

Activity 11. Formulate Strategies

Definition of a myopic manager: one who believes that he/she has the single best strategy for the long term.

Introduction

Strategy formulation addresses the key question of: *how do organizations, their managements and staff optimally achieve the aims of its stakeholders.* In other words, given resource constraints, what courses of action will likely achieve the best results for the organization during the foreseeable and anticipated future scenarios? Given the dynamics impacting on most organizations, managers are frequently challenged to develop sets of feasible alternatives based on their analyses of performance, effects of environmental forces and conditions, current situations, future forecasts, resource capabilities and commitments to their purposes, objectives and goals and numerous other influencing factors. Because conditions are changing endlessly and with varying impacts, no single set of strategic endeavors will likely be optimally successful over a long term. Changes necessitate adaptive tactical and strategic alternatives that enable improved, if not optimal, performance and results in the short and long term.

Consider the alternatives posed by the CEOs of two large corporations, i.e., Petro-Canada and Sears Canada, on the same day in late July, 2003. The timing was one of the few factors that was the same. Another factor was declining profits, a major motivator for formulating strategic alternatives. Stated succinctly, the challenges for the energy company were developing long term sources of supply. Patrick Brethour, "Petrocan's 'global gas strategy' bets on prices staying high", *The Globe and Mail*", July 30, 2003, B.1., Based on its monitoring, situational assessments and forecasts, management decided to increase its capital spending by \$225 million (45 percent) for natural gas production. More specifically, the funding was allocated to developing the assets of a recent acquisition, increasing production from existing sources and buying acreage in northern Canada and the USA.

Exploiting natural gas within North America is the first half of the firm's long-term strategy in that sector; building a substantial presence in the liquefied natural gas (LNG) market is the second half." *Ibid.*
In addition to those major strategic thrusts, Petro-Canada planned to strengthen its production from oil sand deposits and expand into the burgeoning Chinese market.

By contrast, the challenges for the large retailer focussed on finding ways to increase profitable sales. Faced with slipping sales, Sears' market research found that "Our on-line customers wants more availability of product". Mark Cohen quoted in Marina Strauss, "Sears partnering with suppliers to expand website offerings", *The Globe and Mail*, July 30, 2003, B.3. To achieve that objective, utilize its competitive advantage of well-developed distribution, including its catalogue business, and counter cheaper products and convenience offered by competitors, the company planned to increase its on-line business by partnering with suppliers to set up virtual shops through Sears' website. The product lines to be brought on-line included electronics, fashions and toys. Ultimately, Sears plans to make everything in their stores available for on-line sale. *Ibid.* In addition to the Internet thrust, the company was assessing other strategic alternatives, including expanding its appliance

lines into more “high-end” merchandise and luxury linens, carrying more toys in some of its stores and increasing its cosmetic offerings.

About the same time, another well-known company, Proctor and Gamble, was exploring three alternatives for its Sunny Delight and Punica juice drink units in Europe. Wall Street Journal, What’s News – United States, *The Globe and Mail*, July 17, 2003, B.9. The three alternatives that it was exploring were: sale of the units; joint venture(s); and licensing opportunities. *Ibid.* Focussing on higher growth, higher margin markets such as health and beauty care and limiting its exposure to the more sluggish food sector were two of the objectives to be achieved by the strategic alternatives.

The three examples are intended to illustrate several key attributes about strategic alternatives: management recognizes the need for them from time-to-time; they are situationally specific; and they rely on activities in the TSMP. However, this Activity will start from an historic perspective and the use of generic strategies and return to situation-specific alternatives. The generic alternatives provide a valuable knowledge base from which to choose useful concepts, principles and evidence for developing sets of more specific “customized” alternatives and, ultimately, their unique composite strategy.

The development of generic strategies

Early development of strategic alternatives

The notion of generic strategies goes back to biblical times when Joseph, while interpreting a vision, advised an Egyptian pharaoh to store grain during seven "good years" so his subjects could eat during the seven "lean years". In the early 1960s, former executive and Massachusetts Institute of Technology Professor Alfred D. Chandler, presented cases outlining the strategies and organizational arrangements of four major corporations. Alfred D. Chandler, *Strategy and Structure: Chapters in the History of the Industrial Enterprise*, Cambridge, Mass., The M.I.T. Press, 1962. The strategies were relatively basic: consolidation or centralization; diversification; vertical integration; and decentralization.

