

## The strategies to be considered for a new company entering the industry

The company's strategic plan is a collection of strategies devised by different managers at different levels in the organizational hierarchy. Management's direction-setting effort is not complete until the separate layers and pieces of strategy are unified into a coherent, supportive pattern. To achieve this unity, the strategizing process has to be proceeded from the top down direction. Direction and guidance have to flow from corporate level to business level and from business level to the functional and operational levels. Taken into consideration, that lower-level managers can not do good strategy making without understanding the company's long-term direction and higher-level strategies. Also, the strategy should be a sizable and sustainable competitive advantage. Thus, management's direction-setting tasks involve

- Charting the company's future strategic path
- Setting objectives
- Crafting a strategy.

The difficulty of implementing strategy is greater when a company goes global. Communication, leadership skills and structural design must merge successfully with foreign cultures as well as link foreign operations to the home country.

The strategic' management have to differentiate between the functional part of the strategy and the operational part. Where, the functional strategy refers to the managerial game plan for a particular functional activity, business group, or key department within a business. While, the operating strategy concerns the even narrower strategic initiatives and approaches for managing key operating units (plants, sales districts, distribution centers) and for handling daily operating task within strategic significance (advertising companies, material purchasing, inventory control, maintenance & shipping).

The company's management should take care of the factors that shape a company's strategy, such as:

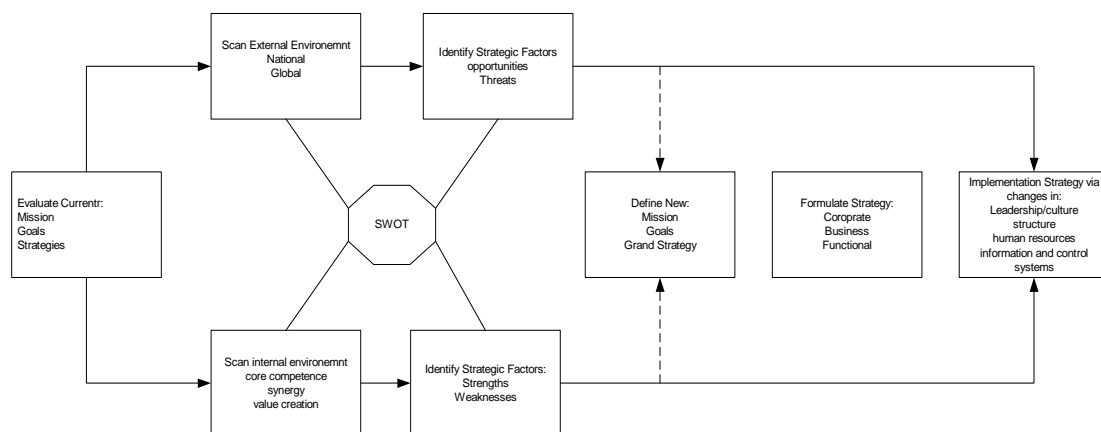
- Social, political, regulatory and citizenship considerations
- Competitive conditions and overall industry attractiveness
- The company's market opportunities and external threats
- Company resource strengths, competencies, and competitive capabilities.
- The personal ambitions, business philosophies, and ethical beliefs of managers
- The influence of shared values and company culture on strategy

Also, the company's management should prepare a useful mission statements with characteristic such as (Specific, Flexible, Inspirational, but not unrealistic and Understandable, but not simplistic).

Moreover, the company's management have to achieve an Industry analysis because the concept of 'industry' is an artificial statistical construct. One significant model can be used to frame industry analysis is Porter's five forces model that belongs to the positioning school of strategy. The model is essentially used to consider the competitive influences of the industry upon the profitability (performance) of the company. This model assumes, therefore, that 'industry matters'. The less competitive the industry, the more profitable companies will be. Thus, the company should take into consideration the following forces:

- Influence of government and regulations
- Power of complementors
- Interest (lobby) groups
- Another influence on consumer preferences is fashion and fickleness. The importance of brands and lifestyles.

In additional to the industry analysis, the company's management have to achieve an Assessment of the external environment and internal environment using SWOT analysis in order to achieve the implementation process of the strategy.



