MASTER OF BUSINESS ADMINISTRATION

Strategic Management

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This study guide highlights key focus areas for you as a student. Because the field of study in question is so vast, it is critical that you consult additional literature.

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1 WELCOME TO REGENESYS

"Have a vision. Think big. Dream, persevere, and your vision will become a reality. Awaken your potential, knowing that everything you need is within you."
Dr. Marko Saravanja

At Regenesys we help individuals and organisations achieve their personal and organisational goals by enhancing their management and leadership potential. Our learning programmes are designed to transform and inspire your mind, heart and soul, helping you to develop the knowledge, skills, positive values, attitudes and behaviours required for success.

Having educated more than 100 000 students based in highly reputable local and international corporations across more than 160 countries since the inception of Regenesys in 1998, we are now one of the fastest-growing institutions of management and leadership development in the world. Our ISO 9001:2008 accreditation bears testimony to our quality management systems meeting international standards. We are also accredited with the Council on Higher Education.

At Regenesys you will be taught by business experts, entrepreneurs and academics who are inspired by their passion for human development. You will be at a place where business and government leaders meet, network, share their experience and develop business relationships.

We encourage holistic leadership development by fostering multiple intelligences at an intellectual, physical, emotional, and spiritual level. We promote the development of rational intelligence (IQ) by honing your critical and analytical abilities so that you become a better problem-solver and innovative thinker. We will foster your spiritual intelligence (SQ) as a purpose- and value-driven individual who can rise above adversity, take difficult decisions and make a difference. We will help you develop your emotional intelligence (EQ) so that you can significantly improve your relationships and resolve conflict effectively. You will have the opportunity to hone your financial acumen through the personal finance education available on campus. And, because studying often adds pressure to an already stressful life, we will also help you develop physical intelligence (PQ) by learning how to manage stress and lead a healthier lifestyle.

We will help you awaken your potential and to realise that everything you need to succeed is within you. And we will be with you every step of the way.

Areas of Expertise

2 TEACHING AND LEARNING METHODOLOGY

Regenesys uses an interactive teaching and learning methodology that encourages self-reflection and promotes independent and critical thinking. Key to our approach is an understanding of adult learning principles, which recognise the maturity and experience of participants, and the way that adult students need to learn.

At the core of this is the integration of new knowledge and skills into existing knowledge structures, as well as the importance of seeing the relevance of all learning via immediate application in the workplace. Practical exercises are used to create a simulated management experience to ensure that you can apply the conceptual knowledge and practical skills you learn in your work environment. These activities may include scenario analysis, self-reflection, problem solving, making presentations and planning tasks.

Our courses are developed to cover all essential aspects of your training comprehensively in a user-friendly and interactive format. Our subject matter experts have extensive experience in management education, training and development.

2.1 PRINCIPLES FOR RESPONSIBLE MANAGEMENT EDUCATION

Regenesys upholds the UN Global Compact's Principles for Responsible Management Education:

- **Purpose**: We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy.
- **Values**: We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the United Nations Global Compact.
- **Method**: We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership.
- **Research**: We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value.
- **Partnership**: We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges.
- **Dialogue**: We will facilitate and support dialogue and debate among educators, students, business, government, consumers, media, civil society organisations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability.

(PRME, 2014:1)

The Ten Principles

The UN Global Compact, in its 10 principles, asks organisations to:

- Support and respect the protection of internationally proclaimed human rights;
- Ensure they are not complicit in human rights abuses;
- Uphold workers' freedom of association and the effective recognition of the right to collective bargaining;
- Eliminate all forms of forced and compulsory labour;
- Abolish child labour;
- Eliminate discrimination in respect of employment and occupation;
- Support a precautionary approach to environmental challenges;
- Undertake initiatives to promote greater environmental responsibility;
- Encourage the development and diffusion of environmentally friendly technology; and
- Work against corruption in all its forms, including extortion and bribery.

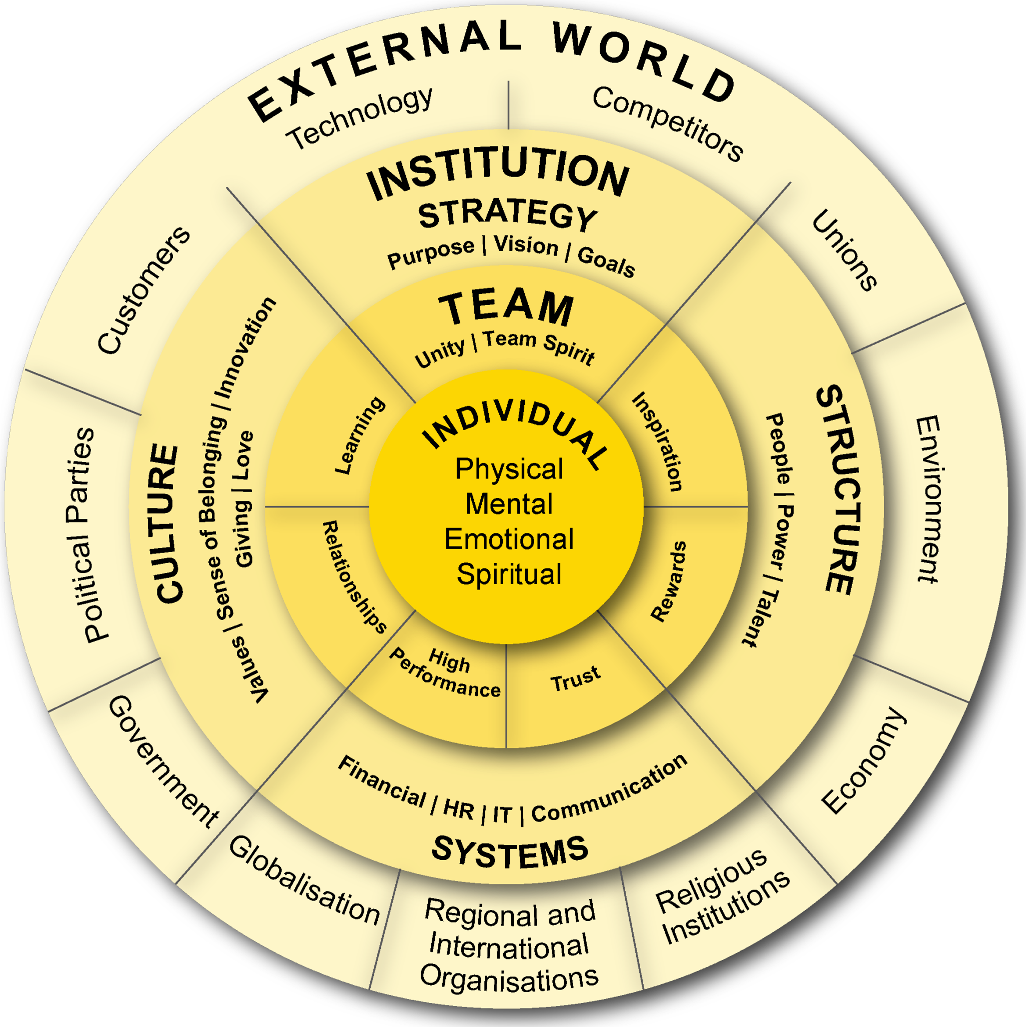
(United Nations, nd)

These principles provide a foundation for doing business responsibly and sustainably, and – exercised in a culture of integrity – set the stage for long-term success (UN, nd).

2.2 REGENESYS' INTEGRATED LEADERSHIP AND MANAGEMENT MODEL

This course will draw on a model developed by Regenesys Management, demonstrating how the external environment, the levels of an organisation, the team and the components of an individual are interrelated in a dynamic and systemic way. The success of an individual depends on his or her self-awareness, knowledge, and ability to manage these interdependent forces, stakeholders and processes.

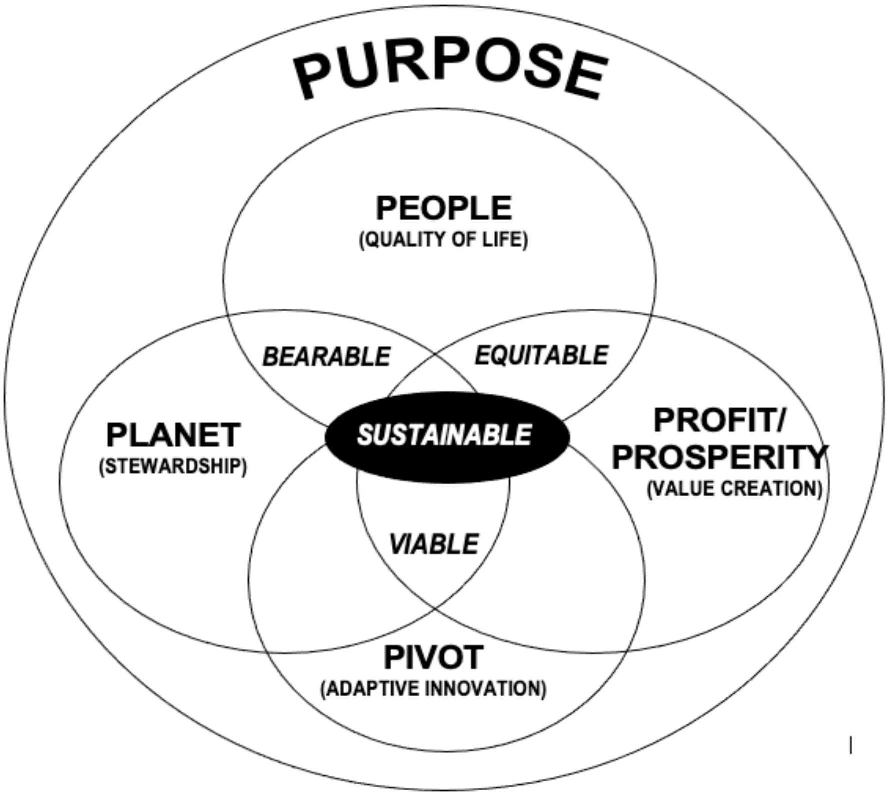
The degree of *synergy* and *alignment* between the goals and objectives of the organisation, the team and the individual determines the success or failure of an organisation. It is, therefore, imperative that each organisation ensures that team and individual goals and objectives are aligned with the *organisation's strategies* (vision, mission, goals and objectives, etc); *structure* (organogram, decision-making structure, etc); *systems* (HR, finance, communication, administration, information, etc); *culture* (values, level of openness, democracy, caring, etc). An effective work environment should be characterised by the alignment of organisational systems, strategies, structures and culture, and by people who operate synergistically.



Regenesys' Integrated Leadership and Management Model

2.3 THE QUINTUPLE BOTTOM LINE

While
Regenesys' Integrated Leadership and Management Model demonstrates the interconnected-ness of the individual with organisational layers and the broader environment, the quintuple bottom line draws attention to the interrelationships between the actualisation of organisational purpose, and people, planet, and prosperity, given the organisation's ability to pivot.



THE QUINTUPLE BOTTOM LINE

Let's unpack each element, and look at why it matters:

- **Purpose** – the reason the organisation exists.
- **People** – how the organisation affects quality of life for all its stakeholders, direct and indirect.
- **Planet** – refers to the level of environmental responsibility the organisation exercises.
- **Profit, prosperity** – the value the organisation creates in pursuit of its objectives.
- **Pivot** – the organisation's ability and capacity to rethink how and what it does to adapt to circumstances (Zinaty, 2020).

Then, in the zones that overlap:

- Is your organisation's influence on people and planet **bearable** for all affected?
- Is the value created by your operation shared in an **equitable** way?
- Is the organisation's balance between consumption and prosperity **viable**?

Once the answer to all three questions is yes, the organisation should be sustainable.

As you start to apply the concepts you learn from this course in your work, think about the effect of your action on all stakeholders – the people your organisation serves, your colleagues, your suppliers, your clients, your neighbours, and the public at large. What are the ethical implications of what you do, and intend to do in future? How will you ensure that your strategies and activities are sustainable in the quintuple-bottom-line sense?

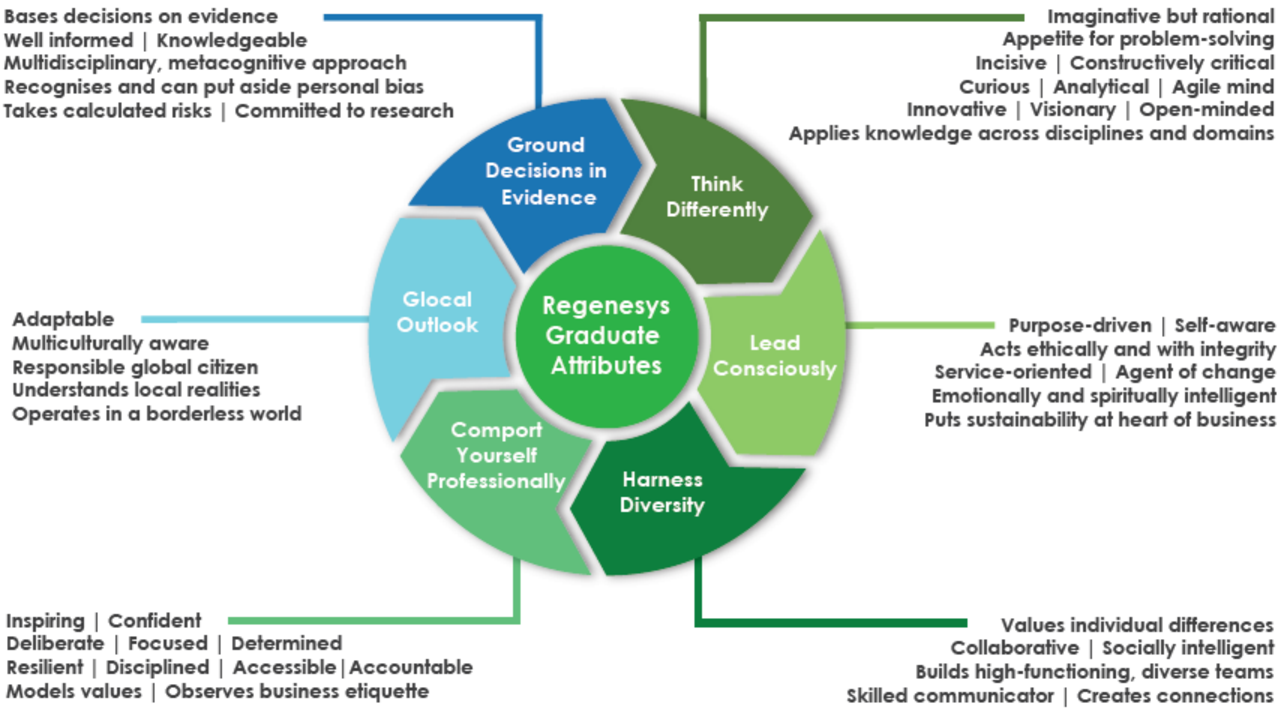
In other words, how is achieving the organisation's **purpose** going to affect **people,** the **planet** and its **profit** or **prosperity** requirements? All are inextricably linked. And much depends on the organisation's ability to **pivot.**

As a business student you have the capacity to bring about real change. As much as businesses are shaped by their environment, their actions influence the environment. You can contribute to sustainable change by managing responsibly.

2.4 DEVELOPING REGENESYS GRADUATE ATTRIBUTES

Getting a qualification is not enough, on its own, to prepare you to traverse the rapidly changing world of work, where industry 4.0 and 5.0 are rendering many professions obsolete. We will work with you throughout your studies to help you develop these critical attributes to navigate the new world order, along with the skills and knowledge you need to excel in any environment.

REGENESYS GRADUATE ATTRIBUTES



Think differently

To think differently, you must be intellectually curious, analytical, open-minded though constructively critical, with the mental agility to think across disciplines, contexts and domains to solve complex problems and find innovative ways to do things. Be imaginative but rational. We will systematically help you cultivate higher-order thinking – the kind of thinking that recognises and makes sense of patterns others miss, and that facilitates unique linkages and solutions.

Ground decisions in evidence

Both well-informed and knowledgeable, you must be committed to sound research, taking a multidisciplinary and metacognitive approach to problem-solving, and able to recognise and put aside personal bias, basing decisions on evidence. This will prepare you to take calculated risks.

Lead consciously

This ties back to the overarching P in the quadruple bottom line: purpose. Purpose-driven, you put sustainability at the heart of your organisation. Emotionally and spiritually intelligent, you should be self-aware, understand the interconnectedness of all things, and act ethically and with integrity. As an ideal graduate, you will be a service-oriented agent of change.

Harness diversity

You appreciate the value of individual differences. Socially intelligent, collaborative and a skilled communicator, you should be able to facilitate connections to build, empower and manage high-functioning teams with diverse skills and personalities, and support them in assuming responsibilities.

Professional comportment

With a confident and inspiring aura, you are utterly professional, yet accessible. Deliberate, determined, disciplined, and focused. You will model your values, and hold yourself accountable. You will have the resilience and grit to keep going in the face of adversity.

Have a glocal outlook

Your glocal outlook underpins your ability to operate and compete ethically and profitably as a responsible global citizen in a borderless world. Your multicultural awareness and wide-ranging interest in current affairs enables you to recognise and respond to local cultures and needs without losing sight of the global picture.

As you work through your course, keep an eye out for each of these icons. They will signal which of the attributes you are developing as you work through your study tasks.

Are you ready to start work on what it takes?
to be a Regenesys graduate?

The next few sections contain practical information that will help you do just that.

3 Key to Icons

Workbook	Rate your skills
Self-reflection activity to complete	Task to complete
Digital assessment	Group assignment
Individual assignment	Exam
Prescribed resources	Discussion forum
References	Articles
Interesting reading	Case study
Quote	Definitions and glossary
Example	Calculations
Note important information	In a nutshell – important summary
Web link	Video clip
Audio	Presentation
Webinar	Class evaluation
Downloadable item	Appendix

4 Study Material

Your material includes:

- This study guide
- Prescribed reading and viewing
- Digital assessments at the end of each section of your course
- Individual assignment

These resources provide a **starting point** for your studies. You are expected to make good use of your textbooks, the additional resources provided via online links, and wider reading that you, as a higher education student, will source yourself.

5 Prescribed Resources

Various resources are prescribed to help you complete this course.

5.1 Books

The following textbook is **prescribed** and should be used to complete the course:

- Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.

Please ensure you order or download your textbook before you start the course.

You may also find these books helpful:

- Kasahara, E. 2015, *Practical Strategic Management: How To Apply Strategic Thinking In Business*, London: World Scientific Publishing, http://search.ebscohost.com/login.aspx?direct=true&db=nlebk&AN=1061753&site=ehost-live (accessed 10 November 2021) (You must have EbscoHost open through the Regenesys portal to access this link).

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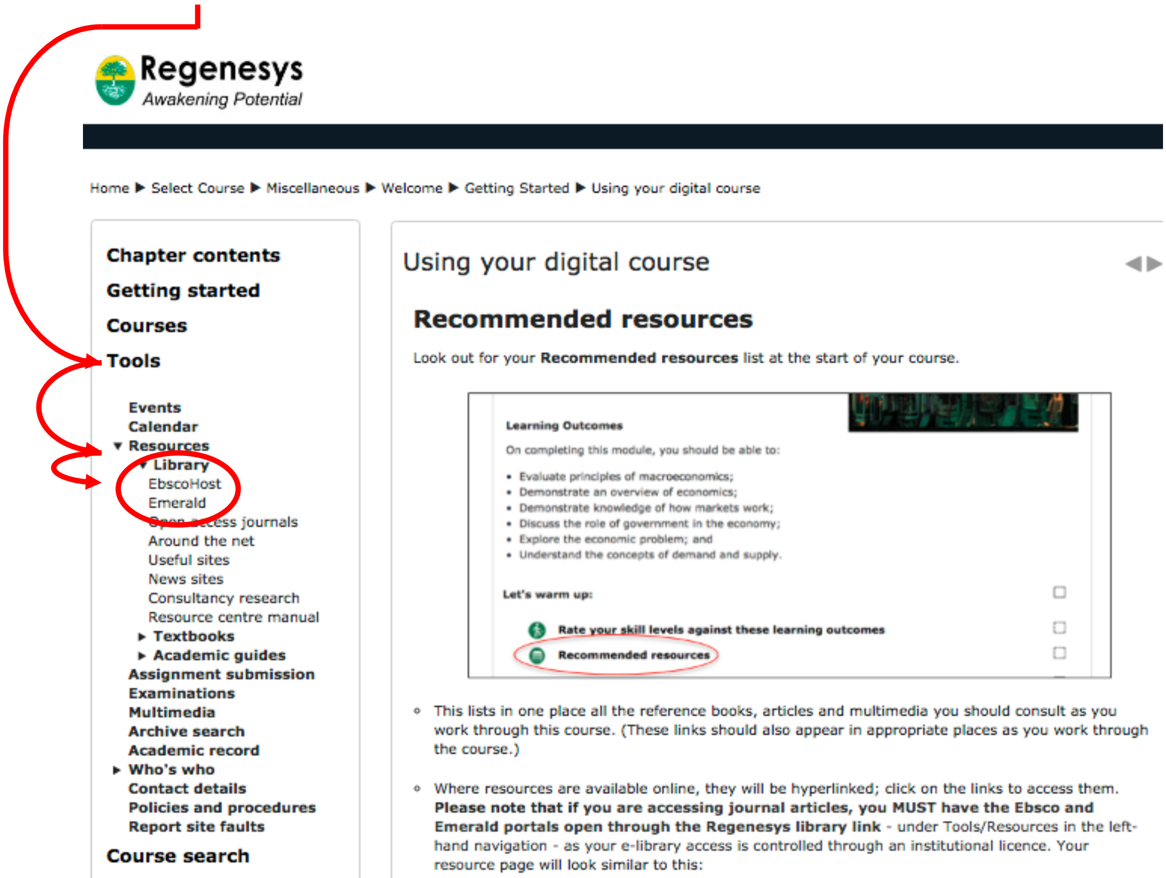
5.4 ACCESSING JOURNAL ARTICLE AND OTHER ONLINE LINKS

Most study guide and virtual course links should open directly when you click on them, provided your browser is open and connected to the net. However, to access articles and e-books on **EbscoHost** or **Emerald**, you must be logged in to the student portal, and have these databases open.

- Click on Tools, Resources, Library, and then on EbscoHost or Emerald:



… and then click on the article link in the study guide.

If this does not work (it can depend on what browser you are using), cut and paste the URL (the www address) into your browser and click to access the link. Use Chrome, Firefox or Safari as your browser. Do not use Internet Explorer, as it is no longer supported by all applications. Check that you have copied the whole URL, and have not left out part after a hyphen. There should not be any spaces in the URL – the whole thing should be on one line.

Please report any broken links – or any other problems encountered on your educational journey that we can solve – to mdt@regenesys.co.za so we can fix them for you.

Links to additional media that may prompt discussion and help you complete this course will be saved in Around the Net, a couple of clicks down from the EbscoHost database links in the portal library. Visit the site regularly to see what's new.

5.5 ADDITIONAL SOURCES TO CONSULT

As a higher education student, you are responsible for sourcing additional information that will assist you in completing this course successfully. Here are sources you can consult to obtain additional information on the topics to be discussed in this course. You will find more on the portal.

EbscoHost and Emerald	These online databases contain journal articles, e-books and multimedia relevant to your studies. Registered Regenesys students in good standing can access them through the student portal.
NetMBA	MBA constructs and discussion. http://www.netmba.com/
MindTools	Ideas, constructs, management models and commentary. http://www.mindtools.com/
ProvenModels	Provides management models – generalisations of business situations that, when applied in context, can be powerful tools for solving business problems. http://www.provenmodels.com/
12manage.com	More models, principles and global commentary. http://www.12manage.com/
The Free Management Library	Comprehensive overviews of strategic planning. http://managementhelp.org/strategicplanning/index.htm
TED	TED (Technology, Entertainment and Design) is a nonprofit organisation that devotes itself to spreading new, transformative ideas in science, business and global issues, among other topics. TED's website will take you to each of the groundbreakingTED Talks, and also to TEDx, a programme that helps communities, organisations and individuals to create local TED-like experiences. https://www.ted.com/about/our-organization

A word of caution – not all information available on the internet is necessarily of a high academic standard. Always compare the information you find with that in reputable sources, such as articles published in accredited journals.

6 INTRODUCTION

Your organisation's success depends on decisions made by its leaders. The framework that guides and focuses these decisions is called strategy. The purpose of competitive strategy is to build a distinctive and sustainable competitive advantage over your organisation's rivals.

This course in strategic management will show you how to:

- Develop a strategy for business growth;
- Balance your vision for the business against the practical realities of your current position and stakeholder needs; and
- Implement your strategic plan.

6.1 LEARNING OUTCOMES

On completing this course, you should be able to:

- Distinguish between corporate, business, and functional strategy;
- Review and analyse an organisation’s external and internal environment using appropriate analytical tools and techniques;
- Develop and evaluate various strategic options to meet organisational objectives taking into account globalisation, ethics, and corporate social investment issues;
- Implement and monitor strategy, and revise where necessary;
- Assess the value of integrating issues related to ethics and corporate social investment in strategic management; and
- Demonstrate the importance of management information systems in strategic management.

The number of notional learning hours set out in the table under each section heading provides guidance on how long to spend studying each section of this course. Set yourself a schedule to ensure that you spend a suitable period of time on each section, covering the required sections relevant to each assignment, and giving yourself enough time to prepare for the examination.

6.2 An Introduction to Strategic Management

Timeframe	Minimum of 27 hours
Learning outcome	• Distinguish between corporate, business and functional strategy
Prescribed book	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.
Prescribed articles	• Brannback, M. nd, 'DSS – rethinking strategic management', https://www.researchgate.net/publication/31593182_DSS_Rethinking_Strategic_Management (accessed 10 November 2021). • Lear, L. 2014, 'Critical criteria for strategic leaders in high performing companies', *Leadership* Oct-Dec 2014, pp 20-22, , chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/viewer.html?pdfurl=https%3A%2F%2Fcdn.ymaws.com%2Fwww.iodsa.co.za%2Fresource%2Fresmgr%2FDirectorship_Mag%2FDirectorship_Critical_criter.pdf&clen=93554&chunk=true (accessed 10 November 2021). • McKinsey Quarterly, 2014, 'What strategists need: a meeting of minds', http://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/what-strategists-need-a-meeting-of-the-minds (accessed 10 November 2021).
Prescribed multimedia	• Hamel, G. 2015, 'How do we build organisations for the future?' https://www.youtube.com/watch?v=7hBjdVGDIs8 (accessed 10 November 2021).
Section overview	This introductory section overviews competitive strategy. First, we define strategy and examine the concepts, critical significance, levels, processes, tasks and benefits of strategic management. We look at the critical role of strategic leadership in effective strategy. We discuss the development of strategy and consider the prescriptive and emergent approaches, including some relevant theories that underpin these approaches.

6.2.1 Defining the Broad Concepts

> Strategy is the most important thing top leaders do. When C-suite executives do not focus on strategy they will fail to compete in the 21st century.
>
> (Lear, 2012)

Strategy today

What, exactly, is strategy? Strategy is the **astute** allocation of resources – time, talent and capital – in planned activities to serve customers better than your competitors do (Lear, 2014). **Strategy** is the ability to generate new insights continually, to achieve competitive advantage. The core is the information or data we are able to piece together in a unique way that leads to the creation of new value. A fresh strategic insight is something you have seen that nobody else has, and this is one of the foundations of competitive advantage (*ibid*).

David and David (2017:33) define **strategic management** as:

"[T]he art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives".

David and David (2017:33) also say that the definition requires that the **functional areas** (finance, production, marketing, sales, etc) of the organisation **are integrated** to ensure that it achieves success (however else it defines success).

Note that the term strategic management is sometimes used synonymously with the term strategic planning. The latter term is more often used in the business world, whereas the former is often used in academia. Sometimes the term strategic management is used to refer to strategy formulation, implementation, and evaluation, with strategic planning referring only to strategy formulation.

(David and David, 2017:33)

Over the past 50 years

The focus of strategy over the past 50 years has been:

- In the '60s – on corporate planning;
- In the '70s – on diversification and portfolio planning;
- In the '80s – on industrial economics and value chains;
- In the '90s – on core competencies; and
- The current focus is – on rapid market and technological change, growing external risk, and big data, all of which add complexity to the operating environment.

So, what is next in in the field of strategy? We have to ensure that existing frameworks and tools are still relevant to the needs of leaders seeking to shape and implement winning strategies in their organisations. Current thinking shows the field of strategy to be in flux, and so we need to generate fresh insights in a changing world. We need to focus on the human realities of strategic decision-making (McKinsey, 2014).

The concepts of organisational purpose and competitive advantage are synonymous with most definitions of strategic management, and must therefore also be explored in more depth. One of the most respected explanations of organisational purpose comes from Peter Drucker:

Organisational purpose: "A business is an organisation that adds value and creates wealth. Value is created for customers and wealth is generated for owners."

(Drucker in Watson, 2002)

There are many definitions of organisational purpose, and you should be open to, but critical of these. Drucker points to the **connections** between strategy and purpose. If the purpose of organisations is to add value and create wealth, then strategies must be formulated to achieve these ends.

The significance of strategic management

"Strategic management is exciting and challenging. It makes **fundamental decisions** about the future **direction** of an organisation: its **purpose**, its r**esources** and how it **interacts with the world** in which it operates."

(Lynch, 2018:5)

Today's difficult economic environment calls for effective strategic management so that the organisation is directed with the least possible damage to be in a strong position when the market improves. The theory of corporate strategy contends with the recurrent issue of determining a firm's overall purpose and scope. A modern theory, it deals with the specifying of long-term goals and objectives that will add value to the business and manage the insecurity of modern times.

The practice of corporate strategy entails implementing chosen courses of action and allocating resources as required for executing the general objectives. A competitive strategy answers these questions:

- How do we define our business today and how will we define it tomorrow?
- The intensity of competition in an industry determines its profit potential and competitive attractiveness; so in what industries or markets will we compete?
- How will we respond to the competitive forces in these industries or markets (consider suppliers, rivals, new entrants, substitute products and customers)?

- What will our approach be to attaining competitive advantage (through lower prices, greater differentiation or niche positioning)?
- What size or market position do we plan to achieve? and
- How will we grow (will we increase sales or grow profit margins – organically or by acquisition)?