Centralization or consolidation

In practice, this strategic alternative was developed and implemented at E.I. du Pont de Nemours and Co. in 1902. Because of the large and growing number of separate companies owned by du Pont, efficient and economical management was increasingly difficult, if not impossible. Senior du Pont management decided that the companies were out of control. Faced with a crisis that threatened the survival of the then-100 year old company, three duPont cousins, lead by Alfred, decided "to transform this loose federation of many small firms into a consolidated, integrated, centrally managed industrial enterprise." *Ibid.*, p. 55.

Diversification

Prior to World War I, du Pont developed a new growth strategy of diversification.

In effect, the company developed new product lines in quite different industries based on the technology of nitrocellulose chemistry. *Ibid.*, p. 78. The new strategy of diversification was planned and implemented in stages between 1908 and 1918. The first stage was to move the company beyond its explosives product lines. This initiative was taken as a response to a threat of excess capacity which was created by the federal government's cancellation of a major part of its orders for military explosives. Subsequent stages of diversification took du Pont into artificial leather, artificial silk and pyroxylin products, the latter line included photographic film.

Vertical integration

Standard Oil of New Jersey developed and implemented its strategy of vertical integration as a response to two vital needs: the need for a better balance between the different functions of the oil business; and the need to adjust to the rapid changes and expansion of markets caused by the introduction of electric power and the gasoline engine. Electric power curtailed the demand for kerosene, the industry's major product. At the same time, the insatiable demand of the automobile for gasoline and lubricants more than made up for the declining kerosene market. *Ibid.*, p. 171. Standard Oil developed and implemented its vertical integration in two major stages: *backward* into assured supply of crude oil; and *forward* into the expansion of its retail marketing.

Decentralization

Decentralization was the fourth generic strategy that was developed in the 1920s. Sears, Roebuck and Company exemplified the strategy. During the depression of 1920-21, Sears, like many corporations, centralized their operations to achieve better managerial coordination and control. By 1924, Sears had worked out a centralized, functionally departmentalized organization for its mail-order business. Subsequently, the company expanded, in large part, as a result of the vision brought to Sears by General Robert Wood who was appointed President of the company in 1928. His vision foresaw the urbanization of the United States, the growing influence of automobiles on store retailing and increased competition with Montgomery Wards and J.C. Penny in the declining mail-order business, in large part due to dropping farm incomes. Based on General Wood's vision of the changing retail market, Sears created an expansionary, decentralized nationwide retail chain in the late 1920s. The chain was based on three size-based categories of stores: large (A), medium (B), and small (C). By 1929, Sears had 324 stores in operation, most of which were "B" category outlets.

In Sears' early stages of formulating and implementing the strategy, ... the company "made every mistake in the book" in its retail selling and administration. Yet, in the General's opinion, the company's continuing success in retailing can be credited to the original plans. "Business is like war in one respect - if its grand strategy is correct," Wood once wrote, "any number of tactical errors can be made and yet the enterprise proves successful." *Ibid.*, p. 235.

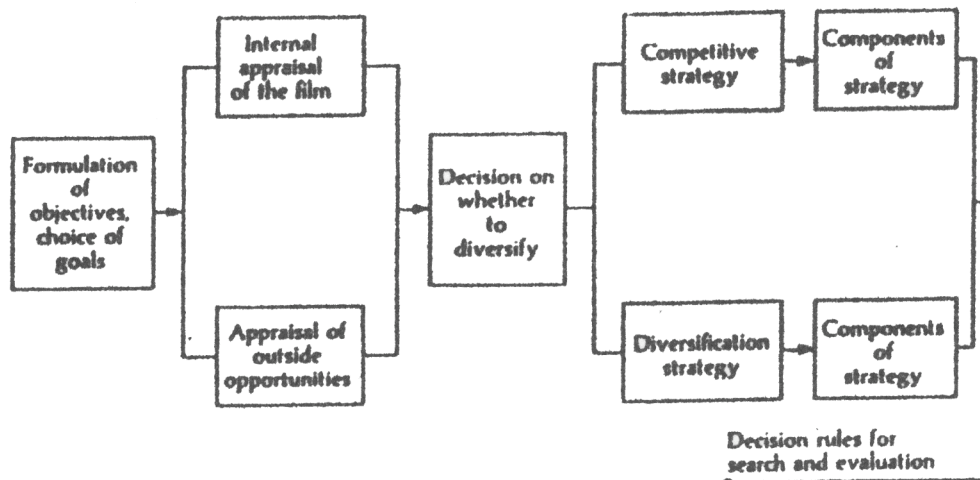
Underlying the grand strategy were three essential and, at that time, "revolutionary" retail store concepts. The first concept was "location, the second was "character" and the third

was lowering unit costs by "mass purchasing and integration" of product lines.

