

STRATEGIC ANALYSIS- INTERNAL ENVIRONMENT

**BY C.A , ISA , M.A(ECO) , B.COM
MRUGESH MADLANI**

INTERNAL ENVIRONMENT

- Internal refers to **sum total of people – individuals & groups , stakeholders , processes – input –throughput – output , physical , infrastructure –space , equipment & physical conditions of work , lines of authority , responsibility , accountability & organizational culture – intangible aspects of working – relationships , philosophy , values , ethics that shape an organization's identity**
- Internal is **specific to each organization . It is based on its structure & business model & includes all stakeholders like top management , investors , employees , board of directors etc**

MENDELOW'S MATRIX / STAKEHOLDERS ANALYSIS MATRIX /POWER INTEREST MATRIX

- It is **matrix to manage stakeholders**
- In a Big Project , it is most important to **manage stakeholder , because all have different interests & power**
- In this matrix we can **classify Stakeholders based on Power** (ability to influence organization strategy) & **Interest** (how interested are they in success of organization)
- Big Shareholder has **high power & interest** , but a big competitor has High Power to affect our strategy , **but less Interest**

MENDELOW'S CLASSIFICATION OF STAKEHOLDERS

- **Keep Satisfied Stakeholders – High Power , Less Interested People** – We should provide all information on regular basis to keep them satisfied . Eg – Banks Loan , Government , Customers . Eg Uncle who gives money to study
- **Key Players Stakeholders – High Power , Highly Interested People** – Fully Engage with this Stakeholders , make efforts to keep them satisfied , take their advice , build actions & keep them informed with all information on regular basis . Eg – Shareholders , CEO , BOD . Eg – Parents
- **Low Priority Stakeholders – Low Power , Less Interested People** – Minimal efforts should be spent on these kind of people , but keep on reviewing them whether their levels of interest or power change . Eg – Media houses , business magazines . Eg – Aunty
- **Keep Informed Stakeholders – Low Power , Highly Interested People** – Inform & communication with them that no issued exist . Take realtime feedback & areas of improvement for an organization . Eg – employees , vendors , suppliers . Eg – Neighbour , Grand Parents

STRATEGIC DRIVERS

- The key aspect in **Internal Analysis** is assessing current performance of the organization & in assessing current performance , strategic drivers consider what differentiates an organization from its competitors
- In general **Key Strategic Drivers of an Organisation** include –
 1. Industry & Markets
 2. Customers
 3. Products / Services
 4. Channels

INDUSTRY & MARKETS

- Industry grouping is **based on primary products that company makes or sells** . Eg – Apparels Industry ,Automotive Industry
- A market is **sum total of all Buyers & Sellers in the area** or region under consideration
- Market may be **physical entity or may be e-commerce websites & applications** .
- It can be **local or global**
- Tool used of analysis Industry & Markets is **Strategic Group Mapping**
- It is **grouping those rival firms that have similar approaches & positions in market** . Eg – same product / price quality , distribution channels ,

CUSTOMERS

- First step is Understand the different types of customers . Eg – HUL
- From **pricing perspective Customer is of more importance** , but **value creation , design / usability , consumer needs** to be kept at the **center of decision making**
- **Customer is the one who pays for the product** , and ultimately it **will be used by Consumer**

PRODUCTS / SERVICES

- Products stand for **combination of goods & services** that are offered to **market** . Strategies are made for **adding new product & dropping failed ones** .
- Decisions are made for **branding , rebranding** .
- Products can be **distinguished based on consumer , luxury , durables or perishables**
- For Pricing new Product 3 things need to be kept in Mind –
 1. Have a **Customer Centric Approach**
 2. Produce sufficient Returns by charging **Reasonable Margin over cost**
 3. **Increasing Market Share**

MARKETING STRATEGIES

1. *Social Marketing*
2. *Augmented Marketing*
3. *Direct Marketing*
4. *Relationship Marketing*
5. *Services Marketing*
6. *Person Marketing*
7. *Organization Marketing*
8. *Place Marketing*
9. *Enlightened Marketing – Use 5 Principles VICCS – Value , Innovation , Customer Oriented , Social , Sense of mission Marketing*
10. *Differential Marketing*
11. *Synchro Marketing*
12. *Concentrated Marketing*
13. *Demarketing*

