

Strategy and its importance for competitive advantage



**ASSIGN
BUSTER**

A company's strategy is organization action plan which is running the business and conducting operations. Especially this can mention as managerial commitment to achieve their goals. Companies target on gaining sales and market share at the expense of competitors and companies which are in strong industry position are more reflect on the strategy what they use (Helfat, 2004).

Through the action Plan Company can enter its competitors and can make the goals and strategies to meet their market place. A company should formulate a business strategy which incorporates cost leadership or differentiation to achieve a sustainable competitive advantage.

Michael Porter introduced two basic types of competitive advantages which are cost advantage and differentiation advantage. Cost advantage exists when company can give same benefits as competitor with lower cost. And differentiation advantage exists when the company can make different benefits or the value to the customer from their products. As an Example BP is using combination of Crude oil and natural energy such as solar power to give differentiation to their customers and it is a well successful strategy.

Source: [http://www. bp. com/sectionbodycopy. do? categoryId= 2&contentId= 7065607](http://www.bp.com/sectionbodycopy.do?categoryId=2&contentId=7065607) (Access on 20th May 2011)

There are several technical tools which are used to analysis situations in strategic Management. STEEPLE is one of it shortening the external environment in a business operates and concerned with the political, economic, social factors influential industry change and helps to gain a better understanding for external conditions for growth in a market.

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

Companies or the decision makers can develop effective strategies by using GE Matrix as well (Thomas, O'Neal, and Ghertman, 1997).

The porter's five forces investigation helps to diversity a competitive environment. For example, BP analyzes the market for Quality oil production. Five forces analysis describe five key areas exclusively the threat of entry, the power of buyers, the power of suppliers, the threat of substitutes, and competitive rivalry (Bettis, 2004)

Figure1. Porter's Generic Strategies

(source: <http://www.google.co.uk/search?q=Porter+five+forces+analysis&hl=en&client=opera&>)

Competitors for BP

Shell, Sharp, Kyocera, Solar, and BP are the current major players in this industry. Price differences are not big among these companies, solar energy is already expensive technology to produce, so its cost of production is very high, but it is environmental friendly. BP has mass production, so it can face to price rivalry happen.

Business strategy in BP

BP enter of solar market in 1973 and produced BP solar in 2000, it was one of main strategy to face current oil crisis and environment issues. BP solar becomes profitable but it is not prominently spread among the public, so government involvement is important to become popular of solar power.

Evaluating BP External Environment

BP is one from the world leading Multinational Corporation which produces Consumer energy, and it is UK based organization. BP's SWOT analysis can be mentioned as follows.

Strengths

World third largest energy company

Operation spreads worldwide

Strong Brand loyalty

Good brand image

Financial strength of the company.

It has vertical integration operation system.

Weaknesses

Increase the petrol price in UK

Has to paid criminal charges due to spread huge amount of oil in the Alaska Sea in 2006.

Reduce in natural gas and crude oil production.

Criticism and Controversies

Opportunities

Has high investment capacity

Research to investigate alternative fuel such as Hydrogen, Solar, Wind and natural gas

Extension of acquisition of North sea area

Increase demand for natural gas in USA and Europe countries.

Implement more flexible price policies to face their competitors.

Gas and Oil exploration

Treats

Unsound policies related to Environment after oil and toxic spill in 2006.

Explosion of refinery tunnels in occasionally

Has big rivals such as Shell and Chevron

Sold corporate owned stations.

Pipeline corrosion

Instability in some oil and gas producing countries and regions

Table. 1. SWOT analysis of BP

By implementing proper marketing policies and practices company will make its market position. BP culture so distinctive because they focus on customer, and believe BP is better than all other Energy produce companies.

Source: ([http://www. bp. com/genericarticle. do? categoryId=2012968&contentId= 7059787](http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7059787))

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

Effectiveness of Current Business Plans

BP business plan has advantage in the Research and investigation area. The crude oil plus the solar power combinations was very successful strategy implemented in recently. Products segmentation, explorations and productions, significantly company restructuring, improve cost efficiency, centralized company departments are their current strategies to compete with rivalry and increase company profits.