External opportunities and threats are known as 'PEST' analysis, where P stands for political factors, E for economics, S for social/demographic, and T for technological. Threats are characteristics of the external environment that may prevent the organization from achieving its strategic goals. Opportunities are characteristics of the external environment that have the potential to help the organization achieve or exceed its strategic goals. Hence, the assessment

of the external environment should adapt with Assessment of the internal environment, for carrying out an internal audit. The audit process will be based on the 7s framework:

- Strategy, to know if an organization has a strategy.
- Structure, refers to the way in which production is structured, hierarchical centralization, hierarchical decentralization, flat organizations, matrix organization, and decentralization around function .etc.)
- Systems, refers to the procedures (formal and informal) through which the organization operates on a daily basis; financial systems, budgetary systems, reward systems, operational systems, reporting systems and information systems.
- Style, refers to 'how key managers behave in achieving the organization's goals. Different managers behave in very different ways some are more analytical than others; some are task-centred and others are more people-focuses
- Staff, refers to the characteristics of the staff who make up the organization. It also refers to the nature of the people management approach adopted by the organization (training, management development. etc).
- Shared values, refers to the guiding principles of the organization – its values.
- Skills, 'distinctive capabilities of key personnel and the firm as a whole'. Companies might have distinctive skills and hence strengths is (research and development, customer care, product management, financial control, innovation, QM, Project management)

It forces to audit an organization from all perspectives, both 'hard' (Strategy, structure and systems) and 'soft' (style, staff, and shared values). No doubt, the 7s framework is a checklist enables the strategist to understand how the organization functions and hence to begin to identify where the strengths and weaknesses are to be found.

The final step in the strategic management process is implementation which is how strategy is put into action. Once a new strategy is selected, it is implemented through changes in leadership, structure, information and control systems, and human resources:

- Leadership (Persuasion, Motivation & Culture / values)
- Structure design (Organization chart, Teams, Centralization / decentralization & Facilities, task design)
- Human resources (Recruitment / selection, Transfers / promotions / training & Layoffs / recalls)
- Information and control systems (Pay, reward system, Budget allocations, Information systems & Rules / procedures).

The company's management have to formulating the strategy in all existing levels: corporate-level, business-level and functional-level.

- Formulating corporate-level strategy will be based on one of the following strategies:
  - Portfolio strategy: pertains to the organization's mix of SBUs and product lines that fit together in such a way as to provide the corporation with synergy and competitive advantage.
  - Strategic business units (SBUs): refers to a division of the organization that has a unique business mission, product line, competitors, and markets relative to other SBUs in the same corporation.
  - BCG matrix: refers to business growth rate and market share.
- Formulating business-level strategy is based on competitive actions with the three generic strategies; growth, stability, and retrenchment. Competitive strategy can be adopt by one of these strategies (as per Porter suggestion):
  - Differentiation: refers to distinguish the company' products or services from competitors.
  - Cost leadership: refers to seek efficient facilities, cuts costs, and employs tight cost controls to be more efficient than competitors.
  - Focus: refers to emphasize concentration on a specific regional market or buyer group.

Also, the company should consider the five competitive forces of company's environment as per Porter studies such as:

1. Potential new entrants: capital requirement and economic of scale (for example)
  2. Bargaining power of buyers
  3. Bargaining power of suppliers
  4. Threat of substitute products
  5. Rivalry among competitors
- Formulating functional-level strategy, where functional-level strategies are the action plans adopted by major departments to support the execution of business-level strategy. Major organizational functions include marketing, production, finance, human resources, and research and development. Senior managers in these departments adopt strategies that are coordinated with the business-level strategy to achieve the organization's strategic goals.

The strategic management should consider the value-based marketing and value based management concepts: Value-based marketing management is based upon:

- Developing a deep understanding of consumer needs
- Producing value propositions that accord with that consumer consider being valuable and which are superior to those of the competitions.
- Moving from short-term exchange and transactional relations with consumers to building long-term relationships of trust and loyalty.

- Acknowledging that being consumer-focused is necessary – superior value originates in superior knowledge.

And the value based management is taken care of (price & use value):

- Exchange value or the price reflects a value that a producer places on the product to be offered in the exchange process with the customer.
- Use value is the satisfaction “benefits” that the consumer obtains or gains from consuming the product or service.

Moreover, the company needs to gather information on each competitor’s strengths and weaknesses. According to the Arthur D. Little consulting firm, a firm will occupy one of six competitors’ positions in the target market: dominant (firm controls the behavior of other competitors, strong, favorable, tenable, weak and nonviable. Also, reaction patterns of competitors can have four categories: does not react quickly, reacts only to certain action, tiger competitors and does not exhibit a predictable.

Finally, if the company needs to achieve success competitively, it should do the following actions:

- Control its costs and manage its price
- Differentiate its product from its competitors
- Invest in new product development
- Find new production processes
- Pursue an advertising campaign
- Introduce a total quality management program
- Introduce team working