

Strategic Management

5th lesson

TEAM PROJECTS

The work group – second part:

2nd part must be presented on

7th May 2019

In every lesson it will be presented a real company case study (with testimonials).

Every real company case study will provide you with some ideas for your projects and will give you real business experience.

Moreover in the written exam 2 open question (4 points) will be about these case.

- Case Discussions with direct testimonials

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Every Team Project in the second part of work group must use the entrepreneurial formula assessment approach.

(See the notes in MS_team projects 2nd part.docx)

The entrepreneurial formula assessment approach permit us to evaluate competitive results, social results and profitability results achieved by a firm.

The entrepreneurial formula: its components

Components of the entrepreneurial formula (Vittorio Coda)

Competitive System

**Stakeholders
system**

**Product system:
products and
services**

Structure

**Prospects offered /
contributions or
consensus requested**

The entrepreneurial formula: its components

Each company has its own entrepreneurial formula that is the product of its history and its business choices.

As a result of these choices, a company finds itself operating:

- In one or more ***competitive systems*** (business or strategic business areas)

The entrepreneurial formula: its components

- With a certain offer, ***the product system*** (products and services) for each strategic business area
- With a ***specific structure*** (productive, commercial, managerial, technological, financial)
- In a certain ***system of stakeholders***, the social interlocutors of the company (shareholders, employees, unions, suppliers, banks, public administration)

The entrepreneurial formula: its components

- With a certain ***project proposal***, which is expressed in the company strategy, which requires sharing and alignment of the subjects involved

These five aggregate and related variables constitute the entrepreneurial formula.

The entrepreneurial formula: its components

The successful entrepreneurial formula is one in which these variables are coherent with each other and which safeguards the vitality of the company and ensures its economic functionality over time.

The entrepreneurial formula: its components

Competitive System

Stakeholders system

**Product system:
products and
services**

Structure

**Prospects offered /
contributions or
consensus requested**

Competitive system: the markets to target, the competitors, the rules of competition, the environment.

Product system: the products and related services offered, the product's features both material (quality, range, technological level, reliability, etc.) and intangible (prestige, elegance, health, safety); related services (rapid and on time delivery, pre and post-sales assistance, application engineering, etc.); strictly economic terms of trade (price, terms and methods of payment, transportation conditions, guarantees, insurance, etc.)

Prospects offered / contributions or consensus requested: the project that is to be proposed to the economic and social forces with which the firm can get involved or partner for its realization (workers, managers, shareholders, lenders, union representatives, financial and credit institutions, members of the local community, etc.)

Stakeholders system: the system of stakeholders with their expectations of the firm and their power of influence it.

Structure: the structure, that enables the firm to launch its offering on the market and to propose the project to the stakeholders, encompassing the organizational structure and operating mechanisms (planning and control system, human resources management system) and all of the resources which make up the technological, commercial, managerial and financial assets of the firm.

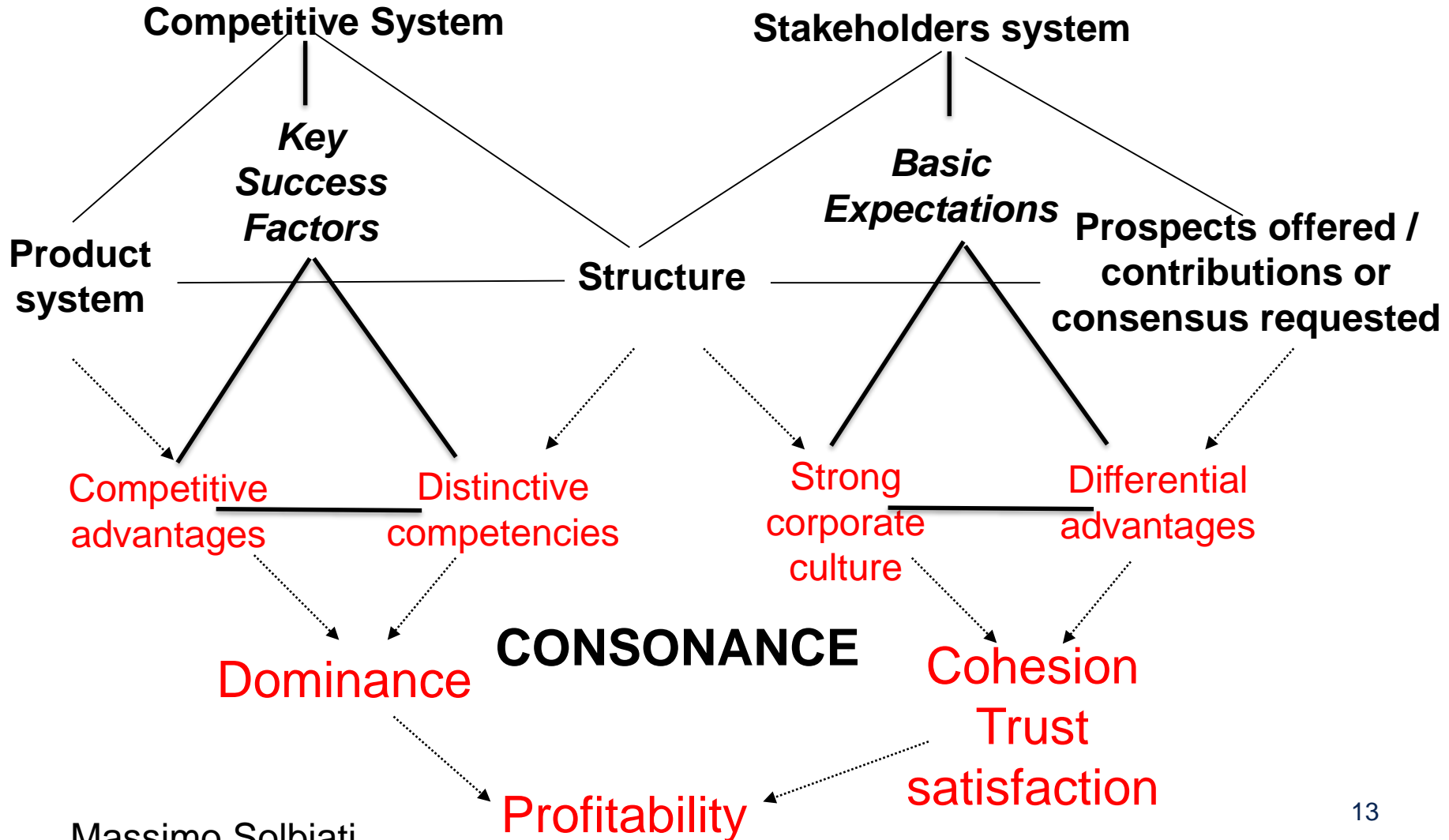
The entrepreneurial formula: the consonance

