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# **Business Strategies Part II – Chapter 7**

## **Area Strategies and their Integration**

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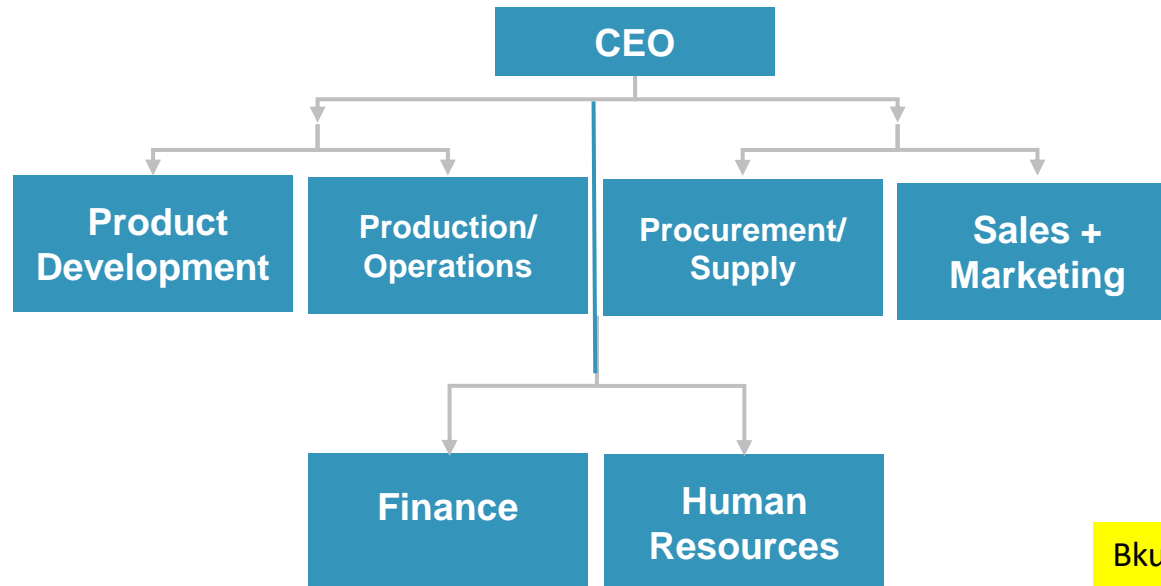
Tor Vergata University of Rome  
2nd Semester 2021 (online)  
- Global Governance -  
Dr. Josef Fidelis Senn



# Business Strategies – Area Strategies and their Integration

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## 7.0. „Classical“ Company Areas: Organization by Tasks



Bkup: Value Chain

# Business Strategies – Area Strategies and their Integration

## 7.1. Product, Markets and Product-Development I

**Marked definition** based on

- on product
- on need satisfaction or function
- on customer identity

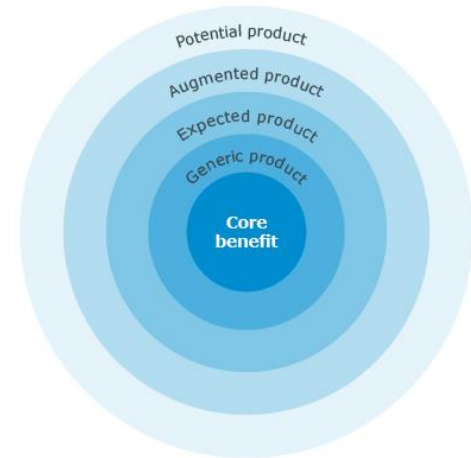
Tangible + intangible aspects

**How can value be added to the product?**



Kotler's five levels of product benefits (1997)

- |    |                   |  |
|----|-------------------|--|
| 1) | Core benefit      | (e.g. transport ability)                                 |
| 2) | Basic product     | (e. g. simple, cheap car)                                |
| 3) | Expected product  | (e. g. car with certain comfort + performance)           |
| 4) | Augmented product | (e. g. car with surprising features)                     |
| 5) | Potential product | (e. g. car with autonomous driving and shared ownership) |



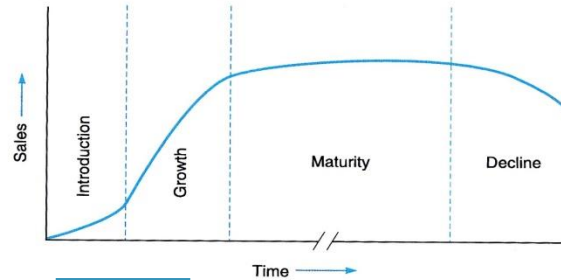
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## 7.1. Products, Markets and Product-Development II

The product life cycle



importance of new products



Discuss some examples!

