

Week 5 – summary/reading

SCA- key to a successful strategy

A value proposition is an umbrella concept under which the competing assets and competencies and functional strategies and programs can be grouped → overview of alternative strategies

## SCA

- Element of the business strategy that provides meaningful advantage over both existing and future competitors.
- Walmart- cost advantage due to EOS, market power and logistical efficiencies



- Meaningful and sustainable enough:
- To make a difference, marginal superiority quality → good is not good enough
- Sustainability- supported and enhanced over time
- Moving target for competitors
- Gillette → over time → innovation after innovation → cant copy



## Basis of competition- Assets and competencies

- Represent most sustainable element of a business strategy

- Coz hard to copy
- Reputation perception and importance

## What you offer- Value proposition

- Effective SCA should be visible to customers and provide/enhance customers value
- SCA example Quality/\$/social values
- Value proposition [ linkage ] business position
- Perception of value is more important than the product having value itself
- Can screw up/be forgiven as perceptions very hard to alter
- Performance easy to copy but convincing value taken customers is HARD
- Very enduring → Therefore value propositions are strategically valuable

Where you compete- The product market served

## SCA determinant

- Target product market?
- Relevant marketplace for the VP → otherwise will fail even with good strategy
- Targeting best minivan to a SUV wanting market
- Competitor's weakpoints/vulnerabilities → SCA HERE

## SCA versus key factors

- KSF's is an asset or competence needed to compete
- SCA- SAME but for a continuing advantage.
- E..G
- Car biz /distribution → lexus delivering superior customer experience → SCA
- Shit cars to control costs for profits → but Hyundais forte and hence a SCA
- Order winners become qualifiers as time goes by
- POD' are strong favourable unique brand associations based on some attribute or benefit associations. → ikea → self customization
- POPs- association that is not unique to the brand. E.g ATM and convenient hours ATM

## ROL EOF SYNERGY

- Whole = more than sum of parts
- b/w business units can provide an SCA that is sustainable coza firms unique aspects
- cannot be duplicated
- can be generated by leveraging assets and competences.
- Amazons warehous/Disney leverages its brand and offerings to kids
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As a result➔

- Increase CV and hence increased sales
- Lower operating costs
- Reduced investment
- HP- brand name and image across countries
- COKE➔MKTG /research➔ helps all the coke product lines

Core assets and competencies

- Synergistic advantage
- Multiple technologies and skills merged
- Sony ( miniaturization, 3M handy tape,
- Outsourcing weakens it
- Logistic and operations advantages➔ walmart

### *3 strategic philosophies*

#### **Strategic commitment**

- Passionate loyalty to clearly defined business strategy➔ stronger over time
- Avoids being distracted by O & T that don't involve the core strategy
- Walmart➔ value and costs
- Vision may become obsolete
- Implementation barriers-firm cannot apply its strategy for the future
- Faulty assumption of the future-
- Paradigm shift- brings remarkable change in cast of characters
- New operating models➔ starbucks changing how coffee is made has screwed the supermarket people.

#### **Strategic opportunism**

- Driven by a focus on the present
- Dynamic uncertain environment ➔ so should invest in the future
- Exploit opportunities for immediate profits
- ST flow➔ LT will flow

## LITTLE NOTABLES EXCLUSIVE – ALI THAIR

- Entrepreneurial culture == quick response
- Close to the market
- Less opportunities missed
- Decreased strategic stubbornness
- Creates vitality and energy
- Economies of scope → assets and competencies supported by many product lines
- Can lead to drift as future is only predictable to a certain limit on paper → opportunities are not TB shit

LEADS TO:

Strategic drift

3 things turn OPP to drift

- ST factor that was thought to be aLT
- Opportunities to make \$\$ are mistakenly rationalized
- Synergies may fail due to not keeping up with future and hence lose SCA
- Discount store expanding geographically but MGMT systems and VP become fuzzy → drifted into a biz requiring assets and competencies it did not have

## Adaptability

- Market is dynamic
- Past business model may not be adequate for future
- Can predict and manage dynamic changes in the marketplace
- Exploit opportunities

## Blended philosophies

- Google and Starbucks commitment firms
- Starbucks ice cream in supermarkets and coffee on airplane flights → opportunism

KEY LEARNINGS

- To create SCA → strategy needs to be valued by the market and supported by assets and competencies that are not easily copied or neutralized
- Most common → quality & reputation
- Synergy is often sustainable as it's based on the unique traits of the firm
- OPPORT-biz model refined and improved → not changed
- Commitment – environment dynamic uncertain → detect opps and exploit
- Adaptability – understand predict future → managing it and exploiting