Most businesses have competitive strategies. But many strategies are implicit: they evolve (often organically) over time, and are not a result of a process of explicit thought and planning. Implicit strategies have generally been shown to lack focus, to result in inconsistent decisions, and to become obsolete. Most organisations without well-defined strategies (prescriptive or emergent) are driven by the pressures of current operational imperatives rather than by planned future visions.
The three key elements of strategic planning:

1. Formulating a strategy for business growth requires you to deepen your understanding of the way your business works and its position relative to other businesses in its market. As a starting point, you should ask three questions:

    - **Where is our business now?**
    This involves understanding as much about the business as possible, including **how it operates internally**, **what drives its profitability**, and **how it compares with competitors**. In considering these factors you must be realistic, detached and critical.

    - **Where do we want to take it?**
    Set out your top-level goals. Work out your **vision, mission, goals, values, techniques and objectives**. Where do you see your business in five or 10 years? What do you want its focus to be and what do you regard as its source of competitive advantage?

    - **What strategy do we need to do to get there?**
    You need to know where your business is now and what you want to achieve. The **strategy is how you will achieve** those objectives. What will you do to achieve them? You will also have to know what **changes you must make** in order to deliver your strategic objectives. What is the best way of implementing those changes? What **changes to the structure and financing** of your business will be required and what goals and deadlines must you set for yourself and others in the business?

While the second question (Where do we want to take it?) is at the heart of the strategic planning process, it can only be considered usefully in the context of the other two (Where is our business now? and What do we need to do to get there?).

2. You should balance your vision for the business against the practical realities of your current position. Take into account the **implications of any changes**, such as increased investment in capital and other resources. A strategic plan must be realistically achievable.

3. You should implement the strategic plan. Many organisations invest time and money in making a strategic plan, but fail to follow through by implementing it. A plan has no value if it collects dust on a shelf. Hold people **accountable for the implementation** of the strategic plan and monitor progress against the objectives and targets regularly.

The purpose of strategic management is to **exploit and create new and different opportunities** for tomorrow; **long-range planning**, in contrast, tries to optimize for tomorrow the trends of today.

(David and David, 2017:33)

Three Levels of strategy

Schermerhorn differentiates between three levels of strategy, outlined in **Table 1**.

TABLE 1: THREE LEVELS OF STRATEGY

Corporate level strategy	• Sets the long-term direction for the whole organisation. • Directs the organisation as a whole towards sustainable competitive advantage. • Guides the allocation of resources for the whole organisation. • Example: General Electric's strategic decisions at corporate level relate to acquisitions, expansions and cutbacks.
Business level strategy	• Applies to a business unit or product line. Identifies how a department or business unit will compete in its product or service area. • Example: General Electric follows a variety of business strategies.
Functional strategy	• Guides activities in one operational area. • Focuses on activities in functional areas such as marketing, manufacturing, finance, or human resources. Functional managers make decisions.

(Schermerhorn, 2011)

1. Why is **systems thinking** an important concept in strategy formulation and execution?
2. What are the consequences of inappropriate strategy formulation on corporate goals and functional resources?

6.2.2 Strategic Leadership – the Key Driver of Strategy

The following edited extract outlines the role of leadership in driving strategy.

Critical Criteria for Strategic Leaders in High-Performing Companies
Dr Lorraine Lear, 2014

Superior organisational performance is not a matter of luck. It is determined largely by the choices leaders make. This is the finding of a study undertaken in top listed high-performing companies in South Africa.

While the significance of strategic leadership is clearly acknowledged, the question of what criteria are critical for leadership success and how these criteria are manifested in the organisation has been less clearly defined.

The global economy has created a new competitive landscape, in which events change constantly and unpredictably, and where competition is complex, challenging and fraught with competitive opportunities and threats. Strategic leaders face incredible pressure to deliver immediate results, do more with less and manage an ever-increasing personal workload, while the pace and urgency of daily demands can make it difficult to be more than a step ahead into the future. Can leadership make a difference in this competitive landscape? It would seem that some leaders definitely do influence organisational performance.

Supervisory leadership is about leaders **in** organisations, whereas strategic leadership is concerned with leadership **of** organisations.

The role of the strategic leader is fundamental to the success of organisations. Hence identifying the criteria that leaders require to make their organisations successful greatly enhances the possibility of leadership achieving this goal in organisations. Strategic leadership is the ability to influence others to voluntarily make day-to-day decisions that enhance the organisation's long-term viability, while at the same time maintaining its short-term financial viability.

The six critical criteria for leadership are:

- Determining strategic direction;
- Exploiting and maintaining core competencies;
- Developing human capital;
- Sustaining an effective corporate culture;
- Emphasising ethical practices; and
- Establishing strategic controls.

Six critical criteria are important in high-performing organisations (Hagen, Hassan & Amin, 1998; Ireland & Hitt, 1999). However, the rating of these criteria highly by the top leadership is insufficient. Mere "lip service" to these critical criteria does not reflect high levels of organisation alignment.

Top leadership can affect high performance in the organisations they lead by their own commitment to the implementation of these critical criteria throughout the organisations.

6.2.3 Strategy as a Process

Broadly speaking, strategic management requires three processes (Lynch, 2018:17):

- **Strategic analysis** entails the examination of the organisation, its mission and goals; how value will be created (stakeholder analysis including the relationship with the environment); and competitor analysis and resource analysis;

- **Strategy development** entails strategic options (development and selection). This may be built on the competencies in the organisation or to be acquired, and includes special relationships including suppliers, customers, distributors and government. In most cases there are several competing options, which require careful selection (ie to ensure sustainable competitive advantage); and

- **Strategy implementation** is implementing the strategy or strategies to achieve the organisation's objectives. Options are the different strategy options available to the company so that it can reach its objectives. Strategic options are evaluated, and the one that gives the best possible outcome is chosen.

Options can range from the simple (same product in same market) to the more complex (new products in new markets). Various complications may have to be overcome, such as power relationships, funding, government restrictions, offensive strategies from direct competitors, etc.

Keep the above framework in mind as you work through this course. From it, we can set out eight core tasks:

1. Look at the **current situation** that the company finds itself in (ie examine the internal environment of the business, the market environment and the macroenvironment);
2. Evaluate available **resources**;
3. Develop a **vision, mission and objectives**;
4. Develop **strategic options** that will allow the firm to achieve its objectives;
5. Select the most **viable, feasible** option;
6. **Implement** the chosen option;
7. **Monitor and control** the implementation of the option; and
8. Make changes if necessary.

(Lynch, 2018:21)

If an organisation is happy with its current vision and mission it should not change it. Even so, it should review its vision and mission to find out whether it is still appropriate.

Positioning an organisation in a turbulent environment and mapping out a path to excellence is an art. This unique art is strategic management. This type of management requires a strong command of tools and analytical processes, and has a rigorous approach. Strategic management has significant benefits for the organisation in that it:

- Gives **direction** to the whole organisation;
- Defines what the organisation wishes to achieve;
- Makes management more aware of change, **opportunities and threats**;
- Is a rational basis for the **allocation of resources**;
- Helps management **co-ordinate decisions** (creating integrity between the parts);
- Promotes a proactive management style;
- Helps identify threats before they damage the organisation;
- Reduces **gaps and overlaps** between teams and individuals;
- Assists in reducing resistance to **change** (guided by purpose); and
- Assists with **monitoring** managers' performances.

(Adapted from Saleeth, 2010)

1. Reflect on your organisation (or one you are familiar with). Where do you see the benefits of strategic management at corporate level, business level and functional level?
2. What are the consequences of poor strategic thinking at each of these levels?

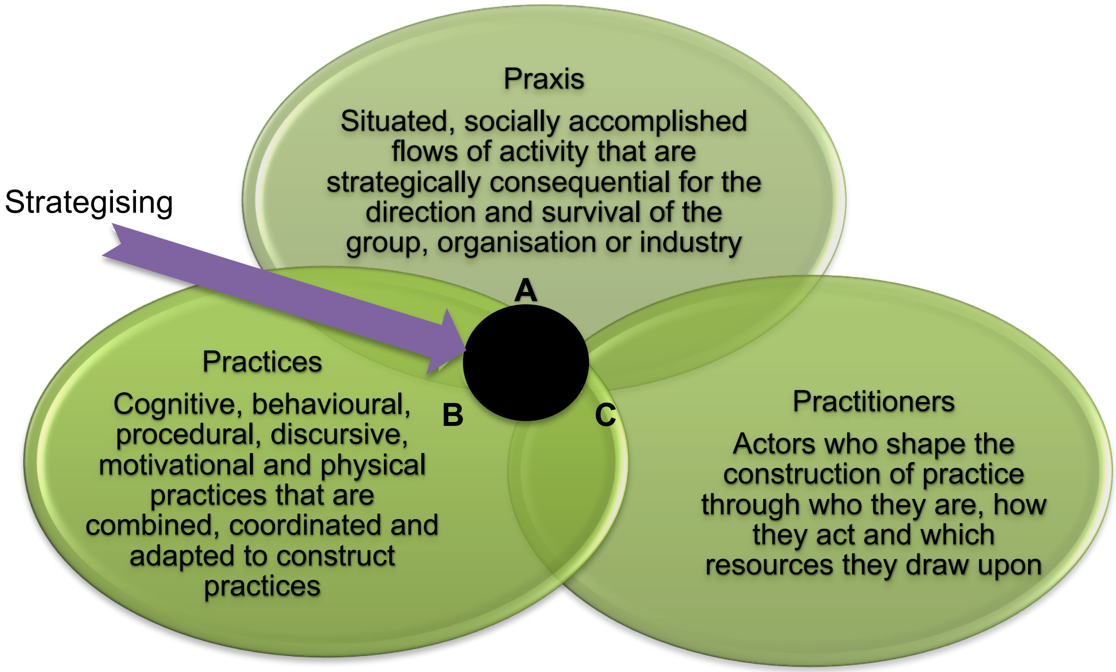
6.2.4 Strategy as Practice

The process perspective of strategic management has been criticised for being limited and out of sync with strategy in practice (Davis, 2014:84). One of the highlighted criticisms is that strategies are formulated through formal processes and disregard the interpersonal relationships and politics that exist in organisations. This approach differs from **practice-oriented perspective** (known as strategy-as-practice) which argues that formulating a strategy is not a linear process of sequential events, actions, and activities (*ibid*). Also, strategy formulation can be messy (*ibid*).

Strategy-as-practice provides insights into the work of strategy (ie, strategising). Strategising depends on the organisation's practices, which influence processes and outcomes (Davis, 2014:84). The practice perspective delves into **aspects of strategising**, including how strategists think, talk, reflect, act, interact, emote, and politicise, the techniques they use, and different strategising approaches they employ (*ibid*). The author posits that the strategising process is complex, as it influences all members of the organisation, and is a social activity carried out by people and influenced by their context.

Davis (2014:84) suggests that strategy-as-practice differentiates **strategy praxis** (the work), **strategy practitioners** (the workers), and **strategy practices** (the tools). Davis (2014:85) presents the conceptual framework for analysing strategy as practice (**Figure 1**) adapted from Jarzabkowski, Balogun, and Seidl (2007).

FIGURE 1: CONCEPTUAL FRAMEWORK FOR ANALYSING STRATEGY ASPRACTICE



The authors assert that **strategising is a connection between praxis, practices and practitioners**. And so strategising occurs at the intersection of A, B and C (represented by the black dot). **Table 2** summarises elements of the framework.

TABLE 2: DESCRIPTION OF THE CONCEPTUAL FRAMEWORK

Praxis	• Encompasses human actions and activities involved in the deliberate formulation and implementation of strategy. • Represents the flow of activities, such as meetings, consultations, talking, calculating, writing, presenting, etc. These are activities used to formulate and implement strategies.
Practices	• These are "social, symbolic and material tools through which strategy work is done". They are combined and co-ordinated to construct strategy practice and include techniques like SWOT analysis, Porter's models, PowerPoint presentations, spreadsheets, etc. • They are peculiar organisational characteristics, which include culture, values, etc. This suggests that no process of formulating and implementing strategy is right. Organisations customise their strategising practices.
Practitioners or strategists	• These are people who strategise by drawing from practices that influence how they behave, think, feel, etc. They are also influenced by the society they operate in. They constantly adapt to the changes to suit prevailing situations. • Strategists include top leaders, the board of directors, middle managers, and consultants.

(Davis, 2014:85)

The success of a strategy is enhanced by the efforts of strategists working together, sharing information, robustly debating strategic options, and embracing diversity of thoughts, skills, attitudes, and concern for the environment and society. Strategic limitations may arise if the said aspects are not aligned, and strategists work at cross-purposes.

The strategy-as-practice perspective states that strategizing is a nexus between strategy praxis, strategy practices and strategists.

(Davis, 2014:94)

Strategy-as-practice

1. Evaluate the implications of adopting strategy-as-practice perspective in strategising in your organisation, or one you are familiar with.
    a. Identify the main role players.
    b. Analyse the main changes in the praxis and practices from the process perspective if the practice perspective is adopted.

6.2.5 How Strategy is Developed

For the successful implementation of a sustainable strategy, decision-makers must consider both content and context (eg strategy formulation after the financial crisis of 2007-08 is unlikely to be the same as before). Compare the following:

- **Context:** This refers to the context in which the strategy is being proposed, ie the environment (eg global, macro, and micro; present and future trends, etc);

- **Content:** The actions required for the implementation of the strategy (eg changes to the debt-to-equity ratio, divestiture, acquisition, existing and new products, existing and new markets, research and development, mergers, international expansion, etc); and

- **Process:** The interplay between the three core areas – strategic analysis, strategic development and strategic implementation. It also describes how the strategic process will affect the context (eg change the playing field) and how content will affect the process.

(Lynch, 2018:19-21)

6.2.6 Prescriptive and Emergent Approaches to Strategic Management

The **prescriptive** approach is a linear and rational process: predetermined and sequential. It analyses the current situation and develops new strategies for the future. The main elements of the prescriptive approach are developed before strategy implementation commences. The prescriptive approach views the three core areas (strategic analysis, strategic development and strategic implementation) as **sequentially linked** together (Lynch, 2018:21).

This approach typically begins with an analysis of the outside environment and the firm's resources. From here, the organisation's objectives are decided. Strategic options are generated next. Then the selected option is implemented. This full set of activities is known as the prescriptive strategy process.

According to the **emergent** approach, strategic management adjusts to human requirements, and continues to develop. This approach views the three core areas (strategic analysis, strategic development and strategic implementation) as **interrelated** (Lynch, 2018:21).

An emergent strategy, on the other hand, is one whose decisive objective is vague and whose elements are developed during the course of its life, as the strategy progresses. Because an emergent strategy is developing, incremental and continuous, it cannot be easily condensed. Theorists of the emergent approach maintain that long-term prescriptive strategies are of limited value. The processes of strategic development and strategic implementation correspond. Strategic analysis is followed by trial and error experimentation, while strategy development and implementation processes are changed accordingly.

(Lynch, 2018:21)

"A prescriptive strategy is one whose objective has been defined in advance and whose main elements have been developed before the strategy commences."

(Lynch, 2018:20)

"An emergent strategy is one whose final objective is unclear and whose elements are developed during the course of its life, as the strategy proceeds."

(Lynch, 2018:20)

Table 3 summarises the difference between prescriptive and emergent strategic management.

TABLE 3: DISTINCTIONS BETWEEN PRESCRIPTIVE AND EMERGENT STRATEGIC MANAGEMENT

Prescriptive Strategic Management	Emergent Strategic Management
• Objectives defined in advance and main elements developed before the strategy commences	• Final objectives are unclear, and elements are developed as the strategy proceeds
• Objectives may be adjusted if circumstances change significantly	• No single final objective – strategy develops over time
• After the objective are defined, the process includes analysis of the environment, identification of strategic options, and choosing among them • The chosen strategy is then implemented	• Allows for experimentation with the strategy • It enables flexibility in order to respond to changes in the environment

(Adapted from Lynch, 2018:20)

"In most strategic management situations, the context and content are reasonably clear and predictable; it is the process that causes problems, because people are at the heart of processes."

Evaluate the strength of this argument, challenging these assertions.

Case Study: Facebook

Back in 2004, Mark Zuckerberg and some friends were Harvard University students writing computer programs to provide a social network connecting their fellow students. The result was the first version of Facebook – free, lively and popular. The service was so successful that it was first extended to other US universities, then across the USA and finally to other countries. By early 2013, it had become the world's largest social networking site with over 1.2 billion active users.

Read more in '**Facebook's strategy: where is the sustainable competitive advantage?'**, a short case study in your prescribed textbook (Lynch, 2018:24), and complete the tasks that follow.

Tasks

1. What are the sustainable competitive advantages of Facebook?
2. Where and how does Facebook's strategy add value?
3. Do you think Facebook's strategy is sustainable over time? Why, or why not?
4. What would you do next if you were responsible for Facebook?
5. What lessons can other companies learn from Facebook's recent strategies?
6. Would you invest in starting a new social network?

6.2.7 The Theories of Strategic Management

Some prescriptive theories of strategic management:

Industry and environment-based theories of strategy

According to these theories, profits are delivered by deciding on the most appealing industry and then competing better than other companies in that industry. The primary reason for an organisation's existence is to maximise its profits and increase its competitive advantage. Lynch (2018:41) emphasises that the word “environment” here refers to the "external factors acting on the organisation" (markets, governments, competitors, etc).

One of the most popular models that support this theory is Porter's five forces model. Porter maintains that the industry in which the organisation chooses to compete and the way it competes in that industry are the prime determinants of its long-run profitability. (We review this model later.) Many of the other models that support this approach remain largely western and Anglo-American in their orientation. They are primarily concerned with profit and leave limited room for social, cultural, governmental and other considerations (Lynch, 2018:42).

Other countries with a different culture and a more socialist attitude (Scandinavian countries and the Netherlands, for example) do not find the Anglo-American approach as appealing.

> “These nation-state arguments are, however, a matter of degree and they do not deny the need to make long-term profits in order to ensure the survival and growth of the enterprise.”
>
> (Lynch, 2018:42)

When all companies use the prescriptive approach, there is information symmetry. To some extent this reduces the advantages that some organisations enjoyed in the past, with only the largest, most powerful organisations able to sustain their advantages (eg through barriers to entry).

Resource-based theories of strategy (internally focused)

> Resource-based theories concentrate on the chief resources and capabilities of the organisation, especially those where the organisation has a competitive advantage, as the principal source of successful strategic management.
>
> (Lynch, 2018:43)

In other words, the resource-based view is that an organisation's internal environment, considering its resources and capabilities, is more decisive to determine strategic action than the external environment. The organisation will not focus so much building up the required resources to implement the strategy shaped by conditions and restrictions in the external environment. Instead, the firm's unique resources and capabilities provide the basis for a strategy.

Resource-based theories include:

- **Concentration on the chief resources and capabilities of the organisation**, especially where the organisation has a competitive advantage; and

- **Competitive advantage**, which comes from the organisation's resources and capabilities rather than the environment in which the company operates.

This approach does not mean that all the resources of an organisation will deliver competitive advantage, but the core will. Examples include physical resources such as plant and machinery, people resources such as leadership and technical know-how, and most importantly, how these resources combine to create value.

Arguably, organisational knowledge is a competitive advantage provided that it remains relevant. Some strategists go so far as to say that this might be the only resource that will continue to provide sustainable competitive advantage.

Game-based theories of strategy

Game theory is founded on mathematical models of options and choice and on the theory of chance. This theory acknowledges that a simple choice of best strategy has implications for other companies (eg suppliers and competitors) that try to model the consequences of each choice.

"Game-based theories focus on an important part of the prescriptive process – the decision-making that surrounds the selection of the best strategic option. Instead of treating this as a simple option and choice model, game theory attempts to explore the interaction between an organisation and others as the decision is made – the game."

(Lynch, 2018:44)

According to game theory the choice that has been made can be modified as the game advances. In the search for optimal strategy there is a continuing expectation of competitive responses and possible counter-moves. As the above suggests, game theory attempts to explore the interaction between an organisation and others as each makes its moves, like players in a game.

Key Strategic Principles

- Industry and environment-based theories emphasise the importance of the marketplace to deliver profits. Strategy should seek sustainable competitive advantage.
- Resource-based theories stress the competitive resources of the organisation in strategic development. Core competencies and other uniquely competitive resources must be identified.
- Game-based theories of strategy focus on the options-and-choice of the prescriptive model. They explore the commercial realities of competitor reactions and possible counter-moves in the search for an optimal strategy.

- Co-operation and network-based theories focus on the formal and informal relationships that can be built to develop strategic management, such as strategic alliances and joint ventures. They have arisen from the realisation that it is sometimes possible to develop competitive advantage by co-operating with rival companies. The main difficulty is to make such co-operation work over time: it often fails for a variety of reasons.

(Lynch 2018:46)

Identify the Approach

1. Identify examples of why a prescriptive strategic management approach is preferable or not preferable to an emergent approach.
2. Discuss the likely challenges associated with each approach.
3. Identify whether your organisation uses a prescriptive or emergent strategy. Then determine:

   a) Whether it is working;
   b) How it can be improved; and
   c) Your role in the improvement.

6.2.8 Some Emergent Theories of Strategic Management

An emergent theory is one that comes to light through a systematic process of data collection and analysis. Lynch (2018:48-53) distinguishes between four sets of emergent strategy theories, which are discussed next.

Survival-based theories of strategy

These theories of strategy originated in sociology and exemplify Darwin's notion of "the survival of the fittest". Survival-based theories assume that weaker organisations disappear in a highly competitive market place. To be able to survive they simply have to adapt to the changing market circumstances. These theories:

- Regard the survival of the fittest company in the marketplace as being the prime determinant of strategic management;
- Explore how to survive in an environment that is highly competitive, shifting and changing;
- Propose that strategy emerges as the organisation attempts to dodge and weave with market changes; and
- Argue that differentiation and efficiency are important to respond effectively to environmental changes.

(Lynch, 2018:49-50)

Uncertainty-based theories of strategy

Followers of these theories:

- Argue that prediction is impossible because of the inherently unstable nature of business and its environment; and
- Propose that strategy should be allowed to emerge and change with fluctuations in the environment.

(Lynch, 2018:50-51)

Human-resource-based theories of strategy

These theories:

- Encourage the "people" element in strategy development;
- Pay careful consideration to elements such as motivation, politics and the culture of the organisation, and the desires of individuals;
- Focus on the difficulties that can arise from uncertainty and the need for change; and
- Suggest that strategy would benefit from an element of experimentation and learning that empowers individuals.

(Lynch, 2018:51-52)

Innovation and knowledge-based theories of strategy

These theories:

- Stress the value of radical new strategic thinking in order to move ahead of rivals; and
- Emphasise that the sharing of knowledge (collective wisdom) through the internet may be an important part of the process.

(Lynch, 2018:52-53)

Read more about strategic management theories:

- Brannback, M. nd, 'DSS – rethinking strategic management', https://www.researchgate.net/publication/31593182_DSS_Rethinking_Strategic_Management (accessed 10 June 2021).

Key Principles

- Survival-based theories of strategy assume the survival of the fittest in the marketplace. It is difficult to plan strategy actively and possible to survive by differentiation as events unfold.
- Uncertainty-based theories of strategy regard prediction as impossible because of the inherently unstable nature of business and its environment. Strategies must be allowed to react to the changing environment and emerge from the chaos of events. Some regard this as a pessimistic view of strategy.
- Human-resource-based theories emphasise the importance of the people element in strategy development. They highlight the motivation, the politics and culture of organisations, and the desires of individuals. They also suggest that strategy would benefit from an element of learning and experimentation that empowers individuals.
- Innovation- and knowledge-based theories stress the value of radical new strategic thinking in order to move ahead of rivals. The sharing of knowledge through the internet may be an important part of such a process.

(Lynch, 2018:53-54)

6.2.9 Key Points

In this section we noted that:

- Strategy is the most important thing top leaders do. It defines the direction and the scope of the business.
- Strategy is developed on three levels:
    - Corporate level – defines direction and scope;
    - Management level – defines to deliver on the direction and scope; and
    - Operational level – defines implementation plans to deliver the strategy.
- Given the need for strategic management in organisations, emphasis is placed on the process. However, there is no common agreement on the way this can be done.
- Three components of strategy development are the context, the content and the process.
- The practice perspective of strategy delves into aspects of strategizing which includes how strategists think, talk, reflect, act, interact, emote, politicise, techniques used, and different forms of strategizing approaches they employ. Strategizing is a connection that exists between praxis, practices and practitioners/strategists.
- Two approaches to strategy development are the prescriptive process or the emergent process.
- The **prescriptive** process involves a structured strategic planning system. It is necessary to identify objectives, analyse the environment and the resources of the organisation, develop strategy options and select among them. The selected process is then implemented.
- The **emergent** process does not identify a final objective with specific strategies to achieve this. It relies on developing strategies whose final outcome may not be known. Managers will rely more on trial and error and experimentation to achieve the optimal process. (Lynch 2015:57)

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.3 ANALYSING THE COMPETITIVE ENVIRONMENT

Timeframe	Minimum of 27 hours
Learning outcome	• Review and analyse an organisation's external environment using appropriate analytical tools and techniques.
Prescribed book	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.
Prescribed articles	• Mason, R. 2007, 'The external environment's effect on management and strategy: a complexity theory approach', *Management Decision,* 45(1), 10-28, https://www.researchgate.net/publication/32116512_The_external_environment%27s_effect_on_management_and_strategy_A_complexity_theory_approach (accessed 10 November 2021). • Porter, M. 2006, 'Michael Porter asks and answers: why do good managers set bad strategies?' http://knowledge.wharton.upenn.edu/article/michael-porter-asks-and-answers-why-do-good-managers-set-bad-strategies/ (accessed 10 November 2021).
Prescribed multimedia	• Warren, K. 2012, 'Strategic management dynamics', http://www.youtube.com/watch?v=QCu0iF8dPEk (accessed 10 November2021).
Section overview	In this section, the external environment and the forces at play are analysed. Keep in mind that organisations and their environments are dynamic. Organisations change as the environment shifts, and as organisations change, so too does the environment. "Greening" is a prime example of this. Organisations have caused mass deterioration of the environment, which has led to legislation and regulation, which in turn has changed the ways in which organisations do things. Various techniques are used in analysing the external environment.

6.3.1 Exploring the External Environment (Industry and Environmental Theories of Strategy)

> “ In strategy, the environment means everything and everyone outside the organisation: competitors, customers, suppliers plus other influential institutions such as local and national governments.
>
> (Lynch, 2018:70)

Why is an understanding of the external environment an essential element of strategic management? There are three key reasons:

- Most organisations compete against others (using data, information, knowledge, insights and wisdom), and the nature of this competition assists in the development of their own sustainable competitive advantage;
- Interrogating the competitive environment facilitates the identification of new opportunities for the organisation; and
- Threats are identified, analysed and mitigated (and in some cases turned into advantages).

Opportunities and threats derive from competitors and from government decisions, technological changes, social developments and environmental challenges, to name a few sources. Lynch (2018:70-109) discusses stages, techniques, and outcomes of each stage in environmental analysis. The stages, techniques and outcomes can be summarised as in **Figure 2** (Lynch, 2018:71).

FIGURE 2: ANALYSING THE STRATEGIC ENVIRONMENT

Stage 1 – Environment basics

The basic characteristics of the environment are:

- **Market definition and size** – usually described in terms of annual sales. Large markets are usually more attractive than small markets. Cognisance is taken of the existence of substitute products when analysing the size of a market;
- **Market growth** – is the market growing rapidly or slowly? Is this in line with what the shareholders require? and
- **Market share** – a large market share can be strategically beneficial, as it may allow the organisation to influence prices and take advantage of economies of scale.

The combined knowledge from the above should define the market opportunity.

Stage 2 – Degree of turbulence

Consider the **degree of turbulence** (change) in the environment:

- Modern organisations exist in increasingly complex environments over much of which they exercise little or no control. Successful leaders anticipate and respond to environmental turbulence – capitalising on emerging opportunities, minimising the impact of adversity and managing the process of realignment and transformational change;
- Increased volatility of the business environment makes systematic strategic planning more difficult. Rapid change requires strategies that are flexible and creative (Hamel in Grant, 2003); and
- If the degree of turbulence is high (eg in the technology sector, or in emerging markets) strategic prediction is more difficult. Regardless of the level of turbulence, organisations need to be equipped to cope with change, keeping in mind the effects of change in the wider system. The more turbulent the external environment, the more likely the organisation is to use an emergent approach to strategy development. The degree of turbulence surrounding the organisation can be assessed (Lynch, 2015:71-72) through two main measures:

  Changeability – how likely are changes to the environment? Factors to analyse when looking at changeability include:

  - Complexity – How the organisation is affected by external factors such as technology, social and political complications; and
  - Novelty – how the organisation will deal with new situations

  Predictability – the manner in which the organisation can predict change:

  - Is the rate of change slow or fast? and
  - Visibility of the future – availability of information to predict the future.

Stage 3 – Green strategy

It should by now be clear that business strategy is also concerned with the environment. Green strategy is twofold – on the one hand the organisation is focused on conserving the earth's environment, and on the other hand it can create businesses that arise from such sustainability (eg energy-saving light bulbs). Analysis should consider:

- Legislation (the regulatory environment);
- Business opportunities; and
- Customer perceptions.

News travels – customer perceptions about an organisation's impact on the environment can be transmitted across the globe in seconds. This can do irreparable damage to the brand. In structuring green strategies there are winners and losers, eg lower consumption in oil and gas versus increased demand for insulation and solar energy.

The Risks of Doing Nothing

We often hear from the business world that is too expensive to go green and that environmental legislation hinders competitiveness or that their sector's environment is not important enough. This reactive standpoint is actually self-delusional. In fact, doing nothing involves substantial cost and risk. We must face the fact that the world is going green. The 2009 Copenhagen climate change conference did not produce good results by way of the final agreement, but seeing the world's leaders face-to-face on cutting carbon emissions clearly showed that this topic has reached priority status on the global political agenda. If organisations refrain from shifting voluntarily they will be forcibly pushed in this direction by governments, pressure groups, customers and the general public. (Adapted from Leading Architecture & Design, 2011).