The safeguard and the protection of the vitality of the enterprise and its economic functionality in the time, through positive financial results and profitability, are based on the consonance of:

- ***Dominance of the market***
- ***Social cohesion of stakeholders***
- ***Profitability***

The entrepreneurial formula: the consonance

Components of the entrepreneurial formula and their distinctive traits in successful firms



The ***dominance of the market*** is triggered from two fundamental elements:

- the existence of one or more defensible competitive advantages, that it can be of cost or of differentiation in comparison to the competitors
- the existence of distinctive competences in managerial areas that allow the company to make better than the competition

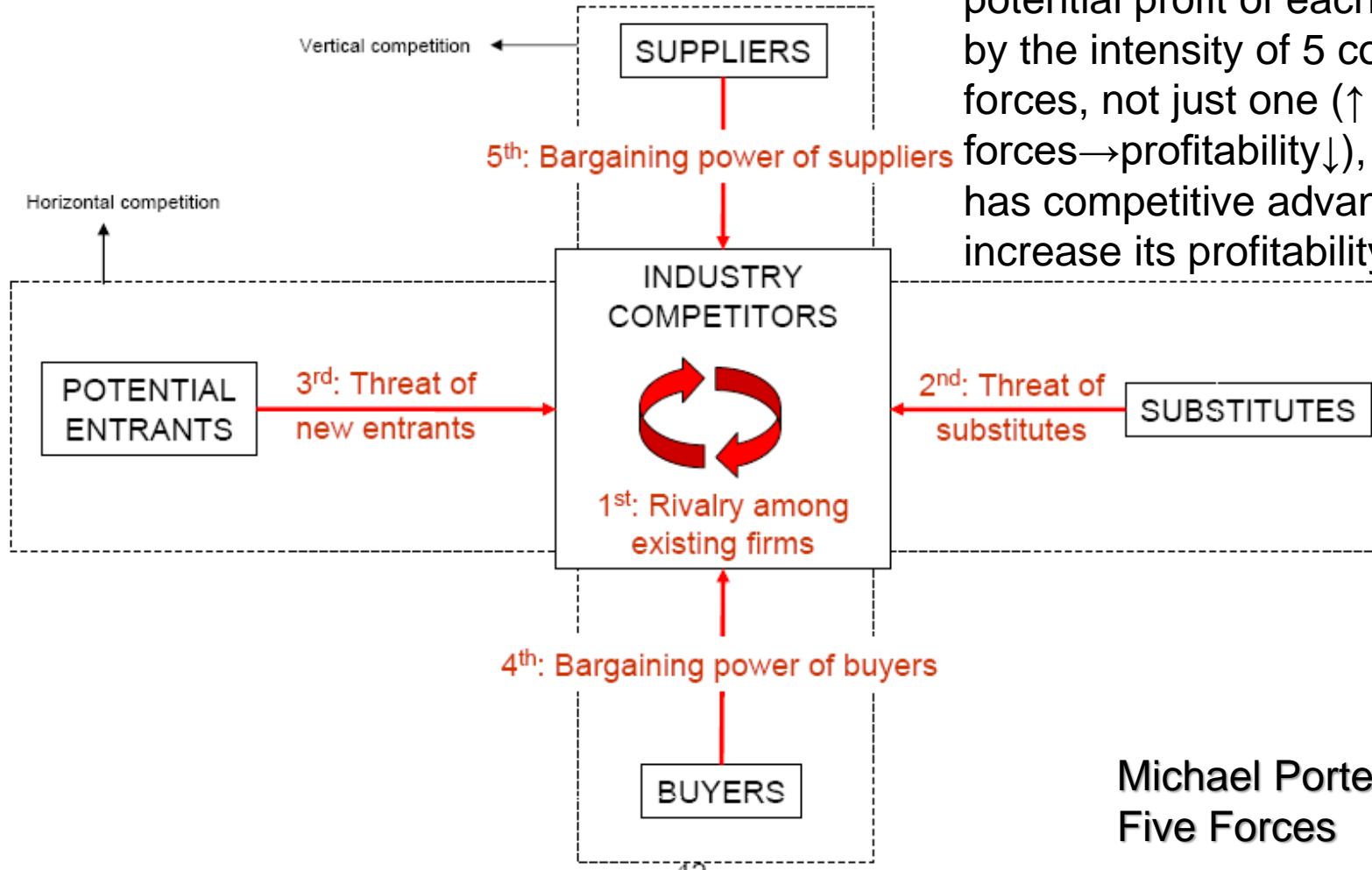
The entrepreneurial formula: the consonance

