.

Second-mover advantage can be summarized by the adage: "The second mouse gets the cheese".

Example of Second-mover Advantage: Amazon.com

In 1994, Jeff Bezos founded Amazon.com as an online bookstore, and launched the site in 1995. The product lines were quickly expanded to VHS, DVD, CDs, computer software, video games, furniture, toys, and many other items.

Unbeknownst to many, is that Book Stacks Unlimited or books.com, was founded in 1991, and launched online in 1992. Founded by Charles M. Stack, it is considered to be the very first online bookstore. It has been stated that Bezos, who had worked on Wall Street for eight years, found that web usage was increasing 2000% each year. This inspired him to search for a web-based business. Once Bezos decided to launch the largest online bookstore, he began advertising on over 28,000 other internet sites and has since dominated the business.

Amazon experienced what is known as a second-mover advantage, which has subsequently turned it into an S&P 100 company, and America's largest online retailer. BookStacks was subsequently sold to Barnes and Noble.

Implications for Managers

Different studies have produced varying results with respect to whether or not, on the whole, first-mover advantages exist and provide a profitable result for pioneers. There have been two outstanding conclusions that have been accepted. The first being that on average, first-movers tend to produce an unprofitable outcome. Secondly, pioneers that manage to survive do enjoy lasting advantages in their market share. Thus, the pioneer strategy is not necessarily a route that just any firm can take, but with the right resources, and the proper marketing approach, it can result in lasting profits for the company.

Managers can make a big difference for a firm when deciding whether or not they should be followers or pioneers. "Good generals make their luck by shaping the odds in their favor". Making good decisions and acting upon them can help a firm, but in the end there are other factors that must be taken into account before making a final decision. One issue is that a firm must find a way to at least limit, if not prevent, imitation, by, for example, applying for patents, creating a product that is too complicated to reverse engineer, or taking control of resources that are important to the production of its product and any imitation. The firm must also remember that first-mover advantages are not everlasting; eventually the competition will manage to take at least some piece of the market. Finally, a company must do its best to prevent incumbent inertia caused by self-righteousness, or possible changes in the market environment. One way to overcome such inertia is by expanding the product line. The advantages of having a wider product line are much easier to maintain compared to those of being a pioneer.

Managers who opt to be followers have to pick the right method of attack on the pioneer of the product. Some attempt to go head-to-head against the product, hoping that increased spending in advertisement is enough to counteract the first-mover advantages.

This technique has proven successful but usually against smaller pioneers that lack resources and recognition in the market. Otherwise, this "me-too" strategy proves ineffective since the follower will most likely lack brand name and product awareness. An alternate method is to create an entirely new market segment and distribution channel, to establish a foothold in the industry, and then employ the me-too strategy.

Issues for Future Research

There are several problems that do arise when one attempts to clearly define "first-mover advantages". These prevent us from entirely accepting that a company gains a clearly defined benefit from being the first to produce and market a particular product. Many studies have been done that try to identify all possible "pioneering advantages" that are available to a first-mover, but the results so far have provided only a basic framework without any clearly defined mechanisms. There is still much more research that can be done to provide future generations of marketing teams with concrete evidence to show that first-mover advantage is well-defined.

Theoretical and Conceptual Issues

The biggest issue that arises is that, despite the evidence of first-mover advantages, the fundamental question of how or why these advantages occur is still unanswered. When attempting to discover the answer, it became clear that it was too difficult to differentiate between an actual advantage and just blind luck. Before this research can be completed, crucial management decisions, such as the optimal time for to produce and market a product, need to be studied. Ultimately, some firms are more suited to be pioneers, others are more suited to wait and see how the product does and then improve upon it, releasing a slightly modified reproduction.

As of now, we have a much clearer understanding of advantages that firms who move their product much later have than those that first-movers enjoy. The biggest concern currently is that almost no effort has been put towards determining the "resolution of technological and market uncertainty" which are both considered to be major determinants in the optimal timing of product release. There is, also, no methodology to establish whether inertia is or is not acceptable.

Empirical Issues

Determining the differences between the advantages of followers and first-movers may be a conceptual issue, but empirical issues revolve around explicit strategies that first-movers employ to improve upon their advantage. New information is needed to support any acceptable theories relating to the mechanisms, advantages, and disadvantages that first-movers are thought to have at their disposal. Researchers in this field must avoid using the same data repeatedly, which is a trend that has crippled the progress of this investigation.

A future study should better delineate the differences between first-mover advantages and other advantages that a firm may have, such as superior manufacturing, or a better marketing scheme. Funding such a study would be extremely useful to any company that has extra money to spend for their next quarter. Furthermore, it would be useful to study how the strength of each advantage varies as it translates from industry to industry. It is quite possible that each industry has its own unique benefits that have yet to be formally documented. An example of one that has, is that first-mover advantages have proven to be much more prevalent in consumer-goods, as opposed to producer-goods industries. Lastly, better knowing the length of time that a first-mover advantage lasts would be vital to any company trying to determine whether or not it should take the chance of being the first to market a particular type of product, and how long the product would be profitable.

GE Multifactoral Analysis

GE multifactoral analysis is a technique used in brand marketing and product management to help a company decide what products to add to its product portfolio and which opportunities in the market they should continue to invest in. It is conceptually similar to BCG analysis, but somewhat more complicated. Like in BCG analysis, a two-dimensional portfolio matrix is created. However, with the GE model the dimensions are multi factorial. One dimension comprises nine industry attractiveness measures; the other comprises twelve internal business strength measures. The GE matrix helps a strategic business unit evaluate its overall strength.

Each product, brand, service, or potential product is mapped in this industry attractiveness/business strength space. The GE multi factorial was first developed by McKinsey for General Electric in the 1970s.

This model aims to evaluate the existing portfolios of strategic business units and to develop strategies to achieve growth by addition of new products and businesses to this portfolio and further, to analyze which business units to invest in and which ones to sell off.

Construction of the GE Matrix

The GE matrix is constructed in a 3x3 grid with Market Attractiveness plotted on the Y-axis and business strength on the X-axis, both being measured on a high, medium, or low score. Five steps must be considered in order to formulate the matrix:

- The range of products produced by the SBU must be listed.
- Factors which make the particular market attractive must be identified.
- Evaluating where the SBU stands in this market.

- Processes through which calculations about business strength and market attractiveness can be made.
- Determining which category an SBU lies in; high, medium, or low.

Market Attractiveness

The attractiveness of a market is demonstrated by how beneficial it is for a company to enter and compete within this market. It is based on various factors; the size of the market and the rate at which it is growing, the possibility of profit, the number of competitors within the industry and their weaknesses.

Business/Competitive Strength

This helps decide whether a company is competent enough to compete in the given markets. It can be determined by factors within the company itself such as its assets and holdings, the share it holds in the market and the development of this share, the position in the market of its brand and the loyalty of customers to this brand, its creativeness in coming up with new and improved products and in dealing with the fluctuating situations of the market, as well as keeping in mind environmental/government concerns such as energy consumption, waste disposal etc.

Measuring Market Attractiveness and Business Strength

Once the factors that determine the two are identified and rated, each factor is then given a certain magnitude and a calculation is made as follows; factor 1 rating x factor 1 magnitude + factor 2 rating x factor 2 magnitude + factor n rating x factor n magnitude.

Plotting

SBU's in the matrix can be represented as a circle; the radius exhibits the size of the market, the SBU's holdings in the market are equated through a pie chart within the circle and an arrow outside the circle shows the standing of the SBU expected in the future. In the image attached for example, an SBU holds 45% of the market's shares. The arrow is outwards thus showing that the SBU is expected to grow and gain strength and then its tip indicates the future position of the SBU.

Investment Strategies

When considering investment, it must first be seen which box of the matrix an SBU falls in ; grow, selectivity, or harvest.

Grow

SBUs that are classified into this category attract various companies' investment as

they are expected to yield high returns in the future. These investments should be split into categories such as research and development, acquisition of other SBU's, extensive advertisements and expanding production capacity.

Selectivity

SBUs that hold a lot of ambiguity fall into this category. They are usually only invested in if there is any prospect of competencies in managerial and corporate capabilities and if companies have any money left after investments in 'grow' business units.

Harvest

SBU' performing poorly in unattractive industries are classified into this category. Companies only invest in them if they generate enough cash to equal the investment amount, otherwise, they may be liquidated.

Advantages

- Raises awareness between managers about the performance of their products in the market and aids in developing strategies to get maximum returns from the resources available.
- Helps extract information about a business unit's strengths and weaknesses and to devise strategies to accelerate and improve performance.
- Aids the business in growing and in providing information about potential market opportunities.
- It is more complex in comparison to the BCG matrix.

Limitations

- There is no set rule to 'weight' factors and this process may be subjective across different business units. For example, the weight given to a factor by one business may be different to the weight/importance given to it by another.
- The formulation of a GE matrix is very expensive and time consuming.
- Investment strategies are often not implemented in an accurate and proper manner.
- The dynamics among SBUs themselves are not taken into account.

Comparison with the BCG Matrix

When compared to the BCG matrix consisting of four cells, the GE matrix is more complex with its nine cells. This means it not only takes longer to construct, but also to implement. The BCG matrix is much simpler and the factors needed to construct it are accessed more

easily and quickly.It takes into account a wide range of factors when determining market attractiveness and business strengths, which is replaced by market share and market growth in the BCG matrix. Also, where factors are classified in the GE matrix as high, medium and low, those in the BCG matrix are divided between high and low. Moreover, the G.E matrix overcomes many of the limitations and constraints of the BCG matrix.

Hunger Marketing

Hunger marketing is a marketing strategy specially focusing on the emotions of human beings. Hunger marketing is a psychological strategy that focuses on the desire of consumers, making them hungry thus having strong desire to buy products which other people also want to buy. By stimulating psychology, it drives people into emotional rather than rational decision making by means of driving up the scarcity of the product. This marketing strategy boosts people's interest, and through word-of-mouth helps businesses have more potential customers.

Rational Decision Making

Rational decision making means what people do when they are not lacking what they need while making decisions. They are fully informed and can research their choices. Usually, people try to get and buy the best items with good prices, and for this, they think, judge, and calculate the benefits, price, and many things that are important for the deals. At this point, if people do rational decision making, people can have the best deals with good price.

Emotional Decision Making

In contrast to rational decision making, emotional decision making is what people do without caution, but with feeling or emotion. Because people get attracted by many stimuli, they make decisions without being careful. Also, it means that they are lacking of information of alternatives, time to search or calculate, and reasonable thinking. This is exactly what many businesses try to make people, spending more money without rationality.

Techniques

Three representative techniques of hunger marketing are described below; Limited stock, time limit and special discounts.

Limited Stock

Limited stock is the most representative technique of hunger marketing. It is also one of the strongest causes, which affects consumers directly and most powerfully. Many companies have not supplied their items adequately. Because it is hard for consumers

to get and buy the product, they think that the item is really good and popular. As a result of this strategy, companies could get higher reputation of their items. Xiaomi has a strong strategy to supply their items inadequately so that they can do good inventory management and control the costs of shipping. Also, they can get increased demand. By restricting their supply, companies could make a kind of rumor that the item they sell is really good and add higher value to their product and even the price of their product, because the fact people wait in long lines or a product sold out in a couple of minutes makes people have illusion that the item seems really amazing.

Time Limit

Time limit is the most common technique of hunger marketing. Time limit also has huge impact on consumption because It is one of the direct stimuli to consumers. It is used in many home shopping and internet shopping sites. QVC, one of the biggest home shopping website, has a banner on their first page and it says "Ends in time", which is limited with a comment and 'Today's special value in order to attract consumers' attention. Also, "almost sold out!" or "we are about to terminate selling! In a minute!" is a comment often used in home shopping sites or flight and hotel sites, and it stimulates customers' interests. "The time limit for this product," or "Only 10 items left" is the case that companies try to attract people's attention as well. This time limitation strategy is often used with special discounts strategies such as "Only today, up to 50%". In fact, by limiting the time of offering their products, they make consumers have feeling like "I am allowed to buy this product only this time!"