The Paris Agreement of 12 December 2015 builds upon the previous convention and – for the first time – brings all nations into a common cause to undertake take ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so. As such, it charts a new course in the global climate effort. The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below two degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Additionally, the agreement aims to strengthen the ability of countries to deal with the impacts of climate change. To reach these ambitious goals, appropriate financial flows, a new technology framework and an enhanced capacity building framework will be put in place, thus supporting action by developing countries and the most vulnerable countries, in line with their own national objectives. The agreement also provides for enhanced transparency of action and support through a more robust transparency framework.

Further information on key aspects of the Paris Agreement can be found at:
http://unfccc.int/paris_agreement/items/9485.php

1. Discuss the potential advantages of organisations' green strategy.
2. Critically argue the possible disadvantages for organisations of going green.

Stage 4 – PESTLE analysis

PESTLE analysis is a simple but important and widely used tool that helps management understand the interplay between the:

- **P P**olitical;
- **E E**conomic;
- **S S**ociocultural;
- **T T**echnological;
- **L L**egal; and
- **E E**nvironmental forces.

Used by business leaders and strategists worldwide, the method is preferred by prescriptive strategists, but not emergent strategists. Prescriptive strategists believe that past events are strong indicators for forecasting the future. Emergent strategists say that prediction, particularly in a turbulent environment, is of little use.

MTN's Environmental Analysis

MTN, one of South Africa's and Africa's biggest mobile phone companies, operates in many jurisdictions.

Task

Using PESTLE, analyse MTN's environmental influences with regard to the company's strategic decisions. In your analysis, use publicly available information.

PESTLE analysis and environmental influences

PESTLE analysis provides strategic decision-makers with an outline of environmental influences. Awareness of the environment helps prepare organisations to respond to changes. Before considering the PESTLE framework for making strategic decisions, management should understand the environment at three levels:

- **Micro** (the study of resource allocation by households and firms);
- **Meso** (the intuitional aspects of the economy that are not captured by micro or macroeconomics, eg the web of contracts, formal or informal, in family, corporate, market, civil, and social institutions); and
- **Macro** (the study of economic performance, structure, behaviour and decision-making at the national, regional or global level).

Sheng and Geng (2012) argue that meta-economics goes still further. By "studying deeper functional aspects of the economy, understood as a complex, interactive, and holistic living system", management will understand why, for example, governance structures evolve. New levels of economic analysis provide more accurate forecasts.

PESTLE analysis is useful for understanding the big picture of the environment in which an organisation operates. Specifically, it is a useful tool for **understanding risks associated with market** (the need for a product or service) growth or decline, and hence the position, potential and direction for an individual business or organisation.

TABLE 4: PESTLE ANALYSIS

Factor	External Influences
Political	These refer to government policy, such as the degree of intervention in the economy. What goods and services does a government want to provide? To what extent does it believe in subsidising firms? What are its priorities for business support? Political decisions can affect many vital areas for business, such as the education of the workforce, the health of the nation and the quality of the infrastructure of the economy, such as the road and rail system.
Economic	These include interest rates, taxation, economic growth, inflation and exchange rates. Higher interest rates may deter investment, because it costs more to borrow. But they could also attract foreign investment. A strong currency may favour imports, but negatively affect exports. Inflation may provoke higher wage demands, and raise costs.
Social	Changes in social trends can affect the demand for a firm's products and the availability and willingness of individuals to work. An ageing population will affect demand (for example, increased demand for medical benefits and pension funds) and the working population. Some governments are making tentative steps to raise the retirement age.
Technological	New technologies create new products and new processes. Sophisticated computer games, online gambling and high definition TV sets are all new markets created by technological advances. Online shopping, bar coding and computer-aided design are all improvements to the way we do business as a result of better technology. Technology can reduce costs, improve quality and lead to innovation in manufacturing. These developments can benefit consumers and the organisations providing the products. However, improved technologies can also make certain jobs redundant, and that may have social repercussions.
Environmental	Environmental factors include weather, climate change, and reduced natural resources, especially water. Changes in temperature can affect many industries including farming, tourism and insurance. The increasingly urgent call to protect the environment affects almost all industries (eg levies on the sale of new cars, electricity tariffs). The general move towards more environment-friendly products and processes is affecting demand patterns and creating business opportunities.
Legal	The legal landscape refers to the judicial system, legislation affecting businesses, tax regulations, labour laws, trade regulations and corporate governance. What is the legal structure, and are the laws conducive for investment? Legal changes can affect a firm's costs (eg if new systems and procedures must be developed) and demand (eg if the law affects the likelihood of customers buying the good or using the service).

(Oxford Learning Lab, 2007)

This tool should be used regularly to **facilitate assessment of the growth (and risk)** prospects for an industry. However, the individual parts should not be seen in isolation. Just because a market is growing, and all appears well, it need not follow that an organisation can make a profit in that industry. To improve analysis, a range of managers should be involved. Assessment and the quality of the data collected should be considered.

1. What are the strengths of PESTLE as a tool for analysis?
2. What are its limitations?

Stage 5 – The industry life-cycle

An industry goes through four phases of development (Lynch, 2018:80), each with implications for strategy: **introduction, growth, maturity, and decline**. Industries evolve over time, structurally and in size. The industry life-cycle is measured through both the value of total industry sales, and growth in total industry sales.

The industry's structure, and the competitive forces that shape the environment, change throughout the life cycle (Lynch, 2018:79-83.)

Introduction

In this stage the **industry is still very new**, so there are few competitors and no threat from substitutes. Because the **availability** of the product is limited, the **power of buyers is low**; those who want the product are prepared to pay to get it. Suppliers, however, do exert some power, because **volumes purchased are still low**, making the industry relatively unimportant to them.

Growth

The number of competitors increases rapidly in this stage as other firms seek to gain a share of the growing industry. However, growth in **demand outstrips growth in supply**. Therefore, competition, for a time, is kept in check. The **power of buyers is still very low** because demand exceeds supply. Often industry growth is associated with **high profitability**. While at this stage firms may be profitable, they could still be cash hungry and be exposing themselves to risk as they jockey for **market position and market share**.

Maturity

By the time the industry enters maturity, the business and market dynamics exhibit noticeable shifts. For example, the **power of buyers has increased** because supply has begun to match, or even exceed, demand. In contrast, the **power of suppliers has declined** because the volumes purchased by the industry have become increasingly important sources of revenue for the suppliers. So losing a large customer could now be very damaging to a supplier.

The **threat from substitutes** has also grown. Another important shift that can become noticeable in this stage is how the industry looks to **consolidation**, possibly through mergers and acquisitions, as a way of maintaining and even improving market positioning and strategic advantage. Mature industries are settled in their market segments. They face low risk and they are able to **generate cash**. However, rivalry among **competitors becomes fierce** and falling prices pose a serious threat to profitability.

Decline

This decline stage poses new challenges – and new opportunities. Here capacity exceeds supply and thereby increases the power of buyers. The weakest competitors have no choice but to **withdraw from the industry**, leading to a **reduction in rivalry** among firms. It is usually in this stage when firms may combine forces to ask for government intervention or subsidies to help to protect the declining industry. The **threat of substitutes is high**; indeed, substitutes are often the root cause of decline. However, managed correctly, a slowly declining industry can produce attractive returns for investors: because there is no new investment in the industry, it is gradually run down and **milked for cash**.

> Industry is a much broader classification than product; an industry consists of many similar groups of products. The product groups of mid-size sedan, pickup truck, and sport-utility vehicle all belong to the automobile industry.
>
> Generally, industries have longer life cycles than products. The automobile industry has lasted more than 100 years and shows no signs of declining. However, the large family-sedan appears to be well into the decline stage. After decades of dominance in the automobile industry, only a few large cars, such as Ford's Crown Victoria, are being manufactured.
>
> The life-cycle concept also describes individual brand products, such as the Ford Taurus. However, individual products in a group of products usually have much shorter life cycles, and they do not always follow the classic shape of the product life-cycle. They may be introduced and die, and then be reintroduced again at a latter point. For example, the Chevrolet Nova has had more than one life cycle. Consequently, products are defined as groups of similar products, and industries defined as a collection of comparable product groups.
>
> Read more: http://www.referenceforbusiness.com/management/Or-Pr/Product-Life-Cycle-and-Industry-Life-Cycle.html#ixzz4SszcEKfW

(Reference for Business, 2018)

Stages of Life Cycle

1. In which stage of the life cycle is your organisation?
2. What are the implications of being in this stage of the life cycle for your organisation's global competitiveness?

Stage 6 – Key factors for success in an industry

Key factors: are those factors such as resources, skills and attributes of the organisations in the industry that are essential for success in the marketplace. Key success factors are common to all major organisations operating in an industry and therefore do not contribute to a company's differentiation. Key resource factors should be concentrated in specific areas of the business that contribute to success (Lynch, 2018:86).

Identifying key factors for success focuses the strategic analysis. The factors include identifying who the customers and competitors are, and what the organisation's resources are. Follow the discussion on what falls under each factor in Lynch (2018:86-88).

In addition, Lynch (2018) highlights these criteria:

- Important market trends such as: growth; cyclical trends; static market; cheap imports and major new product innovation. **How do we compare with our competition?**
- Significance of existing and new customers. **How do we compare with our competition?**
- Why have our competitors moved to their current position? What have they done and what skills do they have? What advantages can they offer our customers? **How do we compare with our competition?**
- What are the organisation's largest cost areas? **How do we compare with our competition?**
- Research and development and market innovation. **How do we compare with our competition?**
- Is the organisation capital intensive? **How do we compare with our competition?**
- Crucial worker and management skills. **How do we compare with our competition?**
- Sudden movements in currency and tax to our organisation? **How do we compare with our competition?**
- Quality and its maintenance. **How do we compare with our competition?**
- Location. **How do we compare with competition?**

Take Ownership of Your Studies.

At NQF level 9 you are required to read widely. Consider researching what the following authors (and others) have to say about strategy analysis and success factors:

- P.J.H. Schoemaker (one of Europe's experts in the field of strategic management and decision-making);
- John Kay (one of Britain's leading economists who offers insights into the relationships between economics and business strategy); and
- Kenichi Ohmae (renowned Japanese strategist who provides insightful comment not only from a Japanese perspective but in terms of global success).

Start by reading this landmark article:

- Schoemaker, P.J.H., Krupp, S. and Howland, S. 2013, 'Strategic leadership: the essential skills', *Harvard Business Review*, Jan-Feb issue, https://hbr.org/2013/01/strategic-leadership-the-esssential-skills (accessed 10 November 2021).

Stage 7 – Competitive industry

Porter's five forces model provides a simple perspective for analysing the competitive strength and position of a firm. The five forces that Porter (1998) says drive competition are:

1. Existing competitive rivalry between existing companies in an industry;
2. Threat of new market entrants;
3. Bargaining power of buyers;
4. Bargaining power of suppliers; and
5. Threat of substitute products.

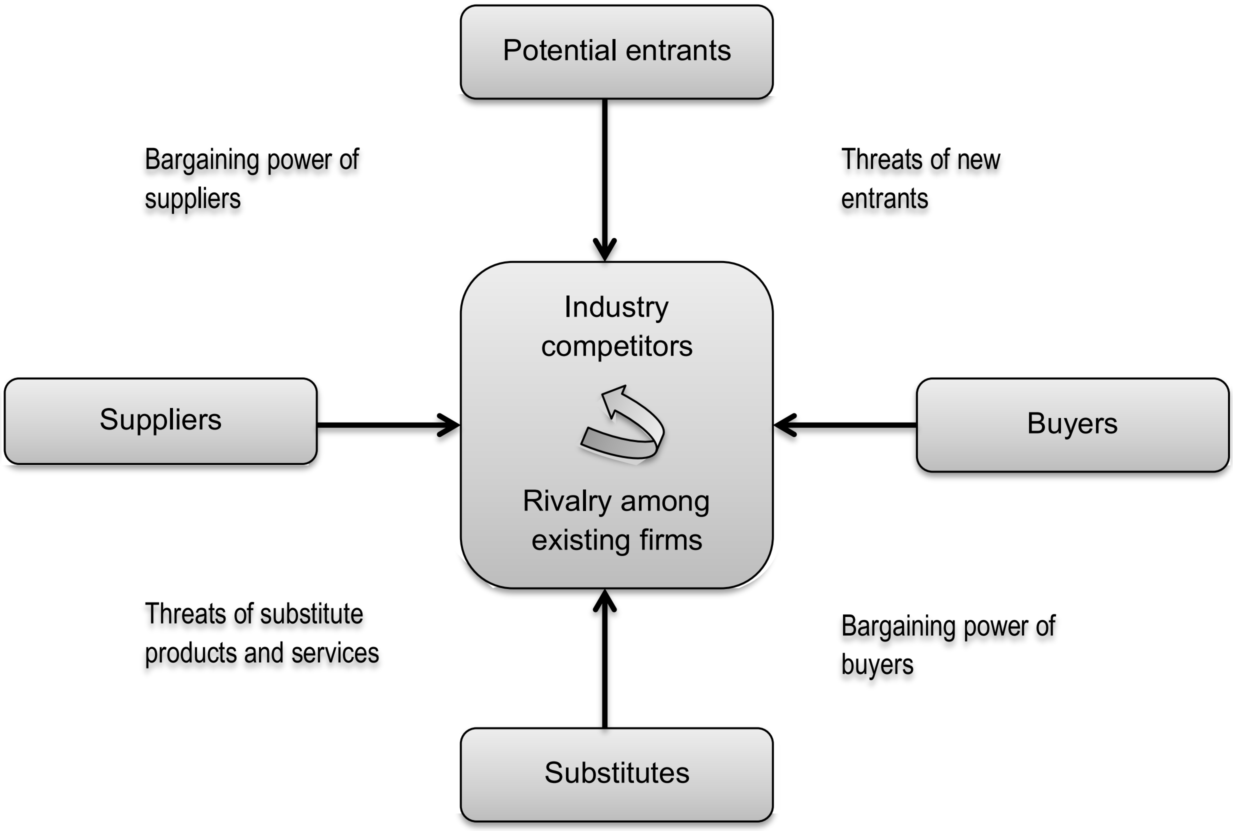
When competitive forces and their underlying causes are understood, the roots of an industry's profitability are revealed, and a framework is provided for anticipating and influencing competition (and profitability) over time. Strategists should be as concerned about a healthy industry structure as they are about their company's own position.

Profitability's origin is identical regardless of industry and is what ultimately drives competition and profitability. It is not whether an industry produces a product or service, is emerging or mature, high-tech or low-tech, regulated or unregulated. In industries with intense competition, such as airlines, hotels and textiles, almost no company earns attractive returns. But in industries that are less intense such as soft drinks, software and toiletries, companies are more profitable. Porter believes that understanding the competitive forces and industry structure is crucial for effective strategic decision-making (Porter, 2008).

Porter's model depends on the concept of power within the relationships of the five forces.

Figure 3 illustrates a version of Porter's five forces of competitive position.

FIGURE 3: PORTER'S FIVE FORCES OF COMPETITIVE POSITION



(Adapted from Lynch, 2018:91)

Although the strength of each force can vary from industry to industry, the forces, when considered together, determine long-term profitability in the industry. The strength of each force is a separate function of the industry structure, which Porter defines as "the underlying economic and technical characteristics of an industry" (Porter, 1998:5). Collectively, the five forces affect prices, necessary investment for competitiveness, market share, potential profits, profit margins, and industry volume.

The key to the success of an industry, and thus the key to the model, is analysing the changing dynamics and continuous flux between and within the five forces.

Apply the Five Forces Model to your Industry

1. Evaluate the forces at work in your organisation's industry (or one with which you are familiar).
2. In your evaluation, determine the attractiveness of entering that industry.
3. It is argued that Porter's five forces model is a useful early step in analysing the environment, but it has been the subject of recent criticism. Read Lynch's commentary on the subject, and compare it with other credible writers. Reflect critically on these commentaries, evaluating the key arguments.
4. Conduct your own research on other forces that can be added to modify Porter's five forces model to make it more relevant to the business world today.

Strategic Bargaining to Film *The Lord of the Rings*

In the highly competitive and risky environment of Hollywood filmmaking, it is essential to analyse those who have the power to make things happen. This case explores the strategic environment surrounding one of the most profitable films ever made – and how the deal and the movie almost failed.

It was one of the biggest gambles in movie history – handing $300 million to shoot an epic trilogy in one take to a virtually unknown director with no record of big-budget Hollywood pictures. And letting him do it 7,000 miles away, so that studio executives had little control over what actually happened on the set. There were plenty of recent examples of how a huge invest-ment in what seemed a sure-fire blockbuster had backfired, leaving massive dents in the studio's finances – *Waterworld*, *Heaven's Gate* and so on.

Read on in Lynch, 2018, pages 89-90.

Questions

1. Who has the bargaining power in this strategic environment? And who has the co-operating power? Identify and analyse the players – use concepts from Lynch (2018) sections 3.6 and 3.7 (pages 85- 96) to analyse the environment.
2. What useful strategic concepts, if any, can be used to analyse the strategic environment?

Stage 8 – The co-operative environment

Lynch (2018:96) proposes the four links model as a method of analysing the co-operation between an organisation and others in its environment. This co-operation between the organisation and others in its environment may:

- Help in the achieving sustainable competitive advantage;
- Open up new markets and increase business opportunities;
- Produce lower costs; and
- Deliver more sustainable relationships with those outside the organisation.

The basic co-operative linkages between the organisation and its environment can usefully be explored under four headings as shown in **Table 5**.

TABLE 5: LYNCH'S FOUR LINKS MODEL

Informal co-operative links and networks	The range of contacts that arise from organisations joining together informally for a common purpose. The strength of the banking industry network, for example, gives it an informal competitive advantage over banks excluded from this network.
Formal co-operative links	Linkages bound by formal contracts, such as alliances and joint ventures.
Complementors	Those companies whose products add more value to the products of the base organisation than they would derive from the products themselves. Example: car cell-phone chargers as a complementary business to cell-phone manufacturers.
Government links and networks	The relationships between firms and governments (municipal, regional and national), including those concerning tax, legislation and government purchasing.

(Lynch, 2018:96-97)

The Sixth Force

1. List and evaluate opportunities for informal co-operative links and networks in your industry.
2. What is required of alliances and partnerships in order to act ethically?
3. Complementors (Porter's sixth force) are other firms that sell goods or services compatible with, or complementary to, those that your firm sells. Together, rather than apart, such complementary goods hold greater value for the consumer. The condition where one product or service complements another therefore creates commercial symbiosis or complementarity. Evaluate complementary assets offered by your organisation.
4. How can your organisation improve access to these complementary assets?

Stage 9 – Competitor profiling

Competitor profiling is the systematic analysis of competitors in order to:

- Evaluate (and learn from) their strengths; and
- Exploit their weaknesses.

Lynch (2018:99-100) recommends evaluating six aspects, as shown in **Table 6**.

TABLE 6: COMPETITOR PROFILING

Competitor objectives	Is the competitor seeking increased market share, increased sales or increased profitability? Annual reports and press statements can provide information on a competitor's objectives. Alternatively, consider their 4 Ps.
Competitor resources	The scale and size of the competitor's resources are often good indicators of the competitive threat it presents. Factors such as inferior or superior technology must be assessed, and its financial standing. Consider the size and skill of its labour force.
Competitors' past record of performance	This is publicly available through financial records and stockbroker reports. These may, however, be poor guides to future performance.
Competitor current products and services	Many companies buy competing products or services for the purpose of finding fault with them. Customers, quality, performance, after-sales service and the promotional material of the competitor are analysed. Former competitor employees are often interviewed to gain insight into the competition.
Competitor links with other organisations	Joint ventures, alliances and other forms of co-operative agreements can provide insights into a competitor's strategic intent.
Competitors present strategies	Attitudes to subjects such as innovation, leading customers, finance and investment, human resource management, market share, cost reduction, product range, pricing and branding all provide useful information. Combined, they can reveal insights into competitor strategies.

(Adapted from Lynch, 2018:99-100)

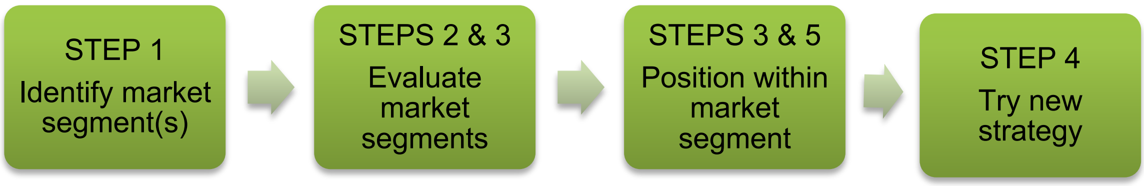
Competitor Analysis

1. Select one of your organisation's competitors for analysis. Obtain, where possible, its:
   - 1.1 Annual reports
   - 1.2 Company profile (eg from its website)
   - 1.3 Product brochures
   - 1.4 Press releases, and news stories published about the company
   - 1.5 Sample products for analysis
2. Summarise the above into a competitor SWOT analysis, using four quadrants in your grid: the competitor's strengths, weaknesses, opportunities and threats.
3. Evaluate the information and reflect on the competitor's strengths and weaknesses. What have you learnt from their strengths? What weaknesses could be exploited?

Stage 10 – Analysing the customer

Market segmentation involves identifying specific groups (or segments) of customers who respond to competitive strategies differently from other groups.

FIGURE 4: MARKET SEGMENTATION AND POSITIONING



(Adapted from Lynch, 2018:102)

Since the customer is at the centre of most strategic decisions, customer analysis plays a significant role in strategic management.

1. Consider the market for stationery – in particular the market for pens. Define this market using examples, eg a Bic pen versus a Mont Blanc pen, utility pens versus gift items.
2. Think about market segmentation and the strategic implications – eg in terms of profitability, competition and market growth.

Read more about strategic analysis:

- Mason, R. 2007, 'The external environment's effect on management and strategy: a complexity theory approach', *Management Decision,* 45(1), 10-28, https://www.researchgate.net/publication/32116512_The_external_environment%27s_effect_on_management_and_strategy_A_complexity_theory_approach (accessed 10 November 2021).

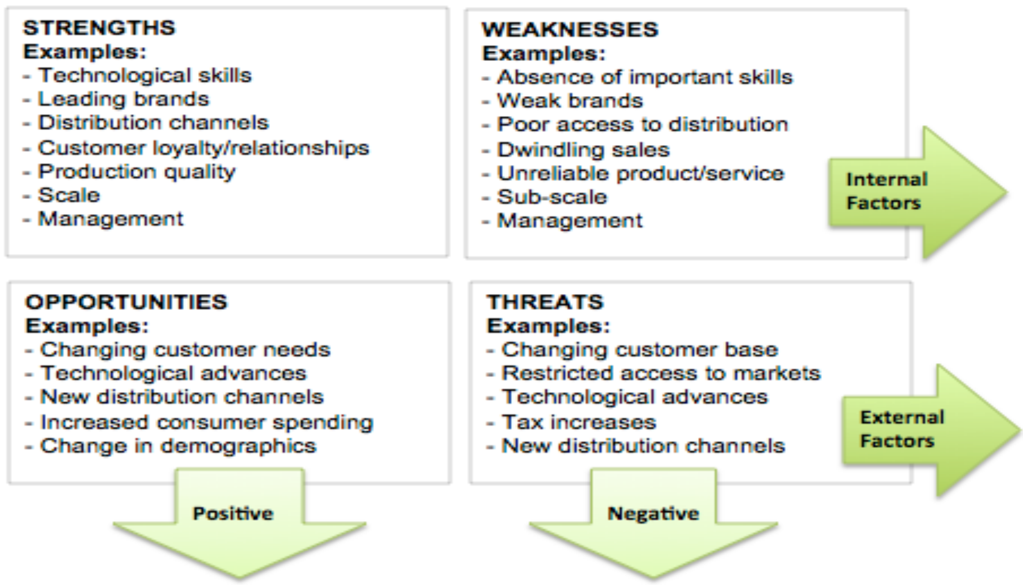
- Porter, M. 2006, 'Michael Porter asks and answers: why do good managers set bad strategies?' http://knowledge.wharton.upenn.edu/article/michael-porter-asks-and-answers-why-do-good-managers-set-bad-strategies/ (accessed 10 November 2021).

The SWOT analysis – development of strategic options

SWOT analysis is a tool used by decision-makers to identify the strengths, weaknesses, opportunities and threats of an organisation (their own, or a competitor). The strengths and weaknesses evaluate the firm's internal environment and the opportunities and threats identify the firm's external environment.

Before you can do a SWOT analysis you have to analyse the current situation in terms of the internal and the external environment, ie PESTLE, and perform an industry and market analysis. An example of a SWOT analysis, and possible factors, is provided in **Figure 5.**

FIGURE 5: SWOT ANALYSIS



(Adapted from Gliffy.com, nd)

Berry (nd) provides the following insights into the components of a SWOT:

Strengths
Strengths describe the positive attributes, tangible and intangible, that are internal to your organisation. They are within your control. What do you do well? What resources do you have? What advantages do you have over your competition?

You may want to evaluate your strengths by area, such as marketing, finance, manufacturing, and organisational structure. Strengths include the positive attributes of the people in the business, including their knowledge, backgrounds, education, credentials, contacts, reputations or skills. Strengths also include tangible assets such as available capital, equipment, credit, established customers, existing channels of distribution, copyright materials, patents, information and processing systems, and other valuable resources in the business.

Strengths capture the positive aspects internal to your business that add value or offer you a competitive advantage. This is your opportunity to remind yourself of the value existing within your business.

Weaknesses

Note the weaknesses in your business. Weaknesses are factors that are within your control that detract from your ability to obtain or maintain a competitive edge. Which must you improve? Weaknesses might include lack of expertise, limited resources, lack of access to skills or technology, inferior service offerings, or the poor location of your business. These are factors that are under your control, but for a variety of reasons, are in need of improvement.

Weaknesses capture the negative aspects internal to your business that detract from the value you offer, or place you at a competitive disadvantage. These are areas you need to enhance in order to compete with your best competitor. The more accurately you identify your weaknesses, the more valuable the SWOT will be for your assessment.

Opportunities

Opportunities are the external attractive factors that represent the reason for your business to exist and prosper. These are external to your business. What opportunities exist in your market, or in the environment, from which you hope to benefit?

These opportunities reflect the potential you can realize through implementing your strategy. Opportunities may be the result of market growth, lifestyle changes, resolution of problems associated with current situations, positive impressions in the market about your business, or the ability to offer greater value that will create a demand for your services. If it is relevant, place timeframes around the opportunities. Is it an on-going opportunity, or is it a window of opportunity? How critical is your timing?

Opportunities are external to your business. If you have identified "opportunities" that are internal to the organisation and within your control, you should classify them as strengths.

Threats

What factors are potential threats to your business? Threats include factors beyond your control that could place your strategy, or the business itself, at risk. These are also external – you have no control over them, but you may benefit by having contingency plans to address them if they should occur.

A threat is a challenge created by an unfavourable trend or development that may lead to deteriorating revenue or profit. Competition – existing or potential – is always a threat. Other threats may include intolerable price increases by suppliers, government regulation, economic downturns, devastating media coverage, a shift in consumer behaviour that reduces your sales, or the introduction of a "leap-frog" technology that may make your products, equipment or services obsolete. What situations might threaten your marketing efforts? Get your worst fears on the table. Part of this list may be speculative in nature, and still add value to your SWOT analysis.

It may be valuable to classify your threats according to seriousness and probability of occurrence. The better you are at identifying potential threats, the more likely you can position yourself to proactively plan for and respond to them. You will be looking back at these threats when you consider your contingency plans.

The implications

The internal strengths and weaknesses, compared to the external opportunities and threats, can offer additional insight into the condition and potential of the business. How can you use the strengths to better take advantage of the opportunities ahead and minimize the harm that threats may introduce if they become a reality? How can weaknesses be minimized or eliminated? The true value of the SWOT analysis is in bringing this information together, to assess the most promising opportunities, and the most crucial issues.

(Berry, nd)

In performing a SWOT analysis, you may find these guidelines useful (Lynch, 2018:267-268):

- Stay focused – too much information will hinder the process;
- Link organisational strengths and weaknesses to industry key factors;
- State strengths and weaknesses in competitive terms;
- Ensure that statements are specific;
- The gap between where the organisation wants to be and where the organisation currently stands should be clear; and
- Analysis of strengths and weaknesses should be realistic.

Carry Out a SWOT Analysis

1. Analyse the external environment of your organisation by using Lynch's 10 stages.
2. Critically evaluate this approach – what are its strengths and weaknesses?
3. Reflect on the following general SWOT analysis factors. Select those that are appropriate to your organisation and add further factors to arrive at a comprehensive SWOT analysis.

Strengths Market dominance; economies of scale; low-cost position; leadership and management skills; financial and cash resources; manufacturing ability and age of equipment; innovation processes and results; networks; differentiated products; and product and service quality.	**Weaknesses** Few core strengths and low on key skills; old plant with higher costs than competition; weak finances and poor cash flow; management skills and leadership lacking; poor record of innovation; few networks; low quality and reputation; little product differentiation; and limited product range.
Opportunities New markets and segments; new products; diversification opportunities; market growth; competitor weaknesses; strategic space (untapped business); demographic and social change; changes in the political or economic environments; new takeover or partnership opportunities; economic upturn; international growth.	**Threats** New market entrants; increased competition; increased pressure from customers and suppliers; substitutes; low market growth; economic cycle downturn; technological threats; changes in the political and economic environments; demographic change; and new international barriers to trade.

(Adapted from Lynch, 2018:268)

Hewlett Packard

Hewlett-Packard was established in a garage in Palo Alto, California, in 1938, by two electrical engineering graduates of Stanford University, Bill Hewlett and David Packard. The HP Garage, which still stands, is now a museum and is considered to be the birthplace of Silicon Valley. The firm began by manufacturing electronic devices, including a precision audio oscillator, of which eight were bought by Walt Disney Studios to test the sound systems in cinemas where Disney's *Fantasia* was to be shown. During the Second World War the firm worked on counter-radar technology and artillery shell proximity fuses. Hewlett-Packard went on to became hugely successful in computers and associated products – although it turned down Steve Wozniak's offer of the Apple I computer. Hewlett-Packard was split up in 2015 into HP Inc. (a PC and printer business) and Hewlett-Packard Enterprise (servers, storage and networking).

