

Research on the Choice of Focus Strategy Based on ELC

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Abstract: This paper aims to research the options of the focus strategy in different phases of enterprise life cycle. Following the introduction of why, what and how to make a research on the focus strategy in different life cycle stage, the authors illustrated the definition and the category of the focus strategy, and then indicated the significance and the condition of the focus strategy. Moreover, we have analyzed the specific characteristics of the strategy environment in different enterprise life cycle stage, based on which the feasible options of the focus strategy in each stage has been presented.

Keywords: ELC (Enterprise Life Cycle); Focus Strategy; Multi-point Parallel Focusing; Mono-point Precision Focusing

1 Introduction

In 1990, C.K. Prahalad and Gary Hamel put forth that the enterprise have to own its core competence if it wants to get the competitive advantage^[1]. However, the essential definition is the focus. The focus means that the enterprise focuses its resource on the main business and the key process to do its key specialty. In last century, many top 500 enterprises in the *Fortune* had carried out the diversification strategy, but most of them failed. Thus they became to adopt the refocusing strategy.

In 21st century, the era is the time of the economic globalization, the competition become more and more dramatically. With the development of the science and technology and the individualization of the consumer demand, the product life cycle become shorter and shorter, the divisions of the industry become more and more fine. Any enterprise can't do all the products in the same industry or all the processes in the same product chain because its resource and ability are limited^[2]. Therefore, the enterprise has to found its strategy focus and fulfill its focus competition advantage in the speedy economy. The sustainable development of the enterprise runs according to the rule of some life cycle. In different life cycle stage of the enterprise, the characteristics of its environment, the resource, the ability and the market are different^[3]. Therefore, the research on the focus strategy can make the strategic management of the enterprise have the purpose, pertinence and application. So the paper aims to research the choice of the focus strategy in different enterprise life cycle. Part 1 introduced why, what and how to make a research on the focus strategy in different life cycle stage. Part 2 illustrated the definition and the category of the focus strategy. Part 3 indicated the significance and the condition of the focus strategy. Part 4 analyzed the specific characteristics of the strategy environment in different enterprise life cycle stage. Part 5 put forth the feasible choice of the focus strategy in different enterprise life cycle stage. Part 6 made the relevant conclusions of the research.

2 Definitions and Category of Focus Strategy

2.1 The definition of the focus strategy

The focus strategy means that the enterprise focuses the limited resource and ability on a special object such as the products, the service, and the region and so on, he can served the special market much better than his opponents, and then establish the comparative competitive advantage. Therefore, based on analyzing the external and internal environment of the organization, the focus strategy focuses his production or operation on some special customer group, some part of the product line, or some region market etc. the focus strategy not only focused on producing some special product but also serving some special customer and regional market. So the core of the focus strategy aims on some special customer group, some special product line, some segmentation market, and so on. The mission of the focus strategy is to obtain local competitive advantage through fulfilling the specialty of the organizational management, brand, channel, capital, innovation, and integration and so on with the higher efficiency and the better effectiveness^[4]. And then the enterprise can realize the long-term development with the experience of a selected spot to promote the work in the entire area.

Most enterprises wasted much more resource and used them inefficiently or ineffectively because they were deficient in the integration and focusing of their resources. Therefore, the scale of the enterprise is not inevitably relevant to his strength. If the enterprise couldn't fulfill his enough resource reasonably, it would result in the overstaffing in organizations, the slow and sluggish response, the

wasting of the resources and so on. However, if a small scale enterprise could focus his resource efficiently on a point, he would be No. 1 in the spot. The enemy is not afraid of the huge stammer for he can easily avoid it, but he will be afraid of the arrow for its sharpness and speed.

The focus strategy is the extension of the cost leadership strategy and the differentiation strategy in some special market. However, the essences of them are all the same. The essence of the cost leadership strategy is to obtain the competitive advantage through focusing the organizational resource and ability on reducing the cost of the R&D, the outsourcing, the manufacture, the logistics, the agent, and the marketing and so on. The essence of the differentiation strategy is to obtain the competitive advantage through focusing the organizational resource and ability on meeting the diversified demands of the customers by providing the diversification, the individualization, the instant and the potable product or service. The essence of the focus strategy is to obtain the competitive advantage through focusing the organizational limited resource and ability on some special object and servicing the customer in the special market better than the opponents.