Task Two

Strategic Options

Strategic Options is an important facet and it helps to craft company's alternatives and provide safe and keep up the competitive situation. After situation analysis company can create strategic options to devise organization's external atmosphere and can scrutinize the potential.

BP has a comprehensible strategy to invest to raise investigation and manufacture advantageously through a mixture of leadership positions in the world's most productive hydrocarbon basins. BP creates value through the appliance of technology and potential to force performance and operating efficiency. The procedure and technology offers extensive chance for further expansion and improvement.

The international requirements for energy for the next 20 years are such that hydrocarbons are still going to have a leading part in meeting that energy demand. BP supports emissions trading mechanisms as a means of putting a value on carbon in order to make appropriate investment decisions.

BP spends on growing technology budget on potentially most competitively profitable innovations both in open and new power spaces. It is both a strategic option and an opportunity for BP when comparing with the rivals as BP is strategically positioned themselves in a highly innovative R&D processes which is unmatched by the rivals easily. While facing major challenges of dilapidated supplies and defense of supply in oil and gas, global warming and insist for pure energy in major markets, BP's percentage of expend on novel technologies is growing. BP has a decentralized en route for R&D units. It also drives the strategic positioning of BP in competition among rivals. Operational excellence in acquiring right technologies from within and outer the organization and strategically as a winner of chosen new technologies, BP is keeping its innovation leadership in the industry. With an aim of being "twice as good as next best competitor" BP's innovation schema is far above the ground outline. Hence a low cost strategy is an ideal positioning for BP while serving to a large market segment that prefers a standard product.

Corporate Mission of the BP

BP mentioned that their goal for next few years to realize the latent impending of their advantage base by improving the efficiency and effectiveness of everything they do. They will dynamically drive cost and capital efficiency whilst at the same time maintaining the first main concern of safe and reliable operations.

Objectives of the BP

BP has some objectives for their growth in 2015. And all employees are working as a team to achieve company goals.

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

Average 1-2% p. a. volume growth to 2015

Underpinned by upward resource base and quality through preference

Key sources of growth beyond 2015 will come from:

Increasing deepwater

Leveraging expertise in gas

Managing world's enormous oilfields

Enabled by application of technology

Source-: <http://www.bp.com/sectionbodycopy.do?categoryId=2&contentId=7065607>

Values and ethics of the BP

BP is a compilation of resources and there people working together. To attain business objects they focus on sustaining and encouraging their leaders and staff. And they maintain recruitment stands and developing people skills at every level. BP is a well distinguish organization and wants to do some different in the world. BP is a performance driven company which is competitively booming. Through all this they prefer high ethical stand.

Directions and methods of Strategic Options

BP's direction is clear and it is the unrelenting pursuit of competitive leadership in respect of cash costs, capital efficiency and margin quality.

The ' Strategy Clock' is another suitable way to analyze a company's destructive position in comparison to the contributions of competitors. The Ansoff Growth matrix tool which is helps businesses to decide their product and market growth strategy.

Figure 02. Ansoff Market mix

(Source-: http://tutor2u.net/business/strategy/ansoff_matrix.htm)

Steps to develop Strategic Options at BP

To develop strategic options company can use following steps.

Access the external context

Priorities and gather

Develop strategic options

Rate the options

Follow up

Evaluating strategies at BP

SOP Matrix is a tool which can use to identify the company relevant strategies through external environmental factors. As an example BP Opportunities and treats as below and by indentifying the external environmental factors can recognize the relevant strategies options.

Opportunities

Opportunities

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

Strategic Option

A

Has high investment capacity

Invest in HR development and through that develop the skills of the staff members. At the same time invest in market opportunities.

B

R&D to investigate alternative fuel such as Hydrogen, Solar, Wind and natural gas

By research can find the best alternative and company can give attention to that.

C

Extension of acquisition of North sea area

Can develop deep sea oil well.

D

Increasing demand for natural gas in USA and European countries.

Efficient and effective resource allocation to maximize profit.

Implement more flexible price policies to face their competitors.

