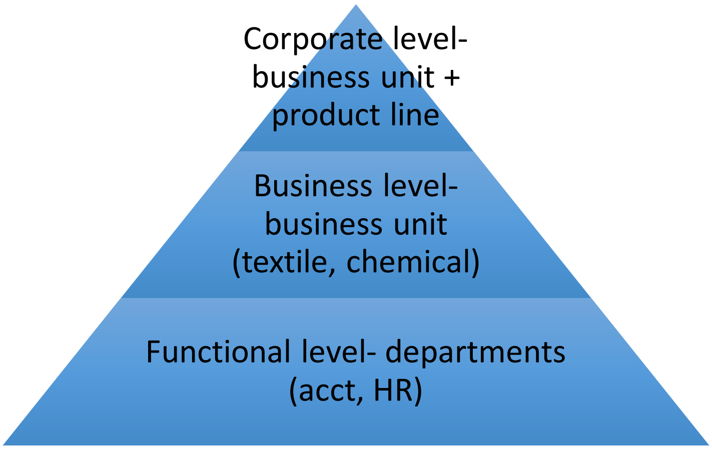
Levels of strategy



SWOT = Strengths(internal), Weakness(internal), Opportunities(external) and Threats(external)

External (global, national): task environment->O, T
Internal: (Synergy, values and core competence): Organization structure, department -> S, W

Corporate-level strategy (whether to invest heavily and a general plan for expansion of business?)
a. Portfolio:
- corporate-level strategy that relates to the mix of SBUs and product lines to produce synergy and competitive adv.
- SBUs (strategic business units): a unit that has unique mission, product line, competitors and markets

b. BCG matrix (Boston Consulting Group)
- evaluate business units to the dimensions of business growth and market shares.

Star – high market share & high business growth rate
- large market shares in a rapid growing industry

Question mark – low market share & high business growth rate
- small market shares in a new, rapid growing industry, risky

Cash cow – high market share & low business growth rate
- large market shares in a slow-growth industry

Dog – Low market share & low business growth rate
- small market shares in slow-growth industry

c. Diversification strategy
- To expand business operations to produce new valuable G&S.
- Create values through vertical integration= produce the supplies themselves that is needed to make the product, and sell them to customers

Business-level strategy (Ways of carrying out strategies)

Porter's Competitive forces and strategy

a. Potential new entrants

- barriers to entry like capital requirement keep out new competitors

b. Bargaining power of buyers

- as advertising and buyer information educates buyers about different product and price
- ↑ influence on Co.

c. Bargaining power of suppliers

- availability of substitute suppliers determine supplier power
- whether a supplier can survive without particular buyers

d. Threat of substitute products

e. Rivalry among competitors

- influenced by the above factors and cost and product differentiation
- eg. Coke and Pepsi

Competitive strategies

a. Differentiation [broad target, distinctiveness]

- reduce bargaining power of buyers, and threat of substitute of goods
- Flexible, strong coordination b/w departments

b. Cost leadership: cut costs and use tight cost controls [broad target and lower cost] to produce goods more efficiently than competitors

- to win a price war while still making profit
- customers cannot find lower prices elsewhere

c. Focus: concentration on a specific regional market

---differentiation: values flexibility and customer intimacy; empowerment to employees with customer contact

---cost leadership: frequent detailed control reports; measure costs of providing G&S