Consider this SWOT analysis of the firm in 2013:

- Jurevicius, O. 2013, 'SWOT Analysis of HP', *Strategic Management Insight,* https://www.strategicmanagementinsight.com/swot-analyses/hp-swot-analysis.html (accessed 10 June 2021).

SWOT ANALYSIS	
Strengths • Strong market position • Strong presence in China • Brand reputation • Diversified product portfolio	**Opportunities** • Expanding presence in cloud computing market • Expanding services and enterprise solutions divisions • Acquired more technology-related patents • Expanding portfolio of imaging and printing • Retail photo printing solutions and services that provide consumers the tools to personalise their photos and publish customised creative output
Threats • Projected decreases in the IT markets • Hyper-competitive environment • Rapid technological change	**Weaknesses** • Weak market segment integration • Poor competency in acquisitions • Twenty-nine percent of income comes from personal systems division • Poor presence in tablet market

Critically discuss:

1. How should Hewlett Packard use its strengths to take advantage of opportunities?
2. How should Hewlett Packard take advantage of its strengths to avoid real and potential threats?
3. How should Hewlett Packard use its opportunities to overcome the weaknesses it is experiencing?
4. How should Hewlett Packard minimise its weaknesses and avoid threats?

(Jurevicius, 2013)

6.3.2 Key Points

The key points made in this section are presented in **Table 7** (the stages, techniques and outcomes related to analysing your competitive environment).

TABLE 7: TEN BASIC STAGES IN ENVIRONMENTAL ANALYSIS

Stage	Techniques	Outcome of stage
1. Environment basics – an opening evaluation to define and explore basic characteristics of the environment	Estimates of some basic factors surrounding the environment: • Market definition and size • Market growth • Market share	Basic strategic analysis: • Scope the strategic opportunity • Establish future growth prospects • Begin to structure market competition
2. Consideration of the degree of turbulence in the environment	General considerations: • Change fast or slow? • Repetitive or surprising future? • Forecastable or unpredictable? • Complex or simple influences on the organisation?	Guidance on initial questions: • Is the environment too turbulent to undertake useful predictions? • What are the opportunities and threats for the organisation?
3. Green Strategy	• Legislation • Business opportunities • Customer perceptions	• Reputation management • Customer perceptions
4. Consideration of the degree of turbulence in the environment	PESTLE analysis and scenarios	• Identify key influences • Predict, if possible • Understand interconnections between events
5. Analysis of stages of market growth	Industry life-cycle	• Identify growth stage • Consider implications for strategy • Identify maturity, over-production and cyclicality issues
6. Factors specific to the industry: what delivers success?	Key factors for success analysis	• Identify factors relevant to strategy • Focus strategic analysis and development
7. Factors specific to the competitive balance of power in the industry	Five Forces analysis	• Static and descriptive analysis of competitive forces

Stage	Technique	Outcome of Stage
8. Factors specific to co-operation in the industry	Four Links analysis	• Analysis of current and future organisations with whom co-operation is possible • Network analysis
9. Factors specific to immediate competitors	Competitor analysis and product portfolio analysis	• Competitor profile • Analysis of relative market strengths
10. Customer analysis	Market and segmentation studies	• Strategy targeted at existing and potential customers • Market segmentation and positioning within segment

(Adapted from Lynch, 2018:71)

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.4 INTERNAL ENVIRONMENT ANALYSIS: RESOURCES AND CAPABILITIES

Timeframe	Minimum of 27 hours
Learning outcome	• Review and analyse an organisation's internal environment using appropriate tools and techniques.
Prescribed books	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.
Prescribed article	• Hansen, M. and Birkinshaw, J. 2007, 'The innovation value chain', *Harvard Business Review*, 85 (6), 121-30, https://hbr.org/2007/06/the-innovation-value-chain (accessed 10 November 2021).
Section overview	In the past, strategy was considered to be primarily concerned with maximising the wealth of shareholders. This is now considered too myopic a view because it does not clearly take into account other stakeholders both in and outside the organisation. Today, organisations are being shaped by more systemic factors including: • The values of the organisation; • The power of the stakeholders, including the shareholders; and • Corporate governance obligations, ethics and corporate social responsibilities. In addition, organisations increasingly have to face up to environmental consequences (green issues) and social issues.

6.4.1 Analysing Resources and Capabilities (Resource-Based Theories of Strategy)

Four questions must be addressed when analysing the organisation's resources and capabilities:

- What are the resources and capabilities of the organisation from a strategy perspective?
- Why do organisations possess resources?
- Why are resources and capabilities important? and
- How can we improve the resources and capabilities of the organisation?

The resources of the organisation are those assets that contribute to the generation of value add (Lynch, 2018:115). Resources can be divided into three categories, explained in **Table 8**.

TABLE 8: TYPES OF RESOURCES

Tangible resources	Physical resources that contribute to the value added, eg the physical location of McDonald's sites, or the plant and machinery of Hyundai Engineering & Construction Co.
Intangible resources	Resources with no physical presence but with real value for the organisation, eg the brand names of Coke and Toyota.
Organisational capabilities	GSK's company chief, Jean-Paul Garnier, in 2002 provided an important resource – leadership. While this type of resource cannot be quantified, it is vital to strategy development.

(Adapted from Lynch, 2018:116)

An organisation's capabilities are those "management skills, routines and leadership that deploy, share and generate value from the resources of the organisation" (Lynch, 2018:115).

1. List five resources in your organisation;
2. List five corresponding capabilities; and
3. What is the combined effect of the resources and capabilities in your organisation – are they, for example, faster and leaner than your competitors'?

6.4.2 Key Factors for Success in an Industry

Key factors for success in an industry are "those resources, skills and attributes of the organizations in an industry that are essential to deliver success in the marketplace. Key factors concern not only the resources of organization in the industry but also the competitive environment in which organization operates" (Lynch, 2018:86).

Three main areas that should be analysed are: customers, competitors and corporation.

Customers

Who are the customers? Who are the potential customers? Are there any particular segments? Why do customers buy from us? What do they really want? What they buy from our competitors? Can we direct our strategy towards a group? In particular, these factors play a role:

- Price;
- Services;
- Product or service reliability;
- Quality;
- Technical specifications; and
- Branding.

Competition

Who are the main competitors? What main factors in the market influence competitors? How intense is the competition? What is required to achieve market superiority? What resources do competitors have that we lack, and vice versa? In particular, these factors play a role:

- Cost comparisons;
- Price comparisons;
- Quality issues;
- Market dominance;
- Service; and
- Distributors.

Corporation

What key resources do we have and what are those of our competitors? What do our competitors deliver to customers? Where are most of the industry's costs concentrated? How does the organisation compare with its rivals with regard to technology, skills, organisational ability, and marketing? In particular, these factors play a role:

- Low-cost operations;
- Economies of scale;
- Labour costs;
- Production output level;
- Quality operation;
- Innovative ability;
- Labour-management relations;
- Technologies and copyrights; and
- Skills.

The analysis of an organisation's core competencies (in other words, the factors that an organisation regards as central to the way it works) is a difficult task, for three main reasons:

- There is often uncertainty about industry conditions and the actions of competitors;
- Many factors making up the analysis are complex, and the underlying causes are difficult to understand; and
- There is often disagreement within the organisation over what constitutes a competitive resource.

6.4.3 Resource Analysis and Adding Value (Resource-Based Theories of Strategy)

Added value can be defined as:

"The difference between the market value of the output of an organisation, and the cost of its inputs."

(Lynch, 2018:121)

The role of resources in an organisation is to add value, which means the organisation must ensure that its resources do not lose value in the long term, or it will not survive. A detailed analysis of every aspect of costs (inputs) and outputs (the products or services derived from the inputs) is required to determine value added.

Value can be increased in three ways:

- Reduce the cost of inputs, eg raw materials, labour, water, electricity, etc;
- Increase the value of the product to the consumer or organisation. For example, Domino's Pizza delivers to its customers. It adds value to its product by making it convenient for customers to purchase its pizza; and
- The third way to add value to a product is to combine 1 and 2 above and do both simultaneously.

6.4.4 Adding Value: The Value Chain and the Value System

The value chain

To develop competitive advantage an organisation constructs its **unique value chain**.

"The value chain identifies where the value is added in an organisation and links the process with the main functional parts of the organisation. It is used for developing competitive advantage, because such chains tend to be unique to an organisation."

(Lynch, 2018:123)

"Interlinked value-adding activities that convert inputs into outputs which, in turn, add to the bottom line and help create competitive advantage. A value chain typically consists of (1) inbound distribution or logistics (2) manufacturing operations (3) outbound distribution or logistics (4) marketing and selling, and (5) after-sales service. These activities are supported by (6) purchasing or procurement, (7) research and development, (8) human resource development, (9) and corporate infrastructure."

(Business Dictionary, 2013)

Consider too, that organisations operate within a wider system of suppliers and distributors known as the “value system”. The organisation’s value chain should **not be seen in isolation**. Its competitive advantage can also derive from this wider value system.

Porter’s value chain model is one of the best-known models depicting how value is created in an organisation. The value chain represents sets of activities that an organisation performs to produce and distribute its goods and services. The organisation achieves competitive advantage by managing this value chain more efficiently and more effectively than its competitors.

The value chain activities are commonly subdivided into two categories:

- Primary activities; and
- Support activities.

The primary activities are directly associated with producing a product or service: receiving and storing raw materials, making and delivering the product or service, marketing and sales, and after-sales service. The support activities provide functional support to the organisation: the organisational infrastructure (eg administration, HR, etc). **Figure 6** illustrates Porter’s model.

FIGURE 6: PORTER’S VALUE CHAIN MODEL

SUPPORT ACTIVITIES		
	ADMINISTRATIVE	Accounting, financial management, legal
	HUMAN RESOURCE MANAGEMENT	Recruitment, training, succession planning, performance management, etc
	PRODUCT & TECHNOLOGY DEVELOPMENT	Product and process design, production engineering, market testing, R&D
	PROCUREMENT	Supplier management, funding, subcontracting, specification

PRIMARY ACTIVITIES	**INBOUND LOGISTICS**	**OPERATION**	**OUTBOUND LOGISTICS**	**SALES & MARKETING**	**SERVICING**
	Receiving and warehousing materials, inventory control, transport, scheduling to manufacture, quality control	Manufacturing, packaging, production control, quality control, repairs and maintenance	Finished goods, order handling, dispatch, delivery, invoicing	Customer management, order taking, promotion, sales analysis, market research	Warranty, maintenance, education and training, upgrades

Profit = Sales less costs

(Karis, 2012)

The value chains vary according to the nature of the organisation (eg manufacturing, services, etc). However, in the main the primary activities of the company are:

- Inbound logistics;
- Operations;
- Outbound logistics;
- Sales and marketing; and
- Service.

These are the individual areas where a competitive advantage can be gained. The support activities to these primary activities are:

- Procurement;
- Technology development;
- Human resource management; and
- Firm infrastructure.

Each support area is analysed in terms of added value to the different primary activities of the organisation.

The value system

- The value system shows the wider routes in an industry that add value to incoming supplies and outgoing distributors and customers. It links the industry value chain to that of other industries. Again, it is **used to identify and develop competitive advantage**, because such systems tend to be unique to organisations.
- Competitors may, or may not, use the same value chain system: some suppliers and distributors will be better than others in the sense that they offer lower prices, faster service, more reliable products, etc. Real competitive advantage may be gained by using the best suppliers or distributors.

FIGURE 7: A VALUE SYSTEM

Assessing the organisation's value chain and value system can be a complex activity. Each part must be assessed for its contribution to competitive advantage.

Consider this useful perspective on Porter's value chain:

- Hansen, M. and Birkinshaw, J. 2007, 'The innovation value chain', *Harvard Business Review*, 85 (6), 121-30, https://hbr.org/2007/06/the-innovation-value-chain (accessed 10 November 2021).

6.4.5 Green Strategy and Value Chain Linkages

Environmental sustainability is one of the main considerations in strategy in modern-day business.

Morelli (2011:6) defines environmental sustainability as:

"[M]eeting the resource and services needs of current and future generations without compromising the health of the ecosystems that provide them."

The organisation's environmentally sustainable ("green") value chain linkages must be re-examined continually in light of **legislation and consumer sentiment**. Consider, for example, that your suppliers are not using green processes. This can affect your brand. Key areas include:

- Suppliers and inbound logistics (eg green applications at the source);
- Infrastructure (eg energy-efficient buildings);
- Production processes (eg low emissions);
- Customers (eg opportunities for recycling waste); and
- Services (eg advice).

In total, the value systems are intended to become carbon neutral. The purpose of this is to reduce and minimise the impact and resource consumption during the product life-cycle.

1. Identify your organisation's green strategies.
2. Discuss how these green strategies occur throughout the value system.
3. Reflect on the benefits and costs of greening.
4. What are the consequences of not greening your organisation's value chain?

Green Strategy: Two Problems with Solar Power

Although solar power has widespread government support and there is substantial demand for the product, there are at least two strategic problems that remain unsolved. Read on in Lynch, 2018, pages 483-484.

Questions:

1. If you were a major consumer of electricity, would you be willing to pay more for solar power because it was more renewable than electricity generated by coal or less risky than electricity generated by nuclear power?
2. What are the essential issues that you would consider in coming to your decisions?

6.4.6 The Organisation's Focus on its Processes

In evaluating the organisation's internal resources, the purpose of defining organisational processes is to establish a usable set of organisational-process assets and work environment standards. The organisation's set of standard processes is tailored by projects to create their defined processes (CMMI, 2007). Further, the organisation's processes influence how strategies are formulated, implemented and controlled.

Business processes can be a source of cost efficiencies and thus contribute to competitive advantage. For competitive advantage to be achieved, the processes co-ordinate and integrate the capabilities and resources. To achieve a sustained competitive advantage, the organisation's processes must offer products or services that have four qualities, ie **valuable, rare, inimitable, and non-substitutable** (using resource-based view). We will consider two frameworks.

Barney (1997) modified the VRIN framework (1991) to make it the VRIO framework, which incorporates an organisation's focus on organisational processes. Find more about the VRIN and VRIO frameworks in **Tables 9** and **10**.

TABLE 9: THE VRIN CHARACTERISTICS

Valuable	Resources can bring value to the firm. As a result, they become a source of competitive advantage.
Rare	Resources must produce an exceptional strategy to offer a competitive advantage to the firm (compared to competing organisations). Note: if a resource is valuable but also exists in competitor organisations, that resource is not rare enough to provide competitive advantage.
Inimitable	Resources can be sources of sustained competitive advantage if competing organisations cannot obtain them. Note: if a resource is valuable and rare, but a competing organisation can easily imitate it, such resource cannot be a source of competitive advantage.
Non-substitutable	Resources should not be replaceable by any other strategically equivalent valuable resources. If two resources can be used unconnectedly to employ the same strategy, then they are purposefully equivalent. Such resources are interchangeable. Therefore, they are not sources of sustained competitive advantage.

TABLE 10: THE VRIO FRAMEWORK

The question of value	Can the resource or capability be used by the organisation to exploit an opportunity or neutralise an external threat?
The question of rarity	Who controls the resource or capability? Is it in in the hands of a relative few?
The question of imitability	Is it difficult to imitate? Will the organisation get a significant cost disadvantage if it tries to obtain, develop or duplicate the resource or capability?
The question of organisation	Is the organisation organised, ready and capable of exploiting the resource or capability?

(Adapted from Rothaermel, 2013)

Competitive advantage

To assess which resources, have true strategic value, an organisation must identify and evaluate **each resource as a basis for future competitive advantage**. As soon as an organisation's tangible assets, intangible assets and organisational capabilities are identified, the resourced-based view applies a set of guidelines to find out which of these resources generate core competencies that are sources of sustained competitive advantage.

Core competencies are capabilities that are critical to a business achieving competitive advantage. The starting point for analysing core competencies is recognising that competition between businesses is as much a race for competence mastery as it is for market position and market power.

Senior management cannot focus on all activities of a business and the competencies required in undertaking them. So management should **focus attention on competencies** that really affect competitive advantage. Lynch (2018:133-134) identifies these sources of competitive advantage:

- Differentiation (eg unique features and attributes that distinguish a firm from its competitors);
- Low cost (eg outsourced labour);
- Niche marketing (eg focusing on a specific market segment and understanding and meeting the special buyer's needs);
- High performance or technology (leveraging current technology or recruiting talented individuals who will enhance organisational performance);
- Quality (eg having quality standards that competitor cannot meet);
- Service (eg offering exceptional service to customers);
- Vertical integration (ie backward, forward integration);
- Horizontal integration (eg a retailer purchasing another retailer);
- Synergy (ie the sum is worth more than the individual parts); and
- Culture, leadership and style of an organisation (eg having a unique organisational culture and leadership style within the organisation that competitors find difficult to imitate, such as Apple's research and development capability.

Guidelines for the resource-based view

It is useful to consider these four guidelines in the resource-based view:

1: Is the **skill or resource critical to fulfilling customers' needs** better than that of competitors?

- Four resources, namely store locations, brand recognition, employee loyalty, and sophisticated inbound logistics, allowed Walmart to fulfil customers' needs much better and more cost effectively than its competitor Kmart, and other discount retailers.

2: Is the resource scarce? Is it in short supply or **not easily substituted for or imitated**?

- When a resource is scarce, it is more valuable and can become the basis for a competitive advantage for the firm. Very limited natural resources, a unique location or rare skills can all be scarce resources.

3: Appropriateness: who actually gets the profit created by a resource?

- The fees they must pay the franchisor can frustrate restaurant franchisees of a national organisation.

4: Durability: how rapidly will the resource depreciate?

- The slower a resource depreciates, the more valuable it is. It is possible to measure depreciation of tangible assets such as commodities. Intangible assets such as brand names or **organisational capabilities are more difficult to measure** through depreciation or appreciation. The Coca-Cola brand has continued to appreciate, whereas technical know-how in computer technologies can depreciate rapidly.

Organisations exist in a competitive environment. Even not-for-profit organisations are competitive – they compete for donor funds. Governments too compete – for foreign direct investment. Consider the concepts of "competition" and "competitive advantage".

Sustainable competitive advantage: "An advantage over competitors that cannot be easily imitated. Such advantages will generate more value than competitors have."

(Lynch, 2018:133)

6.4.7 Improving Competitive Advantage

Benchmarking

Benchmarking is "the comparison of practice with that of other organisations in order to identify areas of improvement".

(Lynch, 2018:164)

The objective is to **identify best practices in performing value chain activities and to learn how to meet or exceed these** (eg lower costs, fewer defects and how outcomes linked to excellence can be achieved) with regard to customer needs. Companies committed to benchmarking try to identify where their outcomes are out of line with best practices of competitors or other companies that undertake similar tasks (Pearce and Robinson, 2011:162).

Exploiting existing resources – leveraging

It does not make sense to try to meet or exceed all best practices. The organisation should rather focus on best practices that support its key objectives. Lynch (2018:165) provides a useful analysis of the five areas to exploit, shown in **Table 11**.

TABLE 11: FIVE AREAS TO EXPLOIT EXISTING RESOURCES

Concentration	Concentrate on the resources that support the key objectives of the organisation. Focus on the resources that will add the most value to the organisation.
Conservation	Use the resources to their full potential and recycle where possible.
Accumulation	Ensure that all knowledge resources are used, developed and documented (build organisational memory).
Complementarity	Conduct an audit to evaluate where resources could be blended (eg digital marketing and sales).
Recovery	Generate cash sooner rather than later.

Upgrading resources

What if your resource analysis shows that the organisation has few or no competitive resources? There are three main ways to improve competitiveness (Lynch, 2018:166):

- Add new resources to add value to existing products and or service areas, or add new products and or services;
- Focus on enhancing the resources that are being directly challenged by competition; and
- Consider adding resources that will move the organisation into another industry.

Sustainable competitive advantage can be explained as the **long-run advantage a firm enjoys over its competitors**, which implies that it **cannot easily be imitated**. Reflect on the following elements associated with this distinct advantage:

- Innovative capability across the organisation;
- Comparatively better than the competition (inputs, processes and sales);
- Services cannot be imitated or substituted easily (products are usually easy to imitate by using reverse engineering. Services are more difficult to imitate, since they are intangible);
- Retaining appropriability (not giving up any of the advantages achieved to others in the system);
- Longevity of resources;
- Uniqueness of resources and capabilities;
- “Hidden” competitive edge (not easy for competitors to determine what makes the organisation unique); and
- Resources and capabilities that is prohibitively expensive in time and cost to achieve.

6.4.8 Analysing Current Organisational Culture

"Organisation culture is the set of beliefs, values and learned ways of managing of an organisation."

(Lynch, 2018: 144)

Because each organisation has a different combination of history, management and technology, each has a unique culture. Analysis is important because culture influences every aspect of the organisation, and leaders need to understand the starting point if they are to develop strategy, which usually involves changes (Lynch, 2018:144).

The culture of the firm influences its structures, systems and approach to the development of strategic management. Company culture derives from its past, its present, its current people especially its leaders, technology and physical resources (*ibid*) as shown in **Table 12**.

TABLE 12: THE MAIN ELEMENTS OF ORGANISATIONAL CULTURE

Environment	• People • Corporate cultures • Labour policies • International issues and culture
Cultural factors specific to the organisation	• History and ownership • Size • Technology • Leadership and mission • Cultural web
Identification of the basic cultural style of the organisation	• Power • Role • Task • Personal (Note that different groups within the organisation may have different subcultures.)
Analysis of the strategic implications	• Prescriptive or emergent • Competitive advantage • Strategic change

(Adapted from Lynch, 2018:145)

Recap Your Knowledge
1. Define the value chain in your own words. 2. Identify and develop the value chain for your organisation. 3. Develop the value system in which your organisation operates. What strategy conclusions can you draw? 4. Identify the core competencies of your organisation. Then compare your organisation with its competitors, and comment on the strategic implications. 5. Explain how resources can deliver a sustainable competitive advantage. 6. Outline three methods for improving the sustainable competitive advantage of your organisation's resources.

6.4.9

6.4.9 Key Points

In this section we noted that:

- Business processes can be a source of cost efficiencies and thus contribute to the organisation’s competitive advantage;
- To achieve a sustained competitive advantage, the organisation’s processes must offer products or services that have four qualities, ie valuable, rare, inimitable, and non-substitutable (using resource-based view).
- There are at least three ways to improve sustainable competitive advantage: benchmarking, exploiting existing resources and upgrading resources;
- Benchmarking is a comparison of practice with that of another organisation considered to display best practice in its field of operation. The aim of benchmarking is to identify areas of improvement in the resources of the organisation;
- There are five main methods for leveraging existing resources. They are concentration, conservation, accumulation, complementary and recovery;
- There are three main methods of upgrading resources: developing new resources, enhancing those threatened by competitors and adding complementary resources;
- Organisational culture is a set of beliefs, values and learned ways of managing that govern organisational behaviour. Each organisation has a unique culture;
- Culture influences performance and strategic management. Leaders have the opportunity to shape culture over time;
- Factors within the organisation that influence culture include: history and ownership, size, technology, leadership and mission, along with the cultural web of the organisation; and
- Within a general analysis of organisational culture, there are four main types, power, role, tasks and personal.

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.5 STRATEGY DYNAMICS

Timeframe	Minimum of 27 hours
Learning outcomes	• Assess the value of integrating issues related to ethics and corporate social investment into strategic management; and • Develop and evaluate various strategic options to meet organisational objectives taking into account globalisation, ethics and corporate social responsibility.
Prescribed book	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.
Prescribed articles	• BP Company Assessment, 2015, Corporate Social Responsibility and Corporate Social Performance, https://sites.google.com/site/702cap/corporate-social-responisbility-and-corporate-social-performance (accessed 10 November 2021). • Christensen, C.M., Raynor, M. and McDonald, R. 2015, 'What is disruptive innovation?' *Harvard Business Review*, December issue, https://hbr.org/2015/12/what-is-disruptive-innovation (accessed 10 November 2021). • Dolak, D. 2003, 'How to build a great brand from the ground up', http://www.davedolak.com/whitepapers/TopEndAlignment.pdf (accessed 10 November 2021). • McKinsey Global Institute, 2013, 'Disruptive technologies that will transform life, business, and the global economy', http://www.mckinsey.com/business-functions/business-technology/our-insights/disruptive-technologies (accessed 10 November 2021). • McKinsey Global Institute, 2019, 'How disruptive technologies are opening up innovative opportunities in services', https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/how-disruptive-technologies-are-opening-up-innovative-opportunities-in-services (accessed 10 November 2021). • Mele, D. and Guillen, M. 2006, 'The intellectual evolution of strategic management and its relationship with ethics and social responsibilities', http://www.iese.edu/research/pdfs/DI-0658-E.pdf (accessed 10 November 2021). • Minahan, J. and Reavis, C. nd, 'Harry Markham's loyalty dilemma', LearningEdge, https://mitsloan.mit.edu/LearningEdge/Leadership/HarryMarkhamA/Pages/default.aspx (accessed 10 November 2021).
Prescribed multimedia	• Warren, K. 2012, 'Strategic management dynamics', http://www.youtube.com/watch?v=QCu0iF8dPEk (accessed 10 November 2021).
Section overview	This section focuses on the purpose of the organisation, its vision and mission. We consider the influence of stakeholders and corporate social responsibility (encompassing environmental, social, and governance factors), review the purpose that emerges from knowledge, technology and innovation, and examine the potential effect of disruptive technologies on organisations.

6.5.1 Introduction

An organisation's strategic purpose should be made clear in identifying and defining its vision, mission and goals. According to Lynch (2009:221), six questions must be answered to shape the purpose of the organisation. These **questions are prescriptive in their approach** in that they assume that clear answers can be given. Emergent approaches are also needed if the organisation is to develop its purpose successfully.

The same applies to an organisation's strategic planning and implementation – these may require both a prescriptive and an emergent approach.

TABLE 13: QUESTIONS TO SHAPE ORGANISATIONAL PURPOSE

What is the focus of the organisation?	The purpose of an organisation is often determined by its available resources. A small company might, for example, focus on one market, growing steadily within that market before branching out to bigger things. It might have a narrow focus with limited range of products (for example, a regional television broadcaster). A large organisation, however, might focus its resources and efforts across multiple markets with a diversified set of products and services, for example SABMiller.
What kind of organisation does it want to be?	This question relates to the human resources of the organisation and includes choices in two related areas: organisational culture and organisational challenges. Organisational culture is defined by its values. These values are reflected in the ways in which the organisation conducts its business and deals with its clients and employees. Organisational purpose and the established values combine to affect the working styles of the employees. Organisational challenges refer to the characteristics or issues that determine the aggressiveness and progress of an organisation towards its objectives.
How important are the stakeholders and shareholders?	Stakeholder analysis (eg level of impact or influence and interest) should be evaluated when defining purpose. The larger the organisation the less influence the shareholders have on decisions – senior management holds more power and are likely to exert greater influence over the purpose and direction of organisational strategy.
Does the organisation want to grow?	Some organisations may be content to sustain their current market share. The decision on growth is an important one, but entirely dependent on the organisation and its environment – the choice is not automatic.
What is its stance on responsible and ethical business practices and corporate social responsibility?	Responsible and ethical business practices suggest moral principles that guide the way the organisation behaves. The organisation has an obligation to act so as to benefit society at large. Social responsibility entails performing in such a way as to maintain a balance between the economy and the ecosystems.
How are all these considerations brought together?	At the centre of the above is strategic intent. The phrase **strategic intent** captures the essence of the purpose of the organisation.

(Adapted from Lynch, 2009:221)

It is useful to expand on the concept of "strategic intent" originally conceived by Hamel and Prahalad in 1989 against the backdrop of the dramatic post-war ascent of Japanese companies. They argue that strategic intent was at the core of this success – the Japanese had ambitions that the West considered unrealistic, given their resources and capabilities. The Japanese had an obsession to win and sustained this at all levels in the organisation, leading to a 10- to 20-year quest for global leadership.

The concept is based on the three attributes of strategic intent: direction, discovery and destiny:

- **Sense of direction** – this implies a point of view about the long-term (decade or more) market or competitive position that an organisation hopes to build;
- **Sense of discovery** – this implies a competitively unique point of view about the future (holds out to employees the promise of exploring new competitive territory); and
- **Sense of destiny** – this implies an emotional edge; a goal that employees perceive as inherently worthwhile.

The process that reflects strategic intent consists of three steps (Hamel and Prahalad, 2005):

1. **Set the strategic intent** (including all three characteristics stated above);
2. **Set the challenges** (eg think of the development of an electric car which is cheaper than Tesla's that can also, say, travel further as it recharges on the go via solar panels).
3. **Empowerment of the strategic intent** (creating an environment conducive to success; capture the "wisdom of the anthill"; use new ideas from across the whole organisation).

Breathing Life into Strategy

1. Discuss the importance of strategic intent and how it affects organisational success.
2. Discuss how your organisation can move from intent to implementation.
3. Critically evaluate the inclusion of stakeholders in strategy formulation.

6.5.2 Develop a Strategic Vision for the Future

A vision statement can serve as a guide to an organisation by providing direction or purpose, and by indicating the core ideology to be preserved (Louw and Venter, 2012). Lynch (2018:199) takes this definition further: "Vision can be defined as a mental image of a possible and desirable future state of the organisation."

Examples of corporate vision statements

Avon: To be the company that best understands and satisfies the product, service and self-fulfilment needs of women – globally.

Epson: Committed to the relentlessness pursuit of innovation in compact, energy-saving, high-precision technologies, and through the formation of group-wide platforms will become a community of robust businesses, creating, producing, and providing products and services that emotionally engage customers worldwide.

Gillette Company: To build total brand value by innovating to deliver consumer value and customer leadership faster, better and more completely than our competition.

Pfizer: We will become the world's most valued company to patients, customers, colleagues, investors, business partners, and the communities where we work and live.