Special Discounts

Special discounts is the strongest technique of hunger marketing. Special discounts also have huge impact people's consumption. People have experienced like "Oh, I should buy this because it is really cheap!", even though the thing is something that people didn't plan to buy. It is usually happening at an outlet where people suddenly stop or a TK Maxx. While web surfing, sometimes, people buy a flight and hotel ticket unexpectedly because they are attracted by special discounts. It is because consumers are really sensitive to price and many marketing strategies try to touch this sensitive point. There is a lot of research about people's reaction to the special discounts, and, in order to influence consumers' emotion, many companies try to emphasize their discounted price. People have very emotional reaction and they are easily impressed by discounts price. An experiment showed that people who get a big discount are happier than some people who could get only change after the experiment. For sure, people really like cheap price, but the point of this strategy is that people tend to spend more money than they expect when they are exposed to discounted price. Retailers strive to have impact on consumers' emotion, which has big influence on their decision making, and this is the reason why people spend our money unexpectedly after they get free 20% discounts coupon from E-bay because the discounts coupon stirs consumers' emotion and consumption up by the most sensitive thing, which is price.

Examples of Hunger Marketing

Xiaomi and Asus

Xiaomi, the third biggest smartphone company in the world, has been known for their hunger marketing, and Asus also uses this strategy as well. “Sold out in just 50 seconds!” This comment is what an article said when Xiaomi released their latest smart phone, Mi Note 2, and it made more people focus on their new product. When Xiaomi releases their new items, they make the shortest time record every time they sell the new item. Their new item was only available on their official website to buy, and people who pre-registered could get a chance to buy that. Only for them, Xiaomi sold their product. This is how Xiaomi controls their supply. Asus also adjusts their supply to release their new product at different intervals. Because of this, they could get people’s reaction from all over the world after they release their product in a country for the first time. People who get the new product leave some comments online and people from all of the world can see their reviews. It makes them more curious about the new item.

Black Friday

Black Friday is one of the times that people feel they need to buy some stuff because, in this season, many stores offer huge discounts. Creating the mood of shopping that people spend a lot of money is coming from making a sense of urgency that many businesses use. Many companies emphasize Thanksgiving with the big discounts they offer and try to make mood of consumption, and only at this time, many stores add more services like giveaways, free wrapping or even free shipping services. As a result of this evidence, people react to the stimuli and hoard by spending their money unexpectedly.

Horizontal Marketing System

A horizontal marketing system is a distribution channel arrangement whereby two or more organizations at the same level join together for marketing purposes to capitalize on a new opportunity. For example: a bank and a supermarket agree to have the bank’s ATMs located at the supermarket’s locations; two manufacturers combining to achieve economies of scale otherwise not possible with each acting alone to meet the needs and demands of a very large retailer; or two wholesalers joining together to serve a particular region at a certain time of year.

According to businessdictionary.com, a horizontal marketing system is a merger of firms on the same level in order to pursue marketing opportunities. The firms combine their resources, such as production capabilities and distribution, in order to maximize their earnings potential.

An example is Apple and Starbucks, who announced a music partnership in 2007. The purpose of this partnership was to allow Starbucks' customers to wirelessly browse, search, preview, buy, and download music from iTunes Store onto their iPod touch, iPhone, or PC or Mac running iTunes. Apple's leadership in digital music, together with the unique Starbucks experience, created a partnership that offered customers a world class digital music experience.

Apple benefits from this partnership with higher iTunes sales as Starbucks has a vast and loyal customer base. When Apple first introduced its iTunes Store, it had hoped to sell one million songs in six months, but to its surprise, sold over one million songs within the first six days of launching. With such loyal online music consumers, Starbucks benefits from higher sales, increase in market share, and stronger customer loyalty. This example demonstrates how two companies can join forces to follow a new market opportunity. This opportunity allowed Starbucks and Apple to both achieve greater results than otherwise would have been possible if they somehow attempted this strategy independently.

Loyalty Marketing

Loyalty marketing is an approach to marketing, based on strategic management, in which a company focuses on growing and retaining existing customers through incentives. Branding, product marketing, and loyalty marketing all form part of the customer proposition the subjective assessment by the customer of whether to purchase a brand or not based on the integrated combination of the value they receive from each of these marketing disciplines.

The discipline of customer loyalty marketing has been around for many years, but expansions from it merely being a model for conducting business to becoming a vehicle for marketing and advertising have made it omnipresent in consumer marketing organizations since the mid- to late-1990s. Some of the newer loyalty marketing industry insiders, such as Fred Reichheld, have claimed a strong link between customer loyalty marketing and customer referral. In recent years, a new marketing discipline called "customer advocacy marketing" has been combined with or replaced by "customer loyalty marketing". To the general public, many airline miles programs, hotel frequent guest programs, and credit card incentive programs are the most visible customer loyalty marketing programs.

Retail Merchandising

Premiums

Premiums are items that a retail customer can receive by redeeming proofs of purchase from a specific product or store. This was one of the first loyalty marketing programs.

Early Premium Programs

Beginning in 1793, a U.S. merchant started giving out copper tokens which could be collected by the consumer and exchanged for items in the store. This practice caught on and was used by many merchants throughout the 19th century. Sweet Home laundry soap, a product of the B. A. Babbit Company, came with certificates that could be collected and redeemed for color lithographs. Beginning in 1872, the Grand Union Tea Company gave tickets to customers that could be exchanged for merchandise in the company catalog of Grand Union stores.

Trading Stamps

The first trading stamps were introduced in 1891, the Blue Stamp Trading System, where stamps affixed to booklets could be redeemed for store products. The Sperry and Hutchinson Company, started in 1896 in Jackson, Michigan, was the first third-party provider of trading stamps for various companies, including dry goods dealers, gas stations and later supermarkets. S&H Green Stamps, as the company was commonly called, opened its first redemption center in 1897. Customers could take their filled booklets of “green stamps” and redeem them for household products, kitchen items, and personal items. When the G.I.s returned from World War II the trading stamps business took off when numerous third-party companies created their own trading stamp programs to offer to supermarkets and other retailers.

Marketing through Children

Marketers of retail products used programs targeted at children to sell to their parents through the use of premiums. Kellogg’s Corn Flakes had the first cereal premium with The Funny Jungleland Moving Pictures Book. The book was originally available as a prize that was given to the customer in the store with the purchase of two packages of the cereal. But in 1909, Kelloggs changed the book give-away to a premium mail-in offer for the cost of a dime. Over 2.5 million copies of the book were distributed in different editions over a period of 23 years.

At the beginning of the Second World War, radio was a big player in the promotion and distribution of premiums, usually toys that were closely related to the radio program. There were many radio shows that offered premiums to their listeners, but Captain Midnight was one of the best known. The early sponsor of Captain Midnight was Skelly Oil, and parents could get forms to mail-in for radio premiums at the gas stations. Later, Ovaltine became the sponsor of Captain Midnight, and it continued the premiums through advertising on the labels and foil tops of Ovaltine that could be collected to exchange for Captain Midnight premiums and offering membership to the “Secret Squadron”.

Boxtops

In 1929, Betty Crocker issued coupons that could be used to redeem for premiums like

free flatware. In 1937 the coupons were printed on the outside of packages, and later the Betty Crocker points program produced a popular reward catalog from which customers could pick rewards using their points. In 2006, it was announced that the Betty Crocker Catalog was going out of business and that all points needed to be redeemed by December 15, 2006. With it, one of the longest loyalty programs ended a 77-year tradition.

Prizes

Prizes are promotional items—small toys, games, trading cards, collectables, and other small items of nominal value—found in packages of brand-name retail products (or available from the retailer at the time of purchase) that are included in the price of the product (at no extra cost) with the intent to boost sales.

Tobacco Inserts

Some of the earliest prizes were cigarette cards — trade cards advertising the product that were inserted into paper packs of cigarettes as stiffeners to protect the contents. Allan and Ginter in the U.S. in 1886, and British company W.D. & H.O. Wills in 1888, were the first tobacco companies to print advertisements and, a couple years later, lithograph pictures on the cards with an encyclopedic variety of topics from nature to war to sports — subjects that appealed to men who smoked. By 1900, there were thousands of tobacco card sets manufactured by 300 different companies. Following the success of cigarette cards, trade cards were produced by manufacturers of other products and included in the product or handed to the customer by the store clerk at the time of purchase. World War II put an end to cigarette card production due to limited paper resources, and after the war cigarette cards never really made a comeback. After that collectors of prizes from retail products took to collecting tea cards in the UK and bubble gum cards in the US.

Trade Cards to Trading Cards

The first baseball cards were trade cards featuring the Brooklyn Atlantics produced in 1868 by Peck and Snyder, a sporting goods company that manufactured baseball equipment. In 1869, Peck and Snyder trade cards featured the first professional team, the Red Stockings. Most of the baseball cards around the beginning of the 20th century came in candy and tobacco products produced by such companies as Breisch-Williams confectionery company of Oxford, Pennsylvania, American Caramel Company, the Imperial Tobacco Company of Canada, and Cabañas, a Cuban cigar manufacturer. In fact it is a baseball set, known as the T-106 tobacco card set, distributed by the American Tobacco Company in 1909 that is considered by collectors to be the most popular set of cigarette cards. In 1933, Goudey Gum Company of Boston issued baseball cards with players biographies on the backs and was the first to put baseball cards in bubble gum. Bowman Gum of Philadelphia issued its first baseball cards in 1948 and became the biggest issuer of baseball cards from 1948 to 1952.

Modern Packaged Foods

The most famous use of prizes in the United States (and the word "prize" in this context) is Cracker Jack brand popcorn confection. Prizes have been inserted into every package of Cracker Jack continuously since 1912. W.K. Kellogg was the first to introduce prizes in boxes of cereal. The marketing strategy that he established has produced thousands of different cereal box prizes that have been distributed by the tens of billions. Frito-Lay is a world icon in the field of in-package prizes. Besides being the current owner of Cracker Jack, the U.S. popcorn confection brand known for the "Prize Inside", Frito-Lay also regularly includes tazos and tattoos in packages of Lay's chips worldwide. In parts of Latin America, Frito-Lay has even introduced a brand called Cheetos Sorpresa (English: Surprise), which includes a licensed prize (from movies, television, and video games) in every 29–gram bag.

Direct Marketing Pioneers

Ward: The Father of Mail Order

Aaron Montgomery Ward's mail order catalog created a network that included mailing, mail order, telemarketing, and social media. Today, the mail order catalogue industry Montgomery founded is worth approximately 100 billions of dollars, and generates over 2 trillion only in [incremental] sales and supports till this day an estimated 10.9 million jobs either directly related to marketing industry or dependent upon it.

Wunderman: Direct Marketing Genius

Mail order pioneer Aaron Montgomery Ward knew that by using the technique of selling product directly to the consumer at appealing prices could, if executed effectively and efficiently, revolutionize the market industry and therefore be used as an innovative model for marketing products and creating customer loyalty. The term "direct marketing" was coined long after Montgomery Ward's time. In 1967 Lester Wunderman identified, named, and defined "direct marketing". Wunderman — considered to be the father of contemporary direct marketing — is behind the creation of the toll-free 1-800 number and numerous mail order based loyalty marketing programs including the Columbia Record Club, the magazine subscription card, and the American Express Customer Rewards program.

Modern Consumer Rewards Programs

Frequent Flyers

On May 1, 1981 American Airlines launched the first full-scale loyalty marketing program of the modern era with the AAdvantage frequent flyer program. This program was the first to reward "frequent fliers" with reward miles that could be accumulated and later redeemed for free travel, thereby providing customers with an incentive to use a

company exclusively and be rewarded for their loyalty. Within a few years, many other travel industry companies launched similar programs. The AAdvantage program now includes over 100 million members.

Loyalty Apps

In recent years the big players have introduced loyalty apps in replace of loyalty cards as part of their loyalty programs. These apps are downloaded onto a customers phone. The most notable loyalty app is Starbucks, who have an advanced loyalty app which also allows you to pre-order your order in advance of collection.

Loyalty Marketing Impact

Many loyalty programs have changed the way consumers interact with the companies from which they purchase products or services from and how much consumers spend. Many consumers in the US and Europe have become quite accustomed to the rewards and incentives they receive by being a "card carrying" member of an airline, hotel or car rental program. In addition, research from Chris X. Moloney shows that nearly half of all credit card users in the US utilize a points-based rewards program.

In recent years, the competition for high income customers has led many of these loyalty marketing program providers to provide significant perks that deliver value well beyond reward points or miles. Both American's AAdvantage program and Starwood Hotels' Preferred Guest program have received industry awards, called "Freddie Awards" by Inside Flyer Magazine and its publisher Randy Petersen for providing perks that customers value highly. These perks have become as important to many travelers as their reward miles according to research.