By price reducing can get more customers on their products

Gas and Oil searching

Will help to increase their market values and can demand them among the competitors

Treats

Treats

Strategic Option

Unsound policies related to Environment after oil and toxic spill in 2006.

Understand the policies and work with less effect to environment

Explosion of factory tunnels in occasionally

By keeping the brand image without harm can face the problem

Has big rivals such as Shell and Chevron

To make company as No1. And more promotional works

Sold corporate owned stations.

Buy the stations

Pipeline decomposition

Should check the pipeline back and do the needful changers

Insecurity in some oil and gas producing countries and regions

Should find some more producers in case to use.

BP's existing company strategies are,

- 1) Safe, obedient and consistent operations
- 2) Operational and financial force – high dividends and cost diminution program

Task Three

SMART Objectives of BP

BP Objectives are prepared according to SMART (Specific, Measurable, Achievable, Realistic, and Timed). That means it should be particular about what we are going to achieve and should calculate about the objectives.

There are a several types of objectives like process objectives, outcome objectives, personal objective that all can be done in the SMART format.

BP's five year plan objectives are,

Increase profitability by 20%

Increase production

Financial gain by serving to the increasing demand

Build brand value that was affected by the oil spills

Five year development plan for BP

Business plan is a statement about company's future goals and plans to achieve those goals. This can be externally focus or internally focus.

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

BP's Strategies in development can position as,

Upstream growth

Downstream turnaround

Alternative Energy: alert disciplined Corporate overview

In the upstream will hub on cost and capital efficiency to distribute profitable growth. In the downstream will drive additional efficiencies and a focus on quality and incorporation. They will maintain their disciplined approach to substitute energy and will carry on unlock corporate efficiency through a culture of uninterrupted enhancement.

Five year development plan for BP

#

Objective

Strategy

Actions

Performance Indicators

Time Period

1

Increase profitability by 20%

Research and development

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

Hire most qualified researchers

Innovative ways of doing things

One year

2

Increase production

Acquisition of north sea area.

Negotiations with governments and agreeing for a joint profit sharing.

Coming into an agreement with relevant governments

Two years

3

Financial gain by serving to the increasing demand

Sales and Marketing approaches to increase market share

Recruiting experienced sales and marketing people and objective training

Acquiring new market opportunities, increase the market share

One year

4

Build brand value that was affected by the oil spills

Communication and promotion strategy

Using new media opportunities of social media to build brand name again, invest in CSR activities in Go Green.

Reduce the black mark

3 years

Evaluating and implementing the plan

In business strategy, Johnson, Scholes and Whittington shows a model in strategic options are evaluated next to three key success criteria such as Suitability, Feasibility, and Acceptability.

Source-: http://en.wikipedia.org/wiki/Strategic_management

#

Objectives

Time Line

1 year

2 year

3 year

4 year

1

Increase profitability by 20%

X

2

Increase production

X

X

3

Financial gain by serving to the increasing demand

X

4

Build brand value that was affected by the oil spills

X

X

X

Table. 03. Five year BP strategic plan

Conclusion

When it is mention about the strategic management and the leadership strategic planning is a major part of it. Strategic planning can divide in to three stages as strategic Analysis, Strategic Options and Evaluation and Implementation. The British petroleum Corporation is a well established organization in petroleum industry and here it is mentioned about the strategy and competitive advantages of the BP and the technical tools which

<https://assignbuster.com/strategy-and-its-importance-for-competitive-advantage/>

could they can use to analysis situations. The porter's five forces investigation helps identify the competitive environment BP analysis their market for Quality production.

There are so many competitors like Solar, sharp in the market and BP establish with mass production. By doing the SWOT analysis it's helping company to identify the internal and external environment of the company. BP is focused on customers and they believe in their productions.

They used the oil plus solar power combination and they used product segmentation, improve cost efficiency and some more strategies to increase their profits. They have created value through technology and this is a barrier for their competitors.

Company can use strategy clock, Ansoff growth matrix tools to analysis their position in the market. To develop strategic options first it should identify the external context and priorities and clusters. Then it should develop the strategic options. SOP matrix is best tool to identify the strategies of the company.