Source: Campbell et al. 2017, p. 100

**S  
t  
a  
g  
e  
s**

Introduction:	new; bought from innovators, normally negative cashflow
Growth:	increasing sales; new competitors; important to win market shares
Maturity:	a lot of potential buyers are buying; longest phase; high market share or dominance is important; be aware of changes in the market
Decline:	extension strategies or repositioning of the product; “milking” strategy without new investments

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## 7.1. Products, Markets and Product-Development III

### Product Portfolio

Narrow portfolio



Only one or few products or markets (focus advantage)

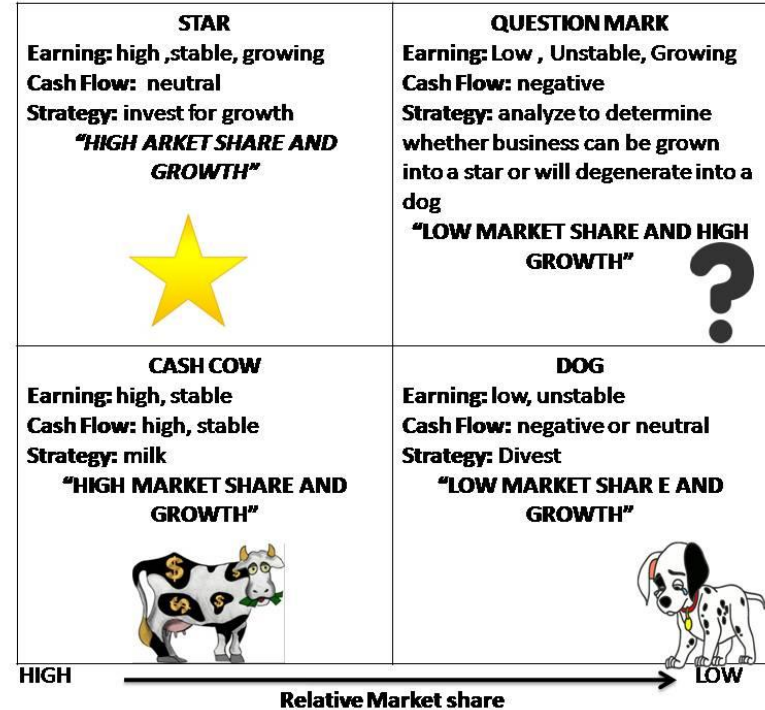
Broad portfolio



Wide range of products/ markets (robustness advantage)

BCG Matrix

Market Growth Rate  
↑  
HIGH  
↓  
LOW



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## 7.1. Products, Markets and Product-Development IV

### Ansoff's product-market framework

		Products	
		Existing	New
Markets	Existing	Marker penetration (increase market share)	Product development (new or improved products)
	New	Market development (new customers, new market segments or new countries for existing products)	Diversification (new products into new markets)

