



Lecture Notes

MBPC1010 -STRATEGIC MANAGEMENT

Course Objectives:

1. To learn the major initiatives taken by a company's top management on behalf of corporates, involving resources and performance in business environment.
2. To specify the Organization's mission, vision and objectives and develop policies.
3. To understand the analysis and implementation of strategic management in strategic business units.

Module II: Industry Structure & Competitive Advantage: Industry Analysis - Porter's Five Forces Model-Strategic Groups, Competitive Changes during Industry Evolution Globalization and Industry Structure - Capabilities and competencies-core competencies-Low cost and differentiation - Generic Building Blocks of Competitive Advantage- Distinctive Competencies-Resources and Capabilities durability of competitive Advantage- Sustainable Competitive Advantage - Case study.

Module- II

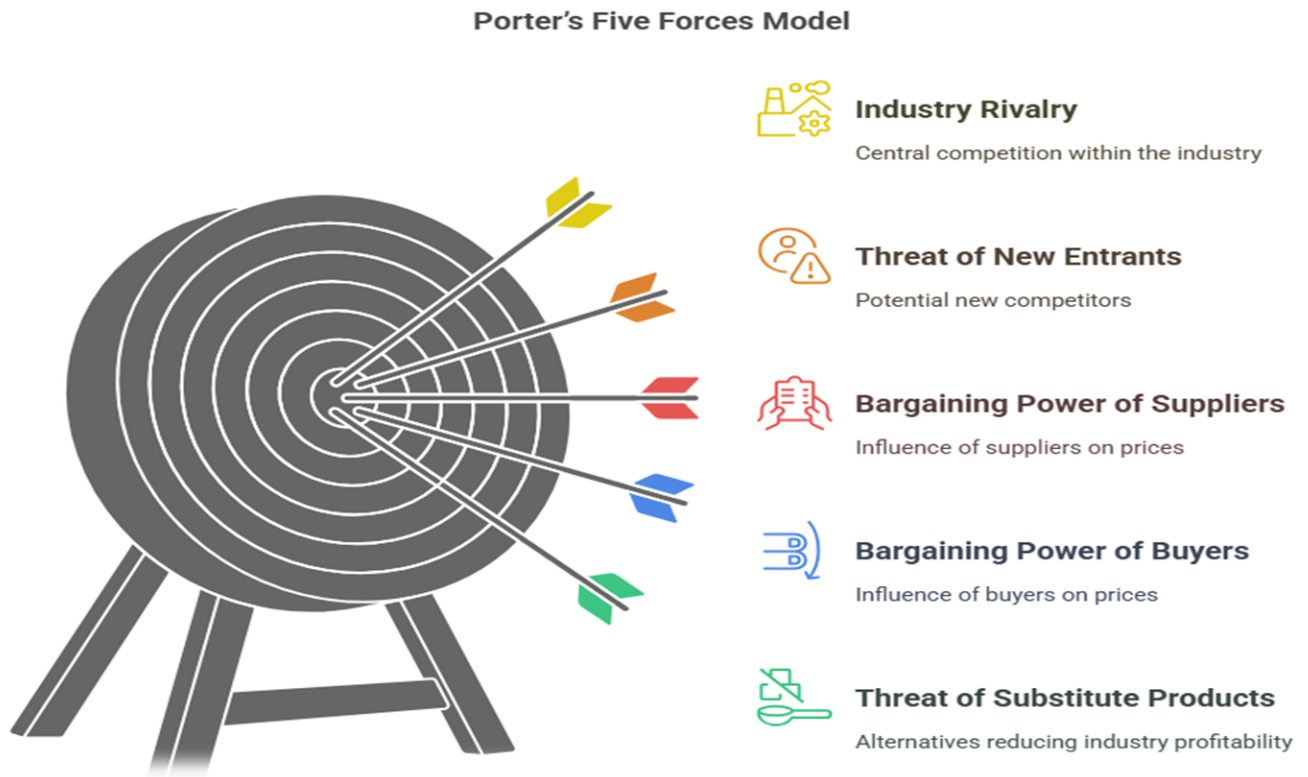
1. Industry Analysis

Meaning & Definition

Industry analysis is a tool used by businesses to assess market conditions, competition, and external factors that influence their success. It helps companies make informed strategic decisions by understanding the strengths and weaknesses of their industry.