Therefore, the common of the three strategies that they are all focusing the organizational limited resources and ability on some special aspects to obtain the competitive advantage. However, the difference of them is that the objects of the focus are different, the cost leadership strategy pays more attention to the cost management, the differentiation strategy pays more attention to the innovation, and the focus strategy pays more attention to the marketing.

2.2 The category of the focus strategy

According to the number of the focus, the focus strategy can be divided into two aspects such as the multi-point focusing and the mono-point focusing.

2.2.1 The mono-point focusing strategy

In 1998, Porter put forth that it is unrealistic for the enterprise to establish the advantage of the differentiation or the cost leadership in the whole market and industry, but it is easy to obtain the higher profit and the better advantage through focusing in the segmentation market. The focus strategy includes two kinds of definition. The first is the target market of the product changing from the whole market to the segmentation market. The second is to establish the competitive advantage through combining with the cost leadership strategy or the differentiation strategy. On the one hand, when the enterprises are in the initial stage or the growth stage, for the limited resources, abilities and technologies and so on, they couldn't but choose to focus all their resource in some product, or service, or process, or market. On the other hand, when the enterprises are in the over-versatile during the maturity stage or the decline stage, they have to refocus all their resource and ability on the core business by peeling the unimportant business. Additionally, the enterprises can also take active part in focusing the resources and ability on the main business according to the demand of their development^[5].

Therefore, the focus strategy almost is taken as the mono-point focusing on some special segmentation market or customer group in the past.

2.2.2 The multi-point focusing strategy

It is uneasy for the enterprise to realize the mono-point focusing, but the practice requires the enterprise to realize the focus transferring and the multi-point focusing on several segmentation markets and target customer groups under the speed economy. That can be named as the multi-point parallel strategy.

With the development of the science and technology, much more individualization and diversification demands will occur, the past target customer group will be differentiated. Thus the focus strategy has to be changed from the mono-point precision focusing to the multi-point parallel focusing. In 2008, Motorola have to peel his unprofitable mobile business for he didn't change his strategy from the mono-point focusing to the multi-point focusing in time^[6].

3 Significances and Condition of Focus Strategy

3.1 The significance of the focus strategy

Firstly, the focus strategy can bring the enterprises with the competitive advantage. When the enterprises are faced with many opportunities, they will always hope to grasp each of them. However, they can't give consideration to all choices at the same time in terms of the limited resources and abilities, and then it will result in the bad situation.

Secondly, the focus strategy is helpful to enhance the utilization rate of the resource. The comprehensive resource and ability of any enterprise is always limited, then the utilization rate of the resource will be reduced if they are diffused to utilize. In simple, if the enterprise focuses all his

resource and ability on one product, he will have time to do the best, the apartment is easy to be matched, the staff is easy to be trained, the efficiency is easy to be enhanced, and the marketing ability is easy to be fulfilled. Therefore, the competitive advantage will be easy to be established. That is to say, it is easier for the enterprise to look for the matching customer respectively with many products than to found a customer with one product.

Thirdly, the focus strategy is helpful to establish the expertise ability in the target segmentation market. Comparatively speaking, it is more difficult for the enterprise orienting than for the organization carrying out the focus strategy to multiple segmentation market to understand the expectation of the target customer. On the other hand, it is more and more difficult for the competitors to enter into the target segmentation market of the organization with the focus strategy.

Finally, the focus strategy will support the enterprise to focus the whole organizational resource more convenient and to better service for some special customer group. It is easy to research on the situation of the relevant technology, market, customer, and competitor and so on. Additionally, the economic effectiveness of the focus strategy is easy to be evaluated; the process of the focus strategy is easy to be controlled, the enterprise will respond to the change of the market more quickly.

3.2 The condition of the focus strategy

For the mono-point focusing strategy, it will result in the better effectiveness under the follow conditions. Firstly, there are different consumer group in the target segmentation market. Secondly, other opponents are unwilling to carry out the focus strategy in the same segmentation. Thirdly, the organizational resource restricts him to explore the wide segmentation market. Fourthly, there are much more differences in many aspects of each segmentation market of the same industry, the aspects include the market volume, the growth rate, the profitability, the competition and so on. Fifthly, the target segmentation market has a good promise in the future. Sixthly, the enterprise owns the resource and ability to serve the target segmentation market. Seventhly, the enterprise can prevent the competitors by the customer loyalty and goodwill. Finally, the cost of serve in the segmented is lower than that of the competitors in the target market.

