

9001SMGT Project 2 –Implementation of a Strategic Management Process: Adidas

Case

[Student name]

[Student number]

Word count: 3144

Executive summary

Adidas is among the leading manufacturers of sportswear from a global perspective. Adi Dassler founded the company as a family company after the first world war. The company has various strengths based on the Porter Five Forces analysis. However, threats due to substitution and rival competition are crucial considerations that should be made to ensure the company's competitive advantage. Nevertheless, the VRIN analysis shows that the company has key competencies which lead to its good performance. Despite the outstanding performance of the organization over the years, it is critical to apply generic strategies such as focus strategy, cost leadership strategy and differentiation strategy to increase its competitive advantage.

Table of Contents

Executive summary.....	2
1. Introduction.....	4
2. Organization, Internal Competitive Resources, and Capabilities	4
2.1 Valuable	5
2.2 Rare	6
2.3 Inimitable	7
2.4 Non-substitutable	7
3. Adidas Competitive Environment Based on Porter's Five Forces Framework.....	8
3.1 Threat of New Entrants	8
3.2 Threat of Substitutes	9
3.3 Bargaining Power of Customers	9
3.4 Bargaining Power of Suppliers	10
3.5 Competitive Rivalry.....	10
4. Generic Strategy Recommendation	11
4.1 The Cost Leadership Strategy	11
4.2 Differentiation Strategy.....	12
4.3 Focus Strategy.....	12
5. Critical Evaluation of Strategy Execution.....	13
5.1 Organizational Culture	13
5.2 Leadership.....	13
Conclusion and Recommendations.....	14
References.....	15

1. Introduction

Adidas is among the leading manufacturers of sportswear from a global perspective (Iglesias et al., 2020). Adi Dassler founded the company as a family company after the first world war. However, his brother, Rudolf, joined the company in 1924, making it acquire the name Dassler Brothers Shoe Factory (Iglesias et al., 2020). However, the partnership between the brothers broke in 1924, making Dassler to form PUMA, which became Adidas's competitor to the present time (Saatchian et al., 2021). Since 1949, Adidas has been renowned for manufacturing sports shoes, a diverse range of clothing, and other accessories. According to Saatchian et al. (2021), Adidas is ranked as the leading manufacturer of sportswear in Europe and the second most reliable manufacturer of commodities in the sports industry after Nike. As Saatchian et al. (2021) opine, the sportswear industry is characterized by stiff competition from manufacturers. The sportswear manufacturers are required to ensure an effective formulation of strategies that ensure the attainment of an effective competitive advantage. In this regard, it is critical to understand various aspects of the organization, such as the brand, its competitive environment, the organizational culture, and leadership aspects that can affect its profitability.

2. Organization, Internal Competitive Resources, and Capabilities

The organization's internal competitive resources and capabilities can be understood through the lens of the VRIN (Valuable, Rare, Inimitable, and Non-substitutable) framework. According to Shams (2016), the VRIN is a strategic tool that a company utilizes to assess and evaluate the available resource it can utilize in determining its strategic advantages and competitiveness. As such, Adidas uses the VRIN analysis to develop strategic advantages based on its core strengths and the available resources to gain a competitive advantage.

Table 1: VRIN

Valuable	Rare	Inimitable	Non-substitutable
<ul style="list-style-type: none"> • The company has a defined social responsibility • Unique and high brand integrity • High brand recognition • Global distribution system • The company can raise capital from an internal source 	<ul style="list-style-type: none"> • The company has a global presence by operating in multiple regions and countries • Problem-solving among the employees • Taking guided and calculated risks 	<ul style="list-style-type: none"> • Quality product offering • Multiple stores • Effective marketing communication • Competitive pricing through controlled operational costs • The provision of high customer experience 	<ul style="list-style-type: none"> • High financial strength for the development and launching of new products • Technology advancement and integration • The provision of employee training • The development of distribution channels

Source: Saatchian et al. (2021)

2.1 Valuable

Valuable competencies are important for Adidas to ensure that it exploits the available opportunities and counter the threats from both the external and internal environments.