CHANNELS

- Channels are **distribution system by which an organization distributes its products / services** .
- Eg – Lakme sells via retail stores , websites , its own website , Boat only online amazon , flipkart
Coco-cola across the nation
- There are typically 3 channels –
 1. **Sales Channel** – It means there are **intermediaries involved in selling product through each channel & ultimately to end user** . Questions is Who needs to sell to whom for your product to be sold to end user
 2. **Service Channel** – It refers to **entities that provide necessary service to support the product , as it moves through sales channel & after purchase by end user**. It is very important for those products which are complex in terms of installation & requires after sales service . Eg – Laptop ,Ac
 3. **Product Channel** – Refers to **series of Intermediaries who physically handle the product on its path from producer to end user** . Eg – E-commerce

CORE COMPETENCIES

- Core Competency is **combination of skills and techniques rather than individual skill** or technique that serve as competitive advantage
- It is sum of **5-15 areas of developed expertise** and it **cannot be single skill or technique**
- An organisation's **combination of technological & managerial know-how , wisdom** and experience are a complex set of capabilities that can lead to **competitive advantage over competitor**

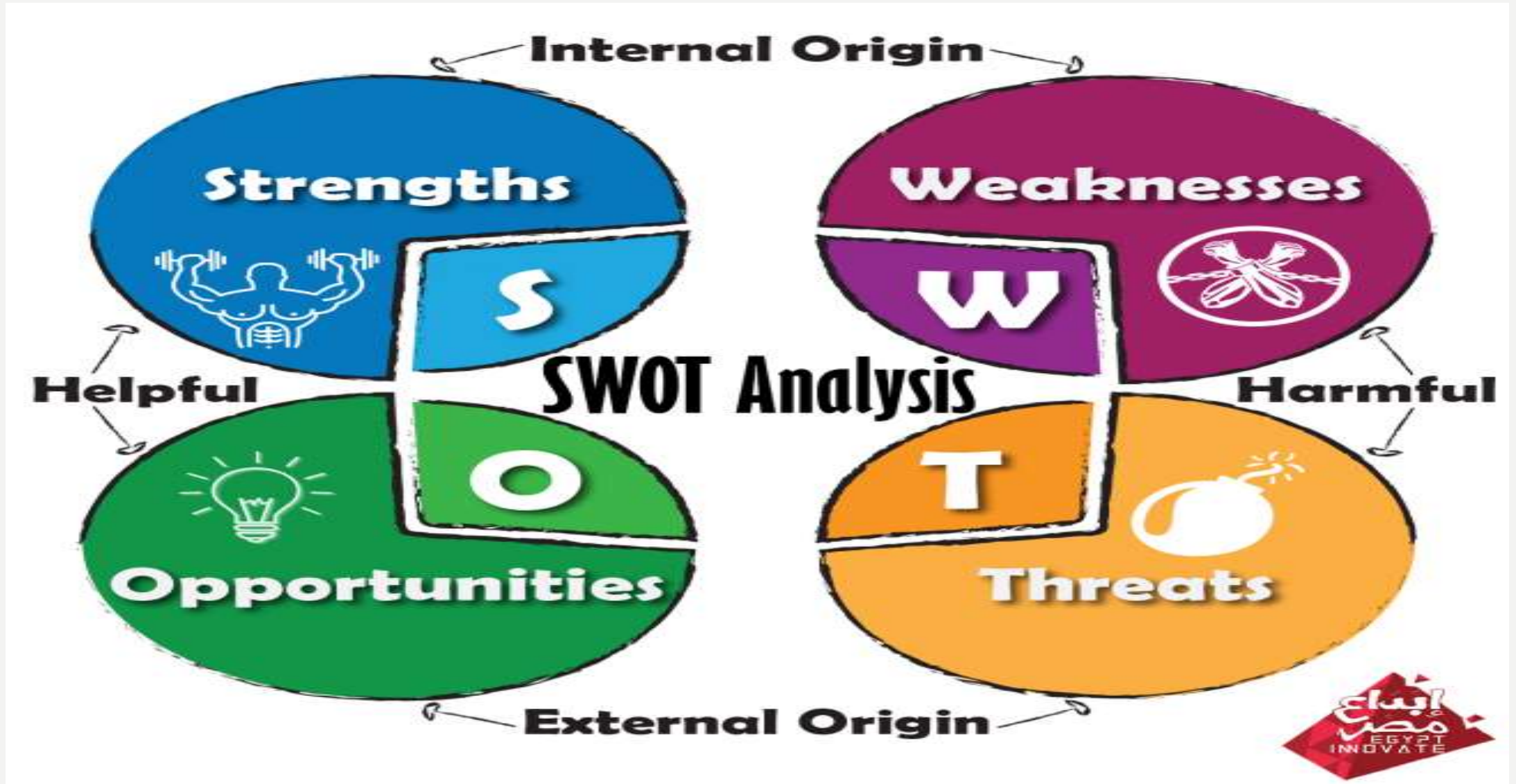
HOW TO IDENTIFY CORE COMPETENCY IN A COMPANY :