For the multi-point focusing strategy, the enterprise should do the follows. Firstly, the organization needs to understand the different preference and the diffusion trend of the consumer through the methods of the geographic, the demographic, and the psychology and so on. Secondly, the enterprise should keep parallel and not contrary to each other of the focus, pay attention to the disturbance from other segmentation market, avoid the inaccurate focus and squeeze the disposable resource of other focuses. Thirdly, the enterprise had better to create the mutual complementary effect between the original customer and the new through the loyalty and the reputation of the original consumer. Finally, the organization can fulfill the scope economy among the different focuses through the modularization design in the development stage, the flexible manufacture in the production stage, the zero inventories in delivery stage and so on.

4 Strategic Environment Characteristics in Different Enterprise Life

The enterprise life cycle means that the process from birth to death. Generally speaking, it can be divided in to four stages such as the initial stage, the growth stage, the maturity stage and the recession stage.

4.1 The strategic environment characteristics of the initial stage

In the initial stage, the reputation is not well known by the society, the resource is deficient, the core competence is not very strong, the science and technology and the capital are weak, the category of the products is few, the production scale is small, the market share is low, the profitability is weak, and the good image of the enterprise remain to be established. However, the entrepreneurs are ambitious, the organizational system is vital, the innovation spirit is strong, and the cohesion of the entrepreneur is very strong. The result of the new product development and the future cash flow are uncertain. Therefore, the mono-point focusing strategy is a feasible choice for the enterprise in the initial stage to make a breakthrough point that he can choose some local market and make the breakthrough of some product or service in the core technology to reduce the risk.

4.2 The strategic environment characteristics of the growth stage

In growth stage, the product is gradually popular with the market, the market share become larger and larger, the production scale is enhanced, the development speed is quicker and quicker, and the enterprises began to develop the promising product and establish his image. The enterprise needs much more input to make the product perfect with the development of the market scale. However, the resource

and ability are still limited, the environment is changeable, and the net cash flow is still uncertain. Therefore, it is necessary for the enterprise to enhance the product technology, the market share in the local market, and the responsiveness to the environment.

4.3 The strategic environment characteristics of the maturity stage

In maturity stage, the main product of the enterprise will almost be successful in the market and get the competitive advantage. The main business has been stable, the production scale has been enlarged, and the profit has obtained the peak, the growth rate become slowly, the company image has been established, the organization system is sound, the net cash flow is stable, the operation risk is reduced, the value of the enterprise become more and more. So the resource and ability is enough for the development. But the contradiction will occur among the senior managers, the cohesion will be reduced, the entrepreneur begun to maintain the achievements, the creation and innovation will be reduced.

4.4 The strategic environment characteristics of the recession stage

In recession stage, the competition become more and more dramatically, the innovation is weak, the original product will be washed out, and the sales quota will reduce. At the same time, it is difficult to start the new product, so the business shrinks. Although the capital is enough and the production scale is large, the debt rate is very high and the burden is heavy. The promise of the product is not very well and the contradiction is sharp in the organization. Therefore, the enterprise needs to refocus his resource and ability.

According to the resource theory of the strategy (B.Wernerfelt, 1984), the core competence theory of the strategy (Teece, 1997) and the environment theory of the strategy (Hannan & Freeman, 1977), the characteristics of the organizational strategic environment are different in the different life cycle stage. As we all know that is shown in Table 1.

Table 1 The Characteristics of the Organizational Strategic Environment in the Different Life Cycle Stage

Stage	Resource	Competence	Environment
Initial Stage	Shortage	Organizational, market and technology are weak	Environment is uncertain and can be controlled
Growth Stage	Limited	Organizational, market and technology are increasing	Environment is changeable and out of control
Maturity Stage	Enough	Organizational, market and technology are strong	Environment is stable and under the control
Recession Stage	Special	Organizational, market and technology are decreasing	Environment is gloomy and uncertain

5 Focus Strategy Choices in Different Enterprise Life Cycle Stage

The focus strategy is not the simple focus of the resource, but it has to be enforced according to the strategic plan. Because the characteristics of the strategic environment are different in the different life cycle stage, the emphasis of the focus strategy is different as shown in Figure 1.