Discuss examples for each strategy

Source: Campbell et al. 2017, p. 175

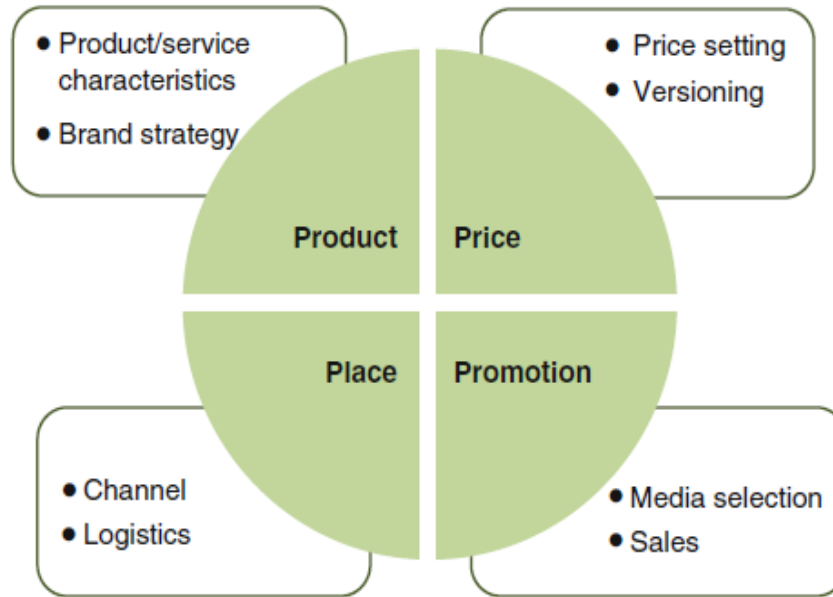
Strategy Risks: Smaller when development is based on core competencies and existing markets

Bigger when entry in new or even unrelated market is required

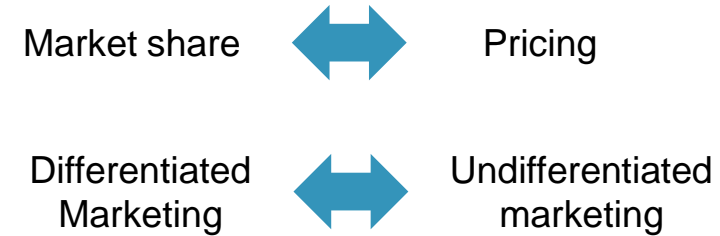
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## 7.2. Sales and Marketing I

### The four Ps of Marketing



### “Classical” conflicts

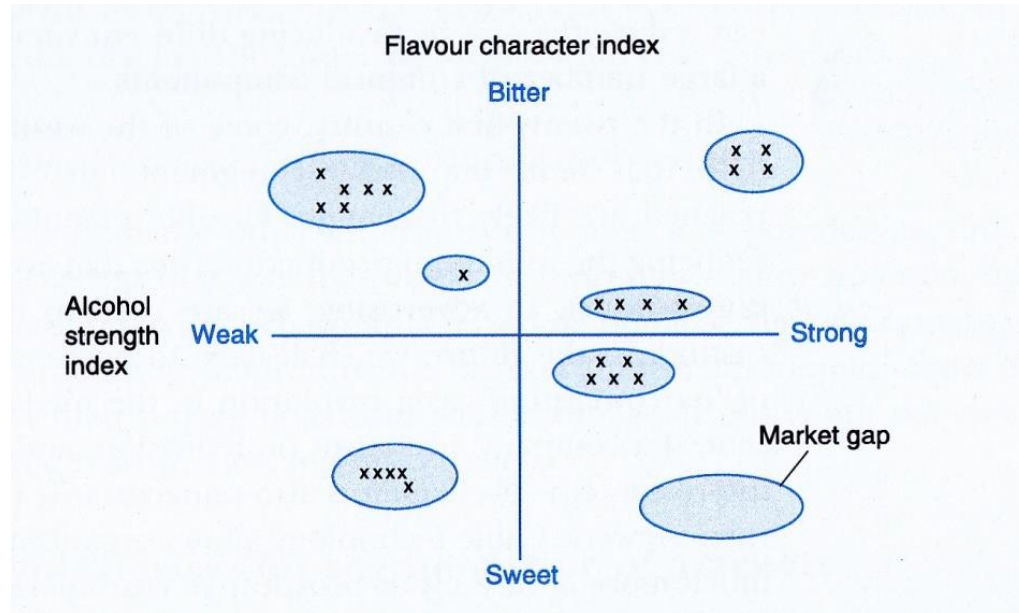


Source: Motohashi, 2009, p. 142

# Business Strategies – Area Strategies and their Integration

## 7.2. Sales and Marketing II

**Product Positioning:** How is the product/ brand perceived in relation to preferences or segments of the markets?



Example: Alcoholic beverage

Position your own product

Source: Campbell et al. 2017, p. 93



# Business Strategies – Area Strategies and their Integration

## 7.2. Sales and Marketing III



### Global branding possible, if:

- Product serves functional needs (e.g. B2B)
- Brands representing similar lifestyle (e.g. Calvin Klein)
- Luxury brands (e.g. Rolex, Cartier, Louis Vuitton)
- Brands with a goodwill of origin (e.g. Barilla Pasta, watches made in Switzerland)
- Service brands for international mobile customers (e.g. Avis, Hilton)



Global standard for brand name and logo



Global standard for logo;  
Country specific brand name  
(Langnese, Algida, Kibon, Frigo, Ola, Eskimo, etc.)



