

3 Industry-Structure Analysis (Supplementary Discussion)

Strategic Group and Mobility Barrier – Variance in Profit Ratio in Industry

0. Strategic Group and Positioning Subculture

◇ Criticism on Porter's industry-structure analysis (Positioning approach)

"Given that an industry structure sets a profitability of that industry, there are some instances in which the profit variance between corporations exists within the same industry over a long span of time."

→ In response, the positioning approach has attempted to make a consistent explanation by using the concepts of Strategic Group and Mobility Barrier.

1. Strategic Group Is ...

◇ Strategic Group: a group of corporations that employ the similar strategy in a particular industry

◇ Strategic Dimension: a linchpin to discriminate strategic groups

- Level of specialization (product line, customer segment, sales territory)

- Level of vertical integration

- Level of valuing brands

- Selection of distribution channel

- Quality policy, technological strategy

- Standing in terms of cost

- Relationship with parent companies

and others

2. Examples of Strategic Groups

◇ Analysis on U.S. "White Goods Market" by Hunt (1972)

⟨ Strategic Dimension ⟩

Vertical axis: Level of vertical integration

Horizontal axis: Scope of product line

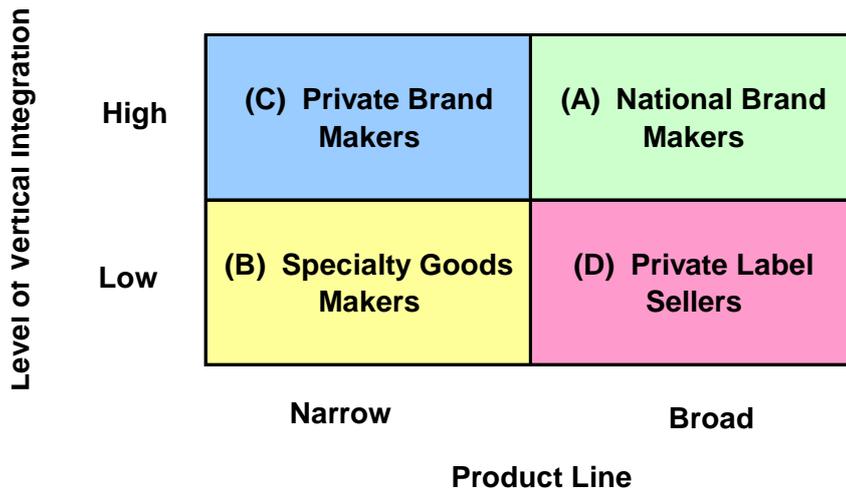
■ Strategic Groups of American White Goods Market

(A) National brand makers: Group characterized by broad product line, deep vertical integration, massive national advertising, exclusive distribution, wide spectrum of service network

(B) Specialty goods makers: Group characterized by high quality, selective distribution and high price

(C) Private label makers: Group that produces private-brand products

(D) Private-brand sellers: Group that sells products under private brands



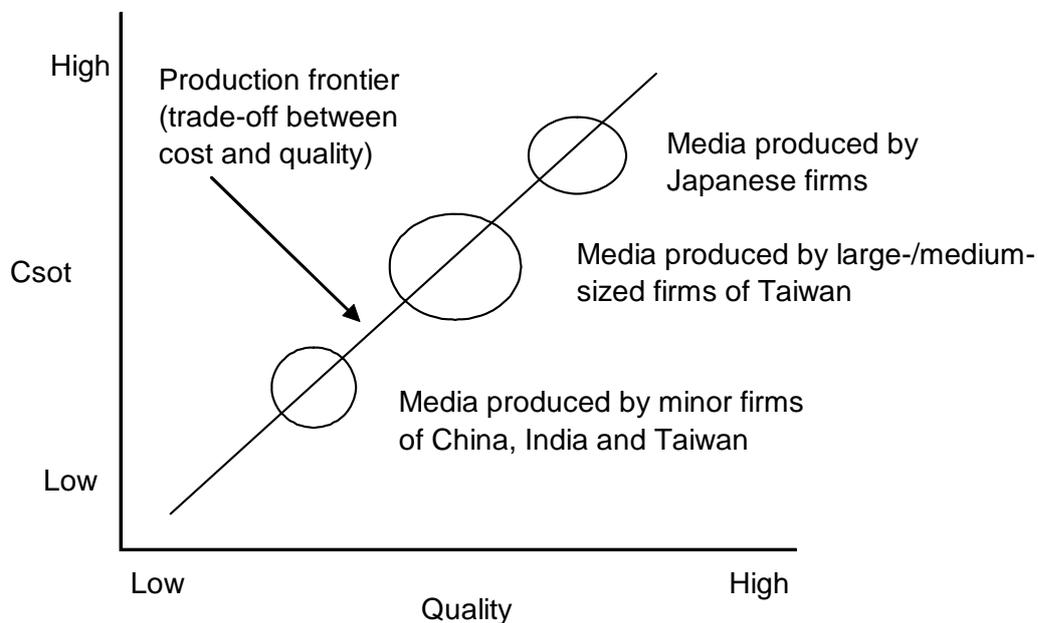
Hunt, M. (1972), *Competition in the Home Appliance Industry, 1960-1970*, Ph.D. Dissertation, Harvard University