Definition: Michael Porter defines industry analysis as "a systematic process to evaluate the competitive forces within an industry and develop strategies to achieve a sustainable competitive advantage."

Porter's Five Forces Model



Porter's Five Forces Model helps analyze the level of competition within an industry. The five forces include:

1. Threat of New Entrants

- High entry barriers (capital requirements, regulations, brand loyalty) reduce new competition.
- **Example:** The airline industry requires large investments, making it difficult for new entrants.

2. Bargaining Power of Suppliers

- When few suppliers exist, they can dictate terms.
- **Example:** Intel and AMD dominate the semiconductor industry, exerting strong supplier power over computer manufacturers.

3. Bargaining Power of Buyers

- Buyers can demand lower prices and better quality if they have alternative choices.

- **Example:** Large retail chains like Walmart negotiate lower prices from suppliers due to bulk purchasing.
- 4. **Threat of Substitute Products**
 - Substitute products reduce an industry's profitability.
 - **Example:** Ride-sharing apps (Uber, Lyft) have replaced traditional taxi services.
- 5. **Industry Rivalry**
 - High competition leads to price wars, marketing battles, and innovation races.
 - **Example:** The rivalry between Coca-Cola and Pepsi has shaped the beverage industry.

2. Strategic Groups & Competitive Changes During Industry Evolution

Strategic Groups

Strategic groups refer to clusters of firms in an industry with similar strategies.

Characteristics of Strategic Groups

- Companies within a strategic group compete closely.
- Groups vary based on pricing, target markets, distribution channels, and brand positioning.

Example of Strategic Groups

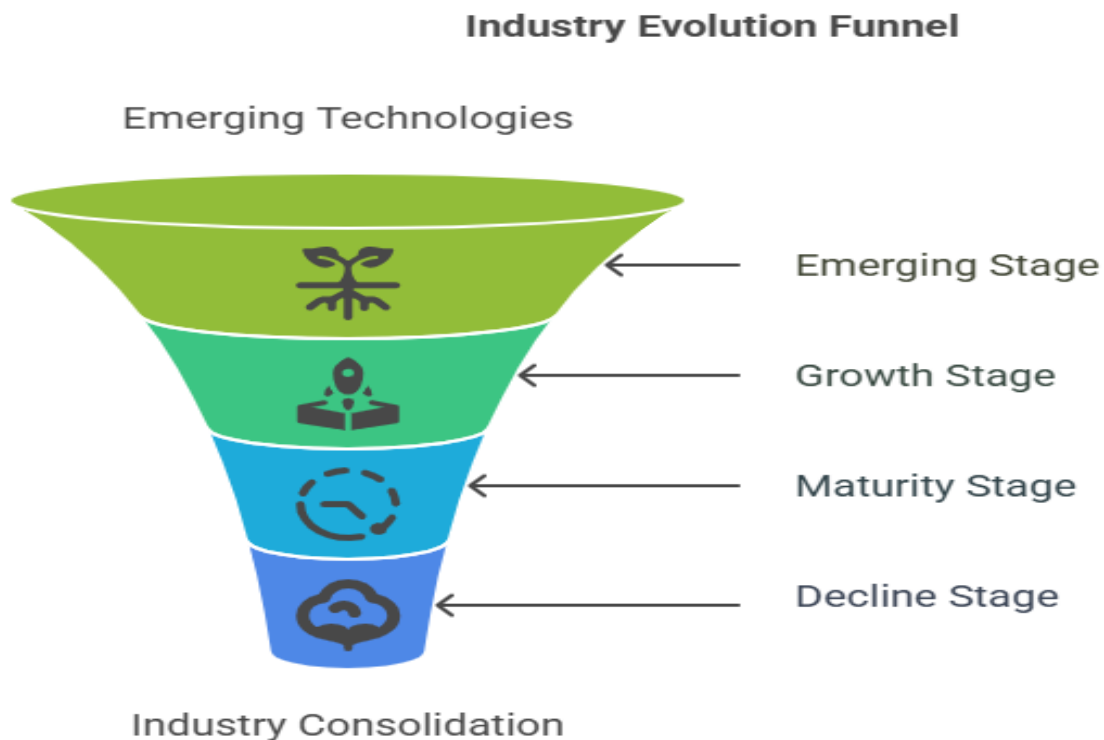
Airline Industry:

- **Luxury Airlines (Emirates, Singapore Airlines)** – Focus on premium service.
- **Budget Airlines (Ryanair, Southwest Airlines)** – Low-cost carriers with minimal services.