Global standard for logo,  
brand name and similar  
phonetical sound

Source: Berndt et al. 2016, p. 283

# Business Strategies – Area Strategies and their Integration

## 7.2. Sales and Marketing IV

**Pricing follows a broad set of objectives** (it can vary not only by country, but also by time).

Related to:

- Gross profit
- Profit margins (e.g. ROI) and ratios
- Market share
- Volume
- Image
- Price positioning
- Price stability
- Liquidity
- Capacity usage
- Employment
- Costs
- Price differentiation
- Market protection

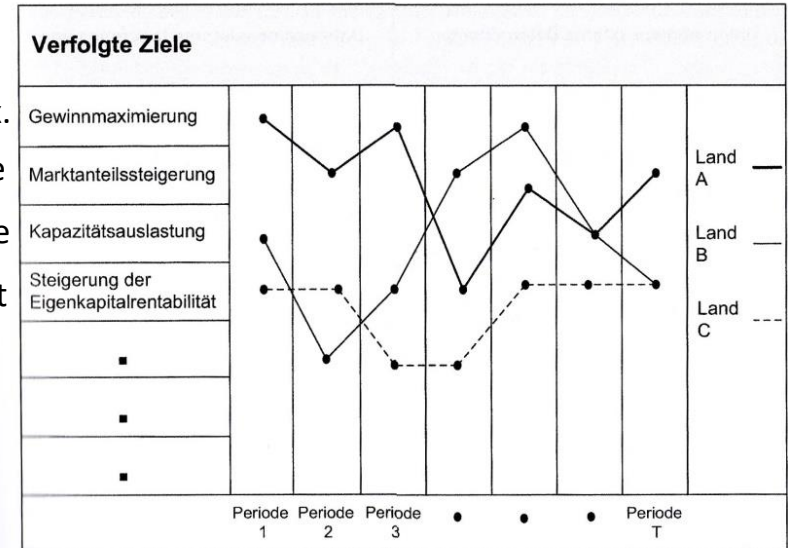
Profitmax.

Market share

Capacity usage

Return on investment

**Example: Objectives of pricing over a period of time**



Source: Berndt et al. 2016, p. 307

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## 7.3. Production/ Operations I

*“The operation function of an organization is at the center of the value-adding process. It produces the output for which the organization is known.” (Campbell et al. 2017, p. 233)*

### **Main aspects of strategy for operations**

- ❖ Productivity (output per employee, time unit, etc.)
- ❖ Quality
- ❖ Process security/ reliability
- ❖ Fast delivery
- ❖ Capacity usage
- ❖ Flexibility



## 7.3. Production/ Operations II

“Quality is conformance to requirements (either customer requirements or the specification predetermined for it)”



“Quality is excellence”



### **Total Quality management (TQM)**

Holistic approach which provides awareness of the customer-supplier relationship and continuous improvement effort in all functions

- senior management → customer-oriented (internal/ external)
- not controlling bad quality, but preventing bad quality
- “right-first-time” approach
- emphasis on KAIZEN (=change to the better; continuous improvement process)
- training tools
- measurements to eliminate waste (process inefficiencies)

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## 7.4. Procurement/ Purchasing I

### Types of relations with suppliers

- Purchasing from different suppliers, depending on price/ availability
  - Continuous relationships with certain suppliers
  - Supplier as partner
  - Strategic alliances
- } supply chain improvements