Loyalty Marketing and the Loyalty Business Model

The loyalty business model relies on training of employees to achieve a specific paradigm: quality of product or service leads to customer satisfaction, which leads to customer loyalty, which leads to profitability. Loyalty marketing is an extension of that effort, relying upon word-of-mouth and advertising to draw upon the positive experiences of those exposed to loyalty business model inspired ventures to attract new customers. Fred Reichheld makes the point in his books that one can leverage the "power of extension" to draw new customers.

The rapid expansion of frequent-flyer programs is due to the fact that loyalty marketing relies on the earned loyalty of current customers to attract new loyalty from future customers. Incentive programs that are exclusive must strike a balance between increasing benefits for new customers over any existing loyalty plan they are currently in and keeping existing customers from moving to new plans. Hallmark did this through devising a program that directly rewarded customers not only for buying merchandise and utilizing Hallmark.com, but gaining additional benefits through referring their friends.

The most recent loyalty marketing programs rely on viral marketing techniques to spread word of incentive and inducement programs through word of mouth.

Market Penetration

Market penetration refers to the successful selling of a product or service in a specific market. It is measured by the amount of sales volume of an existing good or service compared to the total target market for that product or service.

This strategy involves selling current products or services to the existing market in order to obtain a higher market share. This could involve persuading current customers to buy more and new customers to start buying or even converting customers from their competitors. This could be implemented using methods such as competitive pricing, increasing marketing communications, or utilizing reward systems such as loyalty points/discounts. New strategies involve utilizing pathways and finding new ways to improve profits and increase sales and productivity in order to stay competitive.

Market penetration refers to ways or strategies that are proposed or adopted so as to be able to create a niche in the already existing market. Although it can be performed throughout the business's life, it can be especially helpful in the primary stages of set up. It helps establish the businesses current station and which direction it needs to expand in to achieve market growth. Successful outcomes stem from careful monitoring by key staff and leaders. Timing is key to a successful market growth; this can be dependent on the overall market welfare, the business's competitors and current events. Questions, brainstorming and discussions can help distinguish whether it is the best time for market growth. These can include questions surrounding market share increases or decreases. Sales can be declining but shows opportunity for the business, it could be the perfect time to make alterations so as to grow market share. Market penetration can also be helpful when sales are proving to slow down, customers often need to be re-introduced to a company or reminded why they need a company's goods/services. With the consumers attention span becoming less and less, organizations need to constantly keep on top of competitors to stay relevant.

Some factors of market penetration are holding costs, advanced inventory management practices and technology (e.g. ongoing replenishment and vendor managed inventory), supply chain problems and economies of scale.

Market penetration, market development, and product development together establish market growth for a company. Overall the major growth opportunities they implement, attempts to peak sales through stressing current products in present markets and present products in new markets. This includes developing new products for existing markets, subsequently. It is about finding new ways to boost sales and keep customers loyal

and increase market share. When implementing change companies must be careful not to compromise their existing revenue or customers. If packaging or visual aspects of a company are altered drastically, existing customers may not recognise a brand and opt for a competitor's product or service. Too much alteration can make consumers wary so change must be implemented in a subtle manner so as to only increase market share and build on profits. Managers and leaders should monitor this throughout the entire process to ensure smooth changes. Clear planning will also help minimise this risk and will lead to improvements and a boost in market share.

A few different options for market penetration are as followed:

- Developing a new marketing strategy to entice more customers to purchase or continue purchasing.
- Become price competitive as a swaying factor for customers to choose a product or service over another company.
- Use special promotions or offers to grab attention.
- Utilise the Boston Matrix to decipher which product or service benefits further investment and time and which can be disregarded.
- Purchase a competitors company (in mature markets) to expand market share.

For a business to come up with a decision using the grid, key personal must consider numerous factors such as market penetration, product development, market development and diversification, it measures the brand popularity. It is defined as the number of people who buy a specific brand or a category of goods at least once in a given period, divided by the size of the relevant market population. Market penetration is one of the four growth strategies of the Product-Market Growth Matrix as defined by Ansoff. Market penetration occurs when a company penetrates a market in which current or similar products already exist. A way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of a product or convincing current clients to use more of a product/service (by advertising, etc.). Ansoff developed the Product-Market Growth Matrix to help firms recognize if there was any advantage to entering a market. The other three growth strategies in the Product-Market Growth Matrix are:

- Product development (existing markets, new products): McDonald's is always within the fast-food industry, but frequently markets new burgers.
- Market development (new markets, existing products): Apple introduced the iPhone, in a developed cell phone market.
- Diversification (new markets, new products).

Market penetration refers to the successful selling of a product or service in a specific

market, and it is a measure of the amount of sales volume of an existing good or service compared to the total target market for that product or service. Market penetration involves targeting on selling existing goods or services in the targeted markets to increase a better market share/value. It can be achieved in four different way including growing the market share of current goods or services; obtaining dominance of existing markets; reforming a mature market by monopolising the market and driving out competitors; or increasing consumptions by existing customers.

Another alternative to calculating market penetration is if the dividend growth rate is more than the ratio of the percentage population of wealth distribution ratio then market penetration is possible.

Market penetration is a way to determine successfulness of the business model and marketing strategy for a product. To check the successfulness, one must have a way to gauge the amount of the targeted market and how much potential localized or otherwise customers there are that would be susceptible to a product. To this end Charles Hill came up with a five step system to understanding advertising's influence on the market.

- Identify the demographic most suited to a product. Even though other demographics may use a product it is about identifying the largest demographic so that the majority of advertising is tailored to them. (e.g. candy for children, salad for adult woman who may be dieting).
- Decide upon the area in which they live. Location is important and wholly depends on the reach of a brand. If a company operates at a national level, then the entirety of the country will have to be averaged to reach the largest number of people. The smaller the area the more specific one can be about the people of each demographic within it.
- Knowing the size of the market is integral to understanding market penetration.
- Understanding competitors market penetration. What benchmark should one go for? Based on the penetration that other products have reached, calculate the number that should be reached in the demographic by multiplying the total number of the demographic by whatever the percentage that other products are reaching.
- Calculate the number of customers that a business needs to sell to too earn a profit and then compare that to the number other competitors are reaching; if the business does not make a profit with average market penetration, it's time to rethink the business strategy.

Market penetration is a tool for understanding potential earnings of a business and is integral to calculating a resourceful business model.

In an Emerging Market

A model was theorized for market penetration by Yan Dong, Martin Dresner and Chaodong Han.

This is meant for emerging markets but the connection extends across to more established markets as well. The model illustrates that market penetration and understanding of the number of people that will be reached with a product is indicative to how much stock must be ordered and both that and market penetration are of utmost importance for financial performance. However, emerging markets are difficult to predict as they are categorized by large amounts of growth. This means demand is hard to forecast and therefore inventory supply as well. The connection between emerging market penetration and inventory supply are bridged by several factors such as advanced inventory management, technologies and holding costs. So while the market penetration may dictate how much supply is needed other factors must dictate how much inventory it is prudent to keep. Understanding market penetration for an emerging market is more difficult due to the lack of established competitors and similar products. Emerging markets are susceptible to large companies and are sought after by globalized businesses due to the increase in disposable income the average person will have and weak local competitors. The weakness of local competitors is due to their poor customer service and limit in resources as they don't have the capital and reach that large corporations have. The four big emerging markets are Brazil, Russia, India and China as they were the fastest to recover after the 2008/2009 economic crisis. These markets are untapped potential for revenue and a good spot for globalization for dominant company's. Large market penetration is the key to fully tapping these markets.

Purpose

As a strategy, market penetration is used when the business seeks to increase sales growth of its existing products or services to its existing markets in order to gain a higher market share. This strategy is often used during the early stages of the business or before it enters the market, in order to prove the market existence and show market size for its products or services, also to gain an understanding to the number of competitors and how well they are doing. Hence, the business can decide on either it is a good to enter their target market or not, and how it can make its products or services more attractive to consumers than its competitors. During the operation of the business, if the sales are decreasing or flatlining comparing to previous years, then it is also appropriate to apply market penetration strategy to seek for opportunities to increase sales. Therefore, it is unnecessary to this strategy if the sales are increasing. However, it is exceptional if the sales growth trend shows the gross increase but is much less significant comparing to its competitors, because this could indicate the business's market share is actually shrinking, then this strategy can be a good approach to try regain its market share.

To achieve the goal of higher market share, the primary idea is that the business has to either increase sales volume to their existing customers by encouraging for more frequent or greater usages, or expanding the population size of customers in the current market by attracting potential new customers to buy its goods or services. Since the market penetration strategy is conducted based on established capabilities and characteristics of the business and the market, therefore it contains the lowest risk out of the four strategies in Ansoff's product-market growth matrix. Hence, a business should give special consideration to conducts it, since this strategy is important for the evaluation work on the intended market and the existing businesses within this market. Especially when the business or product or service is about to enter the market or during its initial stage, and when it is not comfortable with risk-taking, or the owners of the business do not intend or not in a position to invest heavily into it. The amount of risk involved with each of the four types of Ansoff's strategies increases from market penetration to market development, to production development, to diversification. Because the both market and product development involve with one aspect of new developments, changes, and innovation. The diversification strategy is with most risk because the business is growing into both a new market and product, and thus contains with most uncertainties.

Market penetration is not only a strategy but also a measurement (in percentage) for popularity of a brand or a product in the category, in other words, the number of customers in the market that buys from a brand or product.

Strategies

Price Adjustments

One of the common market penetration strategies is to lower the products' prices. Businesses aim to generate more sales volume by increasing the number of products purchased by putting on lower prices (price competition) for consumers comparing to the alternative goods. Companies may alternatively pursue strategies of higher prices depending on the demand elasticity of the product, in the hope that it will generate an increased sales volume and result in higher market penetration.

Increased Promotion

Businesses can also increase their market penetration by offering promotions to customers. A promotion is a strategy often linked with pricing, used to raise awareness of the brand and generate profit to maximise their market share.

More Distribution Channels

A distribution channel is the connection between businesses and intermediaries before a good or service is purchased by the consumers. Distribution can also contribute to sales volumes for businesses. It can increase consumer awareness, change the

strategies of competitors and alter the consumer's perception of the product and the brand, and is another method to increase market penetration.

Product Improvements

Product management is crucial to a high market penetration in the targeted market and by improving the quality of products, businesses are able to attract and out-quality the competitors' products to match customers' requirements and eventually lead to more sales made. Product improvements can be utilised to create new interests in a declining product, for example by changing the design of the packaging or material/ingredients.

Market Development

Market development aims at non-buying shoppers in targeted markets and new customers in order to maximise the potential market. Before developing a new market, companies should consider all the risks associated with the decision including its profitability. If a company is confident about their products, believes in their strengths, and is enticing to new consumers, then market development is a suitable strategy for the business.

Penetration Pricing

Penetration pricing is a marketing technique which is used to gain market share by selling a new product for a price that is significantly lower than its competitors. The company begins to raise the price of the product once it has achieved a large customer base and market share. Penetration pricing is frequently used by network provider and cable or satellite services companies. Many of the providers will initially offer an unbeatable price to attract customers into switching to their service and after the discount period has ended, the price increases dramatically and some customers will be forced to stay with the provider because of contract issues.

Penetration pricing benefits from the influence of word-of-mouth advertising, allowing customers to spread the words of how affordable the products are prior to business increasing the prices. It will also discourage and disadvantage competitors who are not willing to undersell and losing sales to others. However, businesses have to ensure they have enough capital to stay in surplus before the price is raised up again.

Construction

Market penetration can be defined as the proportion of people in the target who bought (at least once in the period) a specific brand or a category of goods. Two key measures of a product's 'popularity' are penetration rate and penetration share. The penetration rate (also called penetration, brand penetration or market penetration as appropriate) is the percentage of the relevant population that has purchased a given brand or category at least once in the time period under study. A brand's penetration share, in contrast

to penetration rate, is determined by comparing that brand's customer population to the number of customers for its category in the relevant market as a whole. Here again, to be considered a customer, one must have purchased the brand or category at least once during the period.

Marketing Warfare Strategies

Marketing warfare strategies represent a type of strategy, used in commerce and marketing, that tries to draw parallels between business and warfare, and then applies the principles of military strategy to business situations, with competing firms considered as analogous to sides in a military conflict, and market share considered as analogous to territory in dispute. This view of marketing argues that in mature, low-growth markets, and when real GDP growth is negative or low, commerce operates as a zero-sum game. One participant's gain is possible only at another participant's expense. Success depends on battling competitors for market share.