Lynch (2018: 199) gives **five reasons why organisations should develop a strategic vision**:

- Vision refers to an organisation's ambitions that go well beyond the immediate future, and any full investigation of purpose should explore this vision;
- The organisation's mission and objectives may be stimulated in a positive way by the strategic options that are available from a new vision;
- There may be major strategic opportunities from exploring new development areas that go beyond the existing market boundaries and organisational resources. These require a vision that deserves insightful exploration and development;
- Simple market and resource projections for the next few years will miss the opportunities opened up by a new range of possibilities, such as new information technologies, biogenetics, environmental issues, new materials and lifestyle changes. Virtually every organisation will feel the impact of these significant developments. Merely extrapolating the current picture is unlikely to be sufficient; and
- Vision can provide a desirable challenge for management across the organisation.

1. Define your organisation's vision in terms of the five points given by Lynch above.
2. Are the above-mentioned reasons factored into your organisation's vision statement?

As a manager, you are aware that a vision should be clear, because people cannot act on a vision they do not understand. **The vision should also be challenging and create urgency**. Even though a vision sees something that does not yet exist, it is built on reality: in other words, it is realistic.

Organisations that have a vision statement should evaluate it regularly. Dolak (2003) provides a useful set of questions to evaluate the effectiveness of a vision statement:

- Does it identify direction and purpose?
- Can it build loyalty through involvement?
- Does it set standards of excellence that reflect high ideals and a sense of integrity?
- Is it persuasive and credible?
- Will it inspire enthusiasm and encourage commitment?
- Is it well articulated and easily understood?
- Is it ambitious and does it call for shared commitment?
- Does it challenge and inspire people to align their energies in a common direction?
- Does it fit with the business's unique culture and values?
- Will it result in efficiency and productivity? and
- Does it reflect the company's unique strengths?

1. Critically evaluate your organisation's vision statement. What are the potential misalignments between what Dolak (2003) proposes and your organisation's vision?
2. Are these significant? Why, or why not?

Your organisation's vision should reflect purpose and core values in a way that is meaningful, easy to remember, and transparent. **Vision has little meaning unless it can be successfully communicated** to those working throughout the whole organisation (top to bottom), since these are the people who have to realise it.

Learn more about strategic management dynamics:

- Warren, K. 2012, 'Strategic management dynamics', http://www.youtube.com/watch?v=QCu0iF8dPEk (accessed 10 November 2021).

6.5.3 Stakeholder Power Analysis

> Stakeholders are the individuals and groups who have an interest in the organisation and, therefore, may wish to influence aspects of its mission, objectives and strategy.
>
> (Lynch, 2018:203)

When drawing up an organisation's mission and goals, two sets of stakeholder interests must be borne in mind:

- The managers and employees who implement the strategy (**internal**); and
- The stakeholders who benefit from the outcomes of the strategy (**external**, eg clients and customers, suppliers and government) (*ibid*).

Together these two groups form the stakeholders, who may or may not be in conflict and may or may not wield power. For example, the agents of the organisation (management) might prefer a profit orientation since this is linked to rewards, whereas customers might prefer a value orientation, which is linked to costs.

Conducting a stakeholder analysis is getting involved in participatory planning to map out who your stakeholders are. Lynch (2018:205-206) suggests **six major steps for conducting a stakeholder power analysis**:

1. Identify the major stakeholders;
2. Establish their interests and claims on the organisation, especially as new strategy initiatives are developed;
3. Determine the degree of power that each group holds through its ability to force or influence change as new strategies are developed;
4. Development of mission, goals and strategy, possibly prioritised to minimise power clashes.
5. Consider how to divert trouble before it starts, possibly by negotiating with key groups; and
6. Identify the sanctions available and, if necessary, apply them to ensure that the purpose is formulated, and any compromise reached.

An alternative way of carrying out a stakeholder analysis is the Mendelow matrix as presented in BPP Learning Media (2011). Mendelow considers the stakeholder's power and their likelihood to show interest in the organisation's activities. For this reason, the matrix suggests that power and level of interest define how the organisation interacts and manages relationships with its stakeholders. The Mendelow matrix has two axes, power and level of interest, as in **Figure 8.**

FIGURE 8: STAKEHOLDER MAPPING

Power \ Level of interest	Low	High
Low	**A: Minimal effort expended on these stakeholders (low power and low level of interest).** • Do not waste resources on these stakeholders.	**B: Do not have great ability to influence strategy (high level of interest but low level of power).** • Their views may influence powerful stakeholders through lobbying. • Keep them informed. • Example: Community representatives and non-profit entities.
High	**C: Treat with care (high level of power but low level of interest)** • Passive but capable of moving to quadrant D. • Keep them satisfied. • Example: Big institutional shareholders.	**D: Key players (high power and level of interest.** • Strategy must be acceptable to them. • Example: a major customer.

(Adapted from BPP Learning Media, 2011)

This stakeholder mapping has implications on the governance framework as it may be arranged in such a way that it manages the identified stakeholder groups. Also, the strategy may be designed in such a way that it repositions certain powerful stakeholders and those with a higher level of interest. Repositioning allows the organisation to leverage on stakeholder power and level of interest (depending on their attitude). The leverage is critical, especially when the strategist needs buy-in from powerful stakeholders and establishing political priorities.

Where Does Influence Lie?

Use the following grid to brainstorm stakeholder power in your organisation. State each stakeholder's relative power (high, medium, low) and the types of mechanisms they use to wield power, eg power of middle management to block the communication flow from high-level decision-makers to business units and functional departments.

	Relative power and the mechanisms through which they wield power
Managers	
Employees	
Government	
Funders (eg banks)	
Shareholders	
Suppliers	
Customers	

To ensure that a solution is reached, sanctions may have to be investigated with respect to certain stakeholder groups. This may be achieved through a bargaining process. Depending on the power of the groups and their willingness to agree, this may involve compromise.

6.5.4 Develop the Mission

Lynch (2018:216) describes the mission of an organisation as:

> "The broad general directions that the organisation should and will follow and briefly summarises the reasoning and values that lie behind it.

The difference between the mission statement and goals is that the **goals** take the generalities of the mission and turn them into **more specific commitments**. Lynch emphasises that they must state more precisely **what is to be achieved and when** the results are to be accomplished (eg quantifying the mission statement).

These goals are typically stated using SMART terms: **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime based. Before we discuss the drawing up of a mission statement, we need to evaluate the different approaches to devising a mission.

TABLE 14: APPROACHES TO MISSION DEVELOPMENT

Prescriptive approach	The mission statement is set for a few years (eg five to 10 years). Strategies are then prepared that are aligned with the mission statement.
Emergent approach	The emergent approach does not rely on the mission statement, since it argues that the future is unpredictable (there are too many chance events that can derail an organisation's mission, not least of which is game theory).

(Lynch, 2018:218)

The emergent and prescriptive approaches to strategy are two ends of a continuum. A firm's approach to strategic planning and implementation usually contains some elements of both. In fact, Lynch says that this is the approach that should ideally be taken in strategic development.

6.5.5 Formulate a Mission Statement

Lynch (2018:217) offers these guidelines for formulating a mission statement using the prescriptive approach:

1. Consider the nature of the organisation's business;
2. Consider how the customer will interpret the mission statement (the viewpoint from their set of "lenses");
3. Ensure that the mission statement underpins organisational values and beliefs (eg a respect for the environment, freedom from prejudice, customer value);
4. Ensure that the mission statement reflects or indicates the organisation's source of competitive advantage; and
5. Summarise the reasons for the strategic approach in the mission.

Aspiration vs Action

What Amazon does

"Amazon.com and other sellers offer millions of unique new, refurbished and used items in categories such as books; movies; music and games; digital downloads; electronics and computers; home and garden; toys; kids and baby; grocery; apparel; shoes and jewellery; health and beauty; sports and outdoor; and tools, auto and industrial."

(Amazon, 2015)

Amazon's Mission

"To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online … endeavours to offer its customers the lowest possible prices."

(Amazon, 2015)

Questions

1. Evaluate the integrity of Amazon's mission statement, using Lynch's guidelines.
2. Compare it with your organisation's mission statement.
3. Does your organisation's mission statement clearly proclaim what success looks like?
4. Would it consistently guide an employee's behaviour?

What Red Hat does

"Red Hat Inc provides open-source software solutions. Its software offerings are designed to provide customers with high-performing, scalable, flexible, reliable, secure and stable technologies that meet the information technology infrastructure needs of enterprises. These offerings include: Red Hat Enterprise Linux, Red Hat JBoss Middleware, Red Hat Enterprise Virtualization and Red Hat Storage Server."

Red Hat's mission statement:

"To be the catalyst in communities of customers, contributors, and partners creating better technology the open source way."

(Red Hat, 2015)

Questions

1. Are there any improvements that you would recommend to Red Hat's mission statement? What are they?
2. Are there any improvements that you would recommend to your organisation's mission statement? What are they?

From this you ought to see that the mission statement should:

- Be specific enough to affect the behaviour of stakeholders;
- Reflect the distinctive advantages of the organisation and be based upon an objective recognition of its strengths and weaknesses;
- Be realistic and attainable; and
- Be flexible enough to take account of shifts in the environment.

Does Red Hat's mission statement fulfil the above four points? Explain your conclusion.

Consider the mission statement and vision of CaixaBank, which has been lauded for its innovation:

CaixaBank

Mission

"To promote savings and investment by offering the best and most complete financial services to the largest possible number of customers and to make a firm contribution to society by ensuring flexible and personalised coverage of basic social and financial needs."

Vision

"Our **vision** is to continue being the leading financial group in the Spanish market with a clear international vocation. It is our aim to produce value for customers, employees, shareholders and society at large."

(CaixaBank, 2013)

6.5.6 Organisational Values

Considering the interrelationship between a mission statement and organisational values, and the fact that an organisation's mission must be premised on its values, it is important to distinguish between a mission statement and organisational values. A mission statement focuses on the broad direction that an organisation should follow. On the other hand, organisational values reflect what is important to an organisation. They contribute to informing the behaviours of employees (Ferguson and Milliman, 2008:441).

Ferguson and Milliman (2008:441) defined effective core organisational values as:

> "A unique set of organisation-wide beliefs and ideas that intrinsically influence the attitudes and behaviours of employees to achieve institutional and greater societal goals as well as promote employee attainment of personal aspirations.

Because organisational values are often written in vague terms, it is recommended that a **descriptive statement be drawn up to explain the company's unique values** (*ibid*).

Walmart's Vision, Mission and Value statements

Read Walmart's 2015 vision, mission and value statements, and then complete the tasks.

Vision: "We save people money so they can live better."

Mission: "If we work together, we'll lower the cost of living for everyone … we'll give the world an opportunity to see what it's like to save and have a better life."

Values:

- **Integrity:** This is the company's bedrock value: "If you work for Walmart, there is no grey area between right and wrong. It's either the right thing to do, or it shouldn't be done at all. We will not accept anything less than integrity."
- **Opportunity:** "You can advance at Walmart if you work hard, develop your skills, and do a good job."
- **Family and community:** The company has "a long history of going above and beyond when communities are hit by crises. We're people who grew up together, and worship together, and live on the same streets. We're friends and neighbours."
- **Purpose:** Walmart serves millions of customers around the world aspiring to the middle class. The company's purpose, "to save people money in new and convenient ways so they can live a better life. And we're doing it by bringing together the best of e-commerce and the best of retail."
- **Responsibility:** "We've been so fortunate with our success over the past 50 years. And when you're given so much, you have a responsibility to give back and do good. Walmart is making food healthier, our planet greener, and the communities we work in and live in stronger. We're making a difference – a big, big difference."

(Walmart News and Views, 2015)

Questions

1. Critically assess Walmart's values.
2. Are some of these values also reflected in the values of your organisation? Give examples.

6.5.7 Set Objectives

Corporate objectives refer to the goals of the whole organisation. These objectives are **grounded in the organisation's aims and mission statement**. Each department in an organisation must therefore base its objectives on corporate objectives. Examples of corporate objectives may include attaining long-term growth; diversifying the range of products and markets; and maximising profits.

The conversion of corporate objectives to **measurable targets** takes place through a cascading process, flowing from corporate objectives, to division or strategic business unit objectives, and to operating plans for execution. The task of operational managers is to determine precisely how to achieve the objectives.

Conflicting objectives

One of the most significant conflicts that occur between organisational objectives is between **short- and long-term goals**. For example, on one hand the organisation may want to provide investors with annual dividends, but on the other these profits could be put to good use in capital expenditure. Dividend policies make this potential conflict transparent. There may also be significant conflict between functional objectives within an organisation, eg marketing satisfying customer needs while production reducing costs and improving efficiency.

Filtering Down

1. What are your organisation's current key strategic objectives?
2. What are the objectives of each functional department in your organisation?

6.5.8 Corporate Governance and the Obligations of the Board

Corporate governance has become increasingly important in strategic management. The purpose of corporate governance is to enhance the transparency of the board of directors, increase director accountability, and give shareholders more of a voice in critical boardroom decisions (PWC, 2013).

Corporate governance refers to:

> The influence and power of the stakeholders to control the strategic direction of the organisation in general and, more specifically, the chief executive and other senior officers of the organisation.

(Lynch, 2018:209)

The relationship between strategy and corporate governance relates to the **influence that senior management has on the future purpose of the organisation** (Lynch, 2018:209). Due to the corporate scandals in recent years (eg, Tongaat Hulett, Steinhoff International, KPMG, and several state-owned companies), corporate governance is moving toward evaluating the strategies devised by senior managers and not only to reviewing the conduct of these decision makers. In order to evaluate the decision makers' strategic choices, **corporate governance should be integrated in the purpose of the organisation**.

Corporate governance systems safeguard against self-interests by executives who act on behalf of shareholders and stakeholders. The executives act as **agents** of shareholders and stakeholders, who are the **principals** who hire them (according to the **agency theory**), To safeguard the interests of the principals, governance systems are meant to ensure that strategic choices do not enrich executives at the expense of principals. Also, executives are expected to carry out their **fiduciary duties** with due care, skill and diligence, for the greater good of shareholders and stakeholders.

Various corporate governance frameworks and laws apply in different countries (eg the King IV report on corporate governance in South Africa and the Sarbanes-Oxley Act in the USA).

Key corporate governance issues include (PWC, 2013):

- Bribery and corruption;
- Separating the board chairperson and CEO roles is an ongoing debate (eg conflict of interest);
- Executives' compensation and say on pay;
- Financial regulatory reform (eg disclosure of ratio between CEO's pay and employee's pay);
- IT governance and IT oversight;
- Risk management (risk oversight and risk mitigation protocols);
- Succession planning (a company's long-term viability depends on successfully identifying and grooming potential candidates, for example, for the CEO role);
- Sustainability and climate change (contributing to the bottom line while reaching environmental goals); and
- Whistle-blower programmes (including audit committees).

Have You Read King IV yet?

- Institute of Directors Southern Africa, 2016, 'Getting to King IV', http://www.iodsa.co.za/?page=KingIV (accessed 10 November 2021).

Obligations of the board of directors

The core responsibility of directors is to maintain financial accountability and to act as trustees of the organisation's assets. They must exercise due diligence in **overseeing organisational strategy** and ensure the organisation is well managed.

The board has a fiduciary duty to remain objective, responsible, honest and trustworthy. As stewards of the shareholders they are bound to act for the good of the stakeholders rather than their own benefit.

Ethical Compliance
Critically analyse how your organisation ensures ethical corporate governance, and touch in particular on any areas where improvements in ethics and governance could be proposed.

6.5.9 Globalisation, Ethics and Corporate Social Responsibility (CSR)

Globalisation refers to the integration of markets in the world economy (Economics Online, nd). Globalisation is particularly common in financial markets such as capital, money and credit markets and insurance markets, commodity markets such as oil, coffee, tin, gold, and product markets for motor vehicles and consumer electronics.

The increased pace of globalisation has several causes. These include **developments in ICT, transport, and communications, which have enabled fast and 24/7 global communication**. Containerisation has enabled vast quantities of goods and commodities to be shipped globally at low cost. Increasing mobility of capital is part of the story. Trade has become much freer, and many former communist countries are open to inward investment and global trade, and the growth of multinational companies such as Microsoft, Sony and McDonald's.

Globalisation has advantages, which include providing an incentive for countries to specialise and benefit from the application of the principle of comparative advantage. It also provides access to larger markets, which allow companies to benefit from economies of scale and access to sources of cheap raw materials, enabling cost competitiveness. Less developed countries with less strict regulatory regimes provide an opportunity for avoidance of regulation. **Increased flows of inward investment and increased trade have been benefits**.

Disadvantages of globalisation include over-standardisation of products through global branding, increased power and influence of multinationals, potential loss of jobs in domestic markets and increased risk associated with the interdependence of economies (Economics Online, nd).

Here is a useful perspective on globalisation:

- Economics Online, nd, 'Globalisation', http://www.economicsonline.co.uk/Global_economics/Globalisation_introduction.html (accessed 10 November 2021).

As organisations globalise, they need to take up various social responsibilities. This is critical because some of the countries where they conduct business and make substantial profits are still developing and poor. This raises the question whether it is morally right for companies to enrich themselves in the midst of poverty. For this and other reasons, most organisations have implemented a corporate social responsibility programme of some kind.

Also, it may be argued that ethics and corporate social responsibility combine to shape the purpose of the organisation and the development of a corporate strategy. Lynch (2018:212) refers to ethics and corporate social responsibility as:

> "[T]he standards and conduct that an organisation sets for itself in its dealings within the organisation and outside its environment".

Ethics relates to the manner in which the organisation conducts business, while corporate social responsibility (CSR) relates to the environment beyond the stakeholders of the organisation. Corporate social responsibility includes matters such as the natural environment, charitable work, and addressing local and national community concerns.

Lynch (2018:213) notes four main reasons for considering the ethical conduct of organisations:

1. **Inescapable**: it is often required by law;
2. **Important**: the society in which the organisation does business might view certain matters as essential and will not support an organisation that does not consider them;
3. **Professionalism**: ethical behaviour reflects a professional image; and
4. **Self-interest**: it could be an effective branding strategy.

Moreover, potential shareholders and most institutional shareholders like to invest in firms that are perceived to be ethical (perhaps under customer and lobbyists influence), since this reduces the chances that they may do things that may cause a scandal and reduce the value of their investment.

The Relationship between Ethics and Corporate Responsibility

1. Critically examine the relationship between ethics and corporate responsibility, and how they might affect your organisation's strategic success.
2. What changes could be made to your organisation's strategy to incorporate both?
3. What reasons might you have to ignore one or the other, and what consequences might you expect if you did? Explain why.

Corporate social responsibility (CSR) is closely linked with the principles of sustainability (the triple bottom line), which suggests that organisations should make decisions based not only on financial factors such as profit or dividends, but also based on the **immediate and long-term social and environmental consequences of their activities**.

It may be envisaged that the organisation's involvement in local communities benefit it by:

- Reduced costs;
- More business leads;
- Enhanced reputation;
- Increased staff morale and skills development;
- Improved relations with the local community, partners and customers; and
- Innovation in processes, products and services.

These benefits my still have to be empirically tested to substantiate them.

Corporate social responsibility (CSR) is widely accepted as an essential component of business ethics – and a key management strategy in most companies. CSR has become linked with the pressing need to conserve the planet's diminishing resources "because the future of mankind everywhere is threatened by the degradation of the environment in which we all live and work", as one commentator put it.

(WordPress.com, 2011)

BP and the Deepwater Horizon Disaster

Read the excerpt and then complete the tasks that follow.

BP is one of the world's largest oil companies and has interests on every continent. BP's board committees are responsible for governance matters as well as for ethics and social responsibility issues. The company has, however, struggled with criticism after a series of crises: the 2005 Texas City refinery explosion, the 2006 Prudhoe Bay spill in Alaska, and the 2010 Deepwater Horizon spill in the Gulf of Mexico (BP Company Assessment, 2015).

The Deepwater Horizon oil rig exploded and sank on April 20, 2010. This followed a series of events and decisions that involved BP employees and contractors. Even so, there does not appear to be one clear culprit or cause of the disaster. The case has been linked to organisational issues, information, and decision-making, and individuals' inability to voice their values.

BP takes pride in its CSR policy. It claims to act fairly and responsibly, and in an ethical manner. BP unquestionably sees itself as a practitioner of ethical CSR.

According to BP's annual sustainability review, the company's corporate values are "safety, respect, excellence, courage, and [being] one team".

To read more, download the full case study and the company assessment:

- Ingersoll, C., Locke, R. and Reavis, C. nd, 'BP and the Deepwater Horizon Disaster of 2010', LearningEdge, https://mitsloan.mit.edu/LearningEdge/Leadership/BP-Deepwater-Horizon-Disaster/Pages/default.aspx (accessed 10 November 2021).

- BP Company Assessment, 2015, 'Corporate Social Responsibility and Corporate Social Performance', https://sites.google.com/site/702cap/corporate-social-responisbility-and-corporate-social-performance (accessed 10 November 2021).

Questions

1. Express your personal view on acting ethically in today's business world.
2. Reflect on the influence of culture, organisational design and decision makers' values on decisions. Do these factors influence your organisation? Give examples.
3. Critically discuss the ethical dilemmas organisations face.
4. How do organisations voice their values in response to these dilemmas? Give examples.
5. Do you think BP follows the standards it claims to follow?
6. Why do you think BP has been criticised?

Approaches to corporate social responsibility

There has been significant research on corporate social responsibility (CSR) and ethical issues. Three approaches are discussed by Lynch (2018:215) and presented in **Table 15**.

TABLE 15: APPROACHES TO CORPORATE SOCIAL RESPONSIBILITY

Stakeholder driven	CSR is largely seen as a response to pressures from stakeholders that are external to the organisation – for example, consumer lobby groups or government bodies.
Performance driven	Research in this area has focused on measuring the effectiveness of CSR actions in their contribution to the organisation and their impact on the outside world, for example, their impact on profitability.
Motivation driven	This approach explores the reasons why organisations undertake CSR. For example, businesses may see this as enhancing the corporate reputation, lowering risk and generating customer loyalty.

There are numerous differences between organisations over what should be covered under ethics and social responsibility. Fundamentally, this reflects different approaches to doing business.

Read more about corporate social responsibility and ethics in strategic management:

- Mele, D. and Guillen, M. 2006, 'The intellectual evolution of strategic management and its relationship with ethics and social responsibilities', http://www.iese.edu/research/pdfs/DI-0658-E.pdf (accessed 10 November 2021).

Recap Your Knowledge

1. Do companies always need to behave ethically, regardless of the cost?
2. Should green (environmental) issues form part of the corporate social responsibility of all organisations? Substantiate your position.
3. Evaluate your organisation's strategic decisions regarding ethical issues.
4. Evaluate your organisation's strategic decisions regarding green issues.
5. How could your organisation integrate – or further integrate – ethics and corporate social investment initiatives into its strategic management?
6. What would the advantages and or disadvantages of such integration be?

Environmental, social and governance issues and competitive advantage

Organisations need to link environmental, social and governance (ESG) sustainability activities to their strategies. **Table 16** lists the ESG dimensions that should be considered when evaluating strategy options.

TABLE 16: ESG DIMENSIONS TO CONSIDER IN STRATEGY OPTIONS

Environmental	This dimension addresses the company's impact on the environment. The dimension includes reporting on use of non-renewable energy, natural resources such as water and minerals, pollution of the land and air, etc. The dimension should be translated to financial impacts on the business. The financial impacts may be potential litigation emanating from environmental damage, and fines by regulatory authorities, and the cost of cleaning up pollution caused by the company. Do you remember the BP Deepwater Horizon oil rig spill in the Gulf of Mexico on 10 April 2010? This environmental disaster is estimated to have cost BP $40 billion in fines, civil lawsuits, and other claims. The environmental costs and threats to sustainability are substantial, and managers need to account.
Social	Focuses on the role of the company in society and the return it gives society for the social license to operate. Consider the management of relationships with stakeholders outside the company. These stakeholders include customers, suppliers, local communities, governments, etc. Further, matters such as human rights, protection of vulnerable groups in society, local economic development, affordability, access to basic services, customer privacy, and responsible business practices are addressed under this dimension. The relative importance of each of the social aspects vary with cultural contexts. However, any programme to raise living standards, eg supplier development, distributor development, out-grower programmes in agriculture, etc should be in place and reported on under this dimension.
Governance	The management of the broader network of stakeholders and reporting on their wide interests so as to reduce the chance of conflicts is the responsibility of the leader or strategist. More importantly, the strategist needs to realise that this dimension can cause liabilities (personal and business), or worse still, threaten the operating licence. The dimension encroaches into regulatory compliance, political influence, reporting on dealings with politically exposed persons, risk management, safety management, supply chain and material sourcing, conflict of interests, anticompetitive behaviour such as collusion, and bribery and corruption.

(Adapted from Sustainability Accounting Standards Board, nd)

The ESG sustainability strategies need embedding in daily operations (Sustainability Accounting Standards Board, nd). Sound strategies around these ESG factors may enhance competitive advantage. The following examples illustrate how the competitive advantage may come about:

- Investing in environmentally friendly technologies (clean technologies), systems, and equipment as part of strategy **reduces costs** and so **improves margins**, and allows the company to compete on price (refer to Porter's generic strategies discussed in the next section on developing strategies);

- Embedding ESG factors in strategy may reduce risks associated with these factors (eg, potential future liabilities – a court has ruled in a class-action case that Anglo-American Plc pay R5-billion to former employees who suffer from silicosis). In addition, lowering risks of losses emanating from the factors (like environmental fines and labour disputes (which affects social aspect)) **improves chances of the organisation's survival**;
- Improving operational efficiencies and internal controls as part of governance structures also translate into cost savings, which improve profit margins. Improved profit margins enable the organisation to **compete on price**, and possibly become profitable, which in turn improves chances of **raising cheaper funds through capital markets**; and
- On the social dimension, if the organisation does not have a strategy for engaging with the community (especially based on the stakeholder mapping discussed earlier), it may incur risks and **lose the competitive advantage** it may have. For example, if the organisation has sole mining rights on a rare mineral (one of the resource-based view qualities of having a competitive advantage), but does not properly engage the community, the competitive advantage will be lost if the community resist or campaigns against mining in the community. Apart from the social factor, this community may resist on an environmental or ecological basis, which still results in the loss of competitive advantage. Both social and environmental factors will **cause the impairment of an asset or resource** that would have conveyed a competitive advantage to the organisation.

Incorporating ESG factors in evaluating strategy options may also add context to chosen strategy and resultant financial performance.

6.5.10 Purpose Emerging from Knowledge, Technology and Innovation

Knowledge has not been a key factor in strategy and was largely ignored in the past. Peter Drucker was one of the first writers to consider its significance. In 1964 he wrote:

> "Knowledge is the business fully as much as the customer is the business. Physical goods or services are only the vehicle for the exchange of customer purchasing-power against business knowledge.
>
> (Drucker, 1964, as quoted in Lynch, 2018:370)

Knowledge is a fluid mix of framed experience, values, contextual information and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the mind of knowers. In organisations, it often becomes embedded not only in documents or repositories but also in organisational routines, processes, practices and norms.

(Lynch, 2018:371)

Lynch (2018:371) defines knowledge as both **tacit and explicit**. **Explicit** knowledge concerns knowledge that is **codified and transmittable in formal, systematic language** – often, but not necessarily, written down. **Tacit** knowledge is **personal, context-specific and much harder to formalise and communicate** – often, but not necessarily, hidden and not formally recorded.
All organisations have both tacit and explicit knowledge. The competitive advantage comes in how organisations use their knowledge. From a strategic perspective, knowledge management and how it is used, and how new knowledge created, have become important.

Nike

Nike running shoes are world famous. But this household name was once only an idea. Phil Knight, a middle-distance runner and Stanford MBA graduate, and his former coach, Bill Bowerman, thought that the running shoes of the 1950s were too heavy, and needed improvement. Each man put up $500 in 1964 to found the Nike shoe company. Its first office was the laundry room at Knight's family home.

Read more in the Nike case study in Lynch (2018:375-377) and then answer these questions:

1. What knowledge has Nike acquired over the years? Use Lynch's definitions of knowledge to help you move beyond the obvious.
2. What other resources beyond knowledge does the company possess that offer clear sustainable competitive advantage?
3. What conclusions can you draw on the emergent purpose of Nike in relation to its knowledge?

6.5.11 Knowledge Creation and Purpose

Lynch (2018:373) maintains that knowledge is essentially an organisational resource, useful only when it is transferred and replicated in other parts of the organisation. With tacit knowledge this is difficult to do. This means that it is more difficult for competitors to replicate. When knowledge becomes explicit and published, it is more likely to be imitated.

6.5.12 Technology Develops Purpose and Competitive Advantage

Rapid technological development in the past 25 years has played an important role in the development of sustainable competitive advantage, and has sometimes added that extra element that differentiates an organisation. Technological advances affect every business and are likely to alter the vision and purpose of many, significantly influencing strategy. Organisations need to estimate how quickly any technological development could be imitated by competitors, and the **possibility of exploiting the new developmen**t on a worldwide scale, thus altering the attractiveness of the business (Lynch, 2018:248).

Prahalad and Hamel (in Lynch, 2018:249) maintain that a firm's core competencies can deliver competitive advantage. The real source of advantage is in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower firms to adapt quickly to changing opportunities.

There are five major technological trajectories (*ibid*):

1. Supplier-dominated firms;
2. Scale-intensive firms;
3. Science-based firms;
4. Information-intensive firms; and
5. Specialised supplier firms.

6.5.13 Disruptive Technologies

A McKinsey study (McKinsey Global Institute, 2013) identified technologies with the greatest potential to drive substantial economic impact and disruption by 2025, and noted which potential impacts leaders should know about. The criteria used were:

- The technology is rapidly advancing or experiencing breakthroughs;
- The potential scope of impact is broad;
- Significant economic value could be affected; and
- Economic impact is potentially disruptive.

The technologies identified:

1. **Mobile internet** – increasingly inexpensive and capable mobile computing devices and internet connectivity;
2. **Automation of knowledge work** – intelligent software systems that can perform knowledge work tasks involving unstructured commands and subtle judgements;
3. **The internet of things** – networks of low-cost sensors and actuators for data collection, monitoring, decision making, and process optimisation;
4. **Cloud technology** – use of computer hardware and software resources delivered over a network or the internet, often as a service;
5. **Advanced robotics** – increasingly capable robots with enhanced senses, dexterity, and intelligence used to automate tasks or augment humans;
6. **Autonomous and near-autonomous vehicles** – vehicles that can navigate and operate with reduced or no human intervention;
7. **Next-generation genomics –** fast, low-cost gene sequencing, advanced big data analytics, and synthetic biology ("writing" DNA);
8. **Energy storage –** devices or systems that store energy for later use, including batteries;
9. **3D printing –** additive manufacturing techniques to create objects by printing layers of material based on digital models;

10. **Advanced materials** – materials designed to have superior characteristics (eg strength, weight, conductivity) or functionality;
11. **Advanced oil and gas exploration and recovery** – exploration and recovery techniques that make extraction of unconventional oil and gas economical; and
12. **Renewable energy** – generation of electricity from renewable sources with reduced harmful climate impact.