According to Shams (2016), the competencies allow an organization to develop, grow and expand. In this regard, Adidas's valuable competencies include a brand image in the view of social responsibility, relationship with suppliers, innovation, and the ability to raise capital.

For instance, the company engages in corporate social responsibility by participating in various activities that support society. The activities entail providing scholarships that help nurture talent among young individuals (Brand et al., 2022). Additionally, Adidas has developed its brand image over a long period by providing quality products. As such, a

reputable brand image is crucial in building honesty and trust among the customers. Also, the company has significant ability in the process of raising capital. Shams (2016) argues that the company's ability to raise capital internally is crucial in contributing to its planned diversification and expansion. The ability to raise capital has enabled an increase in market penetration and access to the targeted consumers. Thus, the company relies on the ability to raise capital to enable it to explore the potential opportunities available in the market. Therefore, the valuable competencies are critical in ensuring positive growth for Adidas.

2.2 Rare

The rare competencies are possessed by a limited number of organizations in the industry (Zhu, 2021). In this regard, Adidas uses its rare competencies to establish a competitive advantage. The rare competencies for Adidas include international presence, problem-solving skills, risk-taking characteristics, and adaptability. As Zhu (2021) posits, Adidas has an international presence by operating in multiple regions and countries. Thus, the global establishment has enabled Adidas to expand its consumer base and get revenues from an increased number of regions. Hence, the global presence is a rare resource contributing to the organization's growth. Additionally, the organization promotes a problem-solving culture among the employees and the management. Problem-solving is vital in ensuring that the employees have enhanced teamwork, innovation, and creativity. In turn, innovation contributes to an increase in market competitiveness. Besides, Adidas has the characteristic of taking guided and calculated risks. Taking risks is perceived as a key element that leads to the organization's overall growth. Also, the company is characterized by significant exposure to global cultures leading to a better understanding of different values and societal norms. In this view, the company has gained the ability to adapt to varying external environments allowing it to gain improved accessibility and higher visibility in the international market.

2.3 Inimitable

The inimitable competencies help in the process of promoting a company's competitive advantage and the attainment of long-term sustainability. As Shams (2016) argues, the inimitable competencies ensure that the competing players cannot imitate the brand. In this regard, the inimitable competencies of Adidas include quality product offering, strategic location of the stores, a robust marketing communication, competitive pricing, and customer experience. According to Zhu (2021), Adidas has a sharp focus on providing quality products to its consumers. Consistent provision of high-quality products is essential in ensuring the availability of repeat purchases and the inability of other companies to imitate the brand. As such, the quality of the product is an inimitable resource since the specifications of quality and design are only known to the high management.

Also, Adidas has ensured a strategic location of its stores in different countries around the globe. Thus, the consumers enjoy the advantage of purchasing the goods in any region where Adidas operates. Marketing communications are strategically made to increase the consumption rate of Adidas products. In this view, marketing communication is perceived as an inimitable aspect that leads to the company's competitive advantage and high returns (Zhu, 2021). Competitive pricing is another crucial and inimitable factor that enables the organization to operate under economies of scale. Besides, the company integrates technology as a technique to minimize its costs. Therefore, the inimitable competencies ensure sustained customer experience and competitive advantage.

2.4 Non-substitutable

The Adidas brand resources are uniquely developed to ensure competitors cannot use the same in the market. According to Zhu (2021), the company's resources lack substitutes, making it easy for the company to exploit resources efficiently and effectively for more growth. In this case, the non-substitutable competencies include the company's financial

strength, technology advancement and integration, employee training, investing in research, distribution channels, corporate leadership and vision, strong and diverse organizational culture, and marketing strategy. Adidas is characterized by significant financial strength through the ability to raise capital from internal resources. Financial strength is pivotal to the organization through the ability to explore opportunities in the market and the creation of better products. Imperatively, the financial strength has been crucial to the organization by creating products that attract more customers and create a competitive advantage. Besides, the company focuses on technology integration and an increase in the usage of technology for better profits (Shams, 2016). Additionally, the company offers training to the employees, enabling them to execute their duties with the desired competence for the organization's high productivity. Moreover, the organization invests in research development to ensure the application of better techniques in the production process and for the attainment of better outcomes in terms of product quality. Therefore, the company's productivity relies on the organization's ability to effectively utilize its non-substitutable competencies.