- Offensive marketing warfare strategies: Are used to secure competitive advantages; market leaders, runners-up or struggling competitors are usually attacked.
- Defensive marketing warfare strategies: Are used to defend competitive advantages; lessen risk of being attacked, decrease effects of attacks, strengthen position.
- Flanking marketing warfare strategies: Operate in areas of little importance to the competitor.
- Guerrilla marketing warfare strategies: Attack, retreat, hide, then do it again, and again, until the competitor moves on to other markets.
- Position defence: This is a strategy, which utilises its current position. And can be a weak disadvantage against the attacking opposition. In a business context this is a strategy usually applied when a company has a dominant stake in the market place this is usually a monopolised and controlled industry. Marketing with this type of strategy can be identified through barriers of entry. This is where a company has fortified its position by having key strongholds in the Marketing segment or brand identity or product familiarity. They may apply these areas through increasing the equity of the brand or repeat purchases other wise known as customer loyalty strategies. E.g. Starbucks as a café giant promoted the free wifi connection to protect their market share against the competition that had first applied the concept.
- Mobile defence: By moving resources and creating new strategies and tactics

the intended goal is to create a moving target that is difficult to attack by the opposition. This also equips the defence to repel any attacks the opposition has in stored. The interpretation in business explained by Shayne Milligan is when businesses introduce new products, replacement products, modifying existing products and repositioning products as well as changing the marketing segments, target markets or changing promotional focus. This type of defensive strategy is most likely incorporated by entrepreneurial companies with strong marketing research and marketing skills along with the ability to continuously develop their product line.

- Flanking position: By re-deploying your resources to discourage any type of flanking attack. This in business terms is developing new products in a marketing segment that you occupy. By expanding resources the business is able to strengthen their hold on the segment under threat. E.g. Absolute vodka had found a marketing segment that was leased served. In doing so they were able to capture this market by increasing prices by promoting premium vodka this tackled their competition Smirnoff in a space they did not allocate resources towards. This is known as Flanking marketing compared to the strategy of flanking position this was a successful attack towards the opposition.

- Counter offence: This initially involves counterattacking the opposition that has attacked you. In business context this is where a counterattack is made on the oppositions weakest point. Pre-emptive attack on any business must have some type of counter re-action this could be a move by the competition into its sales territory, price cutting, promotional blitz or product improvements. When faced with these competitive signs the options can be frontal deployment of resources by strategically developing new products or improving on products. The other option is finding the oppositions weakest point, which in military terms would be attacking the competitions main territory. E.g. Central DuPage a suburban hospital located in Chicago had been under invasion by competitors. Primary and urgent care centres had moved into the local suburban area and with the population rising it became and opportunity not just for the Central hospital DuPage but also for their competitors. In order for the local hospital to protect its share in the market it had to develop new physician offices located in under served areas. This was a counter offence by re-positioning themselves they were able to take in patients through their newly allocated offices where the physicians could refer their patients to the Central DuPage hospital.

- Frontal attack: This strategy is specifically designed to engage the opposition with a head on frontal assault. This also means using a substantial amount of resources and financial commitment when taking on a competitor with this strategy. From marketing to the production process all elements are activated when initiating such an abrasive move. Advertising campaigns and new products are usually intensified to take on the competition where they are strongest this is

to weaken their market share and margins by cutting off their leading products and influencing their targeted audience to re-evaluate their loyalty to the brand or product. It is rare to encounter such strategies, as the process is quite expensive and time consuming this is also a high risk venture if the competition has a strong counter offensive attack which can leave the attacking opponent open to counter strikes. With resources already stretched this strategy is not for the faint hearted. Shayne Milligan explains that this type of strategy is only used when the market space is homogenous, brand equity is low, customer loyalty is low, products are poorly differentiated, the competitor has relatively low resources or the attacker has stronger resources. E.g. In 2011 the US shopping giant Target had entered the Canadian market with financial investments exceeding 4.4 billion dollars. Part of this initial investment was allocated towards purchasing 220 previously acquired stores of Zellers a local Canadian merchandising mogul. With almost 10 million being spent on the refurbishing of each store as well as the hiring of 150-200 employees per store. The financial forecast for the Target Corporation was estimated to be around 6 billion per year by the year of 2017. This was not to be the case as Targets initiating year in the Canadian retail market failed to achieve any realistic financial goals. Even though the success of Targets US stores were still in affect the underestimated planning into the Canadian market was due to Unforeseen economic variables as well as Canadian loyalty to stores also owned by US parent companies Wal-Mart and Costco's etc. Such competition had put the Target Corporation in a position at risk of making more losses than profits, which would also affect their US based stores. Taking on Wal-Mart and other foreign and domestic competition has been unsuccessful but Target continues to move towards dominating some part of the Canadian retail market.

- Envelopment strategy or encirclement strategy: This strategy is more broadly used as it focuses on subtle offensive attacks. In such cases the introduction of products that are similar to the competitor's products are developed to liberate the market share of the opposition's product line. When done properly this type of strategy can avoid a full-scale frontal assault. The objective is to find niches in the marketing space rather than the creating of products that directly compete against the competition. It is more of an indirect assault on the oppositions market share. Shayne Milligan suggests this strategy be used when the market is loosely segmented, some segments are free of larger competitors, the attacker has strong product development resources, the attacker has enough resources to operate in multiple segments simultaneously and the attacker has a decentralized organisational structure. E.g. Republic Health Corporation, which is a chain of health care centres located in Dallas, developed an advertising campaign called "Step Lively". This was specifically incorporated to focus on pricing, product form, sales promotion and advertising. The strategy was to create incentives through discounted foot examinations and free home meals after

hospitalization as well as purchasing gift cards for a new shoe's. They focused on one area at a time against competitors while funnelling specific treatments for patients into one hospital in each area at a time.

- Leapfrog strategy: Bypassing is a strategy that is the less indirect compared to the alternative options. In business terms this can be achieved through technological advancements or creating new segments that have not been developed as of yet.
- Guerilla: A guerrilla strategy usually consists of small incremental attacks by using unconventional methods against a larger opposition. In a business context this can be a strategy most commonly used by smaller firms on the bigger competition. These are tactically made forms of communications between the consumers influence of the bigger competitors specifically targeting a market segment that is heavily influenced by the competing opposition. They maybe short burst attacks through price cuts, supply deterrence, executive raids or a promotional blitz, even legal actions against the competition or negative publicity. But this type of strategy must have some type of disengage tactic, as a full on confrontational assault could be disastrous for a small firm. E.g. In 2005 a telecommunications company based in Romania had launched its self in to and already emerging market of mobile phones they did this by acquiring an already unsuccessful firm but re-branding the company and using the already established networks. Two rivalry competitors at that time had complete control of the telecommunications sector in Romania. In order for the smaller firm to compete they had to resort to two marketing warfare tactics. Flanking attacks as well as guerrilla strategies. They were able to penetrate two segments, post pay and pre pay segments by not taking the competition head on through more heavily operated segments of the industry at that time they were able to find an area that was lease productive for the larger telecommunication providers. The small firm was able to increase 95% of their coverage to 82% of their networks distribution area making mobile phone more affordable and assessable to their customer base initially targeting a young audience. This was unexpected by the two larger telecommunications providers even though they still controlled a larger portion of the telecom industry the small firm was able to become a medium-sized competitor within a short period of time.

Companies typically use many strategies concurrently, some defensive, some offensive, and always some deterrents. According to the business literature of the period, offensive strategies were more important than defensive one. Defensive strategies were used when needed, but an offensive strategy was requisite. Only by offensive strategies, were market gains made. Defensive strategies could at best keep you from falling too far behind.

The marketing warfare literature also examined leadership and motivation, intelligence gathering, types of marketing weapons, logistics, and communications.

Megamarketing

Megamarketing is a term coined by U.S. marketing academic, Philip Kotler, to describe the type of marketing activity required when it is necessary to manage elements of the firm's external environment (governments, the media, pressure groups, etc.) as well as the marketing variables; Kotler suggests that two more Ps must be added to the marketing mix: public relations and power.

The public relations element of Megamarketing focuses primarily on businesses familiarizing themselves with the surrounding community, prior to actually entering a desired market. Of note, the negotiations that occur as a consequence of this particular form of marketing are often far more rigorous than those associated with conventional marketing; as such, it is difficult to adequately satisfy both parties in an equitable manner. Marketers who choose to pursue these foreign environments must also look to appease the general public, as they can have a significant impact on the continuing profitability of their businesses. One important element comprising the general public involves the local media, as they can heavily influence the perception associated with newly emerging companies.

Contrarily, the power variable also proposed by Philip Kotler deals more so with the power to persuade third parties. This includes offering the correct incentives to entice expansion into foreign markets, in doing so, allowing for a controlling position when conducting business. Kotler's framework for power elucidates the importance of establishing strong ties with powerful political members in external markets; this, in turn, should enable ease of access to engage in commerce with these particular countries. Furthermore, this particular aspect of Megamarketing examines the means by which marketers go about incentivizing third parties, such as government organizations, in order to circumvent entry barriers.

If businesses are to successfully adopt this nuanced marketing strategy, it is important that they diversify their business operations and broaden their business scope within the marketplace. This, of course, must be executed whilst continuing to meet the demands of the consumers in the various markets. Additionally, Megamarketing success can be attained through acquiring employees with the correct skill sets; likewise, having a desirable mix of resources on hand at the companies disposal. This broadened form of marketing is typically associated with a long-decision making process; this can be attributed to the fact that it takes a substantial amount of time to coordinate meetings at the same time requiring larger sums of money in an attempt to finance these augmented business endeavors.

Megamarketing is different from traditional marketing in that its primary objective is grounded in expanding operations into external markets. This, in turn, makes it conducive to companies seeking foreign expansion to introduce new products and services

to broaden consumer demands. In essence, it seeks to transform the types of industries that are prevalent in an existing market, however, these changes can often come at the expense of over imposing on others. So much so, in fact, that many Megamarketers run the risk of being perceived in a more negative light.

Mass-market Theory

The mass-market theory, otherwise known as the trickle across, is a social fashion behavioral marketing strategy established by Robinson in 1958 and King in 1963. Mass market is defined as, "a market coverage strategy in which a firm decides to ignore market segment differences and appeal to the whole market with one offer or one strategy." The mechanism focuses on the fashion innovators found within every social economic group and the influences in response to the couture enthusiasts that innovate as part of their stylish aspect.

In contrast to the trickle-down effect of fashion innovation, this theory states that fashion trickles across different social groups as opposed to upper to lower classes. Fashion innovation is not just confined to the upper class but can actually come from the innovators amongst the different socioeconomic groups. Thus, known as the trickle across theory. The theory's roots from new fashion adoption influences ‹simultaneously by different social economic group and are contained within the different groups'.

The key dynamics of this theory are as follows:

- Adoption of new trends by all socioeconomic groups simultaneously.
- Consumers preference from a large scale of existing trends.
- Within each socioeconomic group there are fashion innovators that meet their preferred fashion demands.
- The flow of fashion information and individual influence in the fashion world 'trickles across' each social economic group.
- 'Vertical flow' remains evident, it is primarily in the fashion industry e.g. fashion editors.

Stages of Mass Market Theory

George B. Sproles created 'the fashion mechanism, as a five-stage process propagated largely by social motivations' in the Mass Market Theory:

- Adoption Leadership by "Consumer Fashion Change Agents: This stage is the introduction of the fashion innovation; these innovators are known for being

'leaders of collective taste' through social networking, invest in their interest of adopting new fashion as part of their stylish aspect.

- The Social Visibility and Communicability Phase: In this stage the fashion goes through a "use cycle," the latest fashion is categorized as "new" and "novel," and will then develop to become highly detectable in the fashion industry portraying it as the 'latest fashion', disregarding present styles and trends.
- Conformity Within and Across Social Systems: In this stage the 'latest fashion' will achieve a foundation through social networking to social acceptance by communication across social systems. Due to this 'diffusion process social contagion and social conformity then set new fashion tastes'.
- Market and Social Saturation: If the latest fashion has made it to this stage, it will have attained its capital level of acceptance, therefore creating a form of "social saturation", therefore fashion is consistently utilized amongst the vast majority of individuals.
- Decline and Obsolescence Forced By the Emergence of New Fashion Alternatives: The latest fashion will eventually come to a decline in the industry, removing it from being portrayed as 'new' and 'novel' due to the emerging trend or style that has been newly introduced as part of the "use" cycle. The fashion then experiences minimal usage and limited social acceptance eventually becoming obsolete.