- **Competitor Differentiation** – It should be unique and difficult for competitors to imitate. It allows company to provide better products and services .
- **Customer Value** – It has to deliver value to customer. If a customer has chosen company without this impact , it is not core competence
- **Application of Competence** – It must be applicable to whole organisation and not one particular skill or area of expertise. If it is not from whole organisation point of view , it is not core competence

4 CRITERIA TO DETERMINE THOSE CAPABILITIES THAT ARE CORE COMPETENCIES (N-CRV)

- **Non-Substitutable** – Capabilities that **do not have strategic equivalents are non-substitutable**. Strategic value of capabilities will increase as they become more difficult to substitute
- **Costly to Imitate** – Means **competing firms are unable to develop such capabilities easily**
- **Rare** – Core Competencies are **very rare and very few possess this**. Firm should exploit these capabilities
- **Valuable** – Valuable are those which **allow firm to create value for customers by effectively using these capabilities to exploit opportunities**

SWOT ANALYSIS



SWOT ANALYSIS

- Any Business while making strategy has to consider SWOT Analysis

COMPONENTS OF BUSINESS ENVIRONMENT			
INTERNAL		EXTERNAL	
STRENGTH	WEAKNESS	OPPORTUNITY	THREAT
Inherent Capability of Organization	Inherent Weakness of Organization	Favourable External Environment	Unfavourable External Environment

- *Conclusion – With the help of SWOT , we can maximise the Opportunities by using Strengths & minimize the Threats by reducing Weakness*

COMPETITIVE ADVANTAGE

- If a **company's strategies result in superior performance** , it is said to have competitive advantage
- It is set of **unique features of a company and its products that are perceived as significant by target market** and superior to competitors
- Competitive advantage is achieved when **firm profitability is greater than average profitability of firm in its industry**
- We should **use the resources and capabilities** that can result in **competitive advantage**
- Competitive advantage will have **limited life because it can be copied** . Eg – Indigo , Maruti , Jio , Dominos , Samsung

WHAT CHARACTERISTICS SHOULD BE THERE IN RESOURCES / CAPABILITIES TO BECOME CA ? (A-IDT)

- **Appropriability** - It refers to **ability of firm's owners to get appropriate returns on its resources** , if we don't receive return , it won't be called competitive advantage (Sundar For Google)
- **Imitability** – If **resources and capabilities cannot be purchased by would be imitator** , then it would remain competitive advantage (Alert Slider in Oneplus)
- **Durability** – The period over which competitive advantage can be sustained depends in the part **on the rate at which firm's resources and capabilities deteriorate** (Indigo For Years Flights should go on time)
- **Transferability** – The **easier it is to transfer resources and capabilities between companies** , less sustainable will be competitive advantage based on them (Dr in Hospital)

MICHEAL PORTER'S GENERIC STRATEGY

<i>Target/Market Scope</i>	<i>Advantage</i>	
	<i>Low Cost</i>	<i>Product/Service Uniqueness</i>
<i>Broad (Industry Wide)</i>	Cost Leadership Strategy	Differentiation Strategy
<i>Narrow (Market Segment)</i>	Focus Strategy (low cost)	Focus Strategy (differentiation)

MICHEAL PORTER'S GENERIC STRATEGIES

- **Cost Leadership** – These means producing goods at very low cost per unit for consumers who are price sensitive
- **Differentiation** – It aims at producing goods & services which are unique & directed at consumers who are price-insensitive
- **Focus** – it means producing goods & services that fulfil needs of small group of consumers
- These are generic because they can be adopted by any type or size of Business and even Not for Profit organisation . Small cos follow focus whereas Large Co's follow Broad market