What are they and where are they taking us?

- McKinsey Global Institute, 2013, 'Disruptive technologies that will transform life, business, and the global economy', http://www.mckinsey.com/business-functions/business-technology/our-insights/disruptive-technologies (accessed 10 November 2021).

Consider what implications these technologies have for your industry or business. What steps can you take to ensure your strategy factors these in over the next 10 years?

"Disruptive innovation" (a term coined by Clayton Christensen) describes a **process by which a product or service takes root at first in simple applications at the bottom of a market and then relentlessly moves up the market, eventually displacing established competitors**. Disruptive innovation makes a product or service accessible to people to whom it was not affordable before.

Read more about disruptive innovation:

- Christensen, C.M. nd, 'Disruptive Innovation', http://www.claytonchristensen.com/key-concepts/ (accessed 10 November 2021).
- Christensen, C.M., Raynor, M. and McDonald, R. 2015, 'What is disruptive innovation?' *Harvard Business Review*, https://hbr.org/2015/12/what-is-disruptive-innovation (accessed 10 November 2021).

Integrative innovation theory is essentially the opposite of disruptive theory. **Integrative innovations integrate multiple jobs into one solution, rather than focusing on one job to be done**.

The customer experience of a unified solution is better than performing those jobs with dedicated solutions. **Initial costs of integrated solutions are usually quite high** but over time the integrative marketer seeks to move down market to reach the mass market.

- Nielson, J. 2016, 'Tesla Model 3: An Integrative Innovative Case Study', The Innovative Manager, April 8, http://www.theinnovativemanager.com/tesla-model-3-integrative-innovation-case-study/ (accessed 10 November 2021).

6.5.14 Key Points

- An organisation's strategic planning and implementation may require both a prescriptive and an emergent approach.
- "Vision can be defined as a mental image of a possible and desirable future state of the organisation."
- When drawing up an organisation's mission and goals, two sets of stakeholder interests must be borne in mind:
    - The managers and employees who implement the strategy (internal); and
    - The stakeholders who benefit from the outcomes of the strategy (external, eg clients and customers, suppliers and government).
- Ensure that your mission statement underpins your organisational values and beliefs, and also that it indicates your organisation's source of competitive advantage.
- Mendelow considers the stakeholder's power and their likelihood to show interest in the organisation's activities.
- The conversion of corporate objectives to measurable targets takes place through a cascading process, flowing from corporate objectives, to division or strategic business unit objectives, and to operating plans for execution.
- Corporate governance is moving beyond mere evaluation of the conduct of senior executives, toward evaluating the strategies they develop.
- Organisations need to link environmental, social, and governance (ESG) sustainability activities to their strategies.
- Explicit knowledge concerns knowledge that is codified and transmittable in formal, systematic language – often, but not necessarily, written down. Tacit knowledge is personal, context-specific and much harder to formalise and communicate – often, but not necessarily, hidden and not formally recorded. Knowledge needs to be used to obtain competitive advantage.
- The concept of disruptive innovation describes a process by which a product or service takes root at first in simple applications at the bottom of a market, and then relentlessly moves up the market, eventually displacing established competitors.

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.6 FORMULATING A STRATEGY

Timeframe	Minimum of 27 hours
Learning outcome	• Develop and evaluate various strategic options to meet organisational objectives taking into account globalisation, ethics, and corporate social investment issues.
Prescribed books	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.
Prescribed articles	• Lane, A. and Martin, D. 2010, 'The art of managing for the future: leadership of turbulence', *Management Decision*, 48 (4), 512-527, http://www.emeraldinsight.com/doi/full/10.1108/00251741011041328 (accessed 10 November 2021). • MindTools.com, 2012, 'Porter's generic strategies: choosing your route to competitive advantage', http://www.mindtools.com/pages/article/newSTR_82.htm (accessed 10 November 2021).
Prescribed multimedia	• Labovitz, G. 2013, 'Revealing the power of organisational alignment', https://www.youtube.com/watch?v=MpVxopg9BZ4 (accessed 10 November 2021).
Section overview	Now that the environment, resources and capabilities of the organisation have been analysed and their purpose defined, it is possible to develop a strategy. In this section we will look at different approaches to develop and evaluate strategies as well as strategic alignment.

6.6.1 Developing the Strategy: Corporate vs Business Level

Grand strategies are the corporate level strategies designed to choose the firm's route to accomplish its objectives (Business Jargons, nd). Simply, it involves the decision of choosing the long-term plans from the set of available alternatives. Grand strategies may also be termed **master strategies** or **corporate strategies** (Business Jargons, nd).

Corporate level strategy is concerned with the selection of businesses in which the company should compete, and developing that portfolio of businesses (QuickMBA.com, nd). Corporations are responsible for creating value. They do so by managing their portfolio of businesses, ensuring that the businesses are successful over the long term, developing business units, and ensuring that each unit remains compatible with others in the portfolio.

Business level strategy may be at the level of a **strategic business unit,** or a **division, product line, or other profit centre that can be planned independently** from the other parts of the firm. At the business unit level, the strategic issues are less about the co-ordination of operating units and more about developing and sustaining competitive advantage for the goods and services produced (*ibid*).

The functional level is the level of the operating divisions or departments. The strategic decisions at the functional level are related to business processes and the value chain. Functional level strategies in marketing, finance, operations, human resources, and research and development involve the development and co-ordination of resources through which business-unit-level strategies can be executed efficiently and effectively *(ibid)*.

Lynch defines corporate strategy on two levels:

First, corporate level strategy is related to the strategic directions that lead companies to diversify from one business into other business areas, either related or unrelated.

Second, corporate level strategy is defined as the role of the corporate headquarters in directing and influencing strategy.

(Lynch, 2018:300)

We now consider a range of strategies that may be viewed as corporate- and business-level strategies, depending on the nature and size of the organisation, including:

- Generic strategies (the contributions of Porter);
- Market and product options (Ansoff's matrix); and
- Expansion method matrix (Lynch's company vs geographic location approach).

We also consider the evaluation of selected strategies and the processes to implement these.

6.6.2 Generic Strategies – the Contribution of Porter

Generic strategies are the three basic strategies of cost leadership, differentiation and focus (sometimes called niche) open to any business.

(Lynch, 2018:268)

Porter (in Lynch, 2018:269) argues there are three generic strategies that businesses can adopt:

1. **Low-cost leadership** (the business with the **lowest costs** has the advantage; eg "no frills" flights; business puts considerable effort into exploiting all the sources of cost advantage and pursuing economies of scale);
2. **Differentiation** (occurs when the organisation **differentiates its products or services** and in doing so is able to charge more than competitors; eg Apple products command a premium price; the extra costs incurred by the differentiation must be recovered from the customer by charging the higher price); and
3. **Focus or niche** (a niche market is selected, and products and services **are tailored to serve** it; eg Bentley serves the customised luxury vehicle niche, Intrepid Travel serves the adventure tourism niche, and School Kids Healthcare supplies medical products to a distinct niche – schools and day care centres).

Porter maintains that a business needs to adopt one of these generic strategies in order to be competitive. By being in the middle the business will compete at a disadvantage. This is because the cost leader, differentiator, or focuser will be better positioned to compete in its segment (Porter as quoted in Lynch, 2018:269).

FIGURE 9: PORTER'S GENERIC STRATEGIES

		Competitive advantage	
		Lower cost	**Differentiation**
Competitive scope	**Broad target**	**Cost Leadership**	**Differentiation**
	Narrow target	**Focus**	

(Porter in Lynch, 2018:269)

Read more about Porter's generic strategies:

- MindTools.com, 2012, 'Porter's generic strategies: choosing your route to competitive advantage', http://www.mindtools.com/pages/article/newSTR_82.htm (accessed 10 November 2021).

6.6.3 Environment-Based Strategic Options: Market Options

The market options matrix

Lynch (2018:278) describes the market options matrix (also known as Ansoff's matrix) as follows:

"The market options matrix identifies the product and market options available to the organisation, including the possibility of withdrawal and movement into unrelated markets."

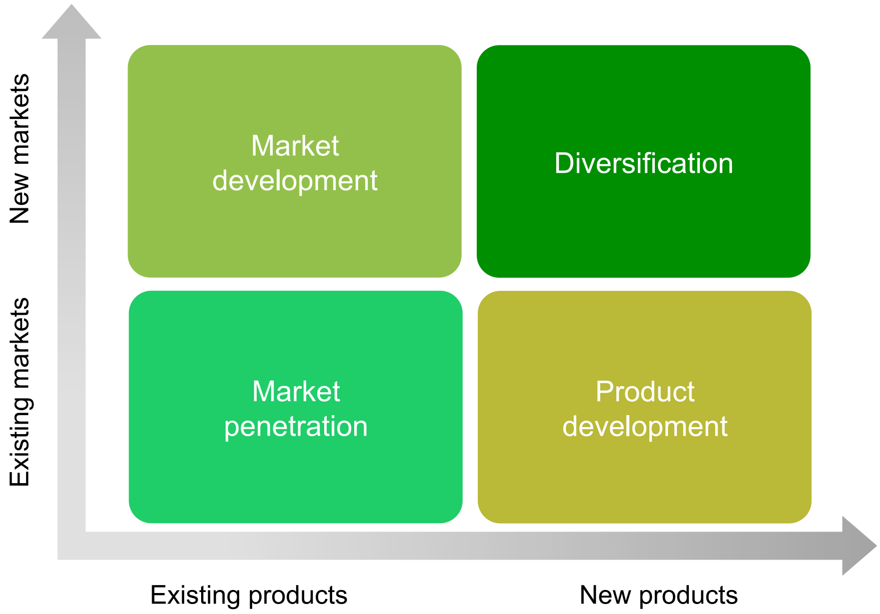
(Lynch, 2018:278)

The market options matrix evaluates not only the introduction of new products and services into a market but also the withdrawal of a product or service from a market (Lynch, 2018:279-282):

- Market penetration (same product in same market);
- Product development (new product in same market);
- Market development (same product in new market); and
- Diversification (new product in new market).

Market penetration is seen as the lowest risk, whereas diversification is seen as the highest risk.

FIGURE 10: MARKET OPTIONS MATRIX



(Regenesys, 2018)

Penetration

When marketers try to sell the **existing product to the existing customers**, they engage in a penetration strategy. It can be achieved in multiple ways, eg by changing pricing, by adding minor features (new and improved), changing the packaging (shampoo sachets), or highlighting alternative uses.

Product development

McDonald's introduced salads to its menu in order to retain existing customers, many of whom were becoming more health conscious. Salads are exactly the opposite of what McDonald's is known for. However, regulatory pressures, changing consumer behaviour, and negative media coverage forced it to introduce healthier choices. Product development requires substantial product developments, not minor modifications (Lynch, 2018:280).

The author suggests that **reasons for product development** include:

- Utilising excess capacity;
- To counter competitive entry;
- To exploit new technology;
- To maintain the company's stance as a product innovator; and
- To protect overall market share.

Market development

Introducing an **existing product in different markets** is one of the most-used strategies to extract the full benefit of a successful product. A common example is entering different geographical areas nationally and internationally, as in the case of Starbucks, which originated in Seattle. It achieved widespread market penetration across the United States. Soon it, they expanded globally.

Diversification

When marketers introduce a new product to a new market, they engage in diversification. iPod was one of the most successful diversification efforts. With its launch, Apple targeted a very large customer group, very different from its traditional smaller cult-like following. Apple also entered into the music business, which was new for the company. Steve Jobs and his team put a tremendous effort in creating contracts with music labels and artists.

Along with these strategic options, alternative strategies should be considered (Lynch, 2018:279-280):

- **Withdrawal** – the product life-cycle is in decline; and
- **Demerger** – particularly when the underlying assets are larger than the value implied by the share price, eg Hoechst's demerger into chemicals and life sciences and its eventual focus on the latter.

The market options matrix provides decision makers with useful options, but does not provide an answer to which option to choose. The strategic value lies in the possibilities it provides. The decision-maker's challenge is in choosing the right option.

In order to make a worthwhile analysis it is also important to consider other factors, such as the condition of the market. You will need to know if it is in growth, decline or entering recession. Competition levels and extent of resources available should also to be taken into account.

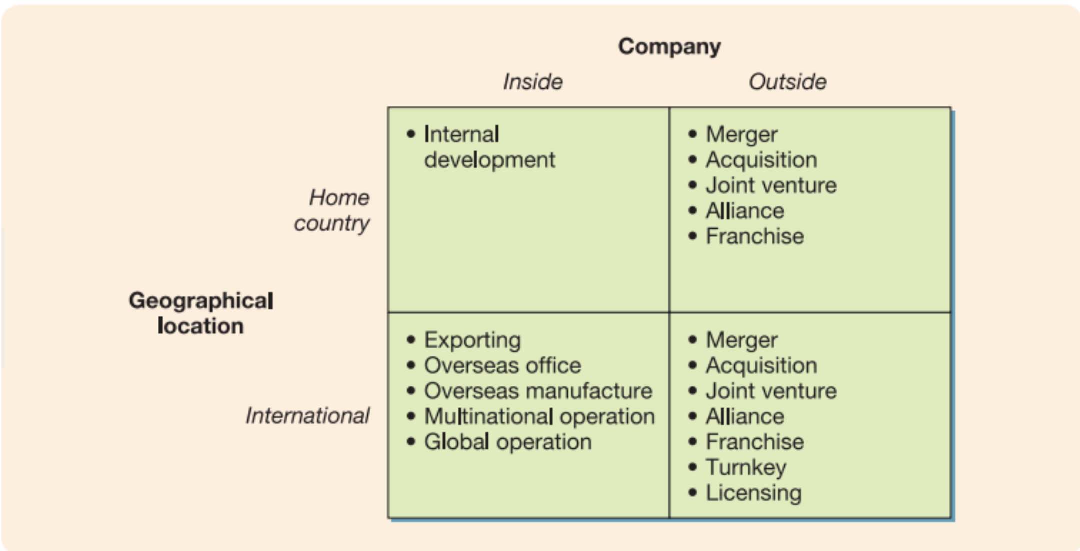
6.6.4 Environment-Based Strategic Options: Expansion Method Matrix

The expansion method matrix evaluates the internal and external resources available to the organisation. Lynch describes this matrix:

> "The expansion method matrix explores, in a structured way, the methods by which the market opportunities associated with strategy options might be achieved. By examining the organisation's internal and external expansion opportunities and its geographical spread activity, it is possible to structure the various methods available."
>
> (Lynch, 2018:282)

The expansion method matrix uses a structured approach to investigate methods of achieving market opportunities linked with strategy options. To do this, it is necessary to examine the **organisation's internal and external expansion opportunities**, and its geographical activities. The full matrix is shown in **Figure 11**. Obviously, any of the methods depicted must add value to the company if it is to justify its costs. The value of this matrix lies in helping to structure the prescriptive international and global options (Innovationforgrowth, 2012).

FIGURE 11: EXPANSION MATRIX



(Lynch, 2018:283)

The grid helps strategists to match geographical options (either home-based or internationally) to the company (internal or externally). Each option has advantages and disadvantages. For example, while franchising requires a lower investment than outright purchase, part of the profits must be paid to the franchise holder.

Read more on the advantages and disadvantages of methods of expansion in Lynch (2018:284).

In general, companies considering expansion do so in stages. For example, exporting might be a possible first expansion step, followed by international offices (to establish a more permanent presence). The various risks and opportunities of each stage must be analysed, especially with regard to environmental factors, such as currency volatility, and government restrictions.

Read more about the art of managing for the future:

- Lane, A. and Martin, D. 2010, 'The art of managing for the future: leadership of turbulence', *Management Decision*, 48 (4), 512-527, http://www.emeraldinsight.com/doi/full/10.1108/00251741011041328 (accessed 10 November 2021).

The Broadcasting Success of Sky

Using Porter's generic strategies, the market options matrix and the expansion matrix, analyse BskyB's strategies. (What follows has been adapted from Business Case Studies, 2014.)

BskyB

British Sky Broadcasting (BskyB) transformed the face of UK broadcasting by considering viewers' changing lifestyles. They created a new multichannel television industry through new technology and innovative marketing. In less than seven years, BskyB turned into a great British success story – so much so that it entered the FT100 Index as one of the top 30 companies.

BskyB is also the world's largest and most successful satellite pay television operator. The company sees itself as a television broadcaster and technology and marketing innovator.

Marketing review

BskyB conducted a marketing review in 1992, with the objective of minimising and maximising a number of things. Its objective was to **minimise** subscription cancellation; accounts system termination; and downgrades (ie subscription to fewer channels), while **maximising** its upgrades and subscription renewals. Its marketing review included:

- Comprehensive customer market research to understand customer behaviour and requirements;
- Investigation of the reasons customers cancelled, terminated or downgraded their subscriptions;
- Interpreting acceptable and unacceptable reasons for cancellation or termination; and
- Developing a new communications strategy to manage and prevent cancellations or terminations due to reasons considered improper.

Marketing strategy

BskyB highlighted three areas for management focus:

- Maximising customer loyalty by intensifying the viewing of channels (ie programming and educational strategy);
- Maximising customer reversal via the prevention of cancellation, termination and downgrade (ie marketing strategy); and
- Maximising subscription renewals and upgrades (marketing strategy).

All of these were huge challenges when viewed against the customer and financial losses being experienced in 1992.

The Sky brand; visual branding; logos

Sky's successes show that the company has always had a general ambition and a common way of doing things. It has always been interested in innovation, in particular about giving customers new things and a better choice. It has always been interested in finding ways to make Sky an essential part of people's homes.

To reinforce its shared ambition Sky also has to look consistent wherever customers come across it (regardless of whether in print, on screen, on a van, or anywhere else). This steadiness in appearance helps to build consumer recognition of the company. Likewise, it also helps to build a mandate for the company and its products.

The most noticeable part of this branding is the Sky logo, Ih Is used to represent the whole business and Is used on most material. This logo is often backed by a descriptor – a short statement for customers that pronounces Sky's offer in more detail. This is "a digital vision for everyone". To help people use the logo consistently Sky set out specific rules about its use. These include guidelines on the colours in which it can be used, the sizes and the minimum areas that should be left around it to make sure that it always stands out.

Yet Sky is a multifaceted company – it offers a wide variety of content and commerce services across several devices including interactive TV, mobile internet, ADSL (asymmetric digital subscriber line) and the web. It offers physical devices like the dish and digibox. There are services such as the subscription for Sky channels, and the installation service. And there's the content – channels like Sky Sports 1, Sky One and Sky MovieMax.

Products and services use the Sky brand. Yet channels have their own look and feel. This is because channel brands need to charm specific audiences – the sports fanatic, the classic movie buff, the 30-somethings. They also surface on competitor platforms, where open Sky branding may not be appropriate. These brands are used on screen and when speaking about a specific channel. The invention of brands such as these is tightly controlled. The reason for this is that too many brands will perplex the customer and weaken the recognition of Sky itself.

Maximising customer loyalty

Market research verified that the key to curtailing subscription cancellation and downgrading was not by offering additional channels (in other words giving more choice). The key was direct marketing through on air promotions and in educating viewers on how to make best use of the quality and wider coverage of sports, films and children's programming. It was important to maximise use of these channels. BskyB went on to introduce new channels, thereby refining its customer proposition. In September 1993, Sky Multi-Channels was introduced. This consisted of 14 channels, nine of which were new. The response was overwhelming, with more than 500,000 new subscriptions secured in three months.

Sky TV Guide

Market research revealed that customers experienced problems in getting programme and listing information, covering all Sky channels seven days beforehand. To fix this the Sky TV Guide was introduced in September 1994 and sent to all direct-to-home subscribers as part of their subscription package.

Maximising subscriber renewals and upgrades

BskyB launched considerable and ongoing marketing campaigns. Direct mail packs were sent to a database of lapsed subscribers along with postcards touting upgrades for the lower-tier subscribers, encouraging subscriptions to new Sky channels.

These campaigns were supplemented by a series of “on air” promotions. These promos were created for all major movies, sports and multichannel events. Cross-promotions targeted suitable audiences and special phone numbers were used to make it easier for customers to respond and subscribe to new channels.

Measuring success

Every company needs to act in a strategic way. This process begins by developing strategy, which is supported by market research. Hereafter, implementation plans are developed. BskyB’s subscriber management and marketing strategy has been quantified by a number of highlights achieved between 1994 and 1996.

1. The annualised churn rate was reduced to 12.9% in 1994 from 35% in 1992.
2. The turnaround telemarketing team made more than half a million outbound telephone calls, which resulted in over 200,000 subscribers being retained in 1994.
3. The launch of Sky Multi Channels led to 250,000 new subscriptions and 500,000 upgrades.
4. The promotion of sports and movies helped to create 200,000 upgrades from existing subscribers.
5. Eighty percent of subscribers pay by direct debit, which is a factor in maintaining customer loyalty, coupled with the minimising of administration costs and bad debts.
6. The ongoing customer focus and developing marketing communications strategy resulted in the cancellation rate dropping further in 1996 to 11%.

Constant improvement

BskyB is the front-runner in a dynamic, expanding industry and constantly strives to attain innovation and improvement. New enterprises in recent times include:

- Creating new customer benefits eg a credit card and financial services.
- Developing a sophisticated database of customers for marketing purposes.
- Creating a customer profile database. This involved sending a customer questionnaire to all subscribers to create the most urbane profile possible. This allowed the company to target customers on an individual basis. In other words, a strong bond of relationship marketing was created.

Conclusion

This study demonstrates how an innovative company, which has been influential in altering the existences and routines of many people, got involved in a sophisticated marketing strategy to maximise benefits to its customers.

(Adapted from Business Case Studies, 2014)

Tasks

1. Compare your strategy analysis with a colleague's.
2. Discuss the advantages and problems of BskyB's expansion strategies.

6.6.5 Strategy Evaluation and Development: Prescriptive Process

Once the organisation has identified the strategic approach, prescriptive strategic management requires that the next task is to select one and continue from there. In order to make a selection, the following must be clear (Lynch, 2018:330):

- **Strategy content**: The strategy selected to achieve the objectives developed; and
- **Strategy process**: The communication and discussion needed for the successful implementation of the strategy.

The prescriptive process, discussed earlier, requires that decision-makers identify the most appropriate method to implement the strategy. In order to do this, Lynch (2012:388) suggests six evaluation criteria to evaluate strategic options, shown in **Table 17**.

TABLE 17: SIX EVALUATION CRITERIA

Consistency	Is the strategy in agreement with the mission and goals of the organisation?
Suitability	Is the context of the strategy appropriate to the organisation both internally and externally? How well will it deliver competitive advantage? (The SWOT analysis is important here.)
Validity	Are the calculations and other assumptions on which the strategy is based accurate and meaningful? Do they provide the right measures?
Feasibility	Are the proposed strategies capable of being carried out? Consider culture, skills, resources, competitive reactions, customer needs, commitment from management and employees and any other external and internal constraints.
Business risk	Does the strategy expose the organisation to unnecessary risks or to an unreasonable degree of danger? Has a financial risk analysis been completed (cash flow, break-even, ratio analyses)? Where risks are identified are these acceptable and manageable?
Attractiveness to stakeholders	Is the strategy sufficiently appealing to those people the organisation needs to satisfy? Is there a strategy to manage stakeholders (dividend policy, reward systems)?

(Lynch, 2018:333-339)

6.6.6 Internal and External Feasibility Criteria for Evaluating a Strategy

Lynch (2018:342) proposes 10 steps an organisation can take to evaluate the initial strategy:

> “
> 1. Screen out any early no-hopers that are highly unlikely to meet the objectives.
> 2. Estimate the sales of each of the remaining options based on market share, pricing, promotional support and competitive reactions.
> 3. Estimate the costs of each of the remaining options.
> 4. Estimate the capital and other funds necessary to undertake each option.
> 5. Calculate the return on capital employed for each option.
> 6. Calculate the break-even of each option.
> 7. Calculate the net cash flow effects of each option.
> 8. Evaluate whether the projected sales levels imply exceptional levels of market share or unusually low costs. Are these reasonable? Real strategic weaknesses can emerge here.
> 9. Assess the likely competitive response and its possible impact on each strategy option. 10
> 10. Assess the risks associated with each option.
>
> Further, Lynch (2018:335) proposes a 10-point checklist on internal feasibility:
>
> 1. Capital investment required: do we have the funds?
> 2. Projection of cumulative profits: is it sufficiently profitable?
> 3. Working capital requirements: do we have enough working capital?
> 4. Tax liabilities and dividend payments: what are the implications, especially on timing?
> 5. Number of employees and, in the case of redundancy, any costs associated with this: what are the national laws on sacking people and what are the costs?
> 6. New technical skills, new plant and costs of closure of old plant: do we have the skills? Do we need to recruit or hire temporarily some specialists?
> 7. New products and how they are to be developed: are we confident that we have the portfolio of fully tested new products on which so much depends? Are they real breakthrough products or merely a catch-up on our competition?
> 8. Amount and timing of marketing investment and expertise required: do we have the funds? When will they be required? Do we have the specialist expertise such as advertising and promotions agency teams to deliver our strategies?
> 9. The possibility of acquisition, merger or joint venture with other companies and the implications: have we fully explored other options that would bring their own benefits and problems?
> 10. Communication of ideas to all those involved: how will this be done? Will we gain the commitment of the managers and employees affected?

These internal and external feasibility checklists **may constraint the organisation’s strategic options** if not considered seriously. For example, on internal aspects, the organisation’s ability to raise capital may limit its strategic options if capital is not available or is too expensive due to poor credit ratings. In addition, external aspects might require stakeholder mapping as some influential and powerful stakeholders may derail the chosen strategy.

Financial and shareholder value evaluation techniques:

There are key **financial techniques** that can be used in evaluating the organisation's strategy (Lynch, 2018:343-347):

- Return on capital employed (ROCE);
- Net cash flow;
- Payback period;
- Discounted cash flow (DCF);
- Break-even analysis;
- Shareholder value added (SVA); and
- Cost-benefit analysis.

Cost-benefit analysis: "Is the process of quantifying the costs and benefits of a decision and those of its alternatives (within the same period) in order to have a single scale of comparison for unbiased evaluation. The calculation must show the net present value (NPV) of the decision by discounting the investment and returns. Alternatively, other comparative techniques may be used, eg payback period or internal rate of return (IRR)."

(Business Dictionary, 2016)

A more sophisticated approach to cost-benefit measurement models is to try to put a financial value on intangible costs and benefits. This can be highly subjective; for example, is a historic water meadow worth R25,000, or is it worth R5-million because if its environmental importance?

Here is an example of the practicality of the cost-benefit analysis.

A sales director is deciding whether to 108pprox.108tt a new computer-based contact management and sales processing system. His department has only a few computers, and his salespeople are not computer literate. He is aware that computerised sales forces are able to contact more customers and give a higher quality of reliability and service to those customers. They are more able to meet commitments, and can work more efficiently with fulfilment and delivery staff. His financial cost-benefit analysis is shown below.

Costs:

New computer equipment:

- 10 network-ready PCs with supporting software @ R2,450 each
- 1 server @ R3,500
- 3 printers @ R1,200 each
- Cabling & installation @ R4,600
- Sales support software @ R15,000

Training costs:

- Computer introduction – 8 people @ R400 each
- Keyboard skills – 8 people @ R400 each
- Sales support system – 12 people @ R700 each

Other costs:

- Lost time: 40 man days @ R200/day
- Lost sales through disruption: estimate: R20,000
- Lost sales through inefficiency during first months: estimate: R20,000

Total cost: R114,000

Benefits:

- Tripling of mail shot capacity: estimate: R40,000/year
- Ability to sustain telesales campaigns: estimate: R20,000/year
- Improved efficiency and reliability of follow-up: estimate: R50,000/year
- Improved customer service and retention: estimate: R30,000/year
- Improved accuracy of customer information: estimate: R10,000/year
- More ability to manage sales effort: R30,000/year

Total benefit: R180,000/year
Payback time: R114,000/R180,000 = 0.63 of a year = 109pprox:8 months

(MindTools.com, 2011)

The prescriptive approach requires that empirical evidence and guidelines be applied. Lynch (2018:349) says that the profitability of organisations mostly relies on these key strategic issues:

- The role of quality as part of the strategic decision;
- Market share and expenditure as a contributor to strategy development; and
- Capital investment for new strategic issues.

6.6.7 External Feasibility Criteria to Evaluate a Strategy

Lynch (2018: 336) identifies these external feasibility criteria to evaluate strategy:

- “How will our customers respond to the strategies we are proposing?
- “How will our competitors react? Do we have the necessary resources to respond?
- “Do we have the necessary support from our suppliers? And
- “Do we need government or regulatory approval? How likely is that?”

Eurofreeze

With sales in 2003 of $1.05 billion, Eurofreeze was one of Europe's larger frozen food companies. However, it was being squeezed between two major competitive forces: its larger rival Refrigor, and the grocery supermarkets' own brands, which were becoming increasingly powerful across Europe. The time had come for a complete strategic re-think at Eurofreeze: the company was part of a large multinational and the group headquarters had turned up the heat. The company began by re-examining its mission and objectives.

Read more in the case study titled "Eurofreeze evaluates its strategy options: Part 1" in Lynch (2018:339). Then complete these tasks:

1. What is your assessment of the mission and objectives of Eurofreeze? How do they stack up against the pressure of the highly competitive market? Are they too demanding?
2. Should the objectives be expanded? What about branded and non-branded items, for example? Clearer on the competitive threat? Further reference to financial objectives such as the precise relationship with headquarters? Specific reference to other matters such as ecological issues and employee job satisfaction? If your answer is yes to any of these questions, then what considerations should Eurofreeze take into account in making its decision? If your answer is no, what are the implications for strategy selection?
3. What are the possible implications of the customer and competitive trends on the development of strategy options for Eurofreeze?

