

Strategic Management - The Competitive Edge

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Lecture 17

S & W Profile Analysis

we continue with the analysis of strengths and weaknesses that is the internal corporate analysis. So, if you look at this exhibit, which is being presented to you, it takes the strengths and weaknesses with respect to different functions- could be general management, finance, R&D, operations, marketing; it can be with respect to these different yardsticks that is the facilities and equipment, personnel skills, organizational capabilities, management capabilities.

Now, with respect to marketing, I have given some examples on some of these different yardsticks- for example, facilities and equipment take that, in marketing we are looking at warehousing, retail outlets, sales offices, training facilities for sales staff; what is the warehousing facilities available, What is the retail outlets available, What are the sales offices available, and how are the training facilities for sales staff.

So, you find that many of the new entrants are found wanting with respect to all these- it is not just with respect to your product, it can be with respect to different industries, you take for example, construction industry so, many people, youngsters who are out from the college they want to become engineers and contractors, it is not easy. So, it is a coordination of so many activities which are involved in the construction field in order to prove that you are good. You can be a very good design engineer; for that design to be executed in the field, you require the help of so many people; even for foundation laying, you require some many people's assistance.

Now, what is happening in fact, if you go back a few decades, suppose you were laying foundation for a house, you used to engage a large number of laborers. They were excavating, then there were measurement marks, then they were putting these different bricks, blocks or stone blocks, all those types of things for the foundation.

Now, what is the present day set up in the construction industry itself, if you look at how it has got changed due to technology, that is the impact of technology. You do not find so many laborers for laying the foundation of a new house. This is done by JCBs now - they mark the area and the JCB for all the excavation with minimum labour. Then comes maistry - He comes and puts the blocks in place and the foundation is over in 1 to 2 weeks for a new building. It is unbelievable but is true.

Suppose, if you look at Bombay, you have the Hiranandanis, you look at Bangalore, you have the Brigade developers. So, what is characterizing all these people, is their ability to get work done fast and the types of resources they can command.

With respect to personnel skills, examples in marketing could be your ability to do door to door selling especially consumer products, retail selling, advertising and after sales service; it is very important for an industry to not forget the consumer once the product is sold, this is one of the greatest mistakes that a company can do.

Now, this brings me to one of the happenings in the marketplace in the country today. There is a deadlock between in buying of Big Bazaar by the Reliance group. Big bazaar when it was doing very well just a few months back most of the consumers who were purchasing from Big Bazaar they were all profit club card holders of Big Bazaar- that is they invested money in one shot-Rs 10000 and Big Bazaar gives 12000 for one year. One will get every month Rs 1000 for purchase of grocery and other house hold items and it was a very good buy for the consumer. There are a large number of consumers who have put money in the profit club cards of Big Bazaar throughout the country. So, I was given to understand there are at least about 140 Big Bazaar outlets where this profit club card business was a booming one.

But now, what is happening - Big Bazaar itself is not there and you cannot do shopping. Now, imagine the amount of money that is stuck in this whole process. It is a huge loss not only to the promoters of Big Bazaar, but also to the consumers invested. One wonders how is this money going to be refunded back to the consumer. Now with Reliance taking over, consumer will be highly suspicious. So, the organizational capabilities if you look at it, you are looking at direct sales, after sales, service network and customer loyalty.

Then the management capabilities can be with respect to industrial marketing, household marketing and the large customer base. So, something happens which you are not expecting -this can be detrimental to marketing. So, this is what this exhibit brings out to you how to make the strengths and weaknesses.

Now, there are some frameworks -I will give you one or two of them perhaps. One is called VRIO framework- V R I O framework for organizational analysis. V stands for value that the product provide, competitive advantage R for Rarity, I for Imitability and O for Organisation. Gillette Mach 3 has given both competitive and Sustainable advantage to the firm. Competitors have not been able to Imitate and Gillette's oragnisation is very good.

And the next one where we are looking at it is how do you use resources to gain competitive advantage -in this you have to identify and classify the firm's resources in terms of strengths and

weaknesses. Suppose you have highly skilled manpower - the strength of the company is highly skilled manpower. -Then combine the firm's strengths to specific capabilities, corporate capabilities, often called core competencies- should move to distinctive competencies.

Take the Eg of HMT. In fact, when the first Quartz watch came from HMT, it was a rave in the 80s. People were just wondering how a watch could be a Quartz watch; they were used to mechanical watches till the end of 70s and in 81 came the HMT's Quartz watch and it was priced at a very high Rs 900 plus at that time. So, it was its core competency to come out with this Quartz watch; could have become a distinctive competency, but did not; taken away by Titan.

Select the best strategy, identify resource gaps and invest in upgrading weaknesses. So, as an industry you have to upgrade your weaknesses- no point in keeping on cribbing. So, many times you find some cartoons coming why US is always having Indians at the top of their companies; so the same cartoon also gives you the answer by bringing the President of the United States- and he says that we give jobs to deserving Indians. In other words, what really dictates in the marketplace is the strength of your firm, with respect to the merit in the marketplace, if you are not merited that is if you are not deserving you are likely to be swamped in the marketplace. It can happen also to countries - see what is happening to so many of our neighboring countries.

Sustainability of an advantage - You do it with respect to 3 yardsticks, one is durability rate at which a firm's resources and capabilities become obsolete. Take the example of electrical switches which are coming in now- so sleek, having so many different types of designs and it is an eye catcher. Imitability- rate at which a firm's resources and capabilities can be duplicated- a core competency can be imitated to the extent that it is transperant, transferable and replicable. Core competency should not be easily visible to your competitor- this is very important. An example for this is the Karnataka Soaps and Detergents. Competitors are not able to decipher the formula of Mysore sandals soap even after so many decades. Then replicability is the ability of a competitor to use duplicated resources. You can see this w.r.t many Chinese Products-Eg: Chinese bulbs- no guarantee or refund! This is what determines the sustainability of an advantage.

We will stop here. We will continue in the next session. Thank you.