Flowing from Mr. Chandler's exposition of strategy formulation, implementation and adaptation was an "adaptive search method for strategy formulation" developed by Igor Ansoff of Carnegie Institute of Technology. H. Igor Ansoff, *Corporate Strategy - An Analytic Approach to Business Policy for Growth and Expansion*, Toronto: McGraw-Hill Book Company, 1965. Professor Ansoff's generic approach emphasized decision making and focussed on expansion and diversification. (See Exhibit 11A for his basic model.) As the author explains, the strategic decision maker starts by formulating objectives (Activity 6) and goals (Activity 7) within a *purposive* (Activity 1) organization. *Ibid.*, pp. 27 and 29. In the earliest stages, management appraises the organization (Activities 3, 15) and its' "outside opportunities" (Activities 2, 3). Based on that situational assessment, management decides on whether or not to develop strategies for diversification and/or expansion. Historically, companies typically created and initiated strategies that pursued expansion and diversification. For example, from the early 1940s until the present, Hewlett Packard expanded its product line on an on-going basis. With expansion came diversification into innovative or breakthrough technologies, new opportunities and market segments for its products, services, systems and solutions.

Contemporary management has become increasingly wary of expansion and diversification as strategic alternatives. Such wariness has resulted from the increasingly intense market competition and high levels of expertise, specialization and resources that limit market entry or inflict serious costs on companies that are not optimally capable of competing. In recent times, management is likely to be deciding whether or not to consolidate to the company's core competencies or how to divest of peripheral activities, organizational units and personnel. If the decision is made to diversify then the model provides two parallel and, oftentimes, complementary avenues of strategy formulation. For each alternative, numerous vital strategic components must be researched, evaluated and decided upon before implementation is undertaken.

Exhibit 11A
A Simplified Decision Schematic in Strategy Formulation



Clearly, these early generic strategies are basic and relatively simple in nature. However, they provide fundamental principles and guidelines for many of the more sophisticated and complicated strategies that corporations have developed and used, especially since the 1980s. For many organizations, of all purposes, sizes, and situations, in the private and public sectors, generic strategies continue to be useful, either singularly or in combinations with other generic and/or customized strategies.

Contemporary development of generic strategic alternatives

More recently, numerous management strategists and academics have developed approaches to formulating strategic alternatives. Harvard Professor Michael Porter formulated three generic industrial strategies and a basic three stage process for formulating a competitive strategy. See Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press, 1980. In outlined form, the three strategies are:

Overall cost leadership

Overall cost leadership is the strategic objective. To achieve that objective requires the construction of efficient-scale facilities, cost reductions from experience, i.e., learning curve advances, tight cost and administrative control, avoidance of marginal customer accounts and cost minimization of R&D, sales force and advertising activities. *Ibid.*, p. 35. Like the decentralization and vertical integration strategies of the 1920s, control is emphasized in the cost leadership strategy. Achieving low cost leadership requires access to low cost supplies of materials and other inputs, highly efficient technology, mass production, distribution and sales of products, optimal cash management, a large market share and major capital investments. Low cost is used by management to provide competitive pricing advantages, to earn larger profits and to defend against powerful buyers and suppliers as well as provide entry barriers to prospective competitors and attractive substitute goods or services. Examples of low cost leadership strategy successes include nations like China, India and several countries in the West Indies. On a micro level, low cost leadership has been developed and used by companies such as Briggs and Stratton with their small horsepower gasoline engines, Texas Instruments with its calculators, Du Pont with its industrial chemicals and WalMart in mass merchandising. In recent times, many managements, in a wide range of organizations, have "rationalized" their operations, staffing, inventory levels, programs, services, activities and structures by cutting costs, oftentimes severely, even to the point of removing viable components of the organization.