Competitive Changes During Industry Evolution

Industries evolve due to technological advances, regulations, and consumer preferences.

Stages of Industry Evolution



1. **Emerging Stage** – New technology, high risk, limited competition.
2. **Growth Stage** – Increased demand, innovation, and expansion.
3. **Maturity Stage** – Market saturation, cost-cutting, stable profits.
4. **Decline Stage** – Shrinking market, obsolescence, industry shakeout.

Example: The transition from feature phones to smartphones marked an industry evolution led by Apple and Samsung.

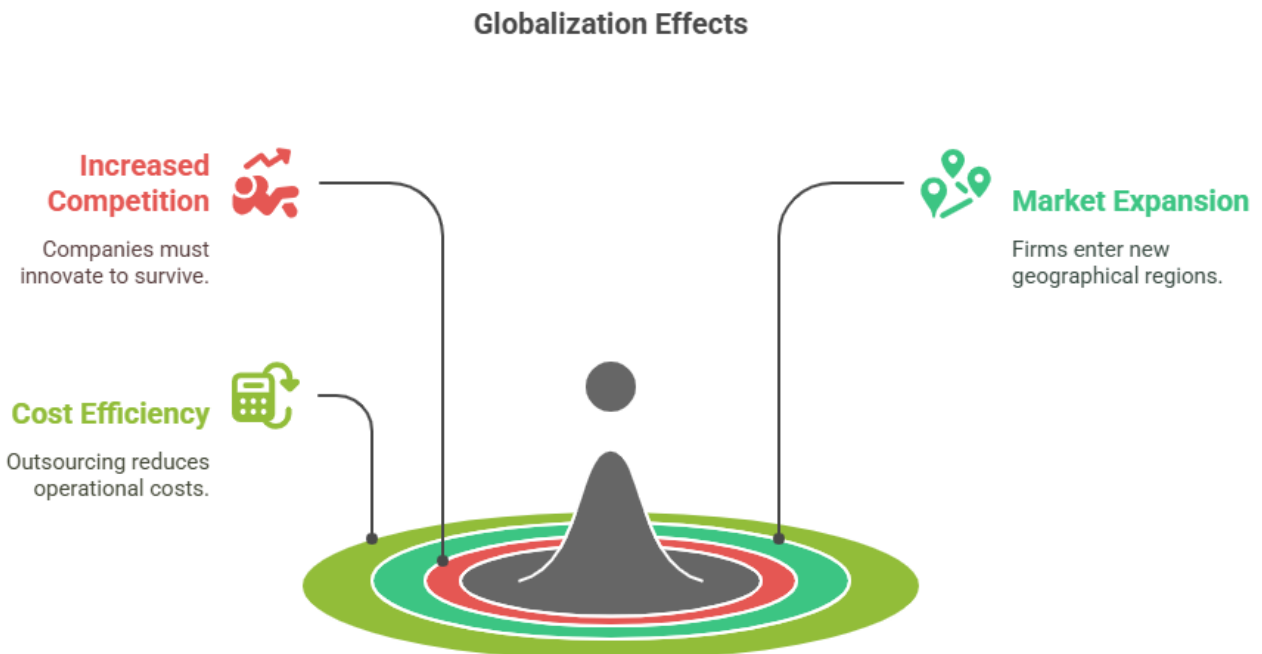
3. Globalization and Industry Structure

Impact of Globalization

Globalization intensifies competition by introducing international players into domestic markets.

Key Effects of Globalization:

- **Increased Competition:** Companies must innovate to survive.
- **Market Expansion:** Firms enter new geographical regions.
- **Cost Efficiency:** Outsourcing reduces operational costs.