3. Adidas Competitive Environment Based on Porter's Five Forces Framework

Adidas' Five Forces Analysis examines the company's market environment and the variables affecting its industry. The study focuses on assessing the company's position based on Porter's Five Forces factors such as the threat of new entrants, the threat of substitutes, customer bargaining power, supplier bargaining power, and competitive rivalry (Sarlab et al., 2020). Further, Adidas' Five Forces study analyzes the company's present market position based on various internal and external elements such as rivals, clients, suppliers, financial power, prospects, and potential solutions.

3.1 Threat of New Entrants

With the threat of new entrants, Adidas offers a weak force to the organization. According to Sarlab et al. (2020), the organization has a history of market dominance since

1949 through manufacturing apparel and footwear. Additionally, a new entrant will not find it hard to enter the market by establishing new market opportunities. However, competing with an already established organizations such as Adidas will be difficult for the new entrant. As such, the economies of scale established by the other organizations will not be an easy task for a new organization to gain a significant market share. As such, the threat of new entrants poses a weak force to the organization.

3.2 Threat of Substitutes

Currently, there exists a few substitutes for Adidas apparel and accessories. According to Sarlab et al. (2020), Adidas is a renowned brand, implying that it has top-notch products. Additionally, the company invests significantly in its research efforts, leading to the implementation of innovative ideas in the production process. In this regard, for a company to offer substitute products, it should provide unique functionalities not present in Adidas, which is a possible, but an uphill task. Nonetheless, there are many counterfeit products in the market, which is a critical cause of worry for the organization (Brand et al., 2022). Additionally, regional brands pose a threat to Adidas by replicating its products. In this view, Adidas faces the moderate force of the threat of substitutes.

3.3 Bargaining Power of Customers

Adidas is characterized by having a large customer base (Sarlab et al., 2020). In this view, an individual customer lacks the potential to affect the ability of all the clients. According to Sarlab et al. (2020), having a large customer base implies less impact if customers decide to change their preference for goods. In this view, Adidas has the upper hand regarding bargaining power. Additionally, there is a shortage of available players. As such, customers find it difficult to influence the organization through the slim chances of changing the brand. Also, a few customers may find it easy to distinguish the products based on the materials and product design used in the manufacturing process.

3.4 Bargaining Power of Suppliers

Adidas has a rich source of suppliers who offer a range of raw materials to effectively manufacture the products (Brand et al., 2022). As Sarlab et al. (2020) argue, having a large base of suppliers gives a company an upper hand during the bargaining process. In this regard, Adidas has more power when bargaining with the suppliers and establishing effective negotiations. Besides, the company has tie-ups with different suppliers around the globe, making it possible to switch between suppliers and replace them in the event of a failed bargain. Thus, the suppliers will be willing to continue trading with Adidas, which can be perceived as an advantage to the organization. Therefore, the bargaining power of the suppliers is perceived as a weak force to Adidas.

3.5 Competitive Rivalry

Competition within the Adidas business segments is intense. According to Sarlab et al. (2020), the brand competes directly with other rivals such as Puma and Nike. The rival brands offer products that are related to or similar to the products provided by Adidas. In this view, offering a unique selling point in the market becomes difficult. Thus, it is hard to establish clear dominance in the market. For instance, the company fails to be present in all market segments, as seen in Nike (Sarlab et al., 2020). In this regard, individuals can be inclined to choose Nike more than Adidas. Moreover, there exist more regional players within the market (Brand et al., 2022). Therefore, the company needs to boost its fame to compete effectively.

Conclusively, Porter's five forces show moderate force on Adidas. The organization faces significant force from the rivals such as Nike and Puma. Thus, the company must focus on increasing its competitive advantage and promoting its acquisition of the overall customer base (Sarlab et al., 2020). Additionally, threats from substitutes are moderate due to the availability of counterfeits in the market. However, the suppliers and customers present a

weak force implying that the organization is not significantly affected by the decisions of the suppliers and the customers. Nevertheless, it is important to implement generic strategies that can improve the organization's competitive advantage.

