

**Strategic Management - The Competitive Edge**  
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**Lecture 12**  
**Competitive Landscape**

We were looking in the last session at the different factors of the environment, economic factors, technological factors or political/legal factors or sociocultural factors. I was also mentioning to you what is the type of changes which the IT revolution has created in the present day cultural milieu of the Indian system.

So you have, for example, the growth rate of population. The Hindu growth rate has come down that may be due to the fact, this has been the complaint of most of the parents, that our children really do not have time or do not get time for family life. So many of them are on calls, throughout, both of them are working, etc. The result is the birth rate has come down, especially the Hindu growth rate of population in the country.

So we were also looking at the type of career expectations, the lifestyle changes that has been brought about by the IT industry in particular. India still enjoys a youth population, but how long will it enjoy is also a big question mark. Some decades back the European countries were also in the same setup. But now the European population has aged, similarly the other countries.

Now with all this background let us look at what is a competitive landscape. The important aspect that you have to consider in the present day is that the fundamental nature of competition is changing. It is not like a few decades back. So what is characterizing this change in competition? This change in competition is characterized by hyper competitive environments, kindly note that. It is not just competitive, but is hyper competitive. So what is characterizing this hyper competitive environment?

If you really look at it you find that the dynamics of strategic manoeuvring among global and innovative combatants, you have an industry where the competition is global. IT sector where the competition is not only global but it is also innovative; something or the other is keeping on changing. So you have to be on your toes always. Everyone is trying to position his product on the price-quality.

New know-how and the first mover advantage; wants to move into the market first if it is possible. If it is not possible tries new know-how, if that is also not possible tries to see whether price- quality can help in better positioning in the market. Because of this hyper competition

what is likely to happen- invasion of established product or geographic markets. You have an established product in your market area. You find all of a sudden your market is being invaded, so this is what hyper competition can do in a competitive landscape. If you go to my book on Strategic Management, I have discussed on page number 89, the case of Microsoft in a hyper competitive industry. It used its dominance in operating systems to move to a very strong position in application programs like Word and Excel. Even though it held 90 percent of the market for PC operating systems in 92, it invested millions in developing the next generation Windows 95 and Windows NT. Instead of trying to protect its advantage in the profitable device segment, Microsoft actively sought to replace the OS with various versions of windows.

Before hyper competition most experts argued against cannibalization of a company's own product line because it destroys a very profitable product instead of harvesting it like a cash cow. According to this line of thought it will be better off defending its older products. New products would only be introduced if it can be proven that they would not take sales away from current products.

Microsoft was one of the first companies to disprove this argument against cannibalization. Bill Gates, co-founder and chairman and CEO of Microsoft realized that if his company did not replace its own product with a better product someone else would, such as IBM with OS 2 Warp. He knew that success in the software industry depends not so much on company size but moving aggressively to the next competitive advantage before a competitor does.

This is a hyper competitive market explained Gates, scale is not all positive in this business, cleverness is the position in this business. By 1997 Microsoft still controlled 90 percent of the operating system market and had attained a dominant position in application software as well. So if you look at it in 2022 also, the position has not drastically changed. So in this hyper competitive market also, Microsoft is the lead player.

So this is what competitive landscape is doing to industry in the present day setup. This is what the IT sector and also the manufacturing sector is facing in India. By IT, you are looking into electronic industry as well, so many changes. Now what is happening, why all this? This is because of the emergence of global economy. The emergence of global economy is causing all this.

What is the significance of this global economy? If you really look at it you as a country cannot afford to operate in your own compartment. This is what it means. So you have to look at the markets outside your country as well. If you do not look at it, it is possible that products from the other countries will invade your market. Suppose you close your market also to outside country's products, it will come in as grey market products.

That was happening a few decades back with respect to Chinese products, when Chinese products entry was finding it difficult. So even in India you used to find that these Chinese products in the grey markets, whether it was toys, or so many things, name it, even a series light. So nobody used to give guarantee for that product, they used to say, no guarantee, no refund, no taking back. If something happens it is gone. Beautiful lamp shades, in beautiful shapes coming from the Chinese market. None of them carried any guarantee. Even in the 90s itself many of these shades used to cost some between 4000 to 8000 rupees; they were looking very grand, but as long as it worked.

So the other countries including India are insisting that every product should carry the tag from which country it is manufactured. Earlier it was not even carrying that, now suppose the product is from China, they have to say this is manufactured in China. So this is what is happening with respect to the competitive landscape and you have this emergence of the global economy goods, services, people, skills and ideas moving freely across geographic borders.

Spread of economic innovations around the world call for political and cultural adjustments. This is what I told you also is happening with respect to the Indian family setup as well. Conservative Indian family setups are feeling the impact.

Now what is the characteristic of this global economy? The characteristic of this global economy is the rapid technological changes- so many new products/models etc . I was mentioning because the price of fuel has increased, it has almost shot through the roof, so most of the consumers especially in the developing countries are not able to afford this fuel cost.

So if you take India, as I mentioned it is upwards of 110 rupees per liter, one liter of petrol, so that being the case - Companies, individuals, organizations are rapidly or looking at the alternatives; instead of this crude can we have something else, so the result is electric vehicles, electric charging. So many EVs have come, so if you look at Bangalore itself, the increase in the presence of EVs is phenomenal.

