Business Strategy
How to formulate a new strategy

WEEK FOUR

LECTURER: N. QUARRIE

Objective

- By the end of this lesson you should be able to:

- 2.1 analyze the strategic positioning of a given organization by carrying out an organizational audit

Overview

- The positioning of any organization is very important. The strategic position of an organization can be understood by evaluating a number of keys factors or doing different strategic positional analysis.

- For the rest of this lesson we will try to understand strategic positioning and its relevance to a company

Strategic Positioning

- According to the website (Dean.com, 2016) strategic positioning of a company is the “the essence of how it competes and serves customers in its markets.”
- The way in which a company competes and serves its customers is influenced by a number of factors. The analysis and evaluation of these factors influences the strategic position of the company.

Definition

- According to (Johnson, Scholes and Whittington, 2008) “The strategic position is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders.”

Strategic Positioning

- It is important to note that the strategic position of the company will be influenced by the external factors which we explored last week.

Factors that influence strategic positioning

- The factors that are said to influence strategic positioning are:
- the external environment
- the organisation’s strategic capability in terms of its resources and competences
- the culture and ethical values of the organisation and stakeholder influences.

The external environment

- The external environment- Same as the factors discussed in previous lesson. Briefly remind of them please?

- Discussion!

The organization's strategic capability in terms of its resources and competences

- (Lees, 2008): “This considers what customers value in terms of product and service features.”
- Companies must determine and analyze the main aspects/features of their product that lures customers to them. After identifying and understanding what this/these feature(s) is/are, the company must then try to gain/maintain a competitive edge in the industry. One way to do this is to analyze its resources and competences.

The organization's strategic capability in terms of its resources and competences

- (Lees, 2008):
- Resources include but are not limited to:
- • physical resources such as plant, machinery and buildings
- • human resources
- • financial resources
- • intangible resources such as knowledge and intellectual capital, brands and reputation.

The organisation's strategic capability in terms of its resources and competences

- (Johnson, Scholes and Whittington, 2008):

Status of organisation's resources and competences	Same as competitors or easy to imitate	Better than competitors and difficult to imitate
Resources	Threshold resources	Unique resources
Competencies	Threshold competences	Core Competencies

The organization's strategic capability in terms of its resources and competences

- (Lees, 2008): “Organizations will obtain competitive advantage by using resources effectively to create competences. Unique resources include talented individuals such as a top footballer.”

The culture and ethical values of the organization and stakeholder influences.

- Factors to consider when looking at the culture and ethical values of the organization and stakeholder influences:

- The corporate governance and regulatory framework

- Organizational stakeholders: Customers? Suppliers? Etc the company will have to decide who they consider to be there key stakeholders.

The culture and ethical values of the organization and stakeholder influences.

- Factors to consider when looking at the culture and ethical values of the organization and stakeholder influences:

- Ethical considerations: The ethical stance of the company must also be considered. It must be that the company review the ethical stance they will be taking regarding different issues.