Differentiation

This generic strategic alternative is developed and used mainly by marketing managers to improve the results of their organization's advertising, promotion, distribution and, ultimately, the sales and profitability of their products and/or services. Differentiation takes two general forms: actual; and imagined. Actual differentiation is manifest in physical and/or functional differences in products or services. Mercedes automobiles are actually different from Honda vehicles. Hair stylings, dental care and

accounting services vary perceptively with those who provide the service. Each provider is claiming, explicitly or implicitly, that their product or service is better than others because of their differential advantages, either physical or perceptual. Differentiation provides several advantages for competitive strategies. It offers a viable strategy for earning above-average returns because it creates a defensible position for coping with competitive forces such as the bargaining power of buyers or suppliers, threats of new entrants or substitute products or services and the on-going rivalry of competitors. As a strategic alternative, differentiation often provides protection against competitive pricing if brand loyalty has been developed by its users, enables the seller to increase margins and avoid low cost positions, provide defenses against substitutes and barriers to entry by competitors

Professor Porter identifies five more-specific alternatives to differentiating products and/or services. *Ibid.*, p. 37. The options are *design* or *brand image*, e.g., Mercedes in automobiles, *technology*, e.g., Intel with microprocessors, *features*, e.g., Apple in personal computers, *customer* or *public service*, e.g., Maytag in home appliances or health care services, and *dealer network*, e.g., Caterpillar Tractor in construction equipment. Oftentimes, competitive organizations will combine more than one of the approaches, e.g., Mercedes image with its products' technological and engineering advances.

Focus

The third strategic alternative provided by Professor Porter is focussing on a market segment or niche, a buyer group or product line targets. *Ibid.*, pp. 38-39. This strategic alternative is commonly referred to as niche marketing and is used by small and medium-sized private, public and non-profit organizations. The objective of this option is to serve a well-defined, limited target market better than competitors. Competitive advantages are gained by providing more individualized, even customized, attention, service and/or products for the customers. Such advantages may be achieved by providing low cost, differentiated products or services to a targetted market.

The three marketing alternatives just outlined are often combined with one or more other generic strategic options. Low cost/price leadership has been a common strategic alternative used by companies entering export markets. Starting with toys made from recycled tin cans in the 1950s to sewing machines, cameras, automobiles, electronics and a wide range of other products, Japanese corporations have used low cost/price strategies in their initial stage of market development and then proceeded to differentiation and other alternatives in subsequent stages. Differentiation is commonly used as a main thrust in product line diversification strategies. Automobile, clothing manufacturers and a wide range of consumer products companies have used such strategic alternatives for decades.

During the 1980s, many more efforts were made to develop ways of identifying and formulating strategic alternatives. One typical approach could readily be referred to as the "growth" mindset. One set of growth strategies includes the concentration on a

single product or service, concentric or product/service line expansion, horizontal diversification or integration, vertical integration, conglomerate diversification, mergers or acquisitions, joint ventures, harvesting, retrenchment and combinations of these and other alternatives. Please see Lloyd L. Byars, *Concepts of Strategic Management: Planning and Implementation*, New York: Harper and Row, Publishers, 1984, pp. 77 - 100. Various reasons persist for pursuing growth strategies. "One of the most important reasons is the values held by either the top manager or the top management team. Many top managers equate growth with their own personal effectiveness" as well as increased compensation, e.g., stock options. *Ibid.*, p. 81. Several studies, although dated, found that companies pursuing growth strategies had:

- * substantially higher sales and profits than other companies in the same general environment Peter Guttman, "Strategies for Growth", *California Management Review*, vol. 6, no. 4 Summer, 1964, pp. 31-36.
- * a direct and positive relationship between growth strategy and return on investment R. D. Buzzell, B.T. Gale and R.G.M. Sultan, "Market Share - a Key to Profitability", *Harvard Business Review*, vol. 53, January-February, 1975, pp. 97-106 and
- * a corresponding increase in effectiveness Patrick Conley, "Experience Curves as a Planning Tool", in Robert Rothberg, *Corporate Strategy and Product Innovation*, New York: The Free Press, 1976, pp. 307-318.

Subsequently, Professor Porter's typology was challenged by Henry Mintzberg. Henry Mintzberg, "Generic Strategies: Toward a comprehensive framework", *Advances in Strategic Management*, Vol. 5, Greenwich, Ct: JAI Press, Inc, 1988, pp. 1-67. In an exhaustive review, disaggregation and assessment of generic strategies, Professor Mintzberg identified dozens of generic strategic alternatives ranging from simple lists to descriptive statements, matrices and various diagrams of systems, processes and strategic structures. The strategies emanated from companies, like Alcoa, Coca Cola, General Motors and Steinbergs, consulting firms, eg, Boston Consulting, Arthur D. Little, and academics such as Harrigan, Porter and Rumelt.