The ***social cohesion*** of the interested subjects (stakeholders) depends on two elements:

- the differential advantages perceived by the different subjects, that are based on the the attractiveness of the project proposal
- a strong business culture that is given by the patrimony of competences, by the credibility and by the lived entrepreneurial values, by the motivation of the people.

The entrepreneurial formula: its analysis

Competitive system



Michael Porter
Five Forces

The entrepreneurial formula: its analysis

Product system:

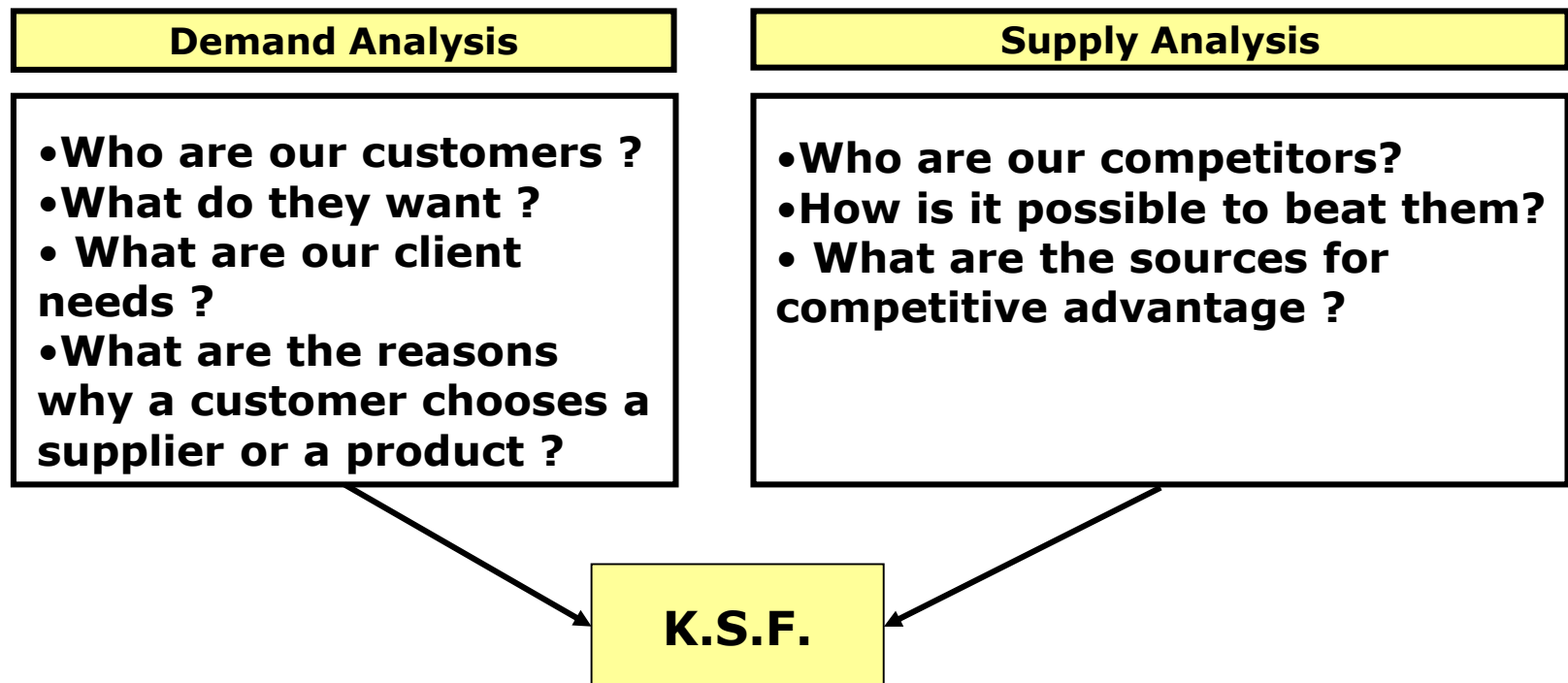
The products and related services offered