4. Generic Strategy Recommendation

Adidas has high recognition in its targeted markets (Brand et al., 2022). However, based on the Porter five forces analysis, rivalry competition is a major problem that affects the company's ability to excel in the market (Greckhamer & Gur, 2021). Besides, threats of substitutes offer a moderate force that can affect the ability of the organization to attain the desired success. In this regard, the generic strategies that the organization can utilize include the cost leadership strategy, differentiation, and focus strategy. The three strategies will effectively counter the forces associated with the threat of substitutes and rivalry competition.

4.1 The Cost Leadership Strategy

The cost leadership strategy entails attaining a competitive advantage by reducing costs. According to Ali and Anwar (2021), focusing on the cost leadership strategy is essential in ensuring that more customers are attracted by the low prices while ensuring that the organization's operating costs are low. Thus, cost leadership is a crucial generic strategy the organization can utilize to ensure success in various consumer markets. As Greckhamer and Gur (2021) argue, the main reason behind the utilization of cost leadership strategy is to ensure that the organization maintains the market leadership position through efficiency in value chain management. Hence, the cost leadership approach would be critical to the organization by ensuring it gains a competitive advantage by including middle-class consumers. Besides, the strategy would be essential in ensuring that the organization promotes easy accessibility and affordability of its goods around the globe. Therefore, the cost leadership approach would be essential to the organization by countering the threat of substitutes by brands offering similar products at lower costs.

4.2 Differentiation Strategy

Differentiation is an important strategy in ensuring effective competition with rivals. According to Ali and Anwar (2021), the differentiation strategy is among the commonly used generic strategies that can help a company establish a competitive advantage. In this regard, it would be recommendable for Adidas to apply the cost leadership strategy to attain its growth objectives. Thus, differentiation as a generic strategy will be pivotal to Adidas by ensuring that the company attains unique product features. However, applying the strategy would require an effective utilization of innovative approaches that would lead to developing unique features. For instance, the organization can study the changing interests among the consumers and develop products that differentiate it from its rivals (Ali & Anwar, 2021). In this view, it becomes possible to exploit the scope of opportunities that increase the organization's competitive advantage. The generic strategy will be vital in positioning the different products the brand offers, making it outstanding compared to the available alternatives.

4.3 Focus Strategy

Focus is an important generic strategy that enables an organization to concentrate on resources that lead to the expansion of the narrowly targeted segments. According to Ali and Anwar (2021), the focus strategy enables a company to utilize niche marketing, allowing it to expand on specific market segments. In this view, the approach would be vital in enabling the organization to focus on specific market segments for a competitive advantage. Additionally, Adidas can concentrate on a focus strategy to enable improvement in various dimensions, such as offering the best value and quality at low costs. The best value focus would consider the customer preferences, design, taste, and a product that could benefit the consumers. On the other hand, focusing on product attributes would be essential in ensuring continuous changes in the design of the products, packaging, and meeting the customers' expectations

(Ali & Anwar, 2021). Therefore, the focus strategy will be essential in ensuring competitive advantage development.

5. Critical Evaluation of Strategy Execution

Effective execution of a strategy is vital in promoting an organization's success. According to Palladan et al. (2016), an organization should be able to effectively execute a strategy to attain its improvement goals. However, it is crucial to understand the aspects that are crucial in executing such strategies. In the case of Adidas, organizational culture and leadership are essential components in executing the strategies.

5.1 Organizational Culture

Organizational culture helps in the accomplishment of organizational goals. According to Palladan et al. (2016), organizational culture makes it possible for the organization to attain shared values. As such, organizational culture can significantly affect the ability of the organization to change its strategic direction since it greatly influences employee behavior. In this regard, it would be important to adjust the culture of Adidas in a manner that would support the implementation of the generic strategies. Thus, supporting cultural change would be an essential element that can lead to better execution of the generic strategies.