Professor Mintzberg synthesizes the vast body of strategic alternatives knowledge into a single, logical hierarchical framework of five generic strategies. The framework is based on the core business or mission of organizations, including non-profit and non-government organizations (N.G.O.s). The five levels and their main sets of generic strategic alternatives (*italicized*) follow in outlined form:

Level A. Locating the core business - At this level, strategic alternatives relate basically to the organization's position or stage in the extracting-refining-production-distribution chain. Options include *upstream*, *midstream* and *downstream* strategies that relate to the flows and uses of products and/or services. "... all kinds of uses are sought for the basic upstream product". *Ibid.*, p. 10. Midstream strategies draw a "variety of inputs into a single production process out of which flows the product to a variety of users... ." *Ibid.*, pp. 10-11. Where "a wide variety of inputs converge into a narrow funnel", then downstream alternatives are considered. *Ibid.*, p. 11.

Level B. Distinguishing the core businesses - Three sets, i.e., *business*, *differentiation* and *scope*, of options are provided. Business strategy areas include sourcing, processing, delivery, design and supporting strategies. Differentiation alternatives can be achieved by product/service pricing, imagery, quality, support, design and undifferentiated strategies. Scope options include non-segmented, segmented, niches and customized market strategies.

Level C. Elaborating the core business – This strategic option is pursued by selecting *penetration*, alternatives, e.g., expansion, takeover and harvesting; *market*

development options such as elaboration, substitution and market consolidation or *market expansion* and *product development* strategies like product line extension, proliferation and rationalization alternatives.

Level D. Extending the core business - Four sets of alternatives are available at this level. The *chain integration* includes upstream and downstream (vertical) and tapered integration and impartation alternatives. Related and unrelated diversification alternatives as well as internal development and acquisitions are referred to as *diversification* strategies. A combined *integration-diversification* set includes by-product, linked, i.e., alternatives that are "linked in all kinds of vertical, horizontal, and lateral ways with the original core business" *Ibid.*, p. 49. and crystalline alternatives, i.e., a "vigorous product developer" whereby the organization is "less concerned with what official business it is in than with pursuing business opportunities through its competences, wherever they happen to take it." *Ibid.*, p. 50.

Level E. Reconceiving the business - Strategic alternatives at this level take management "back to basics", i.e., their purposes and competitive advantages, by having them consider *business redefinition*, *business recombination* and *core relocation* options. Such alternatives are based on the classic question: What business is the organization in? They are used when management discovers that the organization has diversified unwisely and have drifted away from their purposes, aims and strengths.

Professor Mintzberg recognizes the confusion that may be inherent in his efforts to provide a comprehensive framework of strategic alternatives. But no one ever claimed that developing strategic alternatives would be clear and easy, especially for complex organizations like global corporations, departments of government and international charities. To further complicate the problem of developing strategic alternatives, Henry Mintzberg provides two generic sets of contextual conditions, i.e., stable and dynamic, for strategic alternatives. *Ibid.*, pp. 4 and 5. Each of these contexts are characterized by several attributes. Stable environments for strategies enable management to consider such factors as the amount, e.g., size and strength, quality, comprehensiveness, commitment and riskiness of the alternatives. Dynamic environments require strategists to assess the changefulness, speed and pace of change and leader-follower position facing the organization and its management.

More recently, Professors Arthur Thompson and A. J. Strickland wrote a textbook that presents numerous strategic alternatives and combinations in the following categories:

1. competitive strategies, including Porter's cost leadership, differentiation and market focus or niche alternatives;
2. offensive strategies to secure competitive advantages, including initiatives to match or exceed competitor strengths or to take advantage of competitor weaknesses, simultaneous initiatives on several fronts, end-run and guerrilla offensives and preemptive strategies;
3. defensive strategies to protect competitive advantages, including broadening the firm's product line to close off vacant niches or gaps to would-be competitors, introducing products that match competitors, keeping prices low on products which closely match competitors, offering exclusive agreements