The product's features:

- material (quality, range, technological level, reliability, etc.)
- intangible (prestige, elegance, health, safety)
- related services (rapid and on time delivery, pre and post-sales assistance, application engineering, etc.)
- economic terms of trade (price, terms and methods of payment, transportation conditions, guarantees, insurance, etc.)

Identifying the Key Success Factors

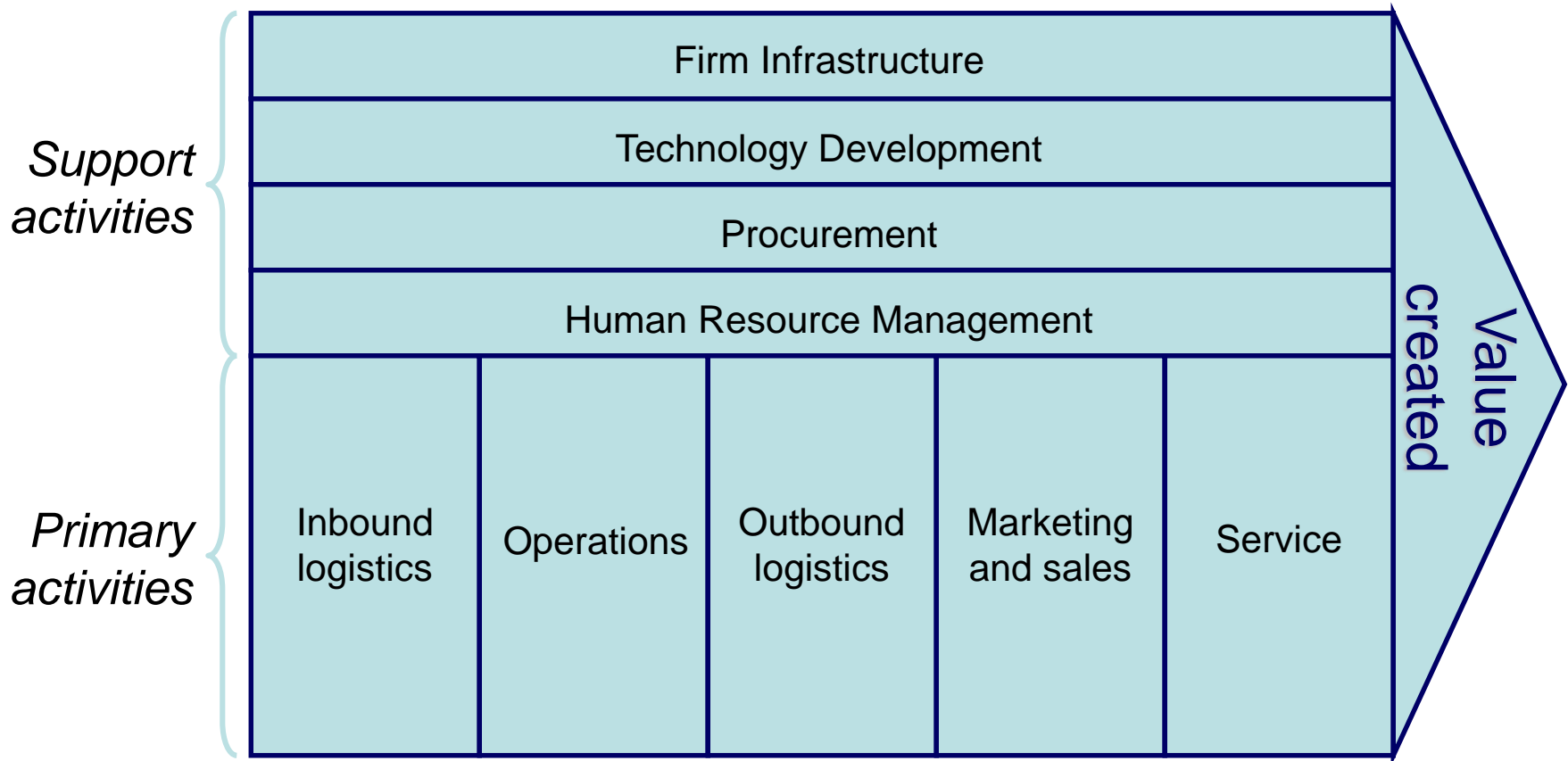
The analysis of the environment should aim at defining those factors that permit to reach competitive advantage.