### Main strategic questions for procurement

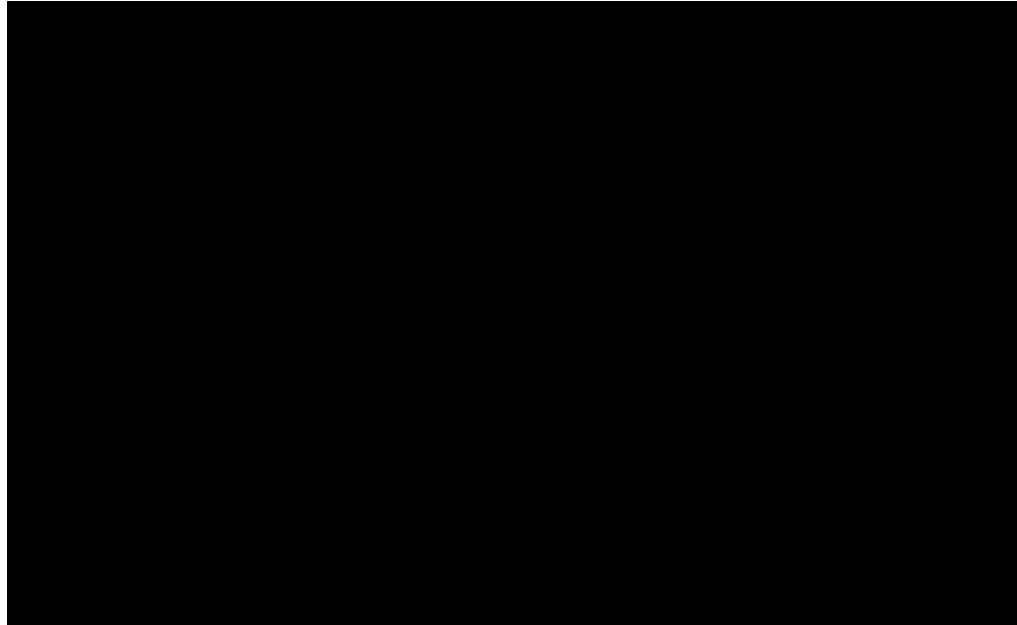
**Make or  
buy**

**Global  
sourcing**

**Bargaining  
power of  
supplier**

## 7.4. Procurement/ Purchasing II

### **Make or Buy**



## 7.4. Procurement/ Purchasing II

### Make or Buy?

#### + “Make” an activity itself

- ❖ Contracts with supply firms cannot exclude all risks. If so it is costly (asymmetric information)
- ❖ Difficult to measure performance of the supplying firm
- ❖ Delivery risk can shutdown a production
- ❖ Full control of „private“ information
- ❖ No “transaction costs” of negotiating, writing, contracting etc.

#### + “Buy” an activity from a supplier

- ❖ Market firms are often more efficient
- ❖ No overhead/ bureaucracy costs
- ❖ Flexibility
- ❖ Independent firms must survive market competition → higher innovation rate
- ❖ No inhouse accounting/ planning necessary
- ❖ Better adaption to capacity

***“Concentrate on core activities and outsource non-core activities”***

(Campbell et al. 2017, p. 46)

Backup: The Role of Mr. Lopez at Volkswagen

# Business Strategies – Area Strategies and their Integration

## 7.4. Procurement/ Purchasing III

**Bargaining power of suppliers are determined by:**

- the uniqueness and scarcity of the resource that the supplier provide
- the cost of switching to another resource
- how many other companies/ industries are interested in the resource
- the number and size of the suppliers

**Global Sourcing =**

Selection of suppliers across the world and the procurement of goods/ services across geographical boundaries for the global supply chain

### What is Global Sourcing?



*Sometimes, the cost of labor or raw materials is lower abroad. There may also be more specialized labor and equipment in another country.*

*A procurement strategy in which a company looks for cheaper options – such as raw materials or labor - abroad.*



# Business Strategies – Area Strategies and their Integration

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## 7.5. Human Resources and Organization I