Example:

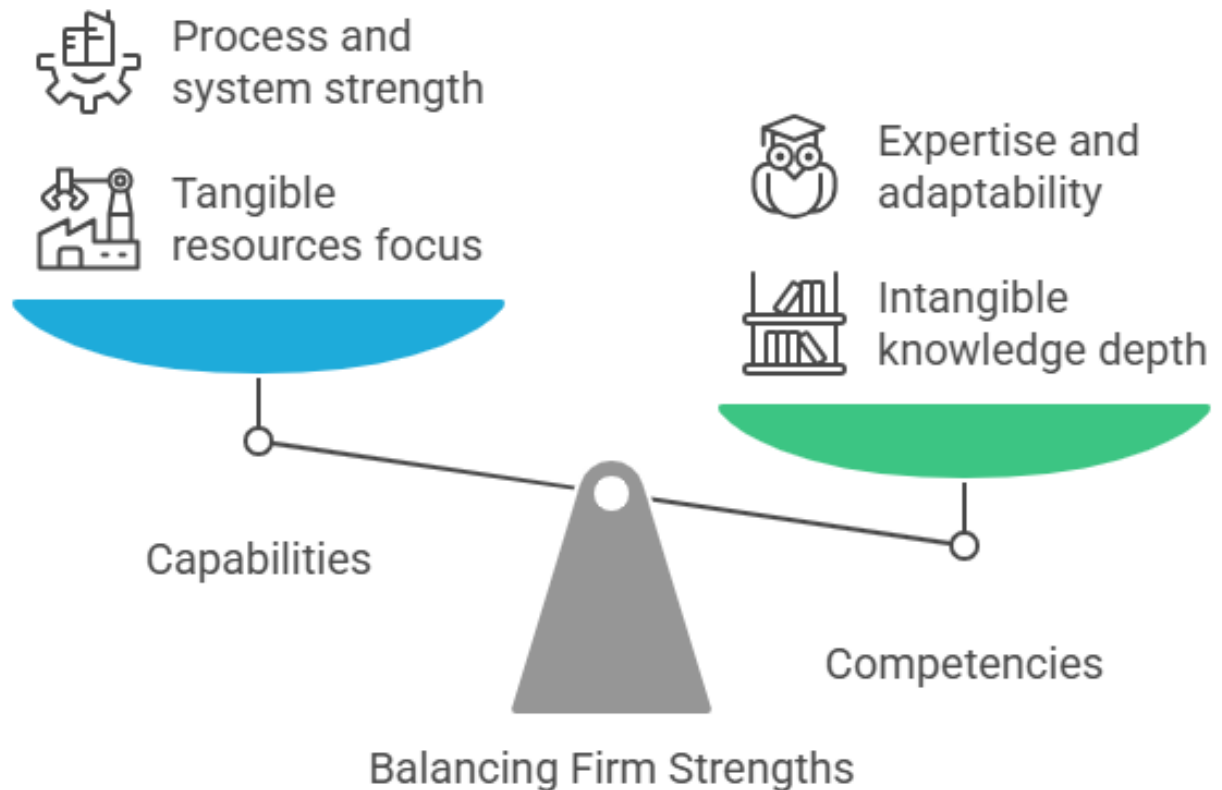
- The Indian IT industry competes globally with firms like Infosys and TCS serving international clients.

Capabilities and Competencies

Capabilities and competencies define a company's ability to compete successfully.

Definitions:

- **Capabilities:** The processes, systems, and skills a firm possesses.
- **Competencies:** The collective knowledge and expertise of an organization.