6.6.8 The Classic Prescriptive Model of Strategic Management: Exploring the Process

The aim of this subsection is to describe and evaluate the usefulness of the prescriptive approach to strategy. Wheelen and Hunger (in Lynch, 2018:355) identify these elements of the process of strategic management:

1. **Environmental scanning** – enables the organisation to identify the external opportunities and threats of the SWOT analysis once it is accomplished;
2. **Internal scanning** – facilitates the identification of the organisation's strengths and weaknesses through SWOT analysis once it is done;
3. **Strategy formulation** – mission, objectives, strategies and policies;
4. **Strategy implementation** – including programmes, budgets and other procedures; and
5. **Evaluation and control** – to determine whether the strategic process is achieving the desired strategic objectives or whether it needs to be adapted or changed depending on the outcomes achieved.

Unilever is constantly scanning its major competitors Proctor & Gamble (USA) and Nestle (Switzerland). It also examines its own resources, considers its business objectives and develops new strategies (eg investment in global ice cream markets). It implements such strategies by building or acquiring ice cream companies, and then monitors profits to ensure they meet the group's strategic goals, taking corrective action if they don't (Lynch, 2015:356-358).

Problems with the prescriptive approach

Although there are shortcomings to both the prescriptive and emergent approaches, organisations that use these approaches are often aware of their pitfalls and take measures to avoid them. Lynch (2018:357) identifies assumptions made by the prescriptive process, which might be a barrier to the implementation and development of a strategy. These are summarised in **Table 18**.

TABLE 18: PROBLEMS WITH THE PRESCRIPTIVE APPROACH

Environment	The approach assumes that the environment is predictable. This is not always true.
Clear planning procedure	The approach relies on a procedure. It assumes that if the procedure is followed, a clear and simple decision point will “appear”, which could then be selected. Planning procedures rely on employees, and employee tenure may be unpredictable.
Top-down procedures	Enforcing strategy from decision-makers to implementers is often a recipe for failure. Employees must be consulted during strategy development, as this is motivation for successful implementation.
Culture	The approach assumes that organisational cultures are stable. It also requires organisational culture to follow the country-style approach.

Jack Welch (former CEO of General Electric) explains the problems encountered in strategic planning in the 1960s using the classical process (in Lynch, 2018:357):

“Our planning system was dynamite when we first put it in. The thinking was fresh, the form mattered little – the format got no points. It was idea-oriented. We then hired a head of planning and he hired two vice-presidents and then he hired a planner, and the books got thicker, and the printing got more sophisticated, and the covers got harder and the drawings got better.”

Welch became increasingly concerned about the planning process in General Electric and moved to change it, being concerned about three areas:

1. The **bureaucracy** that may breed under classical strategy processes;
2. The **judgment** required to make choices, which may not be as rational as the simple options and choice selection process suggests; and
3. The need to encourage a **culture of ideas** rather than a top-down approach as in the classical strategy process.

Eurofreeze Part 2

After developing its mission and objectives, Eurofreeze began to examine the strategy options that were available and the important strategic decisions that would follow. The company was now considering a number of strategy options. It had undertaken the basic analysis using a cost of capital of 9 per cent. To help analyse the options, it gathered basic market data for its own products and those of its main competitor, Refrigor.

Read on in the case study titled 'Eurofreeze evaluates its strategy options: Part 2' in Lynch (2018:358) and complete the tasks that follow:

1. What are the relative merits and problems of each option?
2. In what way does the use of the portfolio matrix help the strategic debate? And in what way might it mislead the strategic decisions?
3. Consider what other strategic analytical tools, if any, might provide useful insights into the strategic choice debate: you might wish to consider a PESTLE analysis, a five forces analysis, generic strategies, a market options matrix, value chain and an innovation checklist.
4. Which option, if any would you recommend to Eurofreeze? Give reasons for your choice and explain the strengths and weaknesses of your choice.

6.6.9 What is the Strategic Route Going Forward?

In the previous section, we distinguished between the content (What?) of strategy development and the process (Why? Who? Where? When? And How?). Now we add a third element that helps to move beyond the simplified assumptions of the classic prescriptive approach: the context in which strategy is devised today.

Strategic context refers to the ways in which strategy operates and develops within the environment in which it was devised. The prescriptive approach assumes predictable circumstances. Context thus must be examined further. In this section, explore these routes, which identify alternative strategic approaches.

Context means the circumstances surrounding and explaining the way that strategy operates and develops.

(Lynch 2018:660)

Alternative approaches to strategy development

There are many alternative approaches to strategy development. We discuss four emergent approaches in this course. These are briefly summarised in **Table 19** and then expanded on.

TABLE 19: ALTERNATIVE APPROACHES TO STRATEGY DEVELOPMENT

Survival-based	This approach argues that organisations must survive in a hostile and highly competitive environment by being flexible and adapting to changes in the business environment.
Chaos-based	This route identifies the environment as unpredictable, but within the uncertainty lie opportunities and transformation.
Network-based	This route has two elements: external networks and co-operative networks. External networks seek to achieve standardisation on some aspect of the industry, for example standardised ticketing in the airline industry. The second element looks at the co-operation between markets, industries and companies. Both the elements focus on outcomes that are unknown during the process.
Learning-based	This approach is based on the existing knowledge and experience of the organisation. The process involves learning from the past and using that knowledge to contribute to the future.

(Lynch, 2015:367-372)

6.6.10 The Survival-Based Strategic Route Forward

Survival-based strategic thinking follows from ideas around the survival of the fittest in nature. Two mechanisms are in operation in the survival-based process:

- **Adaptation** to the business environment in order to survive; and
- Selection of the fittest from those present in the industry.

An organisation's ability to adapt can be affected by inertia. This occurs when an organisation continues on its current course. In simple terms, the organisation remains in the same place and does not move forward.

Internal inertia

- Existing investment in obsolete plant and machinery due to high investment costs
- Attachment to what worked in the past, and the history of the company

Example: In European telephone companies the existing bureaucracy, built up during many years under government ownership, was very difficult to shift.

External inertia

- Barriers to entry and exit from an industry
- Difficulty and cost of acquiring information on how the environment itself might be changing

Example: European telephone companies' existing investments in exchanges and telephone equipment, coupled with external government restrictions that would prevent new companies entering until 1998, had created inertia towards change within the industry.

(Lynch, 2015:377)

TABLE 20: PRESCRIPTIVE PROCESS VERSUS SURVIVAL-BASED PROCESS

Typical outline of the prescriptive model of the strategic management process	Survival-based corporate strategy process
1. Mission and objectives	1. Short-term conservative objectives
2. Environmental analysis	2. Analysis to look for clues to survival but difficult to predict and inertia may be strong
3. Resource analysis	3. Internal factor analysis also important but note structural inertia
4. Strategy options generation	4. Vital to generate many options
5. Strategy selection	5. Do not choose: keep options open and let the market choose
6. Implementation	6. Survive and hold some capacity in reserve for unknown events

(Lynch, 2015:378)

Comparing Processes

1. Under what conditions is each of the above strategies suitable?
2. Critically evaluate survival-based corporate strategy for your organisation.

6.6.11 The Uncertainty-Based Strategic Route Forward

This theory considers the prescriptive approach to strategic management impossible because of the uncertainty and instability of internal and external environments. This approach assumes that **organisational success depends on innovation and transformation**. Organisations cannot merely continue to exist: they need to change as the world changes around them. As Lynch (2015:379) explains:

> Given this definition of success, the strategic process by which this is achieved will inevitably involve uncertainty. However, uncertainty can be modelled mathematically, and its consequences set out in the science of chaos theory – a system of modelling origin applied to scientific processes such as flow of liquid through a tube and subsequently weather forecasting.

The theory demonstrates that, in certain types of uncertain environments, small changes in the early stages of a process can lead to major variances in the later stages. In the classic strategy process, there is a mechanism of cause and effect that control the dynamics of change. Feedback arises from an initial strategic decision, but goes beyond such a decision by multiplying its effects. Uncertainty is the unknown result of a strategic decision, which may be, affected by chance events along with those that are more predictable.
An example will help to clarify the concept. When the price of an item such as a telephone call is raised relative to competing products, the sales of the item are predicted to fall. According to uncertainty-based theory, this simple process may not represent the *full* outcome of events. The *feedback mechanism* suggests that the raise in telephone prices will only affect sales but may also feedback into a lower level of loading at the telephone exchange. This may in turn influence the ability of the company to recover overheads from the exchange.

Consequences for the strategic management process

This theory holds that there is no point in predicting the future, as it involves too much uncertainty. Therefore, actions planned should be short-term in nature. Organisations should learn and adapt to the circumstances as they change.

Planning in Uncertainty
Assume you operate the weakest broadcasting station in the market. Establish how you will plan your media buys and how they will make your station more attractive to advertisers.

6.6.12 The Network-Based Strategic Route Forward

> "The network-based strategic route forward explores the links and degree of co-operation present in related organisations and industries and places a value upon that degree of co-operation.
>
> (Lynch, 2018:387)

Network externalities

This aspect of the approach **assumes that organisations try to standardise networks** across the industry. The benefit is external to an individual organisation within the network. It is referred to as an externality because it is driven by activities external to companies, and by the external network of companies belonging to the system. This approach could be adapted in organisations with a co-operative content, such as the travel industry (Lynch, 2018:389-390).

Network co-operation

This approach relies on agreements between companies that will benefit both of them. It is based on the value these relationships would add. Strategically, the issue is to optimise the relationship. This refers to two principles (Lynch, 2018:387):

1. **Managing and owning resources**: this can assist in identifying the important relationships that organisations have inside and outside; and
2. **The value chain and value linkages**: the chain shows what networks look like inside the organisation. The linkages do the same for the outside relationships.

There is value in the combination of competitive and co-operative networks. In other words, as **organisations become rooted in networks of co-operative relationships, a dynamic flow of resources is created between them**. In addition, this has a positive effect on organisations' competitive behaviour (toward others in the network).

Consequences for the strategic management process

Lynch (2018:390) explains that networks are fluid and may change; the members of a network can leave without cost, and this leaves everything open to negotiation. Lynch (*ibid*) recommends that objectives be revised: "Selection may be compromised by the need to persuade groups to join or remain in the network." The implementation process therefore becomes part of the selection process and part of the strategy.

6.6.13 The Learning-Based Strategic Route Forward

The learning-based strategic route forward emphasises learning and crafting as aspects of the development of successful corporate strategy. It places particular importance on trial and feedback mechanisms. Learning can take place on a personal and a group level.

(Lynch, 2018:377-378)

This approach means two things for the organisation: changing mental models and focusing on the process of learning. Lynch says an organisation should explore strategic issues as a management team or as a group that meets together, because this is the group that ultimately "will develop assumptions about the organisation and its environment" *(ibid).*

Organisational learning relies on shared mental models of the organisation, the market and the competitors. Planning is then seen as learning and corporate planning is institutional learning. Strategic decisions should be made in teams and shared among other teams. Learning is the expansion of organisational knowledge. This involves acquiring new knowledge, evaluating the new knowledge against reality, and thereafter providing feedback on the result. Gaining knowledge could involve research, experience and an intuitive understanding of context.

Senge (1990) draws an important distinction between two types of learning:

- Adaptive learning – understanding changes outside in the environment and adapting; and
- Generative learning – creating and exploring new strategy areas for positive expansion within the organisation itself.

Both types of learning come from experimentation, discussion and feedback with the organisation. Rigid, formal, hierarchical organisations are unlikely to provide this. New, more fluid structures are needed.

6.6.14 Consequences for the Strategic Management Process

Learning organisations depend on the element of discussion and co-operation between employees. The strategic process thus involves more people and is more open. More people usually means a slower process, but it enhances commitment. The implementation phase will, however, be faster, as everyone has been involved in devising the activities they are expected to implement (Lynch, 2018:383).

Learning-Based Strategy

1. Critically analyse whether a learning-based strategy would help your organisation.
2. The approach has been criticised for being vague and lacking operational structure – people need to make decisions and cannot wait for a learning process to commence. What is your view? Substantiate your argument.

6.6.15 International Considerations

International considerations may affect the strategy process at every stage. The ability of stakeholders to influence the process varies from country to country for historical, political and cultural reasons. The mission and objectives are likely to be rooted in the society and culture the country in which the strategy is devised.

The environment may be important in another aspect of strategy development: a firm’s home country influences the way in which the international strategy is devised and managed. The culture and social systems of the people involved in the process govern options and choice in the selection process.

6.6.16 Framework for the Development of a Strategic Plan

An example of the structure of a strategic plan is represented in **Figure 12**.

FIGURE 12: FRAMEWORK FOR DEVELOPING A STRATEGIC PLAN

Who typically undertakes what in the prescriptive model?	Typical outline of the prescriptive model of the strategic management process
Chief executive officer	Mission and objectives
Corporate planning team plus probably the SBU in its own products or service area	Environmental analysis
SBU plus possibly the corporate planning team	Internal factors analysis
SBU and corporate options	Strategy options generation
Group in co-operation with the SBU	Strategy selection
SBU	Implementation

(Adapted from Lynch, 2018:356)

The framework above suggests that the sequence of phases and those responsible be followed, especially where the organisation has a number of unrelated businesses (Lynch, 2018:356). in such a framework, there will most likely be a head office that is responsible for certain functions, and business units that undertake relevant functions. Also, the head office in consultation with the business units might select the strategy to be adopted by the units *(ibid)*. In such cases, the business units will implement the selected strategies.

Framework for Developing Strategy

1. Analyse the problems associated with using the framework above to formulate strategy.
2. Recommend solutions to solve the identified problems.

6.6.17 Strategic Alignment

The most critical factor in strategy development is ensuring the strategy is aligned across the organisation. **Alignment is that ideal state in which strategy**, **employees, customers and key processes work together to propel growth and profits.** Aligned organisations enjoy greater customer and employee satisfaction and produce superior returns for shareholders (Labovitz, 2004:30). He maintains that alignment gives managers at every level the ability to rapidly deploy a coherent business strategy, be customer focused, develop world-class people and continually improve business processes – all at the same time. Strategic alignment also provides a **means to measure the effectiveness of organisations**.

In devising the strategy, it is essential to start with the customer and what the organisation will offer the customer; then to ensure the employees have the competencies required; and then ensure systems and processes are capable of supporting the strategy. Organisations often devise a strategy but fail to align the people skills, management systems and processes and allocate the required resources to make it happen. This causes the strategy to fail. Therefore, it is critical that these aspects are part of the strategy planning process.

Alignment does not happen by chance. It must be structured as part of the strategy. The key to achieving alignment in organisations is its leadership. Once alignment has been achieved across the four dimensions in the organisation, **maintaining alignment through measurement** is vital in a dynamic and changing organisational environment.

Watch this video on the importance of organisational alignment:

- Labovitz, G. 2013, 'Revealing the power of organisational alignment', https://www.youtube.com/watch?v=MpVxopg9BZ4 (accessed 10 November 2021).

Are you aligned?

- Is your organisation's strategy aligned across the entire organisation?
- What are the hindrances to alignment in your organisation?

6.6.18 Key Points

- It is important to distinguish between corporate-level strategy and business-level strategy.
- Corporate level strategy is fundamentally concerned with the selection of businesses in which the company should compete and with the development of that portfolio of businesses.
- Porter's generic strategies are low cost-leadership, differentiation, and focus strategies.
- Other strategies that can be adopted include, penetration, product development, market development and diversification. Understand what each strategy entails.
- There are initial, internal, and external feasibility criteria for evaluating any strategic choices.
- Wheelen and Hunger's strategic management process address environmental scanning, internal scanning, strategy formulation, implementation, and evaluation and control.
- The prescriptive process requires that decision-makers identify the most appropriate method to implement the strategy. Acquaint yourself with the limitations of the prescriptive approach.
- Alternative approaches to strategy development include survival-based, uncertainty-based, chaos-based, network-based, and learning-based.
- Strategic alignment is key to achieving competitive advantage.

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.7 INFORMATION TECHNOLOGY AND STRATEGY

Timeframe	Minimum of 14 hours
Learning outcomes	• Demonstrate the importance of management information systems in strategic management.
Prescribed books	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited. • BPP Learning Media, 2011, *ACCA Paper P3: Business Analysis Study Text for Exams in 2011*, London: BPP Learning Media Ltd.
Prescribed articles	• Lowson, R. and J. Burgess, N. 2003, 'The building blocks of an operations strategy for e-business', *The TQM Magazine*, 15(3), 152-163, https://www.emerald.com/insight/content/doi/10.1108/09544780310469253/full/pdf?title=the-building-blocks-of-an-operations-strategy-for-e-business (accessed 10 November 2021). • Liu, C. and Hong, J. 2016, 'Strategies and service innovations of haitao business in the Chinese market', *Asia Pacific Journal of Innovation and Entrepreneurship*, 10(1), 101-121 https://www.emerald.com/insight/content/doi/10.1108/APJIE-12-2016-012/full/pdf?title=strategies-and-service-innovations-of-haitao-business-in-the-chinese-market-a-comparative-case-study-of-amazoncn-vs-gmarketcokr (accessed 10 November 2021).
Prescribed multimedia	• National University College-Division Online, 2017, 'Information technology strategic planning', https://www.youtube.com/watch?v=UbaoJZbDW-I (accessed 10 November 2021). • Ireland, T. S. nd, 'How to write a great information technology strategic plan', https://www.youtube.com/watch?v=InOBKhzdhS4 (accessed 10 November 2021).
Section overview	Technological developments are affecting the way businesses operate. Strategy is no different. Information technology has forced organisations to adopt e-business and e-commerce strategies to gain competitive advantages or survive. In this section, e-commerce and e-business strategies are discussed together with how they can be developed and evaluated. Also, mega-trends in information technology are highlighted to entice the strategist to think about the implications of these trends on their organisation.

6.7.1 Introduction

Improvements in internet connectivity have transformed businesses. This transformation has also seen the introduction of new technologies, skills, and ultimate **repositioning of products and services** offered to suit the evolving market conditions (BPP Learning Media, 2011:293). The technological developments have necessitated organisations to develop e-commerce strategies which should be considered at the highest level of leadership (*ibid)*. There has to be a strategic choice that is evaluated on its **suitability, acceptability, and feasibility**. These matters are covered as part of the strategy for **e-commerce**.

E-commerce transactions are conducted via the internet technologies. Some aspects of e-commerce are:

- Goods and services are ordered electronically but delivered through traditional channels, eg, courier delivery;
- Online ordering, payment, and delivery of services, eg, buying software online, you pay, and receive the installation code electronically;
- Electronic funds transfer (EFT transactions);
- Electronic trading of shares or other financial assets;
- Online auctions; and
- Direct consumer marketing and after-sales service.

(Adapted from BPP Learning Media, 2011:279)

6.7.2 E-commerce Strategy

The way of conducting business is ever evolving, especially in this era of fast-paced technological changes. The **implications of frequent technological** changes are that an organisation's competitive advantage may not last long, because:

- Imitations occur faster;
- Barriers to entry are lowered as smaller innovative players disrupt the status quo;
- Processes, infrastructure, equipment, etc, soon become obsolete;
- Adaptations necessary to remain profitable and or survive may erode current advantages; and
- New technologies may quickly change consumer preferences, thus limiting benefits derived from current competitive advantage.

BPP Learning Media (2011:294) highlights some **mega-trends** that are reshaping the face of organisations. These mega-trends include:

- New distribution channels that are changing sales and brand management;
- Power shift towards consumers;
- Growing competition – local, internationally, and globally;

- Fast-paced business environment;
- Increased use of virtual technologies;

- Re-evaluation of how organisations add value to the environment, society, and economy; and
- Increased realisation that knowledge and or data are strategic assets.
- In addition to these mega-trends, Lynch (2018:249) cites research that suggest five other technological trajectories that will guide specific industries. These are:

- **Supplier-dominated industries** such as agriculture and traditional manufacturers such as textiles: technological advancements are influenced by suppliers. So organisations in these industries need to maintain close links with suppliers when searching for technological innovations;
- **Scale-intensive industries** such as motor vehicles and consumer durables. Technology plays a vital role in the construction of complex factories and costly products. In such industries, technological improvements or innovations are incremental, improving efficiency and reducing waste and energy consumption;
- **Science-based industries** such as electronics and pharmaceuticals. Technological discoveries occur in expensive research and development and are protected by patents;
- **Information-intensive industries** such as publishing, banking and telecommunications. Technological advancements are mostly developed in-house or bespoke, or are bought and customised. The scalability of the technology is important to adapt to the changes that may frequently occur; and
- **Specialised supplier organisations** such as producers of high-performance equipment (eg aircraft) and software. Technological innovations emanate from understanding their customers, competitors, and new technologies (used by suppliers of other components).

These trends have implications for the overall strategy of the organisation and it cannot afford to ignore them.

When formulating e-commerce strategies, understand that e-commerce strategies cannot just be fastened on existing IT infrastructure, systems, processes, delivery channels, and business models (BPP Learning Media, 2011:294). Fundamental questions must still be asked and answered (*ibid*), such as:

- What do customers want to buy from us?
- What business should we be in?
- What kind of partners might be needed? and
- What is the target market and how can it be retained?

To address these questions at a strategic level, the strategist may consider these interconnected levels (BPP Learning Media, 2011:294):

- **Level 1**: Introduce new technologies to connect employees, customers, suppliers and other stakeholders, using intranet and websites;
- **Level 2**: Reorganise employees, teams, processes, systems and strategies to best use new technology; and

- **Level 3:** Reposition the organisation to fit into the emerging e-economy. To achieve this level, organisations may have to rely on the management of knowledge and customer relationships.

Considering Strategic Levels in One's Own Organisation

1. Identify your organisation's e-commerce strategic level as discussed above.
2. Considering the mega-trends discussed earlier, analyse what it would take for your organisation, or one you are familiar with, to get to level 3 and beyond.

6.7.3 Building an E-commerce Strategy

An e-commerce strategy has overarching organisational implications. Although it is subordinate to the overall organisational strategy, **it affects most (if not all) functional areas** in the entity. As such, the organisation's e-commerce strategy must be considered at the highest leadership level. The strategy should be evaluated on its **suitability** (compatibility with current infrastructure, systems, and processes), **acceptability** (by stakeholders eg, customers, suppliers), and **feasibility** (realistic regarding available resources and competences) (BPP Learning Media, 2011:294).

Suitability

More and more organisations are adopting e-commerce strategies that supplement their traditional operations. In these cases, **websites and apps become supplementary media for communication and sales**. However, one comes across other organisations like Amazon which have overall strategy that is anchored on e-commerce (BPP Learning Media, 2011:294).

In developing an e-commerce strategy, the strategist needs to **consider the appropriateness of the strategy to the target market**. Some target markets might not embrace the e-commerce platforms adopted by the organisation. Also, the target market might not sustain or justify the investment in the new technologies. This may be the result of a dual operation, that is, one catering for the traditional market and another for the new e-economy. The assessment of suitability of the strategy must be done before time and financial resources are expended.

Acceptability

The e-commerce strategy has to be **acceptable to all important stakeholders** (probably after a stakeholder analysis has been carried out) (BPP Learning Media, 2011:295). A key stakeholder on the acceptability evaluation, apart from customers, is the distributor, who must be efficient to ensure that customers get their purchased goods in time. This could explain why Takealot.com acquired Mr Delivery and all its logistics network in 2014 after an investment by Tiger Global, a US-based investment firm (Takealot.com). The success of the strategy is likely to result in more customers purchasing online and reduces the floor space required in shopping malls. For example, Woolworths has considered reducing the floor space in Australian shopping malls because of the rise in online sales (Gernetzky, 2020).

Feasibility

Feasibility **focuses on the resources** (BPP Learning Media, 2011:295) – perhaps taking a resource-based view. The resources mostly considered are availability of cash to fund the required infrastructure, skilled labour to administer the website and app on which the e-commerce strategy is based (*ibid*). During the feasibility evaluation, the following are worth considering:

- Establishing precise **objectives** for the e-commerce strategy;
- Estimates of **costs and benefits** as well as their analysis; and
- Detailed **budgets** derived from the estimates of costs and benefits. This should include formulating a **pricing policy** for goods and services to be sold online.

Strategy and service innovation: A comparative study.

- Liu, C. and Hong, J. 2016, 'Strategies and service innovations of haitao business in the Chinese market', *Asia Pacific Journal of Innovation and Entrepreneurship*, 10(1), 101-121 https://www.emerald.com/insight/content/doi/10.1108/APJIE-12-2016-012/full/pdf?title=strategies-and-service-innovations-of-haitao-business-in-the-chinese-market-a-comparative-case-study-of-amazoncn-vs-gmarketcokr (accessed 10 November 2021).

E-commerce FAS Factors

1. Suppose your organisation or one you are familiar with is to go dully e-commerce. What suitability, acceptability and feasibility factors would it consider?
2. Evaluate the cost-benefit estimates that would be considered.

IT Strategy planning: How do you do yours?

- National University College-Division Online, 2017, 'Information technology strategic planning', https://www.youtube.com/watch?v=UbaoJZbDW-I (accessed 10 November 2021).
- Ireland, T. S. nd, 'How to write a great information technology strategic plan', https://www.youtube.com/watch?v=InOBKhzdhS4 (accessed 10 November 2021).

6.7.4 Strategy Process Model for E-business

Firstly, let us distinguish e-business from e-commerce. BPP Learning Media (2011:279) cites IBM, which defines:

E-business as the transformation of key business processes through the use of internet technologies.

E-business can also be "defined as the approach by which the application of internal and external electronic communications can support and influence corporate strategy."

E-business processes does not only include online marketing and sales, but supply chain, manufacturing and inventory control, financial operations, and employee workflow procedures across the organisation'. E-business empowers customers, employees, suppliers, distributors, etc by providing tools for information management and communication.

There are differing level of e-business. Some organisations deal with their customers via emails and electronic marketplace while others like Amazon have websites and Apps that help them sell their products.

The difference between e-business and e-commerce include:

a. Any transaction that involves an electronic process that uses internet technologies is e-business. Creating a map with directions from your office to a client's offices using an App is e-business (ie, no e-commerce is involved).
b. If there is a **financial transaction** involved with the electronic process that uses internet technologies, it is e-commerce. Purchasing a book from Amazon or Takealot.com is both e-business and e-commerce.

(Adapted from BPP Learning Media, 2011:279).

Benefits of e-business

- **Reduces costs** eg, in procurement, it may reduce the headcount by streamlining processes that handle customer enquiries;
- Might improve chances of **penetrating countries** that would otherwise be difficult to reach;
- Improves **communication and information flow** with customers and other stakeholders;
- Websites (using cookies) may be used to **monitor the level of interest** for products and services;
- Improves **customer service** and provides convenience for customers to conduct business at any time of the day. It is not restricted by time zones; and
- Might gain **competitive advantage** depending on the use of e-business in the industry and by competitors.

BPP Learning Media (2011:295) suggests that the business environment is changing from being a market**place** to a market**space.** The marketspace has become pregnant with information and communication based on electronic exchange which characterise the business environment (*ibid*). The implications are:

- The **content of transaction is different** – the information about the product or service replaces the product or service itself;
- The **context of transaction** is also different – electronic platforms replace face-to-face interaction and transaction; and
- The **enabling infrastructure of transactions** is different – computers, smart devices and other communication infrastructure may replace usual physical resources.

(BPP Learning Media, 2011:295)

The role of information systems has changed from focusing on achieving operational efficiencies and cost reduction to become more central to e-business. This role now supports, influence and impact corporate strategy (BPP Learning Media, 2011:295). **Table 21** compares traditional business strategy and e-business strategy.

TABLE 21: COMPARISON OF TRADITIONAL BUSINESS STRATEGY AND E-BUSINESS STRATEGY

	Traditional business strategy	E-business strategy
Planning horizon	Predictability and long-term execution plans.	Adaptibility and responsiveness within short periods.
Process models	Prescriptive strategy: the three elements of analysis, formulation, and implementations are linked and follow a sequence.	Emergent strategy: the difference between analysis, frmulation, and implementation is less visible but they are interelated.
Planning cycles	Strategic plan is devised once for the period.	An iterative process of developing strategic plan because of the fast pace of change.
Power base	There positional power because of strength of market share held.	Success is based on management of critical information held by the organisation and how it uses it.
Core focus	Focused on production of goods.	Focused on customers.

(BPP Learning Media, 2011:296)

E-business building blocks for an operations strategy.

- Lowson, R. and J. Burgess, N. 2003, 'The building blocks of an operations strategy for e-business', *The TQM Magazine*, 15(3), 152-163, https://www.emerald.com/insight/content/doi/10.1108/09544780310469253/full/pdf?title=the-building-blocks-of-an-operations-strategy-for-e-business (accessed 10 November 2021).

Evaluation of E-business Strategy

1. Consider your own organisation's (or one you are familiar with) e-business strategy and evaluate it on its planning horizon, process models, planning cycles, and power base.
2. Provide recommendations on how the e-business strategy can be improved to deliver competitive advantage.

6.7.5 Key points

- The technological developments have necessitated organisations to develop e-commerce strategies which should be considered at the highest level of leadership.
- There has to be a strategic choice that needs to be evaluated based on its suitability (compatibility with current infrastructure, systems, and processes), acceptability (by stakeholders eg, customers, suppliers), and feasibility (not impractical regarding available resources and competences).
- The implications of frequent technological changes are that an organisation’s competitive advantage may not last long.
- Technological mega-trends have implications for the overall strategy of the organisation and it cannot afford to ignore these trends.
- The business environment is changing from being a marketplace to a marketspace.
- The role of information systems has transitioned from just focusing on achieving operational efficiencies and cost reduction to become more central to e-business.

