

# Chapter 5 Concluded

Monday March 7, 2016



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## Analysis of Rivals and Industries

▶ There are three types of competitive environments that organizations can exist within:

- *Monopoly*
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  - .
- *Oligopoly*
  - .
  - .
- *Hypercompetition*
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  - .



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▶ *Direct competition*

▶ *Indirect competition*



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## Porter's 5 Forces

- ▶ Provides a framework for competition and industry analysis
  
- ▶ Outlines five factors that affect competition in an industry:
  1. .
  2. .
  3. .
  4. .
  5. .



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- ▶ Attractive industries exist in environments where:

- ▶ Unattractive industries exists in environments where:



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## Strategy Formulation

### **Grand or Master Strategies**

- ▶ **Growth Strategy**
  - Expanding an organizations current operations
    - *Mergers* –
    - *Acquisitions* –
  
- ▶ **Stability Strategy**
  - Maintain current operations without major, if any changes
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▶ **Renewal Strategy**

- Attempts to solve existing problems and improve weaknesses that are negatively affecting performance
  - *Restructuring* -
  - *Divestiture* -
  - *Bankruptcy* -
  - *Liquidation* -

▶ **Combination Strategy**

- Pursuing multiple strategies at once

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Growth and Diversification

- ▶ Concentration
  - Expanding in the same business area
- ▶ Diversification
  - Growth through expansion, acquisition or investment

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Restructuring Strategies

- ▶ Restructuring
- ▶ Turnaround
- ▶ Downsizing
- ▶ Divestiture
- ▶ Global strategy
- ▶ Multi-domestic strategy

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## E-Business Strategies

- ▶ Using the internet in a strategic manner to gain competitive advantage
  
- ▶ B2B – business to business
  
  
  
  
  
  
  
- ▶ B2C – business to customer

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## Portfolio Planning

- ▶ Assists companies in allocating resources
  
- ▶ Market growth and market share affect resources availability and allocation
  
- ▶ **Boston Consulting Group Matrix (BCG Matrix)** identifies four categories in which companies operate:
  - Stars -
  - Question Marks -
  - Cash Cows -
  - Dogs -

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## PEST Analysis

- ▶ Analysis of the general environment in which an organization operates
  
- ▶ The general environment consists of four areas:
  - Political
  - Economic
  - Socio-cultural
  - Technological

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**Political Environment**

- ▶ Governed by existing and proposed laws and regulations
  - Business forms and standards
  - Political trends
  - Codes of conduct

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**Economic Environment**

- ▶ Focus on actions that affect customer spending, resources, and investments
  - Growth in economy
  - Unemployment rates
  - Disposable income



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**Socio-Cultural Environment**

- ▶ Norms, customs and values related to human rights, ethics, gender roles and lifestyles
  - Demographic and social trends
  - Education systems
  - Nutrition values
  - Employment/Pay equity
  - Going green

**Technological Environment**

- ▶ Advancement and integration of technology in organizations
  - Internet access
  - Privacy issues
  - Infrastructure



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