### Main field of strategic actions

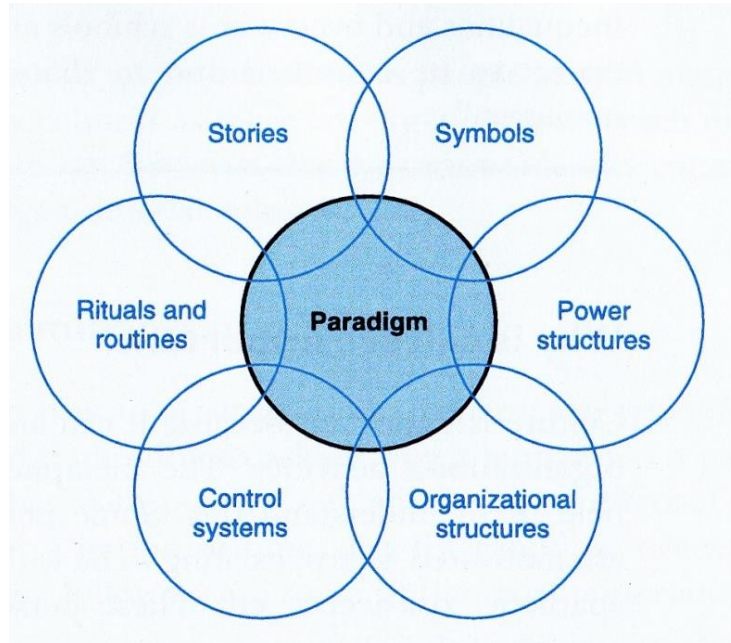


*“Human resources add value, manage the business and can contribute to strategic success, but conversably, they can they can make spectacular errors that can be very costly to the organization.” (Campbell et al. 2017, p. 48)*

# Business Strategies – Area Strategies and their Integration

## 7.5. Human Resources and Organization II

**“Culture** is the organizational equivalent of a human’s personality.” (Campbell et al. 2017, p. 53)



### Phases of *cultural change*

- 1) Cultural patterns lead to a crisis.
- 2) Symbols and rituals are losing orientation force.
- 3) New people offer new orientation patterns.
- 4) Old and new cultures conflict.
- 5) If new patterns/ orientations resolve the crisis, they are accepted.

(Source: Steinmann et al. 2013, p.673)

Backup: New Trends in HRM

## 7.5. Human Resources and Organization III

### Building “agile” structures

*“Talent matters, but in many cases organization matters more.” (D. Ulrich 2016)*



**HR has to create both: talent and capability.**

- ❖ HR knows the company: Analyse what the organization is good at doing.
- ❖ Create dynamic structures from outside-in perspectives (e.g., project organization, scrum methodology)



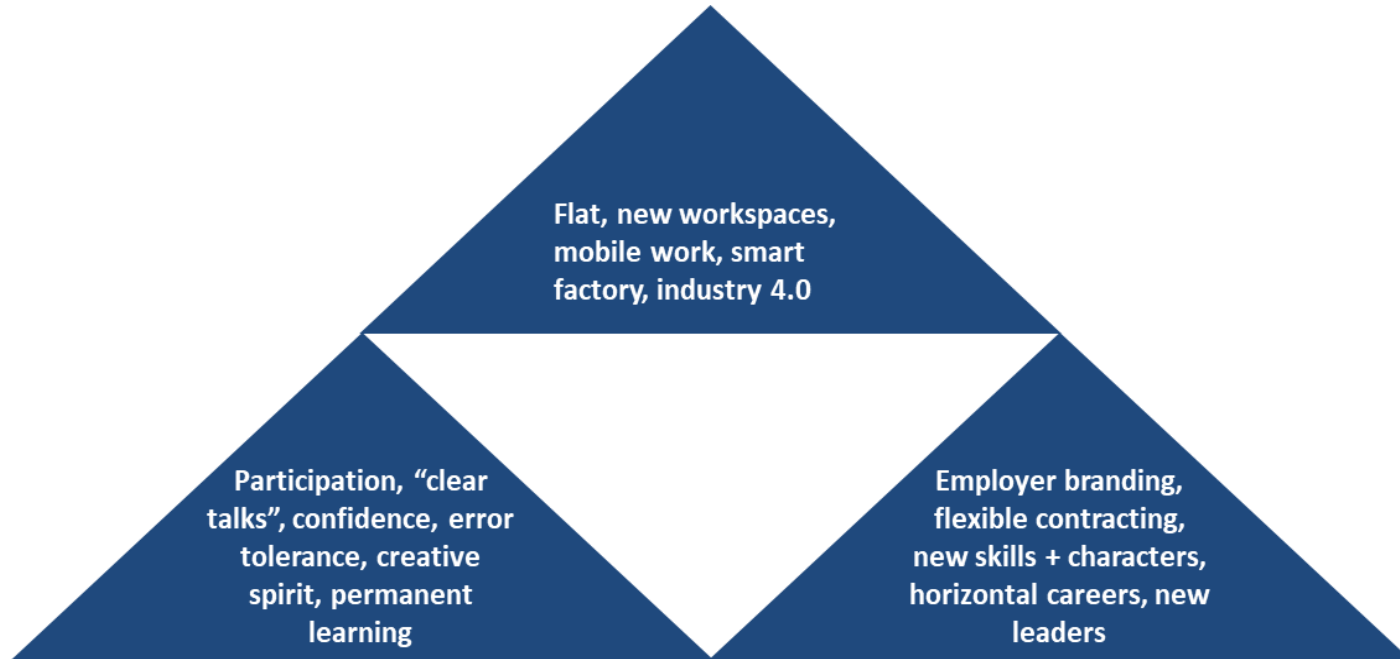
Scrum: [www.youtube.com/watch?v=gy1c4\\_YixCo](https://www.youtube.com/watch?v=gy1c4_YixCo)