- and various purchasing incentives for distributors, reducing delivery time, and increasing warranty coverage;
4. vertical integration which tends to increase certainty, consistency and quality of supply, lower or maintain costs and create other competitive advantages;
 5. first mover strategies which focusses on when to initiate, e.g., *first mover*, *wait and see* or *follower*, strategic alternatives;
 6. strategies for competing in emerging industries, notably how to finance the development and start-up stages, what market segments to compete in and how to achieve market position and/or industry leadership, e.g., technology exploitation or product variety and quality improvements
 7. strategies for organizations in maturing, saturated or declining industries such as increased effort to innovate the manufacturing, distribution and marketing processes, cost reduction and cutting back ("pruning") the product/service lines and entering new markets ;
 8. strategies for competing in international markets including licensing foreign firms to use the company's technology, products/services, its name and goodwill, low cost or quality leadership, focussing on one country, one market niche in several countries or expanding to several, usually similar, countries;
 9. strategies for:
 - a) industry leaders include taking, maintaining and/or increasing offensive initiatives;
 - b) runner-up that include concentrating on opportunities or niches that have been overlooked or neglected by market leaders and providing the optimal mix of quality, service and competitive pricing, becoming a specialist in a narrow of field, develop a distinctive image/reputation or follow-the-leader; and
 - c) weak organizations include harvesting the most value out of existing products/services and/or business units, defend and fortify, even broaden and differentiate products, services and/or the organization;
 10. turnaround strategies for organizations in crises such as reorienting or revising strategies, cutting costs, increasing revenues and/or selling assets; and
 11. diversification strategies which include ways of entering new industries or markets, diversifying in related or unrelated industries or markets, divesting or liquidating, retrenching, reinventing, structuring or turning around the organization.

Arthur Thompson and A. J. Strickland, *Strategic Management: Concepts and Cases*, Chicago: Richard D. Irwin, Ninth Edition, 1996, pp. 117-207.

By this point in the discussion of various alternative generic strategies, it is clear that numerous options are available to managers, either singularly and/or in combinations, at different stages of strategic formulation and implementation and for different stages of strategic, organization and/or market development. Management has been well-provided with generic strategic alternatives. Now the challenge is to determine the ways necessary for optimizing their organization's strategic endeavors.

Processes for Formulating Strategic Alternatives

Given the realities of complex, changing conditions in the external and internal environments of organizations, complete, multidimensional and dynamic approaches are needed for the optimal development of strategies. Oftentimes, several strategic alternatives need to be formulated, in different combinations and in conjunction with organizational tactics and resource allocations that will enable management to select the most desirable set of actions for the stakeholders of the organization and its environment.

Every strategic manager will have his/her own way of developing different means to achieving the aims of the organization. In a small company, the owner/manager might have a "bright idea" about how the firm might beat the competition in the local market. The manager may "float", "bounce", i.e., discuss, the notion with company staff, maybe a "friendly" banker, accountant, lawyer, other business confidant and/or spouse. Larger organizations, with more resources available, will likely take more structured approaches, involving management, staff, advisers or consultants, maybe even suppliers, customers or psychics.

Professor Michael Porter offers a generic process for formulating competitive strategy. *Porter, loc. cit., pp. xix-xx.* His process includes the following stages and steps:

A. What is the Business doing now?

1. Identification: What is the implicit or explicit current strategy?
2. Implied assumptions: What assumptions are being made about the company's relative position, strengths and weaknesses, competitors and industry trends for the current strategy to make sense?

B. What is happening in the Environment?

1. Industry analysis: What are the key factors for competitive success and the important industry opportunities and threats?
2. Competitor analysis: What are the capabilities and limitations of existing and potential competitors, and their probable future moves?
3. Societal analysis: What important governmental, social and political factors will present opportunities or threats?
4. Organizational strengths and weaknesses: Given an analysis of industry and competitors, what are the company's strengths and weaknesses *relative to present and future competitors*?

C. What should the Business be doing?

1. Tests of assumptions and strategies: how do the assumptions embodied in the current strategy compare with the analyses in B. above? How well do prospective alternatives meet organizational criteria such as objectives and goals?
2. Strategic alternatives: what are the feasible strategic alternatives, given the previous analyses? Is the current strategy one of the alternatives?
3. Strategic choice: what alternative best relates the company's situation to external opportunities, threats and other influential forces and conditions?

In contrast to Professor Porter's generic approach to developing strategic alternatives, the following vignette illustrates how the management of one fictitious company developed strategic marketing alternatives to cope with declining sales, market share and profits in Romania.