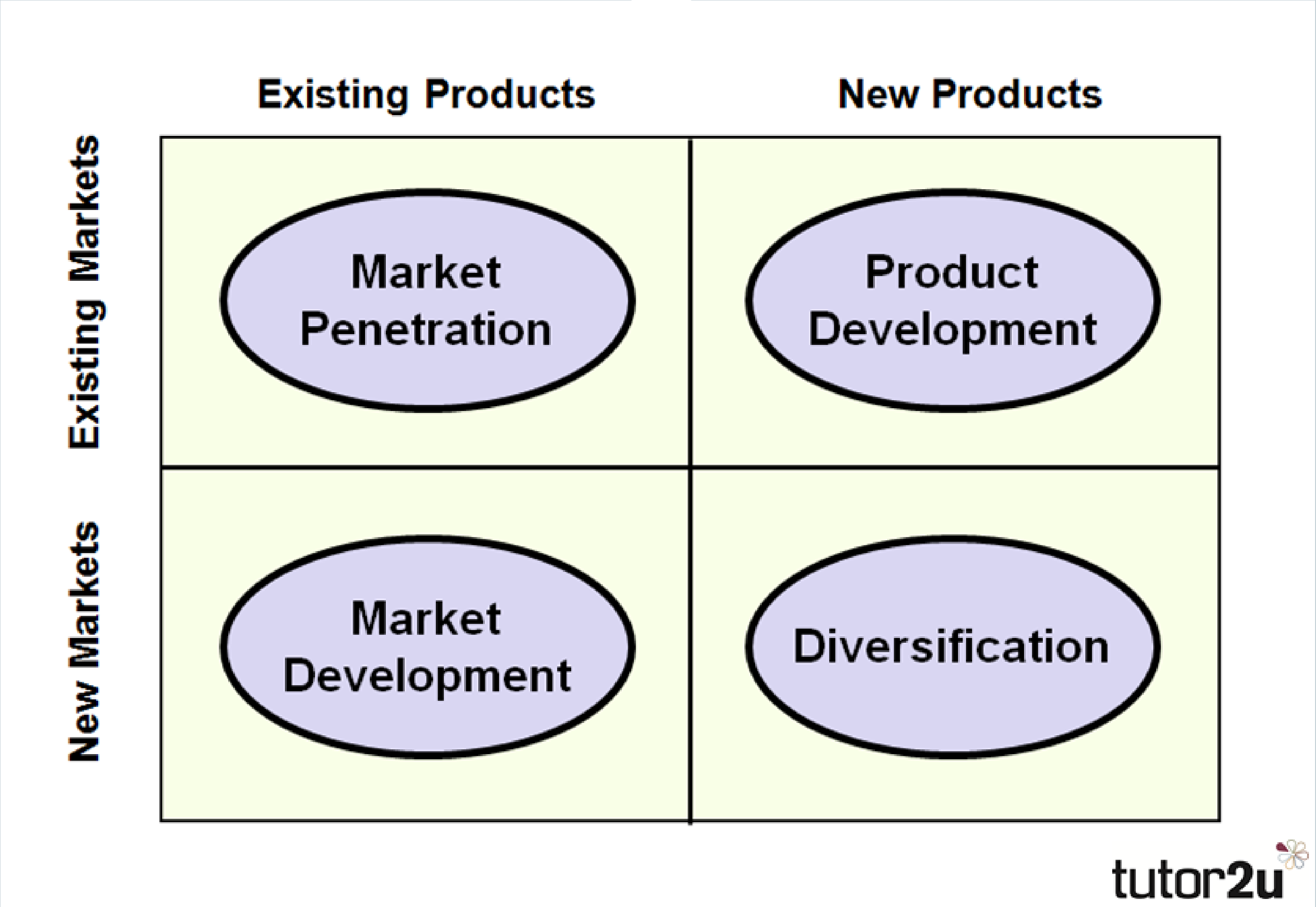
Ansoff Matrix

- Ansoff Matrix: According to (Mindtools.com, 2016) “Ansoff Matrix was developed by H. Igor Ansoff and first published in the Harvard Business Review in 1957, in an article titled "Strategies for Diversification"””

- The Ansoff matrix seeks to explain that the growth of a firm depends on how it markets existing/new products to old or new markets. (Tutor2u.net, 2016)

Ansoff Matrix

Source: (Tutor2u.net, 2016)



Market Penetration

- (Tutor2u.net, 2016): “Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets.”
- (Tutor2u.net, 2016) further explained that there are four main objective of market penetration:
- “Maintain or increase the market share of current products
- Secure dominance of growth markets
- Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors
- Increase usage by existing customers – for example by introducing loyalty schemes”

Product development and Market development

- Product development: With product development the firm is trying to grow through the selling of newly developed products to existing markets.

- Market development: This is where the firm seeks to sell existing products to new markets.

Diversification

- With diversification a newly developed product is introduced to new market.

- (Tutor2u.net, 2016) "For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks. However, for the right balance between risk and reward, a marketing strategy of diversification can be highly rewarding."

Video

- To review a few keys points regarding organizational audit: https://www.youtube.com/watch?v=BsVxQm1Y1Yw

Review Questions

- 1. What is meant by the term "strategic planning"?
- 2. What are the three key factors to consider when evaluating the strategic position of a company
- 3. Explain any of the factors highlighted in question 2 above
- 4. Explain Ansoff Matrix.

Reference/Additional Reading List

1. Dean.com, (2016). *Strategic Positioning | dean*. [online] Available at: http://www.dean.com/delta-model/strategic-positioning [Accessed 21 Jan. 2016].
2. Johnson, G., Scholes, K. and Whittington, R. (2008). *Exploring corporate strategy*. Harlow, England: FT/Prentice Hall.
3. Lees, G. (2008). *Strategic Position*. [online] http://www.cimaglobal.com. Available at: http://www.cimaglobal.com/Documents/ImportedDocuments/cid_tg_strategic_position_mar08.pdf.pdf [Accessed 21 Jan. 2016].

Reference/Additional Reading List

4. Mindtools.com, (2016). *The Ansoff Matrix: Understanding the Risks of Different Options*. [online] Available at: https://www.mindtools.com/pages/article/newTMC_90.htm [Accessed 20 Jan. 2016].

5. Tutor2u.net, (2016). *Ansoff's Matrix | Business | tutor2u*. [online] Available at: http://www.tutor2u.net/business/reference/ansoffs-matrix [Accessed 20 Jan. 2016].