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## 7.5. Human Resources and Organization IV

**The 3 step approach for agility: Structure – Culture – People**



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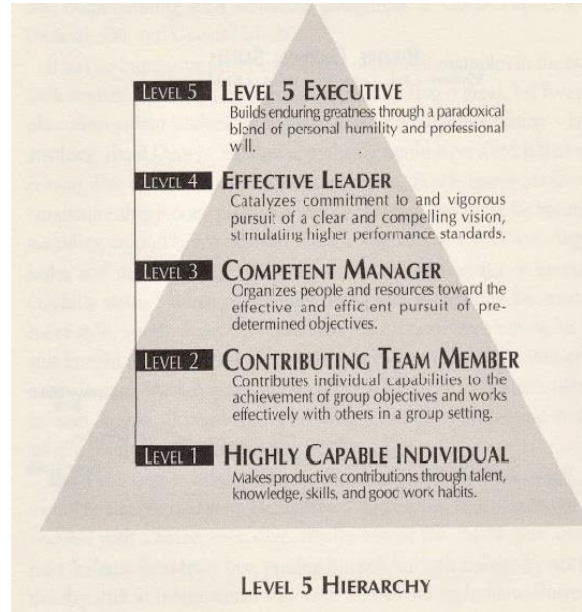
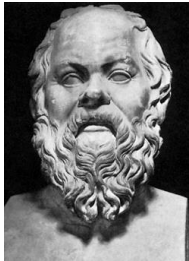
## 7.5. Human Resources and Organization V

**New Leadership Approaches:** Select the appropriate model between the dictator and the queen bee.



Dictator

Wise guy



Queen bee

Narciss



# Business Strategies – Area strategies and their integration

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## 7.6. The Integration of Functional Strategies I

*“Corporate Strategy is not a random collection of individual building blocks, but a carefully constructed system of interdependent parts. [...] In a great corporate strategy, all of the elements [...] are aligned with each other.” (Kaplan/ Norton 2008, p. 125)*

- Corporate Headquarter is like the “coxswain in an eight rower shell”.



# Business Strategies – Area strategies and their integration

## 7.6. The Integration of Functional Strategies II

➤ Align business units.

➤ Align support units

➤ Align employees.



STRATEGY MAP

A table titled 'Contribuições 2009 - Human Resources'. It lists various contributions across different areas, with columns for 'Contribuição', 'Valor', 'Unidade', and 'Status'. The table is filled with data, including names of contributors and their respective values.

AREAS CONTRIBUTIONS

A screenshot of a web-based form titled 'Objetivos da Executivos'. It contains fields for 'Objetivos da Executivos', 'Objetivos da Executivos', 'Objetivos da Executivos', and 'Objetivos da Executivos'. The form is designed for executives to set their objectives for the year.

OBJECTIVES OF THE EXECUTIVES

A screenshot of a web-based table titled 'Objetivos das Equipes'. It lists various objectives for different teams, with columns for 'Objetivos das Equipes', 'Valor', 'Unidade', and 'Status'. The table is filled with data, including names of team leaders and their respective values.

OBJECTIVES OF THE TEAMS