MB 301
ENTREPRENEURSHIP & PROJECT MANAGEMENT

LECTURE 15 & 16

Harvesting Strategies , Sustaining Competitiveness, Maintaining Competitive Advantage, Changing Role of the Entrepreneur

HARVESTING STRATEGIES IN ENTREPRENEURSHIP

- ❖When the revenue made by additional investment would not overcome the expense, all marketing investment in a particular business line is reduced or eliminated, as sales revenue falls below a cutoff point.
- ❖Thus **harvesting strategy** is a business plan for either canceling or reducing marketing spending on a product.
- ❖A harvesting strategy is chosen when a product reaches the end of its life cycle.
- ❖At this point, the product sells only due to goodwill.
- ❖Companies use a harvesting strategy when a product has reached the **cash cow** stage i.e. it makes profit in a mature market and does not need heavy reinvestment.

HARVESTING STRATEGIES IN ENTREPRENEURSHIP

- Investment is diversified to other new products resulting in better return on investment.
- Implementation of the harvesting strategy demands:
  - Elimination or reduction of all **capital spending** on the product i.e. use of existing equipment until it no longer works.
  - Reduction or elimination of marketing and **advertising expenditure**. New sales rely on brand loyalty.
  - Elimination or reduction of **operating expenses**. Expenditure is approved only when the return on investment is very high.
- An entrepreneur decides to implement a harvest strategy for a product when a clear trend emerges that the product’s sales growth rate is slowing down.

WHY HARVESTING STRATEGIES

- ❖When the entrepreneur has inventory for a product and yet he is planning to discontinue with the product(May reduce price).
- ❖When the entrepreneur wants to invest time and money in developing other new products.
- ❖When the product has reached the cash cow stage and gives returns without too much investment (production without marketing investment will still sell).