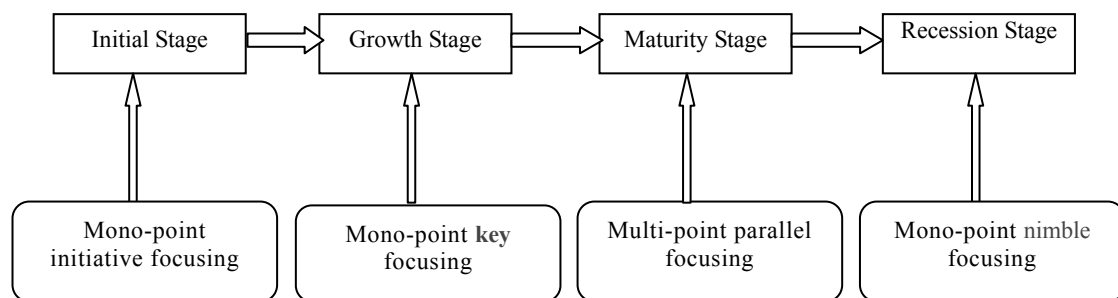


Figure 1 The Focus Strategy Choice of the in Different Enterprise Life Cycle Stage

5.1 The mono-point initiative focusing strategy of the initial stage

In the initial stage, the scale is small, the competence is weak, and the resource is limited, so the enterprise is unable to operate multiple products to diffuse the risk. However, the organization can firstly choose the segmentation market to fulfill his advantage and make the specialization operation through the mono-point initiative focusing. This strategy make the organization fight for the competitors with the enough resource.

5.2 The mono-point key focusing strategy of the growth stage

In the growth stage, it is essential to found the precision focus that is the key point in the whole strategic situation. Then the organization specializes in the target segmentation market, pays more attention to communicating with the customers, emphasizes on the technology innovation and the cost control, avoids competing with the strong opponents directly, and forms into the organizational culture. If the enterprise can't found his key point or advantage in the market, then he can shrink the scope of the market, until he found his advantage or key point.

5.3 The multi-point parallel focusing strategy of the maturity stage

In the maturity stage, there are two kinds of enterprise in the reality. One is just like Airbus and Boeing that only produce single special product, the other is just like GE that produce several main products or services. For the first category company, the feasible choice is the mono-point focusing strategy such as the hidden champion that was put forth by Hermann Simon in 1986. For the second category company, they can adopt the multi-point parallel focusing strategy that focuses multiple segmentation market or target customer groups^[7]. The focus strategy is a big strategy, but the multi-point parallel focusing is the feasible tactics in order to obtain the strategic object^[8].

5.4 The mono-point nimble focusing strategy of the decline stage

In the recession, the target market of the enterprise is being in the decline, the threshold is too low, the profit space is too narrow, the market trend is out of his control, which can't meet the demands of the enterprise. At the same time, the requirement of the core resource and the loyalty of the customer the market are very low, the homogeneous competition is serious. The mono-point nimble focusing strategy can bring the organization with responding gracefully to the change of the market and the competitors.

6 Conclusions

Based on above, we can get the follow conclusions. Firstly, the enterprise has to found its strategy focus and fulfill its focus competition advantage in the speedy economy. Secondly, the common of the cost leadership strategy, the differentiation strategy and the focus strategy is that they are all focusing the organizational limited resources and ability on some special aspects to obtain the competitive advantage, but the difference of them is that the objects of the focus are different. Thirdly, the focus strategy can be divided into two aspects such as the multi-point focusing and the mono-point focusing. Fourthly, the enterprise life cycle can be divided in to four stages such as the initial stage, the growth stage, the maturity stage and the decline stage. Fifthly, the characteristics of the strategic environment are different in the different life cycle stage. Sixthly, in the different life cycle stage, the emphasis of the focus strategy is different, the mono-point initiative focusing strategy is fit for the initial stage, the mono-point key focusing strategy fit for the growth stage, the multi-point parallel focusing strategy fit for the maturity stage, the mono-point nimble focusing strategy fit for the decline stage.

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