The entrepreneurial formula: its analysis

Structure

what are the activities for having distinctive competences and for achieving the competitive advantage in the business ?



Structure

☐ **Primary activities**

They are devoted to product realization, sale, transfer to the customer and after-sale service

☐ **Support activities**

They sustain primary activities supplying materials, technology, human resources and general services (general management, planning, finance, legal services, quality control...)

The entrepreneurial formula: its analysis

Structure

- **TANGIBLE**
 - Financial
 - Physical

- **INTANGIBLE**
 - Technological
 - Reputation
 - Culture

- **HUMAN**
 - Knowledge and competencies
 - Capability to interact and communicate
 - Motivation

Distinctive Competencies

They are those competencies in which the company is superior compared to the rivals.

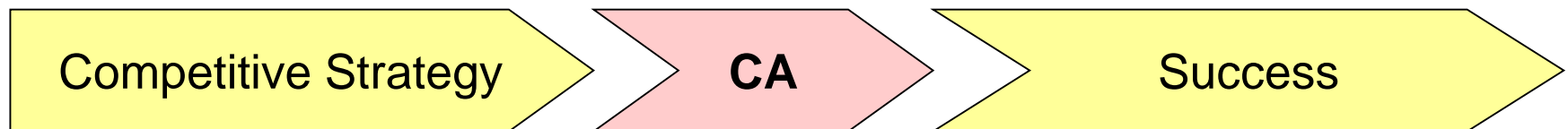
They let the company to achieve high performance.

They are often rooted in the history of the company

Competitive advantage

A **competitive advantage (CA)** is a condition in which a company has some strengths - compared to the rivals - that let it:

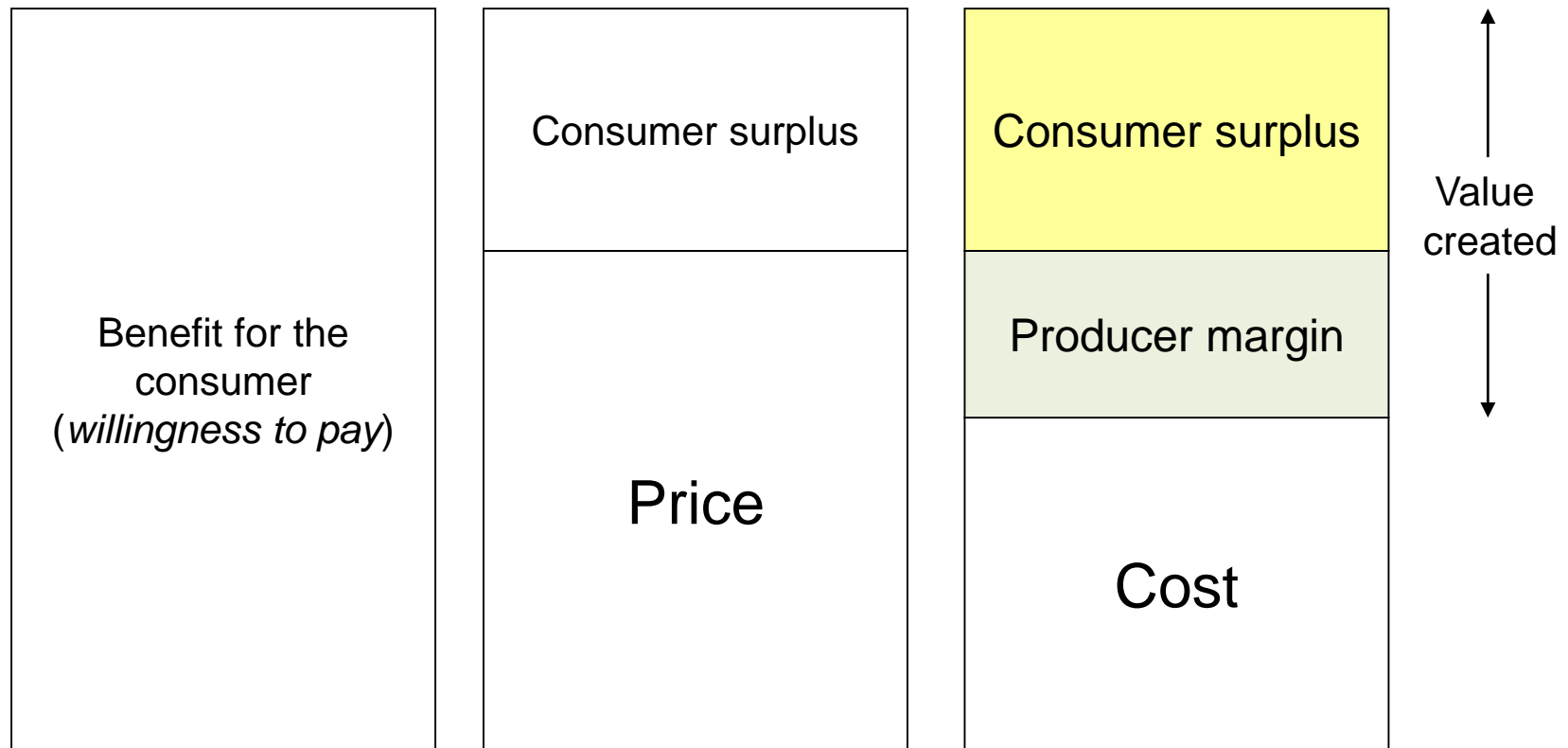
- serve the customers better
- realize higher margins