Parikh Pharmaceuticals International (PPI)
- developing strategic alternatives

Parikh Pharmaceuticals International, (a pseudonym) a Calcutta-based company, entered the Romanian market in 1997. At that time, the two market leaders had market shares of 43 percent and 20 percent respectively. By 2000, the company's leading product had sales of just over 4 million tablets (13.3 percent of market share). The following year, sales of the product rose to 4.2 million tablets although its market share declined to 11.7 percent. The market was growing at roughly 20 percent annually and PPI was losing market share, a matter of considerable concern to its senior management. Under the auspices of its Regional Manager, the company undertook an in-depth analysis and formulated strategic alternatives that dealt with:

- * market growth and customer usage;
- * competition and territorial coverage;
- * government's reimbursement program for products provided to hospitals and public clinics;
- * willingness of the Romanian distributor to invest and grow with the market and Parikh International;
- * resource constraints, including competent "nationals" to perform the marketing activities necessary to increase market share and profits; and
- * goals of attaining sales of 15.55million tablets and 25 percent of the market share by December 31, 2005.

After a thorough assessment of its competitive position, company capabilities and projected environmental circumstances, the Regional Manager decided to pursue a general strategy of being the best cost provider and proposed a set of more specific strategic alternatives related to marketing, logistics and human resource management. The marketing alternatives included:

1. searching for new customer segments, including several hospitals and clinics and other high volume users;
2. increasing the market coverage from the seven "most important counties" to the counties where the sales growth met or exceeded 20 percent annually;
3. repositioning its two main products for use by patients suffering non-ulcer and ulcer conditions;
4. creating more brand loyal prescribers, notably doctors, by focussing promotional programs and sales efforts at those with the greatest opportunity to prescribe Parikh's tablets for ulcer and non-ulcer gastric conditions;
5. trying to convert "heavy prescribers" of competitive brands to Parikh's products by selecting the 10 largest prescribers of competitive brands in each of the targetted counties and prepare plans to persuade the "heavy prescribers" to switch to Parikh's products;

6. participating in medical conferences, particularly the "national congresses" where large numbers of doctors would be present and exposed to Parikh's promotional activities, notably, discussions with medical experts, product sampling, hospitality rooms and company signage and professional materials; and
 7. having Parikh's products included in the reimbursement list of the government's hospital's and public clinics. In a country with national public health programs, this alternative was the most important and the highest priority for Parikh's marketing strategies and tactics in Romania.
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Other guidelines for developing strategic alternatives

To assist further in formulating strategy alternatives, managers are urged to consider whether or not:

1. they recognize that organizational values determine their goals and are key criteria in developing strategic alternatives; Rainer Fuerer and Kazem Chaharbangi, "Achieving a Balanced Value System for Continuity and Change", *Management Decisions*, Vol. 33, Issue 5, 1995, p. 44.
2. they realize that the perceptions of senior management provide important context and influence the strategy development process; Andy Bailey and Gerry Johnson, "Strategy Development Processes: A Configurational Approach", *Academy of Management Journal*, Best Papers Proceedings, 1995, p.2.
3. they understand that the involvement of boards of directors in strategy formulation depends on the board's structure and style as well as the business culture of the society in which the company is based; R.I. Tricker, "The Board's Role in Strategy Formulation: Some Cross-Cultural Comparisons", *Futures*, Vol. 26, Issue 4, May, 1994, p. 403.
4. they not limit their strategic options to a specific competitive environment. Various alternatives, feasible in different sets of circumstances, need to be developed to ensure that management is enabled to meet the strategic challenges of changing environments. Environments tend to change incrementally if they are well-monitored and dramatically if they are ill-monitored.
5. strategy development should be a continuously evolving process that is adaptable to changing circumstances, such as the annual rolling forward approach;
6. a formulated strategy can be implemented readily Rainer Feurer and Kazem Chaharbangi, "Dynamic Strategy Formulation and Alignment", *Journal of General Management*, Vol. 20, Issue 6, Spring, 1996, p. 76 as well as economically, efficiently and effectively; and,
7. although cost analyses are useful bases for evaluating strategic alternatives, performance measures alone are inadequate to determine which is the best alternative John Lenz and Ray Neitzel, "Cost Modeling: An Effective Means to Compare Alternatives", *Industrial Engineering*, Vol. 27, Issue 1, January, 1995, p. 18.

Now, based on the analytical frameworks presented in Activity 3, the approaches, guidelines and numerous options available for developing strategic alternatives provided in this Activity and your own knowledge, assess the following "four options facing Eric Molson".