The fundamental aspect is that the fashion industry is being majorly influenced by 'social communications and social influence'.

Social Economic Groups Fashion Preferences

Juliet Ash, Elizabeth Wilson describes the difference in fashion preference as consumer choice widen and fashion becomes 'an integral part of identity formation'. More privileged societies tend to wear the same "classic" styles and disregard the latest fashions as they oppose an apparent "distinction of occupational achievement". The upper-middle classes desire clothing more "corresponding to wealth and high living". For the lower-middle classes tend to disregard "high style", for what is "daring" or "unusual". Individuals who are on a spending budget are more likely to purchase the 'latest trend' but frequently make their customised adaptions.

Ultimately fashion opinion leaders influence the adoption and diffusion of fashions within a social group. When individuals play both roles of opinion, leader and innovator, they are referred to as "innovative communicators" within each social economic group.

Implications of Mass-market Theory

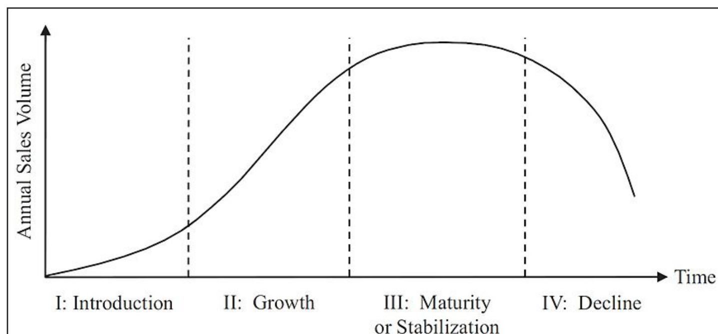
Due to the ease of access to all the fashion segments in the industry and at all prices,

the development in the textiles of garments along with the expansion in retail trade has eradicated the differentiating social economic class. This allowed more distinctions to incur in these segments, including 'make', retail 'brand', fabric, as well as style and quality.

Market trends derive in many social groups, including youthful urban subcultures. Certain trends to the fashion industry may appear to be more popular and successful within some social economic groups as opposed to other groups. Other fashion trends may even fail to all types of social economic groups. "The newest styles become adopted in different ways. This can be through the process of customization in which certain elements become more important than others and is solely dictated by the consumer". In today's fashion industry it has become increasingly challenging for fashion firms achieve consumer satisfaction due to the constant and rapid development of trends and styles.

Product Life-cycle Management

Product life-cycle management (PLM) is the succession of strategies by business management as a product goes through its life-cycle. The conditions in which a product is sold (advertising, saturation) changes over time and must be managed as it moves through its succession of stage.



Product life cycle at different stages.

Goals

The goals of product life cycle management (PLM) are to reduce time to market, improve product quality, reduce prototyping costs, identify potential sales opportunities and revenue contributions, maintain and sustain operational serviceability, and reduce environmental impacts at end-of-life. To create successful new products the company must understand its customers, markets and competitors. Product Lifecycle Management (PLM) integrates people, data, processes and business systems. It provides product information for companies and their extended supply chain enterprise. PLM

solutions help organizations overcome the increased complexity and engineering challenges of developing new products for the global competitive markets.

Product Life Cycle

The concept of product life cycle (PLC) concerns the life of a product in the market with respect to business/commercial costs and sales measures. The product life cycle proceeds through multiple phases, involves many professional disciplines, and requires many skills, tools and processes. PLC management makes the following three assumptions:

- Products have a limited life and thus every product has a life cycle.
- Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
- Products require different marketing, financing, manufacturing, purchasing, and human resource strategies in each life cycle stage.

Once the product is designed and put into the market, the offering should be managed efficiently for the buyers to get value from it. Before entering into any market complete analysis is carried out by the industry for both external and internal factors including the laws and regulations, environment, economics, cultural values and market needs. From the business perspective, as a good business, the product needs to be sold before it finishes its life. In terms of profitability, expiry may jolt the overall profitability of the business therefore there are few strategies, which are practiced to ensure that the product is sold within the defined period of maturity.

Extending the Product Life Cycle

Extending the product life cycle by improving sales, this can be done through:

- Advertising: Its purpose is to get additional audience and potential customers.
- Exploring and expanding to new markets: By conducting market research and offering the product (or some adapted form of it) to new markets, it is possible to get more customers.
- Price reduction: Many customers are attracted by price cuts and discount tags.
- Adding new features: Adding value to the product to enhance its usability or to attract the attention of a wider customer base.
- Packaging: New, attractive, useful or eco-friendly packaging influence the target customers.

- Changing customer consumption habits: Promoting new trends of consumption can increase the number of customers.
- Special promotions: Raising interest by offering Jackpot and other offers.
- Heightening interest: Many of the following things attract many customers who match certain profiles: Eco-friendly production processes, good work conditions, funding the efforts of non-profit organizations (cancer cure, anti-war efforts, refugees, GLTBI, environment and animal protection, etc.) and the like.

Something important to notice is that all these techniques rely on advertising to become known. Advertising needs the others to target other potential customers and not the same over and over again.

Characteristics of PLC Stages

There are the following major product life cycle stages:

Market Introduction Stage

This is the stage in which the product has been introduced first time in the market and the sales of the product starts to grow slowly and gradually and the profit received from the product is nominal and non-attained. The market for the product is not competitive initially and also the company spends initially on the advertisement and uses various other tools for promotion in order to motivate and produce awareness among the consumers, therefore generating discerning demands for particular brand. The products start to gain distribution as the product is initially new in the market and in this stage the quality of the product is not assured and the price of the product will also be determined as low or high.

- Costs are very high.
- Slow sales volumes to start.
- Little or no competition.
- Demand has to be created.
- Customers have to be prompted to try the product.
- Makes little money at this stage.

Growth Stage

In the growth stage, the product is visibly present in the market, the product has habitual consumers, and there is quick growth in product sales. More new customers are

becoming aware of the product and trying it. The customers are becoming satisfied with the product and are buying it again and again. The ratio of the product repetition for the trial procurement has risen. Competitors have started to overflow the market with more appealing and attractive inventions. This helps in creating increased competition in the market and also results in decreasing the product price.

- Costs reduced due to economies of scale.
- Sales volume increases significantly.
- Profitability begins to rise.
- Public awareness increases.
- Competition begins to increase with a few new players in establishing market.
- Increased competition leads to price decreases.

Maturity Stage

In maturity stage, the cost of the product has been decreased because of the increased volume of the product and the product started to experience the curve effects. Also, more and more competitors have seen to be leaving the market. In this way very few buyers have been left for the product and this results in less sales of the product. The decline of the product and cost of attaining new buyers in this level is more as compare to the resulted profit. The brand or the product differentiation via rebating and discounts in price supports in recalling the outlet distribution. Also, there is a decline in the entire cost of marketing through enhancing the distribution and promotional efficiency with switching brand and segmentation.

- Costs are decreased as a result of production volumes increasing and experience curve effects.
- Sales volume peaks and market saturation is reached.
- Increase in competitors entering the market.
- Prices tend to drop due to the proliferation of competing products.
- Brand differentiation and feature diversification is emphasized to maintain or increase market share.
- Industrial profits go down.

Saturation and Decline Stage

In this stage, the profit as well as the sales of the product has started to decline because of the deletion of the product from the market. The market for the product in this stage

started to show negative rate of growth and corroding cash flows. The product at this stage may be kept but there should be fewer adverts.

- Costs become counter-optimal.
- Sales volume decline.
- Prices, profitability diminish.
- Profit becomes more a challenge of production/distribution efficiency than increased sales.

Product termination is usually not the end of the business cycle, only the end of a single entrant within the larger scope of an ongoing business program.

Identifying PLC Stages

Identifying the stage of a product is an art more than a science, but it's possible to find patterns in some of the general product features at each stage. Identifying product stages when the product is in transition is very difficult. More recently, it has been shown that user-generated contents (UGC) (e.g., in the form of online product reviews) has the potential to reveal buyer personality characteristics that can in turn be used to identify product life cycle stage.

Identifying features	Stages			
	Introduction	Growth	Maturity	Decline
Sales	Low	High	High	Low
Investment cost	Very high	High (lower than intro stage)	Low	Low
Competition	Low or no competition	High	Very high	Very High
Profit	Low	High	High	Low

Product Bundling

In marketing, product bundling is offering several products or services for sale as one combined product or service package. It is a common feature in many imperfectly competitive product and service markets. Industries engaged in the practice include telecommunications services, financial services, health care, information and consumer electronics. A software bundle might include a word processor, spreadsheet, and presentation program into a single office suite. The cable television industry often bundles many TV and movie channels into a single tier or package. The fast food industry combines separate food items into a "meal deal" or "value meal".

A bundle of products may be called a package deal, in recorded music, a compilation or box set, or in publishing, an anthology.

Most firms are multi-product or multi-service companies faced with the decision whether to sell products or services separately at individual prices or whether combinations of products should be marketed in the form of "bundles" for which a "bundle price" is asked. Price bundling plays an increasingly important role in many industries (e.g. banking, insurance, software, automotive) and some companies even build their business strategies on bundling. In a bundle pricing, companies sell a package or set of goods or services for a lower price than they would charge if the customer bought all of them separately. Pursuing a bundle pricing strategy allows you to increase your profit by using a discount to induce customers to buy more than they otherwise would have.

Rationale

Bundling is most successful when:

- There are economies of scale in production.
- There are economies of scope in distribution. This can be seen in consumer electronics bundles where a big box electronics store offers all of the components for a home theatre setup (DVD player, flatscreen TV, surround sound speakers, receiver, subwoofer) for a lower price than if each component were to be purchased separately. The big box electronics store can exploit its economies of scope, as they distribute and sell a huge range of home theatre products.
- Marginal costs of bundling are low.
- Production set-up costs are high.
- Customer acquisition costs are high.
- Consumers appreciate the resulting simplification of the purchase decision and benefit from the joint performance of the combined product or service. This is particularly the case when a non-specialist consumer would have information asymmetry when trying to buy all of the components of a home theatre (speakers, connection cables, speaker wire). He/she would need learn about all of the product specifications and the requirements for accessories used with the main items. For example, with Home Theatre in a Box, a consumer can feel confident that all of the included speakers are of correct impedance and power rating and that all of the included cables are the correct models.

While many well-known examples of bundling are all products or services from the same store or provider, such as the sports package for a car or a grocery store's gift basket, in some cases, cross-industry bundles are assembled and sold. For example, some travel agencies have vacation tour bundles that may include air tickets, rail tickets, a rental car, hotels, restaurants, museum and sightseeing attraction tickets and live music event tickets. These bundles include products and services from transportation, accommodation, tourism, food service and entertainment industries.

Consumers have heterogeneous demands and such demands for different parts of the bundle product are inversely correlated. For example, assume consumer A values a word processor software at $100 and spreadsheet processor at $60, while consumer B values a word processor at $60 and spreadsheet at $100. Seller can generate maximum revenue of only $240 by setting $60 price for each product—both consumers will buy both products. Revenue cannot be increased without bundling because as seller increases the price above $60 for one of the goods, one of the consumers will refuse to buy it. With bundling, seller can generate revenue of $320 by bundling the products together and selling the bundle at $160.

Bundling is often thought of mainly as a value pricing strategy, in that product bundles often cost less than if each item were purchased separately. However, bundling can also have other strategic advantages. For example, when a grocery store is making up a gift basket, they can use the design of the basket item list as a way to promote new products or brands that a customer may not know or as a way to liquidate merchandise that is not selling well. As well, even though many bundles are less expensive than all of the items if purchased separately, in some cases the bundle costs more than if each item was purchased separately; this tactic is particularly effective in high-end retailing where conspicuous consumption and prestige pricing elements come into play. A well-off home theatre enthusiast with a very high budget may find a $10,000 home theatre package attractive, even if it costs a bit more than buying each item separately, because this is an impressive total cost.

Varieties

- Pure bundling occurs when a consumer can only purchase the entire bundle or nothing:
    - Joint bundling is a subcategory of pure bundling in which the two products are offered together for one bundled price.
    - Leader bundling is a subcategory of pure bundling in which a leader product is offered for discount if purchased with a non-leader product, accessory or other item:
        - Mixed-leader bundling is a variant of leader bundling with the added possibility of buying the leader product on its own.
- Mixed bundling occurs when consumers are offered a choice between purchasing the entire bundle or one of the separate parts of the bundle.