The entrepreneurial formula: its analysis

Competitive advantage

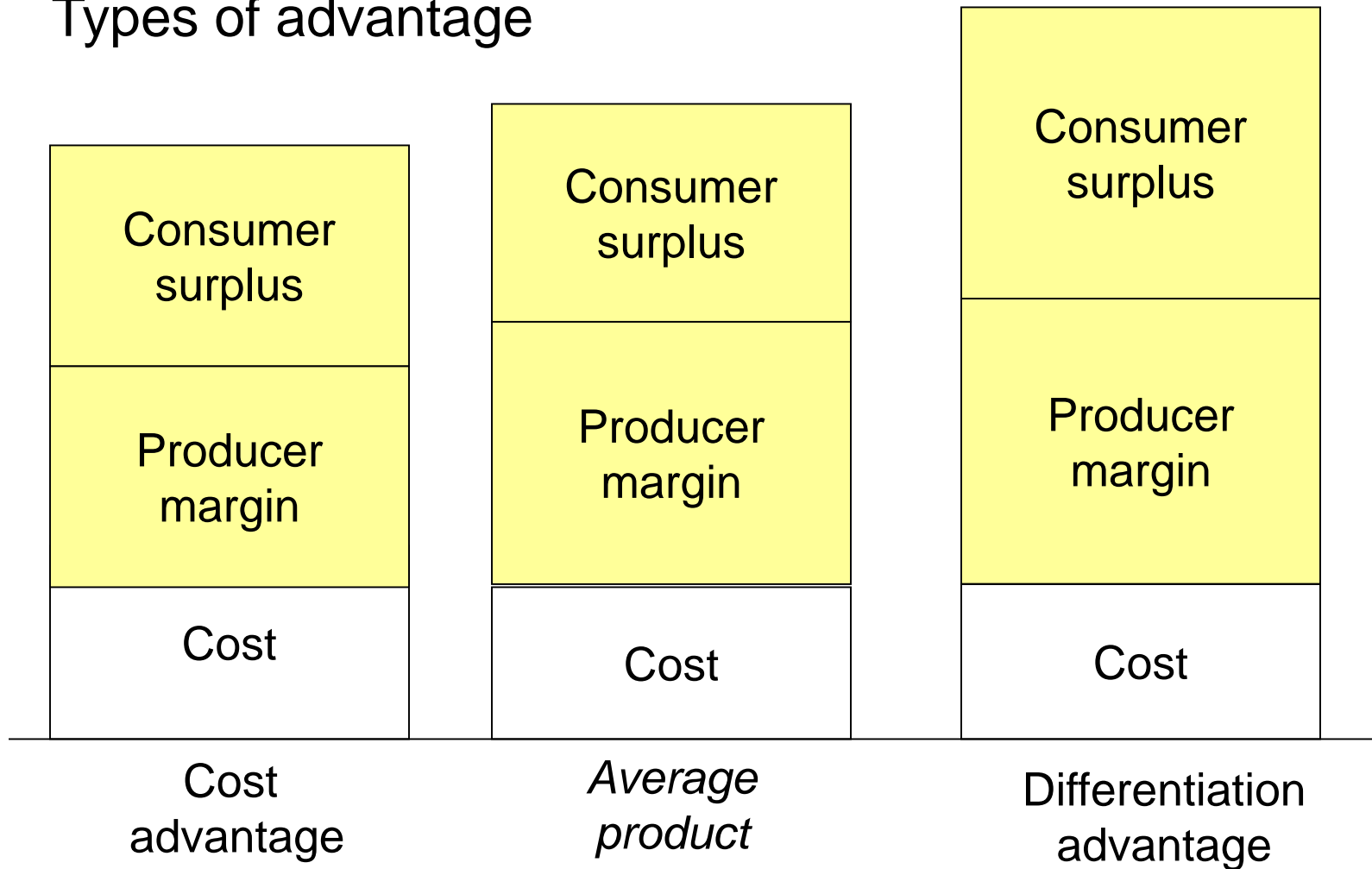
Value creation, consumer surplus and producer margin