So what does this entail? It entails have good charging facilities, suppose you are having a four wheeler EV and normally it gives you with a full charge about 180 to 200 kilometers, there must be charging stations available in plenty to charge the vehicles. Suppose you are going let us say towards Pune or Belgaum from Bangalore, at least in two places your vehicle may require to be charged.

So though some others claim that they can, when full charge, some of the manufacturers, it gives 350 to 400 kilometers. This has also been questioned by so many others. The emergence of the

global economy has brought in rapid technological change characterised by increasing rate of technological change and diffusion.

So whatever you are doing in the technology it is getting diffused very fast that is being aided because of the information age and the increasing knowledge intensity.

The late 90s saw coming in of the mobile phones- so there were very few players like the Spice, a small company, your incoming calls would also be charged, your outgoing calls would also be charged; you had simple phone, which a company like Nokia used to produce, so nothing like this WhatsApp or whatever.

It was enabling you to receive calls and make calls, but was proving expensive, one minute talk on the phone sometimes between 1 to 2 rupees at that point of time and you used to wonder how much is this telephone charges going to be. So now Spice is not there, what is the latest listing? You have 2, 3 established players like Vodafone, Airtel. After the advent of Jio, Jio has almost captured a huge market. Airtel is also a strong player in the present day setup.

Now this is what can happen with respect to technology and if you look at India, our technology missions were from providing drinking water, promoting literacy, stepping up child immunization, hiking up production of oil seeds, linking remote areas with telecommunication network, etc

Even the present day Indian government is concentrating on providing hygienic environment in the rural areas, good sanitation facilities, all those types of things in addition. So this is what is characterizing the Indian setup. But what is the type of response from the industry? The industry is also proactive, so the product or the product group coming from the industry is undergoing changes.

So the future form of product group, future processing technology, future form of raw materials, technological developments in related areas, technological development stages- invention, innovation and diffusion, all this is characterizing the present day set up in the Indian context. So it is private players who are extremely active, kindly note that. I have perhaps given this example in the earlier classes also.

Earlier people were looking at jobs being provided by the government. Now the situation is different. You are not looking at jobs from the government unless and until it is a compelling scenario. So those who are able to become entrepreneurs, they would like to give it a try, a first shot, on their own, not to bother about any of the other things. So no bosses, etc.

So they want to be on their own, come out with their own product. So government, according to most, is characterized by bureaucracy, red tape, corruption, etc. The present day youth is not interested in all this, that is he does not want to spend his precious time in this type of activities.

He wants to contribute, he wants to be on his own, so this is a very serious change which has come about in the present day context. So this is what is characterizing the present day response; not only from the industry but also from the individual. In order to assess these impact of opportunities, we normally make use of matrices. One matrix could be your threat matrix, the other matrix could be the opportunity matrix.

So this is a 2 by 2 matrix. The probability of occurrence of threat on the x axis, seriousness on y axis. Suppose the probability of occurrence is high, then what is likely to happen? In the first quadrant it is likely to be a major threat. The second quadrant it is likely to be a moderate threat. So the third quadrant moderate again, the fourth is minor threat, you can dismiss it off. Similarly, with respect to opportunities; attractiveness and the probability of occurrence. Suppose in the first quadrant it is very attractive, then the second and the third moderately attractive, the fourth, least attractive. So the companies would like to have these types of matrices developed for each of the scenarios.

Now when you look at this type of scenario, having these matrices, you can create what is called an EFAS. EFAS stands for an External Factor Analysis Summary. The one which I am presenting to you is for this company Maytag. Maytag is a well-known company operating in the western countries in the consumer durables market. So basically it was in the American market, a well-known player.

Now when this study was being done the European Union was being formed and in the sense economic integration of the European Community was taking place. So when using this, the strategic consultants to Maytag created for Maytag five opportunities and five threats, totaling to one.

So if you look at this what are the types of opportunities that were suggested to Maytag? One was economic integration of European Community. For that they gave a weightage of 0.2. Then the second one was demographics favor quality appliances, again 0.1 for this. Then the economic development of Asia, 0.05; opening of Eastern Europe, 0.10; trend to Superstores, 0.10. Weighted score- calculation method is given in the Notes below the Table. List opportunities and threats, 5 to 10 each in column 1. Weight each factor from 1.0, most important, to 0.0, not important, in column 2. The total weights must sum to 1.00. Then rate each factor from 5, outstanding, to 1, poor, in column 3, based on the company's response to that factor.

Then multiply each factor's weight times its rating to obtain each factor's weighted score in column 4. Use column 5, comments for rationale used for each factor. Add the weighted scores to obtain the total weighted score for the company in column 4. This tells how well the company is responding to the strategic factors in its external environment. So this is something Wheelen and Hunger, did, External Strategic Factors Analysis Summary, for Maytag.

So as you see after all these exercises in the present day setup though you have so many players in the consumer durable market in India also, Maytag has not made its presence in India, so they might have been told to hold on to the American and the EU markets for the time being before entering into Asian markets. So it was looking at entering the Asian markets right from 90s only, but even in 2022 it has not yet made this entry decision.

We will stop here, and continue in the next session.