5.2 Leadership

Leadership is a critical element in driving a strategy forward and determining the direction of the company. According to Palladan et al. (2016), leadership in strategy execution entails reviewing the progress, resolving issues, coaching the involved individuals, and ensuring that the desired objectives are attained. For instance, the focus strategy can be ensured by establishing proper leadership guidelines that can attain the desired outcomes. In this case, the leaders can coach the employee on the effective ways to attain cost leadership

strategies. The organization can use a strategic leadership approach, focusing on better results. Therefore, leadership can lead to the successful implementation of generic strategies.

Conclusion and Recommendations

Adidas has internal competitive resources, which leads to its growth. The company's valuable competencies include social responsibility, brand image, supplier relationships, innovation, and the capacity to acquire financing. For example, the corporation practices corporate social responsibility by participating in various initiatives that benefit society. Furthermore, Adidas is known for taking planned and directed risks. Taking risks is an important factor in the organization's overall growth. Another critical and unique feature that enables the business to operate at economies of scale is competitive pricing. Furthermore, the company employs technology as a cost-cutting measure. As a result, unique competencies guarantee a consistent client experience and a strong competitive advantage. However, Porter's five forces model depicts the organization as having moderate force. Rivals such as Nike and Puma pose a huge threat to the corporation. As a result, the company must concentrate on improving its competitive advantage and expanding its entire consumer base. Furthermore, dangers from alternatives are mitigated by the market's availability of counterfeits. However, the suppliers and customers represent a weak force, suggesting that the decisions of the suppliers and consumers have little impact on the company. Nevertheless, it is important to implement generic strategies that can improve the organization's competitive advantage. Nevertheless, utilizing cost leadership, differentiation strategy, and focus strategy through leadership and organizational culture would ensure the organization's success.

References

- Ali, B.J. and Anwar, G., 2021. Porter's Generic Competitive Strategies and its influence on the Competitive Advantage. *Ali, BJ, & Anwar, G. (2021). Porter's Generic Competitive Strategies and its influence on the Competitive Advantage. International Journal of Advanced Engineering, Management, and Science*, 7(6), pp.42-51.
<https://doi.org/10.22161/ijaems.76.5>
- Brand, F.S., Blaese, R., Weber, G. and Winistoerfer, H., 2022. Changes in Corporate Responsibility Management during COVID-19 Crisis and Their Effects on Business Resilience: An Empirical Study of Swiss and German Companies. *Sustainability*, 14(7), p.4144. <https://doi.org/10.3390/su14074144>
- Greckhamer, T. and Gur, F.A., 2021. Disentangling combinations and contingencies of generic strategies: A set-theoretic configurational approach. *Long Range Planning*, 54(2), p.101951. <https://doi.org/10.1016/j.lrp.2019.101951>
- Iglesias, O., Ind, N. and Schultz, M., 2020. History matters: The role of history in corporate brand strategy. *Business Horizons*, 63(1), pp.51-60.
<https://doi.org/10.1016/j.bushor.2019.09.005>
- Palladan, A.A., Abdul Kadir, K. and Yen, W.C., 2016. Effects of strategic leadership, organizational innovativeness, and information technology capability on effective strategy implementation. *International Journal of Organizational & Business Excellence*, 1(2), pp.1-18.
- Saatchian, V., Azizi, B. and Talebpour, M., 2021. ADIDAS Sportswear Brand Popularity Model in Iranian Consumers. *Sports Business Journal*, 1(1).
<https://dx.doi.org/10.22051/sbj.2021.36650.1004>

- Shams, S.R., 2016. Capacity building for sustained competitive advantage: a conceptual framework. *Marketing Intelligence & Planning*. <https://doi.org/10.1108/MIP-08-2015-0161>
- Zhu, J., 2021. Analysis of Adidas Marketing Strategies in 4P Model. *Scientific and Social Research*, 3(5), pp.67-75. <https://doi.org/10.36922/ssr.v3i5.1204>
- Sarlab, R., Alipour Nadinluoi, Z. and Babanzadeh, S., 2020. Modeling the Effect of the Competitive Environment on Brand Performance of the Sports Goods with the Mediating Role of Marketing Strategies. *Journal of New Studies in Sport Management*, 1(1), pp.30-36. <https://dx.doi.org/10.22103/jnssm.2020.16401.1000>