COST LEADERSHIP STRATEGY

- It is low cost competitive strategy that aims at broad mass market
- It requires huge cost reduction in procurement , production , distribution of production or service and also economies in overhead cost
- Because of lower cost , they can charge lower price and still make profits
- It should be used with Differentiation
- It is to be done when market is price-sensitive & there are only few ways to achieve differentiation
- It is achieved by economies of scale , experience curve , best utilisation of resources & linkages with suppliers & distributors
- It is done to reduce competition and gain market share & throw other competitors out of the market

ACHIEVING COST LEADERSHIP

- **IT CAN BE ACHIEVED BY :**
- **Forecast Demand** of product / service
- **Optimum utilisation** of the resources
- Achieving economies of scale
- Standardisation of products for mass production so costs are lower
- Invest in cost saving technologies
- Resistance to Differentiation , till it becomes essential

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ADVANTAGES OF COST LEADERSHIP STRATEGY

- Buyer
- Supplier
- Rivalry
- Entrants
- Substitutes

DISADVANTAGES OF COST LEADERSHIP STRATEGY

- Not Long run option as others may also follow same strategy
- Only successful , if volumes are high
- They keep costs low by minimising advertisement , R & D Cost etc , this can be expensive in long run
- Technological changes can be huge threat

DIFFERENTIATION STRATEGY

- It is aimed at **mass market & creation of product / service that is perceived by customer as UNIQUE**
- Unique can be in terms of **Brand image , feature , technology , distribution network or customer service**
- Because of these **we can charge premium price**
- Risk is it can be **copied by competitors**
- We should find **those things which can't be copied**
- Differentiation can be **greater product , lower costs , improved service , more features , lesser maintenance etc**
- Useful **when market is not price-sensitive**

BASIS OF DIFFERENTIATION

- **PRODUCT** – Innovative products that meet customer needs can be area . It can be costly because of R & D Cost , production , marketing (Tesla , Oneplus)
- **PRICING** – It can either by charging lower prices (Jio) or can attempt to establish superiority through higher prices (Starbucks)
- **ORGANISATION** – It can be using Brand name or specific advantage organisation posses in terms of location , name , customer loyalty etc . Eg – Tata , Apple

ACHIEVING DIFFERENTIATION STRATEGY

- **It can be achieved by :**
- **Offer utility for customer which match their taste/ preferences**
- **Elevate performance of product**
- **Offer promise of high quality product / services**
- **Rapid Product Innovation**
- **Taking steps to enhance brand image and value**
- **Fixing product price based on features of product & buying capacity of customer**

ADVANTAGES OF DIFFERENTIATION STRATEGY

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DISADVANTAGES OF DIFFERENTIATION STRATEGY

- It fails to work , if it is **not valued by customer**
- In long term **uniqueness is difficult to sustain**
- **Charging too high price** for differentiated feature may cause customer to **switch to another alternative**

FOCUS STRATEGIES

- These are **effective** when consumers have different requirements & when rival firms are not attempting to specialise in same market
- In this we focus on **particular group / market / product line** segments that serve smaller market better than competitor who serve broader market
- Together with **cost or differentiation** we can follow **FOCUS Strategy**

FOCUSED COST LEADERSHIP & FOCUSED DIFFERENTIATION

- **FOCUSED COST LEADERSHIP** – In this firms compete based on price in a narrow market. In this we charge lower price as compared to other firms.
- **FOCUSED DIFFERENTIATION** – In this we offer unique features that fulfil demands of narrow market. They compete based on uniqueness and target a narrow market

ACHIEVING FOCUSED STRATEGY BY :

- **Selecting specific niche** which are not covered by others
- **Creating superior skills** for catering niche markets
- **Generating high efficiency** for niche markets
- **Developing innovative ways** in managing value chain

ADVANTAGES OF FOCUSED STRATEGY

- **Premium prices** can be charged for focused product / service
- Due to expertise in that particular product / service , Rival firms find hard to compete

DISADVANTAGES OF FOCUS STRATEGY

- Firms that **lack in distinctive competencies** may not **follow this strategy**
- **Due to limited demand , costs can be higher**
- In long run **niche could disappear or taken over by larger competitors**

BEST COST PROVIDER STRATEGY

- **Last Strategy is by combining all 3 Generic Strategies** that aim at giving more value to customer by – **Low Cost & Upscale Differences**
- Objective is to **keep cost lower than those of competitor**
- It can be done by :
- **Offering Products / Services at Lower Price than those offered by rivals**
- **Charging same price as of competitors with Much Higher Quality & Better Features**