The entrepreneurial formula: its analysis

Competitive advantage

Types of advantage



Competitive advantage

COST ADVANTAGE

- The company is able to offer a product/service similar to the one of competitors (in terms of features and performances) at a lower price
- This is possible by reducing costs compared to the rivals
- It is necessary that company costs are lower than any other competitors, otherwise they will be able to reduce prices, gaining customers (vulnerable strategy)

Competitive advantage

DIFFERENTIATION ADVANTAGE

- The company is able to offer a more valuable product/service compared to those of rivals
- In this case, the company may require to customers a higher price (average price + price premium)

Competitive advantage

SOME DRIVERS OF COMPETITIVE ADVANTAGE

<ul style="list-style-type: none"> • Economies of scale • Economies of learning • Capacity utilization • Vertical integration (transaction costs Vs coordination costs) 	Cost
<ul style="list-style-type: none"> • Product policies (quality, range, services...) • Internal and external linkages (efficacy and efficiency) • Interrelationships among SBUs 	Diff.

- Timing
- Location
- Institutional factors

Stakeholders System

Who are the main stakeholders ?

How are they managed ?

- EMPLOYEES
- SHAREHOLDERS
- SUPPLIERS
- FINANCIAL PARTNERS
- LABOR UNIONS
- GOVERNMENT & LOCAL COMMUNITY

The entrepreneurial formula: its analysis

Prospects offered / contributions or consensus requested

What is the Mission of the firm ?

Is there a business project for the future ?

The entrepreneurial formula: its analysis

Strong corporate culture

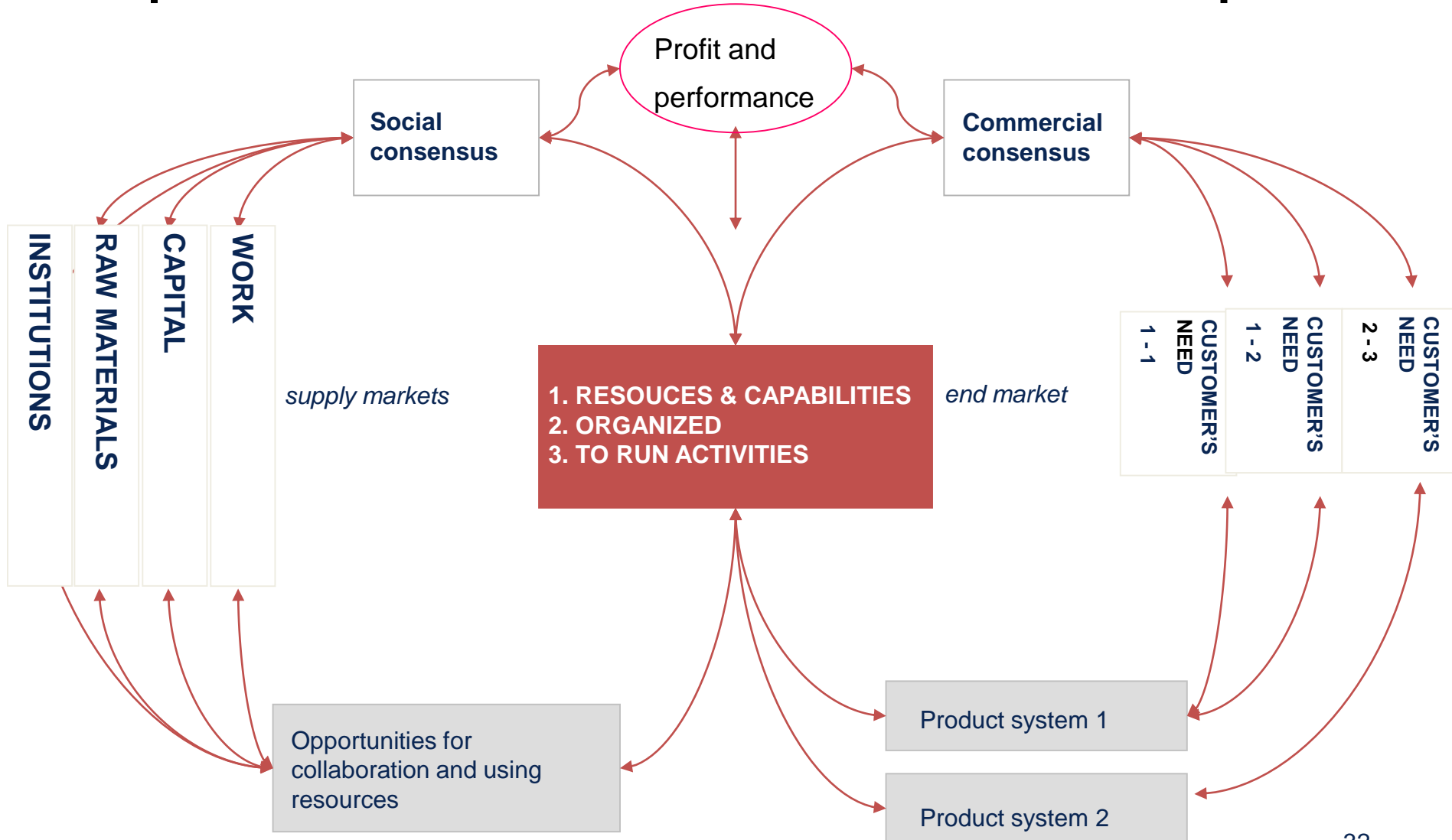
Culture is defined as the values, practices, and beliefs shared by the members of a group.