Bundling in political economy is a type of product bundling in which the "product" is a candidate in an election who markets his or her bundle of attributes and political positions to the voters. For example, a political candidate may market herself as a centrist candidate by ensuring she/he has centrist social, economic, and law enforcement positions.

Software

In the computer industry, bundled software is distributed with another product such as a piece of computer hardware or other electronic device, or is a group of software packages which are sold together. Software which is pre-installed on a new computer is an example of bundled software. For example, as of 2017, most desktop, laptop and mobile computers are bought pre-loaded with various software and software applications ("apps"). A pack-in game is a form of bundled software.

Early microcomputer companies varied in their decision to bundle software. *BYTE* in 1984 observed that "Kaypro apparently has tremendous buying and bargaining power", noting that the Kaypro 10 came with both WordStar and Perfect Writer, plus "two spelling checkers, two spreadsheets, two communications programs and three versions of BASIC". Stating that year that a computer that weighs 30 pounds "really isn't very portable", *Creative Computing* concluded that "the main reason that the Osborne was a success was not that it was transportable, but that it came with a pile of bundled software". Compaq, by contrast, did not bundle software, stating that "You remove the freedom from the dealers to really merchandise when you bundle in software Why should you be constrained to use the software that comes with a piece of hardware? I think it can tend to inhibit sales over the long run". MacWrite's inclusion with early Macintosh computers discouraged developers from creating other word processing software for the computer. Many companies sold multimedia upgrade kits—a CD-ROM drive, sound card, speakers, and what *Computer Gaming World* described as "a boatload of bundled software"—during the mid-1990s.

Market Power and Competitiveness

In oligopolistic and monopolistic industries, product bundling can be seen as an unfair use of market power because it limits the choices available to the consumer. In these cases it is typically called product tying. Some forms of product bundling have been subject to litigation regarding abuses of market share.

TV Programing Bundles

Cable and satellite television (Pay TV) have bundled TV channels since the inception of both. The progress towards complete cable, internet, and telephone packages gave subscribers many more options as well as offering hundreds of channels. The "package" price depends on the level of service a customer prefers within each bundle. The services range from low speed internet and minimum channels to high speed internet and the addition of many premium channels. In the US prices for pay TV have doubled in the last twenty years, averaging 6% per year, while wages have remained the same for nearly 20 years causing dissatisfaction and many cancellations. Costs have risen 53% since 2007 and Comcast and AT&T's Direct TV went up in January 2018. With the Digital television transition opportunities for competition to pay TV ushered in online

video companies and forcing pay TV companies to examine à la carte cable company packages.

A 2018 consumer report shows many subscribers are dissatisfied with cable TV, mainly over prices, which has led to many complaints. Google Fiber was an exception to widespread consumer dissatisfaction. Verizon and the two satellite-TV companies — AT&T's DirecTV and Dish Network rated better than Cox Communications, Comcast, Spectrum, Optimum, CenturyLink, SuddenLink Communications, Atlantic Broadband, Frontier Communications, and Mediacom was rated at the bottom. Internet providers EPB (Fiber Optics) and Google Fiber received top ratings for value. Of the smaller companies only Armstrong received top ratings and RCN, Hawaiian Telcom, and Grande Communications received slightly higher ratings. The high price of current complete bundling, upwards of $180–200, along with poor customer service, surprise bills, and technical difficulties, resulted in Angie's List reporting that these things were the number two most complained about category.

Internet Bundles

Streaming company Netflix offers different bundles, claims to have the largest content along with original programming, and offers downloading for offline viewing. Amazon provides on-Demand Movie Streaming, as well as Hulu. Sling TV offers up to 50 channels, HBO Now, Philo TV, Pluto TV, FuboTV, and Twitch (subsidiary of Amazon) also offer TV programming. YouTube TV ties with PlayStation Vue as the most expensive streaming video and Apple TV plans to add movies. Most of these companies offer different prices as bundles or packages. Roku and Sony Crackle offer free TV with advertisements.

Ambush Marketing

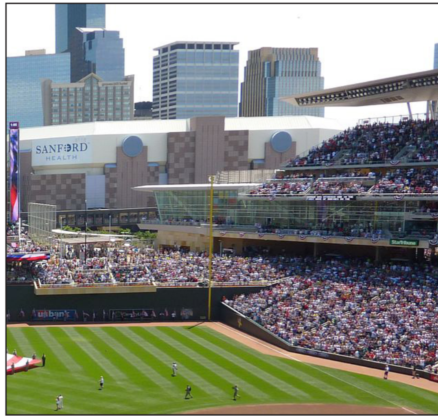
Ambush marketing or ambush advertising is a marketing strategy in which an advertiser "ambushes" an event to compete for exposure against other advertisers.

The term was coined by marketing strategist Jerry Welsh, while he was working as the manager of global marketing efforts for American Express in the 1980s. Most ambush marketing campaigns aim to associate a brand with the prominence of a major event, without actually being an "official" partner or sponsor of said event. An advertiser may indirectly ambush an event by alluding to its imagery and themes without referencing any specific trademarks associated with it, or in "direct" and "predatory" means—where an advertiser engages in the fraudulent use of official names and trademarks to deliberately mislead consumers.

Actions against ambush advertising are most common in sport (where major events such as the FIFA World Cup, Olympic Games, and the Super Bowl are prominent

targets), as the practice can devalue and dilute exclusive sponsorship rights, and in some cases, infringe upon the organizers' intellectual property rights. Such actions may include restricting advertising in "clean zones" around an event site, removing or obscuring references to non-sponsors at venues, and requiring host countries to pass laws to grant the organizer legal rights to enforce clean zones, and to restrict the use of specific words and concepts to create unofficial associations with the event.

Anti-ambush marketing regulations have attracted controversy for limiting freedom of speech, and for preventing companies from factually promoting themselves in the context of an event.



A billboard for Sanford Health placed on the exterior of the Target Center, adjacent to Target Field, so that it is visible from within to compete with a sponsorship held by a competitor.

Intent and Techniques

Typically, ambush marketing is used to "ride off" the prominence and draw of a major event, aligning promotional activities and publicity around it, without having to pay fees to the event's organizer to be designated as an "official" sponsor in a certain product category. Ambush marketing techniques can be classified into two categories. The first, "direct" forms of ambush marketing, involve advertisers promoting themselves as being a part of or associated with an event, diluting the exposure of official sponsors and their respective campaigns—especially if they are the product of the non-sponsor's competitors, while indirect forms of ambush marketing use imagery relating to an event in advertising to evoke a mental connection with it, without specifically mentioning it.

"Predatory" forms of direct ambush marketing involve fraudulent claims by a non-sponsor that pass themselves off as being an "official" sponsor, usually by making direct references to trademarks relating to an event, but without having any official authorization from the event's organizers to identify itself as an official sponsor or use its trademarks. An advertiser may attempt to perform a publicity stunt inside the venue itself to attract attention to their brand, such as having attendees wear attire that is associated with the company. An official sponsor can also be involved in direct ambush

marketing if they perform more extensive promotional activities at an event than they were originally authorized, such as distributing branded merchandise when they were only granted advertising on signage—especially if these activities compete with those of another sponsor authorized to do so.

A company may also perform direct ambush marketing by riding coattails—factually marketing their role in connection to an event or its participants. For example, a company which produces sporting equipment may advertise that they are the official supplier for a specific athlete or team. Similarly, a non-sponsor may choose to solely sponsor the event's telecast by a broadcaster, but not the event itself. The factual acknowledgment of a non-sponsor's involvement with the participants in an event by, for example, a television host or commentator, can also be considered an incidental form of coattail marketing, as it provides additional unpaid publicity to the brand.

Most forms of indirect ambush marketing involve a non-sponsor making use of imagery, themes, and values similar to what the event and campaigns from official sponsors express, either positively or negatively, and without making specific references to the event itself or its trademarks. In essence, the advertiser markets itself using content that evokes a mental association with the event, and as a result, appeals to those who are aware of the event. Advertisers may use a well-known nickname for the event that is not a trademark, such as "the big game".

Similarly, a non-sponsor may use "distractive" techniques to divert consumers' attention away from the actual event and its official sponsors using similarly indirect means; for example, a non-sponsor may saturate the area at or around its venue (including street vendors, billboards, and public transport) with a competing marketing presence. Such "saturation marketing" may either be indirectly related to the event, or be incidental and make no references at all. In some cases, a company may sponsor or create a similar "parallel property," designed to compete directly with a major property by evoking similar thematics.

Regulation

In response to the threats of ambush marketing and other forms of trademark infringement, organizers of major sporting events have sometimes required host countries or cities to implement special laws that, going beyond standard trademark law, provide regulations and penalties for advertisers who disseminate marketing materials that create unauthorized associations with an event by making references to specific words, concepts, and symbols. Organizers may also require a city to set up "clean zones" in and around venues, in which advertising and commerce is restricted to those that are authorized by the event's organizer—specifically, the event's official sponsors.

In some cases, a venue may be required to suspend its naming rights for the duration of the event if the venue is named for a concern that is not an official sponsor, during

which it is referred to under a generic name by all event-related materials and telecasts, and all signage referring to the sponsored name may be obscured or removed. For example, 2010 Winter Olympics hockey venue General Motors Place (since renamed to Rogers Arena) was renamed "Canada Hockey Place" for the duration of the Games.

Broadcasters of events may be contractually required to give the official sponsors right of first refusal to purchase advertising time during their telecasts. Some events may require all advertising time to be controlled and allocated by the organizer itself, such as the UEFA Champions League.

Examples of Ambush Marketing

The earliest example of general anti-ambush advertising legislation were passed in South Africa in 2001 in preparation for the 2003 Cricket World Cup. The law gave the Minister of Trade and Industry the ability to designate specific events as "protected," making it illegal to use the event's trademarks visually, audibly, and "in promotional activities, which in any way, directly or indirectly, is intended to be brought into association with or to allude to an event," to "derive special promotional benefit from the event," without the consent of the organizer. Prior to the 2011 Rugby World Cup, New Zealand passed the similar "Major Events Management Act," which prohibits any promotional use of words, emblems, and concepts implying association with events specifically designated as "major" by the national government, without permission from the event's organizers. The law also provides the ability for clean zones to be established around event sites for the purposes of enforcing advertising rules and providing crowd control.

Rule 40 of the Olympic Charter forbids all Olympic athletes from participating in marketing activities for companies that are not official sponsors of the Olympics, even if they have official relationships with the advertiser, during a timeframe that begins 9 days before the opening ceremony, and ends 3 days after the Games' conclusion.

The United Kingdom passed the London Olympic Games and Paralympic Games Act 2006 prior to the 2012 Summer Olympics: on top of existing laws providing special protection for Olympic symbols, the act banned the use of the words "2012" and "Games" by non-sponsors, either together, or with words or concepts relating to the event, such as "Gold," "Silver," "Bronze," "Medals," "Summer," "Sponsors," or "London," to imply an association with the Games. LOCOG also announced plans to enforce these rules in the internet keyword advertising market.

Credit Card Wars

The first notable instances of ambush marketing occurred between the 1984 Summer Olympics in Los Angeles, and the 1988 Summer Olympics in Seoul. Earlier Games allowed any number of companies to be official sponsors, and there were a record 628

sponsors for the 1976 Summer Olympics in Montreal. Despite the revenue it provided for the Games, the ability for sponsors to promote awareness of themselves within the context of the Games were diluted by the sheer number. In order to improve the value of these sponsorships, the International Olympic Committee implemented a system of exclusive sponsorship rights within specific market categories for the 1984 Summer Olympics.

In 1986, credit card company American Express (Amex)—rival to official sponsor Visa Inc., began a marketing campaign in Asia promoting merchandise from a fictitious "Olympic Heritage Committee," supposedly based in Switzerland. American Express halted the campaign following complaints by the IOC, who threatened to denounce the company's actions with ads and media events in which sports ministers and Olympic athletes from the countries involved in the campaign would cut American Express credit cards into pieces, if they did not withdraw the ads. In a follow-up, American Express released ads featuring a photo from the opening ceremony of the 1986 Asian Games held in the same city, captioned "Amex welcomes you to Seoul." The ad was intended to mislead readers into thinking that it was a photo of the Olympics' opening ceremony. These campaigns resulted in retaliatory advertising from Visa; in a continuation of an ongoing campaign promoting its exclusivity at certain venues and events, Visa ran advertising promoting that it was the only credit card accepted at Olympic venues and for purchasing tickets.