◇ Strategic Group Analysis of Optical Disk Media by Shintaku et al. (2005)

〈Strategic Dimension〉

Vertical axis: Production cost

Horizontal axis: Product quality



Origin: Shintaku et al. (2005), Development Process and Issues of Taiwanese Optical Disc Industry, *Akamon Management Review*, 4 (3)

3. Mobility Barrier

3.1 Mobility Barrier Is ...

- ◇ Structural barrier that blocks one's mobility among strategic groups
- ◇ A firm which belongs to a strategic group with a high mobility barrier is possible to sustain a greater profitability as compared to another belonging to the one with a lower mobility barrier
(= Explanation on a variance in profit among firms in the industry)
- ◇ Concept having a resemblance to the "entry barrier" in the industry level

■ Difference between Entry Barrier and Mobility Barrier

Analysis Unit	Sources of Competitive Advantage	Variance in Profitability
Industry	Entry Barrier	Variance among Industries
Strategic Group	Mobility Barrier	Variance among Groups in Industry

3.2 Constituent Elements of Mobility Barrier

(1) Economic Mobility Barrier

- a) Scope of product line: Vast amount of investment, burden of model change
- b) Vertical integration: Capital quantity required

(2) Organizational Mobility Barrier

- ◇ Some structure or peculiarity per se of a corporate organization may constitute a mobility barrier.

■ Example of American White Goods

- Specialty makers: Strategy to bear a high research cost and develop epoch-making new products
→ Organizational structure and a performance appraisal system to allow risks
- National-brand firms: Performance appraisal system by a stability-oriented organization and a short-term profit
→ For a national-brand firm to enter into the group of specialty makers, the firm needed to change its own organization. (= Organizational mobility barrier)

■ Example of Japanese Semiconductor Industry (the 1980s)

- Group whose core business was computers (NEC, Fujitsu, Oki Electric)
- Strong hookup between core products and semiconductors
→ Concentration of managerial resources on the semiconductor business
- General electronics group (Hitachi, Toshiba, Mitsubishi)
- Having many business sectors including growing ones, concentrating resources on semiconductor was difficult.

→Positioning of certain business within a firm—or a way this business pertains to other businesses—constitutes an organizational mobility barrier.

(3)Strategic Mobility Barrier

◇While a firm intends to move over from certain strategic group to another, if a strategy required in the new group contradicts this firm’s traditional one, that move becomes difficult.

-Draft beer to Kirin

4. Limit of Explanation about Variance among Firms by Using Strategic Group

◇In the “strategic group”, a structural barrier (Entry Barrier) assumed for an industry level in the “industry-structure analysis” is assumed for the strategic group level (Mobility Barrier).

→The attempt has been made to explain about variances among firms without tracing each firm’s identity, while maintaining the basic framework of the traditional positioning approach.

→However, this has left such a case unexplained as the one in which the variance in business performance among firms is observed within the same strategic group.

Consequently,

→Attention has to come down to a unique “capability/resource” possessed by an individual corporation (RBV, organizational capability theory)