Company Culture, therefore, is the shared values, practices and beliefs of the company's employees.

Organizational culture represents the collective values, beliefs and principles of organizational members and is a product of such factors as history, product, market, technology, strategy, type of employees, management style, and national culture, but also includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits.

The entrepreneurial formula: its analysis

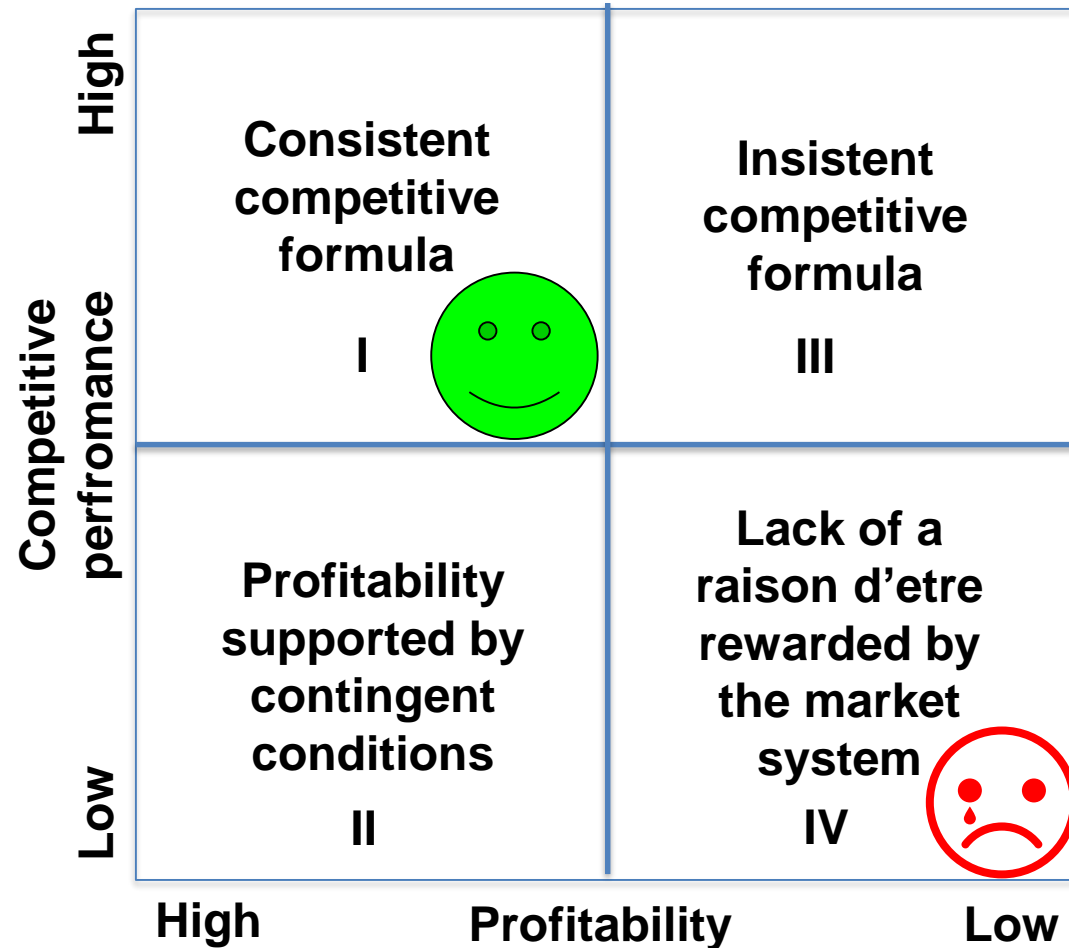
Prospects offered / contributions or consensus requested



The entrepreneurial formula: the initial diagnosis

Tool for the initial diagnosis of the strategic formula at the strategic business unit level

- Sales growth rates
- Absolute market shares
- Relative market shares
- Customer satisfaction indexes



The entrepreneurial formula: the initial diagnosis

Tool for the initial diagnosis of the strategic formula at the corporate level