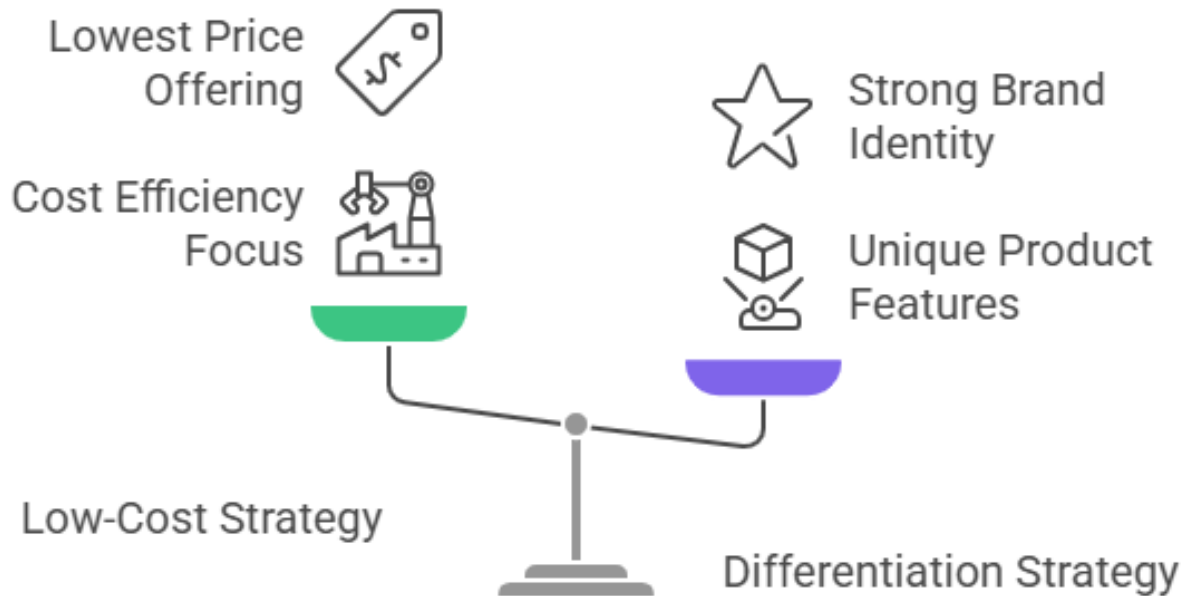
**Core Competencies**

Core competencies give firms a sustainable advantage.

Example of Core Competencies:

- **Google:** Strong AI and search engine algorithms.
- **Amazon:** World-class supply chain and logistics.

Low Cost vs. Differentiation



Balancing Cost and Differentiation Strategies

Low-Cost Strategy

- Companies focus on cost efficiency to offer the lowest price.
- **Example:** Walmart provides everyday low prices through bulk purchasing.

Differentiation Strategy

- Firms create unique products or services.
- **Example:** Apple's iPhone differentiates through design and ecosystem.

4. Generic Building Blocks of Competitive Advantage

Distinctive Competencies

Distinctive competencies set companies apart.

Examples:

- **Tesla:** Battery technology and self-driving innovation.
- **Starbucks:** Premium coffee experience and strong brand loyalty.

Resources and Capabilities

Firms need resources and capabilities to sustain competitive advantages.

Types of Resources:

1. **Tangible Resources:** Factories, machinery, supply chains.
2. **Intangible Resources:** Brand equity, patents, customer relationships.

Durability of Competitive Advantage

Sustaining an advantage requires continuous innovation and adaptability.

Example:

- Microsoft transitioned from software sales to cloud computing (Azure).

5. Sustainable Competitive Advantage

Factors for Sustainability

1. **Innovation:** Continuous improvement (e.g., Tesla's electric vehicles).
2. **Brand Loyalty:** Strong consumer connection (e.g., Nike's Just Do It campaign).
3. **Cost Leadership:** Lower operational costs (e.g., IKEA's flat-pack furniture model).
4. **Customer Experience:** Personalized service (e.g., Amazon Prime).

Driving Sustainable Success Through Strategic Business Pillars



6. Case Study: Netflix - A Disruptive Competitor

Background:

Founded in 1997, Netflix disrupted the entertainment industry by transitioning from DVD rentals to online streaming.

Netflix's Competitive Strategy:

1. **Industry Analysis:** Used Porter's Five Forces to assess threats and opportunities.
2. **Core Competencies:** Data-driven recommendations and exclusive content production.
3. **Differentiation Strategy:** High-quality original productions like "Stranger Things" and "The Crown."
4. **Sustainable Competitive Advantage:** Continuous innovation, AI-based recommendations, and global expansion.

Lessons from Netflix's Success:

- **First-mover advantage:** Pioneered the streaming industry.
- **Customer insights:** Personalized AI-driven recommendations.
- **Content ownership:** Exclusive shows create loyalty.
- **Global Reach:** Available in 190+ countries.

Conclusion

Understanding industry structure and competitive advantage helps businesses formulate long-term strategies. Companies must analyze competitive forces, leverage core competencies, and adapt to globalization to stay ahead in evolving markets.

These lecture notes provide a comprehensive overview of the topic with real-world examples and detailed explanations to enhance learning.



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