American Express felt that Visa's advertisements were misleading, citing viewers who interpreted the ads as to believe that no other credit cards were accepted anywhere in the host city during the Olympics (such as at shops and restaurants), rather than applying only for Olympic ticket sales and at venues. Prior to the 1992 Winter Olympics and Summer Olympics, American Express aired advertisements acknowledging these facts, explained with the slogan "You'll need a passport, but you don't need a Visa". Prior to the 1992 Summer Olympics, the company also promoted a partnership with Iberia and Turespana that made American Express "the official credit card of tourism in Spain"—a campaign which factored the Olympics, as well as Seville Expo '92. The IOC negotiated a truce between Amex and Visa to tone down their advertisements, but encouraged Visa once Amex returned to its ambush marketing in 1994, and Amex finally conceded defeat by 1996. Jerry Welsh, who was the manager of global marketing efforts for American Express in the 1980s, would coin the term "ambush marketing" to refer to these activities. Welsh defended Amex's practices as a corporation's duty to its shareholders after they lost out on the official Olympic sponsorship rights to Visa.

Nike

In the mid 1990s, Nike became known for several major ambush marketing schemes at the Olympics and association football tournaments.

At the 1996 Summer Olympics, Nike engaged in a marketing campaign to compete with

official sponsor Reebok, including magazine ads and billboards. Consistent with its aggressively-toned marketing of the time, its campaign featured slogans parodying those of the Olympics and attacking its values, including "Faster, Higher, Stronger, Badder", "You don't win Silver, you lose Gold", and "If you're not here to win, you're a tourist". Nike set up a prominent pop-up store near the athletes' village, and was also attempting to have fans to display signs with the aforementioned slogans inside venues. IOC marketing director Michael Payne noted that the campaign was being widely criticized, as athletes were "likely to be uncomfortable when their shoe sponsor says they have failed unless they win a gold medal", and that Nike was "crossing the very fine line between having an impact and biting the hand that creates tomorrow's heroes."

Payne and the United States Olympic Committee's marketing director John Krimsky held a meeting over the campaign with Howard Slusher, a subordinate of Nike co-founder Phil Knight. The meeting quickly turned aggressive; Payne threatened IOC counter-measures, including pulling accreditation for Nike employees, banning the display of its logos on equipment, and organizing a press conference where silver medallists from the Games, as well as prominent Nike-sponsored athlete Michael Johnson, would denounce the company. Faced with these threats, Nike agreed to retract most of its negative advertising and PR stunts. After Reebok unexpectedly pulled out on short notice, Nike eventually served as the official sportswear supplier of the 2000 Summer Olympics in Sydney, Australia—using them to launch the company's first-ever global marketing campaign.

Nike also performed saturation ambushes at UEFA Euro 1996 and the 1998 FIFA World Cup, by buying advertising space in the vicinity of the host venues in order to prevent the official sponsors (Umbro and Adidas respectively) from being able to promote themselves. Nike's actions influenced the eventual adoption of "safe zone" rules, requiring official sponsors to have exclusive use of all advertising locations within a certain radius of an event's venue.

FIFA World Cup

During the 2006 FIFA World Cup, Bavaria Brewery distributed "Leeuwenhosen"—branded overalls with lion tails, colored in the orange of the Netherlands national football team. Officials at games directed fans to take off the Leeuwenhosen and put on orange-colored shorts instead, as the clothing infringed on the exclusive beer sponsorship rights owned by Anheuser-Busch. Bavaria Brewery was again accused of ambush marketing at the 2010 FIFA World Cup, when 36 female fans were ejected from a game (along with the arrest of two, later released, accused of violating the Contravention of Merchandise Marks Act) for wearing unbranded orange miniskirts that were provided by Bavaria; Sylvie van der Vaart, wife of Dutch player Rafael van der Vaart, had modeled one of the miniskirts in an advertising campaign for the brewery. Robbie Earle was also fired from his roles as ITV Sport pundit and ambassador for England's bid for the 2018 World Cup, when it was claimed by FIFA that he had sold tickets meant for family and friends on to Bavaria.

Prior to the 2010 FIFA World Cup, South African budget airline Kulula ran an advertisement that played upon the fact that they were not an official sponsor of the tournament: it described themselves as "Unofficial National Carrier of the You-Know-What," and contained images of stadiums, balls, vuvuzelas and national flags. The ad was pulled following a complaint by FIFA, who claimed that the ads contained symbols that constituted an unauthorized association with the event when used together. Kulula mocked FIFA's objections in subsequent advertising: a follow-up ad deliberately replaced the items from the first ad with similarly-shaped items (such as disco balls and golf tees), and explained that there were other reasons to travel South Africa "than just for that thing we wouldn't dare mention". The airline also announced that it would give away free flights to anyone named "Sepp Blatter"; the offer was redeemed for a dog named after the then-FIFA president.

Olympic Games

Li Ning carrying the torch at the opening ceremony of the 2008 Summer Olympics.

The International Olympic Committee has required host cities to enact measures to restrict commerce around venues, ensure official sponsors have access to public advertising space, "reduce and sanction" ambush marketing, and keep venues "clean" of any references to non-sponsors.

At the 2008 Summer Olympics in Beijing, the IOC worked with the local organizing committee to develop a "robust brand-protection program"; logos of non-sponsors were covered with tape on equipment at Games facilities—a restriction that applied even to appliances, bathroom fixtures, elevators, and fire extinguishers. However, there was a high-profile ambush during the opening ceremony; former Olympic gymnast Li Ning, who founded an eponymous Chinese shoe company, lit the Olympic cauldron. The Li-Ning company was not an official sponsor of the Games (but did act as an equipment supplier for some of China's teams), and Li wore Adidas apparel for the sequence per its official sponsorship. On the first trading day following the ceremony, Li-Ning's share price increased by 3.52%.

Prior to the 2012 Summer Olympics in London, England, bookmaker Paddy Power placed ads promoting itself as the "official sponsor" of "the largest athletics event in

London this year"—an egg-and-spoon race in the French village of London, Burgundy, with a prize of €100 in Paddy Power credit. LOCOG threatened Paddy Power over the campaign, but backtracked after the bookmaker threatened to take them to court. When announcing the planned lawsuit, a Paddy Power spokesmen quipped that "It's a pity they didn't put the same energy in to the ticketing and security arrangements for the Games that they put into protecting their sponsorship revenue streams." Nike released a television advert tying into the Games with a similar concept, featuring footage of athletes training in other places named "London", and the tagline "Greatness doesn't only exist in SW19". Following the Games, a study by the Global Language Monitor found that several non-sponsors, including Centrica, Ericsson, Philips, and Subway, were among the brands with the highest perceived relationship between themselves and the Games.

In January 2014, prior to the 2014 Winter Olympics, clothing company The North Face was sued by the Canadian Olympic Committee (COC) for marketing a line of "villagewear" apparel that it felt implied an unauthorized association with the Games. The apparel had designs featuring the colors and symbols of countries (such as red and white with a maple leaf for Canada) and patches reading "RU 14," were described in a catalog as "[capturing] the international spirit of the Olympic Games," and several items in the catalog contained references to Sochi in their names. The COC also felt that the name "villagewear" implied a reference to Olympic Villages, accused a retailer of the line of using the Olympic rings on a store sign, and accused the company of running a contest that purported to offer tickets to the Games as prizes (in violation of terms and conditions restricting redistribution of tickets without permission). The North Face disputed the COC's claims, arguing that it did not imply it was an official supporter of the COC, did not use any of the official branding elements of the Games, that the COC had no right to restrict usage of national symbols that are in the public domain, and that the COC did not hold rights to the "alleged Olympic trademarks" at all since they were owned by the IOC. The suit went to trial in December 2014, and was settled in October 2016, after The North Face parent company VF Corporation agreed to make a donation to the Canadian Olympic Foundation.

Prior to the 2016 Summer Olympics, Rule 40 was loosened by the IOC to allow some campaigns by non-sponsors involving athletes to occur during the Games, as long as the campaign had begun within a certain timeframe prior to the Games, and do not imply an association with the Olympics; this includes advertising material containing "Olympic-related terms" such as the current year, the host city's name, "Games," "Olympians," "Sponsors," "Medal," "Gold," "Silver," "Bronze," "Challenge," "Effort," "Performance," and "Victory". It also requires the submission of waivers to the IOC and the country's National Olympic Committee that describe the extent of the marketing involving athletes. Prior to these Games, the United States Olympic Committee (USOC) also issued a warning asserting that non-sponsors could not create or disseminate any content related to the Olympics on social media, including posts referencing the Games or its results, posts sourced from official accounts, or posts using official hashtags (which the USOC has claimed as trademarks).

In July 2016, the Australian Olympic Committee sued mobile provider Telstra over adverts promoting its partnership with the Seven Network to offer subscribers free premium access to its digital coverage of the 2016 Summer Olympics, as the broadcaster's "official technology partner". The ad was set to a version of Peter Allen's song "I Go to Rio"—a phrase which was also used as the tagline of the campaign. The AOC argued that the promotion was deceiving and could imply that Telstra was an official sponsor of the Australian Olympic team (Telstra was previously an official sponsor, but ended its relationship in 2015). Telstra defended the ads, stating that they were intended to promote its relationship with the official broadcaster, and that it would amend the ads to disclaim that the company is not an official sponsor of the AOC or any related entities. On 29 July 2016, a federal court ruled in favor of Telstra, stating that there was "no doubt" the campaign was relating to the Games without using its trademarks, but that it was "not enough for the AOC to prove that the advertisements were Olympic-themed."

The IOC's restrictive ambush marketing rules were one factor in the National Hockey League's decision to ban its players from the 2018 Olympics; for the previous five Olympics, the NHL scheduled an extended break in the regular season to allow players to participate, and placed its All-Star Game on hiatus. The NHL noted that the rules disallowed teams from promoting their players' participation in the tournament.

NFL

The National Football League has historically been protective over unauthorized uses of its intellectual property, such as the game telecasts themselves, and most notably, its trademark for the Super Bowl—the league's championship game. To protect these properties and its official sponsors, the league has historically sent reminders and cease and desist notices to advertisers and businesses—including establishments that may be showing the game—that use references to "Super Bowl," "Super Sunday," or team names in promotional activities related to the Super Bowl. Although using part of a trademark for descriptive purposes, without implying official association, can be considered a nominative use under United States trademark law, non-sponsors typically use euphemisms such as "the Big Game" to refer to the Super Bowl in advertising to protect themselves from liability. In 2006, the NFL submitted an application to register "The Big Game" as a trademark as well, but withdrew following opposition by students of Stanford University and UC Berkeley, who play in a long-running college football rivalry game also known as "the Big Game"—an event which pre-dates the Super Bowl by several decades. The NFL has also partaken in clean zone policies around Super Bowl sites to protect against saturation ambush marketing.

The XFL—a forthcoming rival league, floated a large blimp branded with the logos of the league and its equipment supplier Spalding, over the Oakland Coliseum during an Oakland Raiders playoff game on January 6, 2000. The league intended to do so again on January 14 for the AFC championship game, but on the 9th, the blimp was let loose unmanned after a failed attempt to land it at Oakland International Airport, and it

crashed over a waterfront restaurant on the Oakland Estuary after getting caught on a sailboat mast. The blimp sustained US$2.5 million worth of damage, and the incident was later considered to be an omen for the XFL's eventual failure.

In 2009 and 2010, Avid Life Media produced advertisements for its extramarital and homosexual online dating services Ashley Madison and ManCrunch, that it aimed to have aired during the Super Bowl. The Ashley Madison ad featured the tagline "Who Are You Doing After the Game?," while the ManCrunch ad culminated with two male football fans kissing and dry humping each other. Both ads were rejected by the game's respective broadcasters; the Ashley Madison ad for objectionable content, and the ManCrunch ad for its unauthorized use of NFL trademarks. An Avid Life Media spokesperson, as well as the media, initially reported that the ManCrunch ad had actually been rejected because of its homosexual themes. Critics felt that the company was engaging in ambush marketing by intentionally submitting ads that would be rejected by broadcasters, and thus earn free publicity from the resulting "controversy" without having to pay for the ad time itself. The company denied this was the case, and stated that it had serious intentions to purchase the ad time if the commercials were approved.