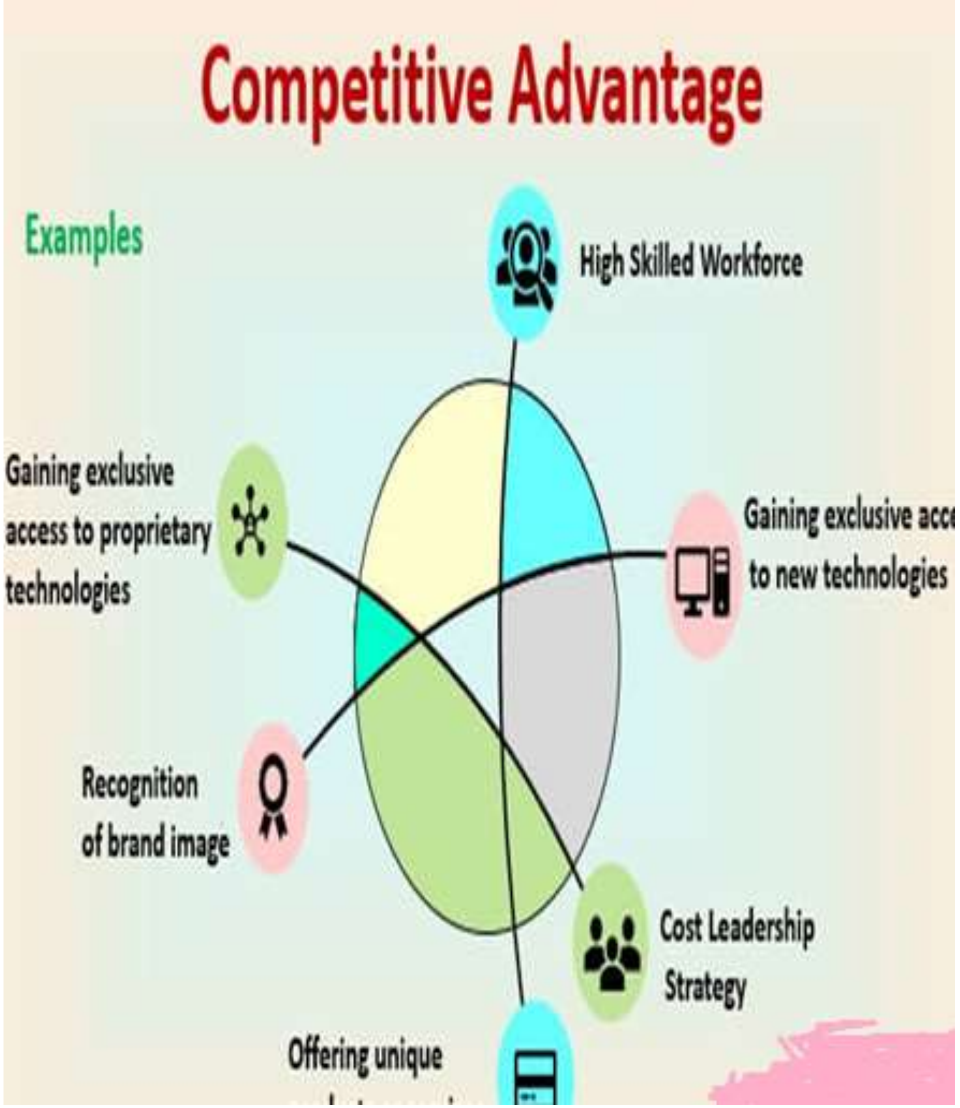
HARVESTING STRATEGIES

- ***ADVANTAGE*** :A harvest strategy earns income with minimal investment. This maximizes profit and also frees up resources for other endeavours.

- ***DISADVANTAGE*** : A harvest strategy fails if not applied at the right time in the product life cycle. Switching to the harvest strategy with a product with life still left, the entrepreneur loses profits due to reduced marketing efforts.

COMPETITIVE ADVANTAGE

- Competitive advantage refers to the factors or attributes that allow a given company to produce more affordable or higher quality services or products than its competitors.
- A competitive advantage is what makes an entity's goods or services superior to all of a customer's other choices.
- To be successful, an entrepreneur needs to be able to articulate the **benefit** she provides to her **target market** that's better than the **competition**. That's her competitive advantage.



SUSTAINING COMPETITIVENESS AND MAINTAINING COMPETITIVE ADVANTAGE-MICHAEL PORTER

- A company must create clear goals, strategies, and operations to build sustainable competitive advantage.
- The three primary ways companies achieve a sustainable advantage: cost leadership, differentiation, and focus.
- ***Cost leadership*** means providing reasonable value at a lower price. Firms do this by continuously improving operational efficiency.
- ***Differentiation*** means delivering better benefits than anyone else. A firm can achieve differentiation by providing a unique or high-quality product or by delivering it faster.
- ***Focus*** means understanding and servicing the target market better than anyone else by using cost leadership or differentiation to do that(example niche segment focus).

Changing Role of the Entrepreneur.

- Entrepreneurship is not static. New ventures grow into established companies with the role of entrepreneur changing constantly.
- Entrepreneurs must transition from their roles of micromanagers to strategic managers.
- **Stage I: Existence**→main problems of the business are obtaining customers and delivering the product or service. The **owner does everything** and directly supervises subordinates.
- **Stage II: Survival**→The key problem shifts from mere existence to the relationship between revenues and expenses. Number of employees go up but competence is average. Very little formal planning exists and **owner is still the sole decision maker**.
- **Stage IV: Take-off**→The key problems are how to grow rapidly and how to finance that growth. Organization is decentralized and key managers must be competent. **The owner starts delegating responsibility and oversees and guides**.
- **Stage V: Resource Maturity**→Key issues and focus in this stage are financial gains and flexibility of response. A company in Stage V has the staff and financial resources to engage in detailed operational and strategic planning. **The owner and the business are quite separate, both financially and operationally.**

- TILL WE MEET AGAIN IN THE NEXT CLASS..........