In October 2014, the NFL fined player Colin Kaepernick for wearing pink-colored Beats headphones (in observance of National Breast Cancer Awareness Month) during a post-game press conference, violating rules that prohibit players from displaying the logos of non-sponsors during games, practices, and pre/post-game media appearances. His actions infringed the exclusive sponsorship rights of Bose Corporation, who had become an official sponsor of the NFL as of the 2014 season. In response to the fine, Kaepernick covered the Beats logo on the headphones with athletic tape during a subsequent press conference.

Prior to Super Bowl XLIX in Glendale, Arizona, the NFL filed an opposition to a trademark application for "Superb Owl", filed by the organizers of a local running event known as The Night Run. They had planned to hold a "Superb Owl Shuffle 5K" event on the morning of the game, in reference to the "Superb Owl" awards given out during The Night Run. The NFL felt that the trademark was likely to cause confusion with its Super Bowl trademarks, also noting that the event's website, superbowlshuffle.org, was confusingly similar to "Super Bowl Shuffle". The euphemism "Superb Owl" had also appeared as the result of user typos on search queries for the game, on the television series The Colbert Report as a satire of the NFL's trademark rules, and during the vandalism of commemorative statues that were put up in San Francisco during the lead-up to Super Bowl 50.

Minneapolis Sports Venues

In September 2010, the Minnesota Timberwolves basketball team announced that they would install a large billboard sign for Sanford Health on the exterior of Target Center. The sign was placed so that it would be visible from within Target Field, home stadium of the Minnesota Twins baseball team. The Twins have a competing healthcare sponsorship with the Mayo Clinic. Although it is a city-owned venue, the Timberwolves had

the right to sell advertising on the exterior of the arena. Twins president Dave St. Peter stated that the size of the sign was "shocking", while the timing of the change was criticized for occurring right before the start of the 2010 Major League Baseball postseason, which would bring national exposure to the venue and the sign. In October 2011, per an extension of Target Corporation's naming rights for the arena, the company was given control over its exterior. The Sanford Health sign was replaced by a new display featuring Target's dog mascot Bullseye, which animates after Twins home runs.

The Minnesota Vikings' U.S. Bank Stadium faced a similar controversy. As the Minneapolis offices of Wells Fargo, a rival to the new stadium's naming rights sponsor U.S. Bank, are located within the vicinity of the stadium, Wells Fargo agreed to only install "non-mounted," non-illuminated signage on its building, such as letters painted directly onto the roof. After the original agreement was reached, Wells Fargo had asked the team to allow the installation of "raised, illuminated lettering. mounted on beams more than a foot above the roof rather than painted on the roof as agreed upon". Such signage would be visible in overhead views of U.S. Bank Stadium (such as camera shots during event telecasts). Wells Fargo threatened to light the entire rooftops of its offices if the Vikings chose to deny the requested change. In December 2015, the Vikings sued Wells Fargo for violating the agreement, after they began to construct an illuminated sign on their rooftop. On June 23, 2016, Judge Donovan W. Frank ruled in favor of the Vikings, and ordered Wells Fargo to remove the raised, illuminated signage.

Ambushes of Apple

In October 2011, Samsung ambushed the Australian launch of Apple's iPhone 4S smartphone by setting up a pop-up store near Sydney's Apple Store. At the store, the company sold its competing Galaxy S II to the first 10 people in line daily at a discount price of $2 AUD. Samsung similarly piggybacked the launch of its successor, the iPhone 5, to promote the Galaxy S III and Galaxy Note II; the company purchased keyword advertisements for the devices on major search engines, as well as Twitter and YouTube, thus causing ads for them to appear on searches relating to iPhone 5.

The Quebec-based home improvement chain Rona ambushed a billboard sign advertising another Apple product, the iPod Nano, by placing a banner for its paint recycling services that showed the paint from the devices in the Apple billboard above it falling into cans.

Premier Soccer League

In September 2018, the South African Premier Soccer League issued a complaint against the South African Football Association (SAFA) over a sponsorship it had reached with OUTsurance Holdings, under which it serves as a kit sponsor for all referees overseen by the association. The advertising deal is with SAFA itself, and was deemed conflicting with the PSL's sponsorships with ABSA Group and Nedbank. SAFA defended the practice,

stating that under FIFA statutes as the governing body of football in South Africa, it had the right to appoint the officials used for any match, and that the sponsorship deal would "serve the best interests of our referees in our country so that the game of football is not only protected and developed but that it also grows from strength to strength."

The PSL withdrew a planned court action against SAFA the following month after a meeting with the governing body. A point of contention was a PSL referee's refusal to wear the sponsored kit during a Bloemfontein Celtic match, as he felt their green and purple colour scheme was too similar to the club's kit.

Impact

The organizers of the 2012 Summer Olympics received criticism for their "draconian" anti-ambush marketing rules.

Moves to control ambush marketing at events have been met with mixed reception: ambush marketing regulations enable the event organizer to prevent competitors from impeding on a company's exclusive rights to serve as an event's sponsor, thus making their sponsorship rights more lucrative. Laws enacted to control ambush advertising practices have proven to be controversial: critics have argued that ambush advertising regulations can inhibit free expression and prevent businesses (such as restaurants, sports bars, and pubs) from even mentioning an event, and that a country's existing trademark laws can be sufficient to protect organizers' intellectual property without granting them special powers.

The American Civil Liberties Union has opposed "clean zone" policies on several occasions; prior to both Super Bowl XLVII and the 2014 Major League Baseball All-Star Game, the organization respectively sued both the cities of New Orleans and Minneapolis for enforcing clean zone laws, arguing that they were unconstitutional for banning protected speech. In response to the lawsuit, New Orleans did amend its clean zone ordinance to allow non-commercial protected speech within the clean zones. The NFL has also received criticism for exaggerating the extent of its intellectual property rights under the laws of the United States, aggressively enforcing its trademarks, and failing to take the doctrine of fair use into account.

During the lead-up to the 2012 Summer Olympics, the London Organising Committee of the Olympic and Paralympic Games (LOCOG) showed an infamously aggressive

stance towards enforcing anti-ambush advertising regulations. The organizing committee's policies and the London Olympic Games and Paralympic Games Act 2006 were criticized by local politicians, along with the Chartered Institute of Marketing, for being overly broad, "draconian," and unnecessary to enforce its exclusive trademark and sponsorship rights. The press described LOCOG as being a "branding police" due to these enforcement measures; EasyJet was told by a LOCOG representative that having Sally Gunnell reprise her pose with the Union Jack from the 1992 Games for an advertisement would constitute an unauthorized association, an art event known as The Great Exhibition 2012 received threats from LOCOG for merely containing "2012" in its name, and athletes were asked to report ambush advertising activities on a special website. In contrast, LOCOG allowed the restaurant chain Little Chef to continue selling its popular "Olympic Breakfast," owing to its long-standing use of the brand since 1994.

It was also argued by critics that LOCOG's policies made it unviable for smaller businesses to promote themselves using the Games, even in support of athletes, as they would need to evaluate whether their marketing materials violate the restrictions on unauthorized associations. Additionally, the architecture community strongly criticised the marketing restrictions, citing LOCOG's refusal to allow architectural firms to publicise their work on Olympic venues, including preventing the firms from entering national and international award competitions. LOCOG retained rights to all Olympic marks even after the end of the games until they were transferred to the British Olympic Association in 2013.

During the 2016 U.S. Olympic track and field trials, the apparel company Oiselle received demands by the United States Olympic Committee (USOC) to remove social media posts congratulating its sponsored athlete Kate Grace on qualifying for the 2016 Summer Olympics. The USOC considered them to be unauthorized "Olympic-related advertising" because the photos attached to the posts depicted USOC trademarks, including the Olympic rings and the phrase "Road to Rio". Company CEO Sally Bergesen stated that future posts would remove or obscure references to these trademarks, but argued that their depiction were incidental because the offending material appeared in the venue and on the bibs worn by all athletes at the event, making it intractable to avoid depicting them in photos taken there. She also defended the postings as being news reporting on the achievements of its sponsored athletes, and not necessarily promotion for the brand itself. The onerous restrictions on the promotion of Olympic athletes were one of the factors behind the National Hockey League's decision to prohibit its players from participating in the men's ice hockey tournaments at the 2018 Winter Olympics.

In an episode aired on the eve of the Games' opening ceremony, comedian Stephen Colbert discussed and satirized the aforementioned trademark claims on The Late Show. During the segment, Colbert presented an image of five CBS logos arranged and coloured like the Olympic rings, and promoted the programme's new "sponsor", Musa

Tea (a beverage "brewed from the freshest mint in Morocco's Musa mountains") whose official hashtag was "#teamusa" ("Tea Musa"). Colbert also satirized the NFL's "Super Bowl" trademarks in 2014 on his previous series, The Colbert Report, where he referred to the game as the "Superb Owl", and remarked that "we all know that the winner of the Big Game goes to Animated Mouse Theme Park".

Co-marketing

Co-marketing is a joint marketing effort between two or more companies to simultaneously promote both businesses. The marketing can take many forms from logos and links on websites to full-fledged website overhauls and special packaging.

Co-branding takes place in the product development stage to promote a single product; co-marketing is when two companies leverage their visibility to promote individual products. Co-marketed products belong to each entity individually, whereas co-branded products belong equally to both companies. Co-marketing is a great way to improve customer loyalty.

Benefits of Co-marketing for Online Retailers

- Extending current market reach: The web is a very big place and only the largest brands can fully saturate their markets. Co-marketing with a partner in the same market provides access to consumers that each company may have not yet reached, or gives additional legitimacy to the company with existing consumers.
- Expanding into new markets: Co-marketing campaigns with partners in different markets opens up a whole new consumer base. Each company in the relationship has the opportunity to reach outside their usual market to attract new consumers. Although a company may be new to the market, it is granted credibility by its relationship with its partner.
- Stretching the advertising budget: Co-marketing requires advertising effort from both parties so the cost is shared. By combining forces, each company spends less than they would otherwise on their own.

Extremely Successful Instances of Co-marketing

- Intel Inside: In 1991, computer manufacturers teamed with Intel and placed "Intel Inside" logos on their products. This campaign gave Intel a larger presence and extra legitimacy which helped it to become the most recognizable computer processor manufacturer.
- Zynga and the World Food Programme: In 2011, Zynga joined forces with the

World Food Programme (WFP). Players were able to buy in-game items with the WFP logo. Proceeds from those purchases were sent to the WFP. The WFP website listed Zynga which gave them exposure to supporters of the charity.

- Disney Interactive and YouTube: In Nov 2011, Disney Interactive and YouTube joined together to create original content on Disney.com that would be served by YouTube. Disney Interactive got increased awareness for them with YouTube users. YouTube benefited from the high profile relationship and greater exposure to the family/child demographic.

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PERMISSIONS

All chapters in this book are published with permission under the Creative Commons Attribution Share Alike License or equivalent. Every chapter published in this book has been scrutinized by our experts. Their significance has been extensively debated. The topics covered herein carry significant information for a comprehensive understanding. They may even be implemented as practical applications or may be referred to as a beginning point for further studies.

We would like to thank the editorial team for lending their expertise to make the book truly unique. They have played a crucial role in the development of this book. Without their invaluable contributions this book wouldn't have been possible. They have made vital efforts to compile up to date information on the varied aspects of this subject to make this book a valuable addition to the collection of many professionals and students.

This book was conceptualized with the vision of imparting up-to-date and integrated information in this field. To ensure the same, a matchless editorial board was set up. Every individual on the board went through rigorous rounds of assessment to prove their worth. After which they invested a large part of their time researching and compiling the most relevant data for our readers.

The editorial board has been involved in producing this book since its inception. They have spent rigorous hours researching and exploring the diverse topics which have resulted in the successful publishing of this book. They have passed on their knowledge of decades through this book. To expedite this challenging task, the publisher supported the team at every step. A small team of assistant editors was also appointed to further simplify the editing procedure and attain best results for the readers.

Apart from the editorial board, the designing team has also invested a significant amount of their time in understanding the subject and creating the most relevant covers. They scrutinized every image to scout for the most suitable representation of the subject and create an appropriate cover for the book.

The publishing team has been an ardent support to the editorial, designing and production team. Their endless efforts to recruit the best for this project, has resulted in the accomplishment of this book. They are a veteran in the field of academics and their pool of knowledge is as vast as their experience in printing. Their expertise and guidance has proved useful at every step. Their uncompromising quality standards have made this book an exceptional effort. Their encouragement from time to time has been an inspiration for everyone.

The publisher and the editorial board hope that this book will prove to be a valuable piece of knowledge for students, practitioners and scholars across the globe.

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