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.8 STRATEGY IMPLEMENTATION

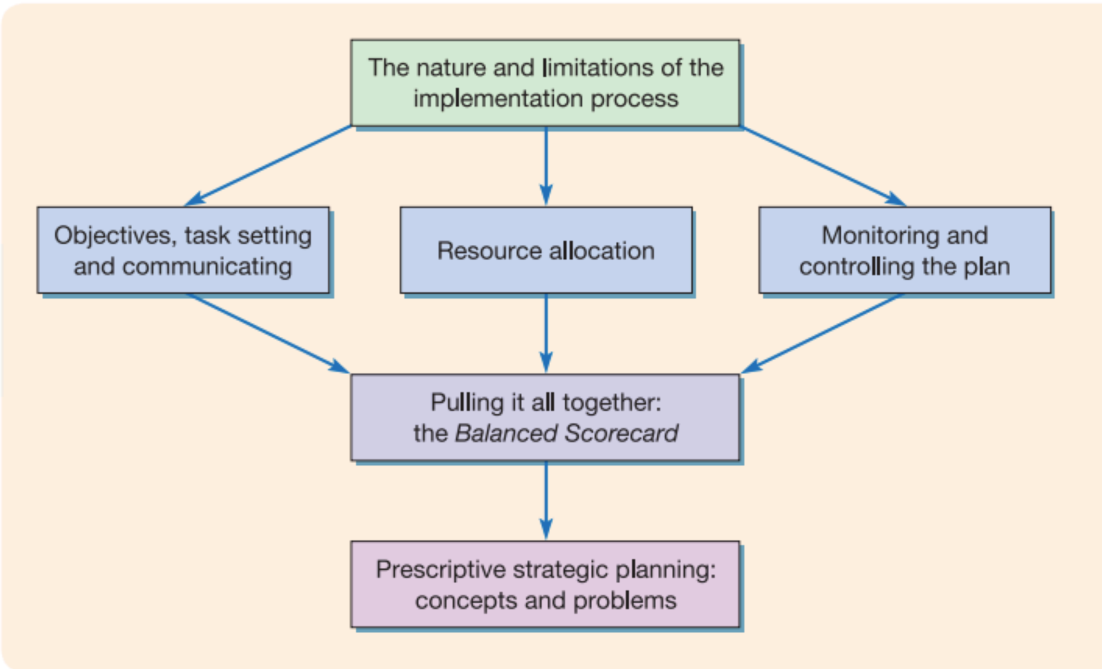
Timeframe	Minimum of 20 hours
Learning outcomes	• Implement and monitor strategy and revise where necessary; and • Demonstrate the importance of management information systems in strategic management.
Prescribed books	• Lynch, R. 2018, Strategic Management, 8th ed., Harlow: Pearson Education Limited.
Prescribed articles	• Lee, G.J., Venter, R. and Bates, B. 2004, 'Enterprise-based HIV/AIDS strategies: Integration through organisational architecture', *South African Journal of Business Management*, 35(3), 13-22, https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=lee+et+al+organisational+architecture+%282004%29&btnG (accessed 10 November 2021). • Christensen, C. and Donovan, T. 2001, 'The process of strategy development and implementation', Innosight, https://pdfs.semanticscholar.org/c0a4/13dc3f438d21f62904936819fa34df6331b4.pdf (accessed 10 November 2021). • Wissink, T. 2012, 'Enterprise architecture, organizational structure, and company performance', Oracle Experiences in Enterprise Architecture article series, http://www.oracle.com/technetwork/articles/entarch/oeea-org-performance-1518919.html (accessed 10 November 2021).
Prescribed multimedia	• HowtoGetMotivated, 2011, 'Employee motivation is essential to success', http://www.youtube.com/watch?v=xG6h60oLvos (accessed 10 November 2021).
Section overview	No matter what method strategists select, there will come a time to put strategies into practice: ie implement them. This section discusses the implementation, monitoring and control of strategic plans. Models that can be used to implement and monitor strategies are discussed, and organisational architectural models are introduced as well.

6.8.1 Implementing and Controlling the Strategic plan

The **aim in implementing a strategy is to deliver** on the vision, mission and goals of the organisation. To achieve this, strategies must be implemented, monitored, measured, evaluated, and, if necessary, revised. Various tools, including the balanced scorecard, are effective in achieving what must be achieved.

Figure 13 shows the main **elements of the implementation process**, each of which are then discussed in detail.

FIGURE 13: MAIN ELEMENTS OF THE IMPLEMENTATION PROCESS



(Lynch, 2018:436)

6.8.2 The Nature and Implications of the Implementation Process

Basic elements of the implementation process

Notwithstanding the approach to strategy, implementation must be planned. The plans should answer the following questions (using the 5Ws and H):

- What has to be achieved?
- Why is this important?
- Who is responsible for implementation?
- When does it have to be achieved by (including the milestones)?
- Which activities will enable the agreed objectives to be reached? and
- How will we monitor and control progress?

Turning strategies to implementation, four elements should be considered (see **Figure 14**).

FIGURE 14: FOUR ELEMENTS OF IMPLEMENTATION

Identify strategic objectives

Formulate specific plans

Allocate resources, budget and action plans

Monitor and control the procedure

(Adapted from Lynch, 2018:438)

Implementation requires carefully planned activities for the organisation to achieve its objectives. These include activities that relate to corporate-level responsibilities, business units and functional departments. At each level **objectives are set, appropriate plans are drawn up, resources are allocated within clearly defined budgets, and the plans implemented, monitored and controlled** to ensure that the organisation's objectives are achieved.

It may be useful to distinguish between different types of implementation. There are three main approaches: comprehensive (pushed through regardless of changes in the environment), incremental (in conditions of great uncertainty) and selective (compromises are made). Implementation in small and medium-sized businesses may be less elaborate but must follow the same general principles. According to Pettigrew and Whipp (cited in Lynch, 2018:440), implementation is best seen as a continual and iterative process, rather than one that simply occurs after the formulation of the strategy. An organisation's strategy may be tweaked or modified if the current objectives are not being meet after implementation.

Hrebiniak and Joyce (in Lynch, 2018:441) point out two significant limitations in implementation:

- **Bounded rationality**. Managers are bound by their own limitations in considering every conceivable strategic option and will limit their choices to what they feel is appropriate and rational. They will also limit strategy implementation by reducing the implementation process to manageable, bite-size chunks, which may not necessarily produce an optimal outcome. Sometimes managers may make decisions that favour their own personal goals instead of focusing on what is best for the organisation); and
- **Minimum intervention**. The philosophy of "if it ain't broke, don't fix it". Managers only change for what they perceive to be necessary and sufficient reasons).

- Implementation is not immutable and unchanging – managers learn about their strategies as they implement them;
- Strategy implementation implies change – the very prospect of change confronts established positions, raising issues of power; and
- Strategy implementation combines analytical, educational and political elements.

Implementing green strategies

Green strategy concerns those activities of the organisation that are focused on both sustaining the earth's environment and developing the business opportunities that will arise from such additional activities. Sustainability is the underpinning principle.

(Lynch, 2018:472).

Lynch (2018: 490) recommends that green strategy implementation take place on two levels:

- Internal action (includes purpose, operational targets to achieve sustainability, defined roles and responsibilities and timing, specific tasks, and publishing of progress);
    - In-house waste and recycling;
    - Pollution prevention;
    - Better use of water and lower energy use;
    - Alternative fuels;
    - Better design of equipment; and
- External action (includes published reports, public relations, commitment to local and national communities, forming external links and relationships with like-minded groups).

"No one should be in any doubt about the need for fundamental change on the part of all organisations in both the public and private sector with regard to green strategy and sustainability. To quote from the International Institute for Sustainable Development: 'The tectonic changes that we face in the coming decades, including population increases, environmental degradation and socioeconomic expectations, require bold thinking and new approaches'."

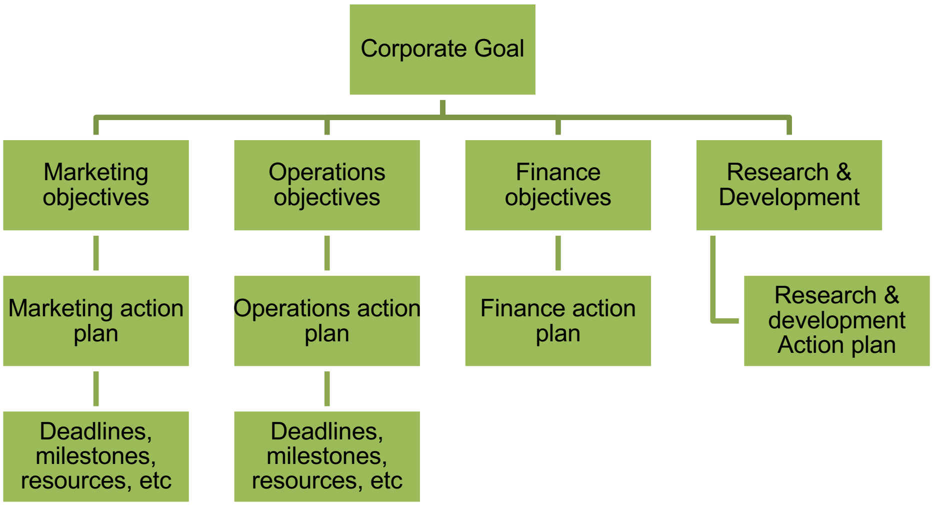
(Lynch, 2018: 470)

See Lynch, 2018: 470-494 for discussion of the green strategy and sustainability issues facing business.

6.8.3 Objectives, Task Setting and Communicating the Strategy

Setting objectives, formulating actions plans, and determining deadlines, milestones and resources require a cascading downwards of the corporate strategic goal, as shown in **Figure 15**.

FIGURE 15: CASCADING THE CORPORATE GOAL



(Adapted from Lynch, 2018:443)

The objectives must be stated in SMART terms. The marketing objective might, for example, read: "Increase market share from 3% to 8% over two years using digital marketing strategies." While the objectives set across the business and functional areas may be different, there should be integrity between them. For example, if the goal is to increase market share, operational and human resource objectives must also reflect this aim and be aligned to other functional and business needs.

In fast-changing environments it may not be possible (or desirable) to have rigid objectives because they may be made redundant by outside events. However, it can also be argued that without some structure, monitoring and controlling of the individual objectives becomes impossible.

Communication and co-ordination are integral to successful implementation. These are especially important in ensuring not only the understanding of the plan but also of its underlying assumptions. Communicating the strategy to stakeholders (eg employees) should be done by integrating the viability of the plan into the everyday activity of employees and their performance objectives (Laban and Green, 2003).

6.8.4 Information, Monitoring and Control

Once strategy implementation is in progress, monitoring and control begins. Lynch (2018:449) suggests that the information gained from monitoring and control processes can be used to:

- Assess continued resource allocation options;
- Monitor progress against objectives;
- Evaluate performance of management against their functional or business unit objectives;
- Monitor progress against changes in the environment (assumptions made against actual events); and
- Provide a feedback mechanism so that fine-tuning can take place.

Learn more about strategy implementation:

- Christensen, C. and Donovan, T. 2001, 'The process of strategy development and implementation', *Innosight*, https://pdfs.semanticscholar.org/c0a4/13dc3f438d21f62904936819fa34df6331b4.pdf (accessed 10 November 2021).

6.8.5 The Balanced Scorecard

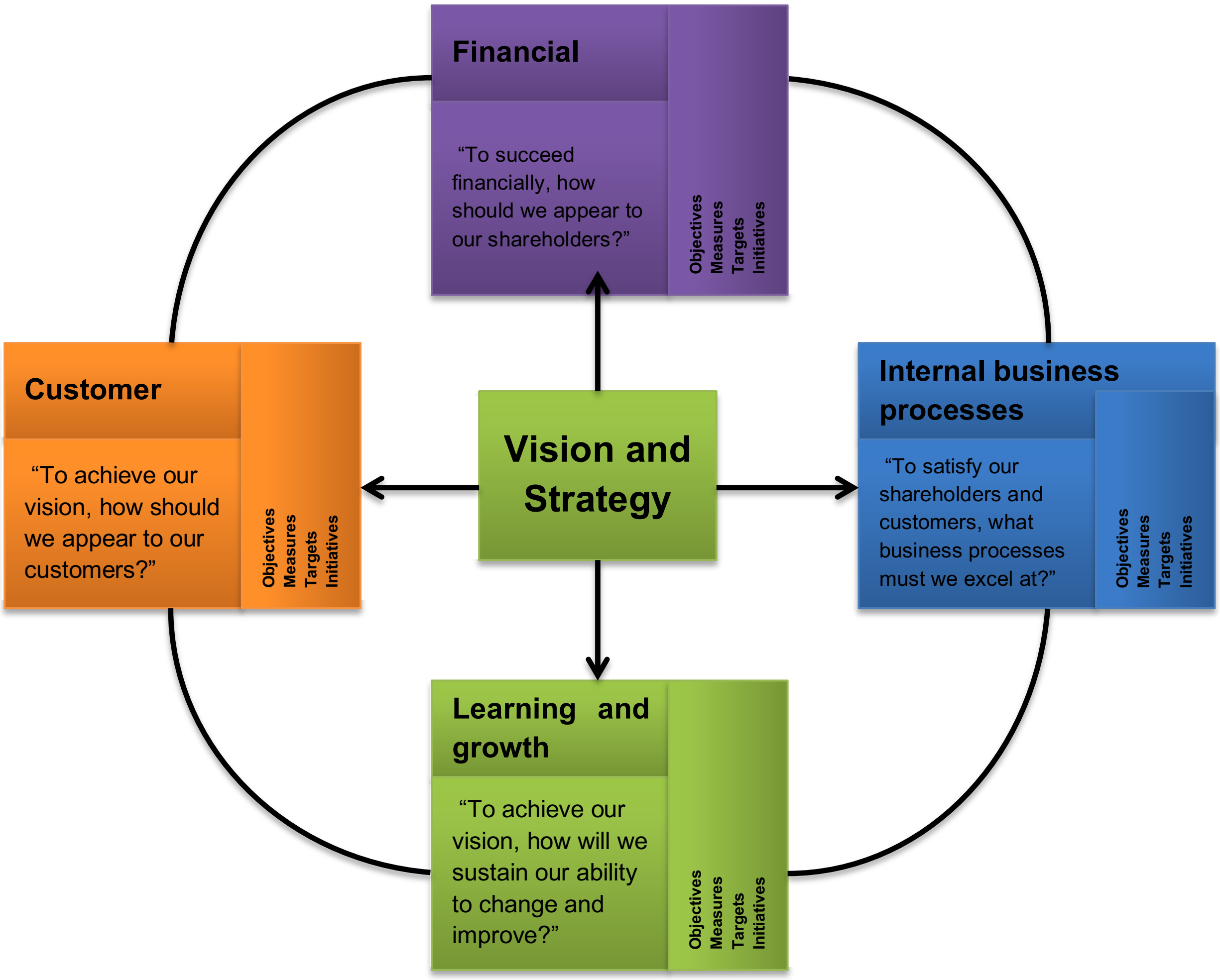
The balanced scorecard (BSC) can be used as a strategic technique for evaluation and control. The Balanced Scorecard Institute (2012) describes the balanced scorecard as:

"A strategic planning and management system that is used extensively in business and industry, government, and nonprofit organisations worldwide to align business activities to the vision and strategy of the organisation, improve internal and external communications, and monitor organisation performance against strategic goals."

(Balanced Scorecard Institute, 2012)

The balanced scorecard views the organisation from four perspectives: the learning and growth perspective, the business process perspective, the customer perspective and the financial perspective (Balanced Scorecard Institute, 2012). This is illustrated in **Figure 16.**

FIGURE 16: THE BALANCED SCORECARD



(Balanced Scorecard Institute, 2012)

Note that against each perspective there are criteria: objectives, measures, targets, and initiatives. The diagram also implies integration of the parts, shown by arrows (all the parts are connected).

TABLE 22: FOUR BSC PERSPECTIVES TO DEVELOP OBJECTIVES, MEASURES, TARGETS AND INITIATIVES

Perspective	Focuses on:
Financial	• Financial stewardship of the business. • Financial performance. • Effective use of resources.
Customer	• Customer as a stakeholder. • Customer value. • Satisfaction and or retention.
Internal process	• **Efficiency.** • **Quality.**
Learning and growth	• Organisational capacity vital for breakthrough performance. • Human capital. • Infrastructure and technology • Culture.

(Adapted from Balanced Scorecard Institute, 2012)

Find more detail about the balanced scorecard here:

- Alao, E. 2013, 'Strategic decision making, balanced scorecard profitability: Issues and challenges', *International Journal of Accounting Research*, 1 (1), 20-32, https://www.omicsonline.com/open-access/strategic-decision-making-balanced-scorecard-profitability-issues-and-challenges-IJAR-1-102.pdf (accessed 10 November 2021).
- Lynch (2018:451-455), section titled 'The Balanced Scorecard: The contribution of Kaplan and Norton'.

Implementation Questions

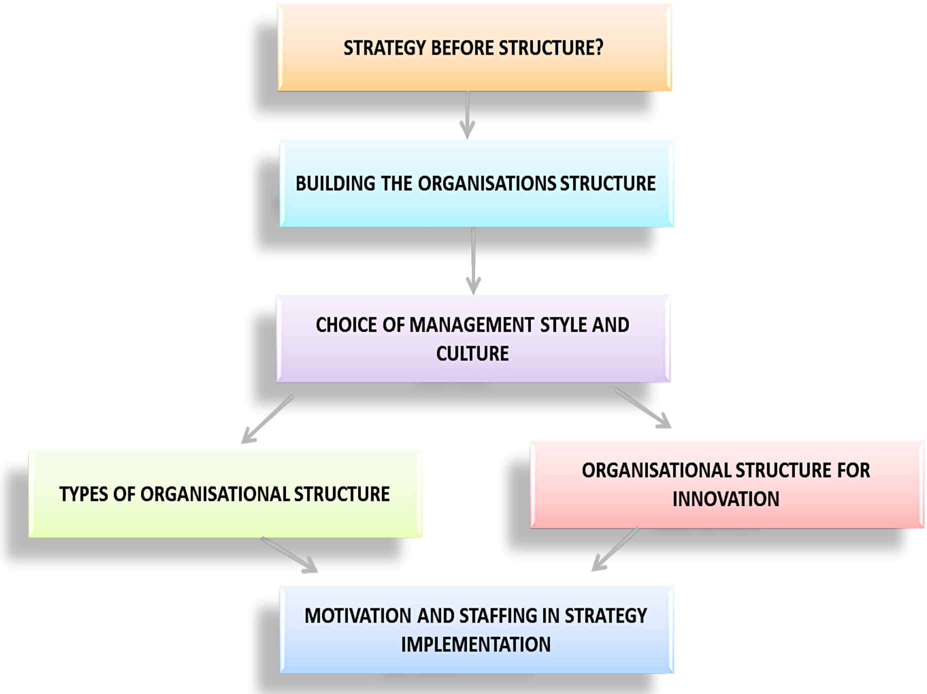
1. Write down the strategic goals of your organisation (read the vision and mission to determine these if they are not readily available).
2. Sketch a cascading framework of the business and functional departments in your organisation, and determine one strategic objective for each.
3. Select one of these departments and determine the elements that would contribute to a meaningful action plan.
4. At what point and how should ethics be considered in creating this framework?
5. At what point and how should corporate social investment be considered in creating this framework?
6. What consequences might there be to omitting the consideration of ethics and corporate social management from your strategy framework?
7. Explain briefly why strategic monitoring and controls are necessary, and indicate how they might be improved in your organisation.
8. How can objectives and tasks be communicated from senior management while motivating those who have to implement them?
9. Explain why the balanced scorecard is an effective tool in bringing together the elements of the implementation process.

6.8.6 Organisational Structures, Styles and People Issues

Once the strategy has been devised, the organisation needs a structure, and people to implement the plan. The traditional approach to strategic management assumes that strategies are decided upon and then organisational structures follow. Recent research has questioned this approach (Lynch, 2018:403).

Figure 17 presents a pictorial view of the debate as discussed in Lynch (2018:403-428).

FIGURE 17: ORGANISATIONAL STRUCTURE AND PEOPLE ISSUES



(Adapted from Lynch, 2018:403-428)

6.8.7 Building the Organisation’s Structure: Basic Principles

The structure of the organisation will either prevent or facilitate the organisation's drive to reach its mission and goals. When building the structure, these questions should be answered (Lynch, 2018:407).

- What kind of organisation are we (project-based; service orientated; part of a supply chain; etc)?
- Who are our stakeholders (consumers; businesses; government; etc)? and
- What is our purpose (to what extent does the purpose dictate the structure)?

Think about your organisation

- Answer the above three questions for your organisation.
- Is your organisation’s structure too rigid (or perhaps too flexible) to cope with its desired strategy?

The main elements of organisational design

The main elements of organisational design are described in **Table 23**. While this may appear to overcomplicate the match between strategy and structure, these factors are worth considering, for they may constrain or facilitate the organisation's ability to deliver on its strategy.

TABLE 23: MAIN ELEMENTS OF ORGANISATIONAL DESIGN

Age	Older organisations are usually more formal. Age influences organisational style and culture (tradition is embedded in the structure).
Size	Larger organisations have more formal methods or systems and structures (a consequence of span of control).
Environment	The organisation's structure must respond to Porter's five forces.
Centralisation or decentralisation	Each organisation has a choice as to what and how much it could control from the centre (to achieve economies of scale the control may be more centralised).
Work to be undertaken	Work within the organisation must be linked to the value chain of the organisation. Fast- growing organisations may be more diversified.
Technical content of the work	In companies working with mass production, it is often thought that technology controls employees and their activities.
Tasks within the organisation	Organisations have different priority functions. Some organisations have extensive R&D departments with highly specialised employees (eg pharmaceuticals), whereas others require highly mechanised environments (eg motor assembly plants).
Culture	The organisation's susceptibility to change, its ambitions and its willingness to innovate will affect the design (eg, an IT organisation versus an accounting firm).
Leadership	The leadership style of the management team will affect the organisation's design (an autocratic leader versus a transformational leader).

(Adapted from Lynch, 2018:407-409)

6.8.8 The Choice of Management Style and Culture

Each organisation needs to adjust to the environment in which it finds itself. This often requires a change in leadership and management styles and possibly even culture (eg think of a small, family-run business that develops into a national or even international organisation). Lynch (2018:411) emphasises:

- Strategic change affects the people of the organisation as well as the organisation as a whole;
- Leadership is essential to effect the changes; and
- A shift in culture and style is related to a change in strategy.

How Change Facilitated the Success of Apple, Google and Starbucks

Read the case studies below and complete the tasks that follow.

Apple, Google and Starbucks

Mass transformation of customer behaviour is a defining factor in market leadership. It means you can rule your industry. All you have to do is change the way people do things. If we think of culture-shifting changes, we must think of what Apple, Google and Starbucks have in common, and how you can use their approach.

Apple

Apple is undoubtedly the best example of a company that can lead by changing their consumers' behaviour. How has Apple changed user behaviour? Firstly, it transformed usage patterns from a command-line-based operating system to a graphical system, which uses a mouse.

Then, in 2001, Apple also changed the way people buy and listen to music with the iPod and iTunes. Thirdly, in 2007, it also changed how people use a smartphone. It is likely that Apple will also do the same with the Apple Watch. Finally, the 2010 iPad is possibly the most excellent example of changing user behaviour. "The iPad involved a new product type — one nobody thought they wanted.

In the past, Apple built a better version of what already existed: PC, music player, smartphone. But the iPad, a multi-touch tablet, was a device that nobody had been using or even asking for."

At first, Apple's purpose was somewhat vague. It was like a huge iPhone that did not make calls. It was similar to a laptop but without a keyboard. It was comparable to a netbook, but it did not run standard PC or Mac apps. All in all, it can be said that Apple managed to turn the minds of millions of people about the way they did things.

Google

Google is another that leads by changing user behaviour. The biggest shift was getting everyone to "Google it". Since then Google Search has become part and parcel of Internet users' daily habits. When the service went down for a few minutes some time ago (a rare event), internet traffic fell by 40%. Google's various advertising products (such as AdMob, AdSense, AdWords, DoubleClick, YouTube and others) collectively changed the way advertising works; people are even putting ads on their personal websites.

Google is changing culture with two other products: Google+ and Chrome book. Google+ comes with a broad range of other culture-changing behaviours. This includes multi-participant video conferencing and Auto Awesome photographs that can automatically be uploaded from a smartphone and then automatically formatted, improved and changed into animated GIFs, panoramas and other popular formats.

Google's Chrome book works very well as a conventional cloud computing device. Google draws users from the low end with Chrome OS-based laptops in the $200 range, to the high end with the Chrome book Pixel. The latter has one of the highest-resolution screens of any laptop. If these two products keep up their current trajectories, Google will effectively match Apple by changing mainstream culture four times.

Starbucks

Starbucks achieved one of the biggest successes of culture change in the past 50 years. It changed behaviour in hundreds of millions of people. This was achieved through selling a commodity product that almost everyone was used to working with on a daily basis.

From the late 1800s until the 1970s, coffee culture in the US was ruled by the percolator, which was essentially a profitable and adaptable way to produce "bad coffee". Americans' coffee habits were well established because they had percolators at home. Even so, they also accessed tasteless coffee in coffee shops and at work. In the 1970s, filter drip coffee substituted percolators. This was a slightly better arrangement. A few gourmet coffee places surfaced but most Americans still experienced that coffee was not too good.

Starbucks then linked the machinery of an Italian espresso bar with the inventiveness and selection of an American fast-food restaurant. The outcome? Starbucks. The way people drink coffee changed straightaway. Now, as a replacement for drinking a fast, convenient 25c cup of bad coffee, millions of Americans drive out of their way to go and queue for a $4 modified coffee drink of their choice.

The three-step approach

Apple, Google and Starbucks all base their culture-changing, behaviour-changing products on their three-step approach:

1. Start from nothing: what is ideally needed?
Apple, Google and Starbucks step outside the mind-set of their industry and rethink the entire problem by looking into the ideal situation for people and how they can create that situation?

2. Create an experience:
It is not about the product, but it is all about the experience of using the product. The iPad, Google Search, and Starbucks share a commonality that they are easy, fun and inspiring. People experience their interaction with these products as positive experience: they feel happy and satisfied. This is the experience you must try to create.

3. Look within yourself: what do YOU want?

All these behaviour-changing products originate with a dissatisfied visionary. Instead of trying to understand what other people want; it's more powerful to understand what you want. Ask yourself: what's the frustration you feel in using products and services in your industry?

By combining these into a strategy for culture-changing transformation, any company can follow Apple, Google and Starbucks to get way ahead of the competition.

(Adapted from Elgan, 2015)

Tasks

1. Do you agree with the title of this case ("How Change Facilitated the Success of Apple, Google and Starbucks")?
2. Can transformation be achieved without technology?
3. Identify more examples of transformation in Google.
4. Identify more examples of transformation in Apple.
5. How fast do you believe that your organisation can be transformed?
6. How can operations in your organisation be transformed to achieve competitive advantage?

6.8.9 Types of Organisational Structure

Six types of organisational structure can be used to implement the chosen strategy:

- Small organisation structure (owner and small team);
- Functional organisation structure (locating the structure around the main activities such as production, marketing, human resources, finance, research and development);
- Multidivisional structure (includes separate divisions formed on the basis of products, markets, or geographical areas);
- Holding company structure (the holding company owns various individual businesses and acts as the investment company);
- Matrix organisation structure (combines two different structures such as functional structure and project teams); and
- Innovative organisation structure (characterised by creativity and lack of formal reporting relationships).

(Lynch, 2018:415)

Further reading on organisational structures:

- Wissink, T. 2012, 'Enterprise architecture, organizational structure, and company performance', *Oracle Experiences in Enterprise Architecture article series,* http://www.oracle.com/technetwork/articles/entarch/oeea-org-performance-1518919.html (accessed 10 November 2021).

Motivation and staffing in strategy implementation

For a strategy to be successful, employees must feel motivated by it.

Find out more about employee motivation:

- HowtoGetMotivated, 2011, 'Employee motivation is essential to success', http://www.youtube.com/watch?v=xG6h60oLvos (accessed 10 November 2021).

6.8.10 Organisational alignment and strategy implementation

The effective and efficient implementation of a strategy depends almost entirely on the organisation's internal processes (Venter, 2013). To translate strategy into action, there has to be an **alignment between the organisational structure and different processes and systems.** The alignment is crucial in ensuring that capabilities, mindsets, governance, and leadership are focused on delivering desired results (Lee, Venter and Bates, 2004:15).

The organisational architecture devised by Lee *et al* (2004) will be the lens used to discuss the alignment. This architectural lens is used to discuss other models considered. There are several definitions of organisational architecture, but for our purposes, Nadler's (1992) definition is adopted as cited in Lee *et al* (2004:14).

"[T]he various systems, structures, management processes, technologies, strategies, etc., that make up the 'modus operandi' of the firm".

(Nadler,1992:14)

Venter (2013:452) expands on the definition (including other definitions) by suggesting that organisational architectures have these **main characteristics**:

- They are contained in formal organisational processes which inform or guide strategy formulation, implementation, and monitoring. The processes guide everyone to work towards achieving the same goal;
- They refer and direct everyone to focus on strategic drivers;
- They creates a blueprint that is unique to the organisation's pillars of the architecture employed; and
- They build consensus to ensure that the organisation attains maximum strategic impact. The organisational architecture must be communicated to all through formalised structures (eg, through the use of policies and procedures).

Venter (2013:452) also notes that most well-known organisational architecture models use similar pillars. Each of the pillars can be used as a basic framework that is unique to the organisation and can be tailored by deeper application (*ibid)*.

Table 24 presents basic components of three different organisational architectures considered in this section.

TABLE 24: BASIC ELEMENTS OF THREE ORGANISATIONAL ARCHITECTURES

	Organisational architectures		
	Ulrich	**McKinsey 7-S**	**Lee *et al***
Components	• Shared mind-set • Competence • Consequence • Governance (structure, communication, systems, and policies) • Capacity for change • Leadership	• Strategy • Style • Skills • Shared Values • Structure • Systems • Staff	• Culture • Structure or systems • Knowledge, skills, and abilities • Technology • Processes • Internal and external stakeholder capabilities.

(Adapted from Venter, 2013:453)

Whichever organisational architecture the organisation employs, the elements need to be organised and integrated into the business and strategy implementation. Moreover, to achieve organisational alignment and strategy implementation, the main dimensions of the organisation (eg, culture, knowledge, skills and abilities, structure, systems, processes, capabilities, technology, stakeholders, and policies) must be integrated to guide strategic implementation (Venter, 2013:482).

To get the best outcome from any organisational architecture, the organisation must integrate and align the said dimensions or elements considered in the specific architecture. Using organisational architectures as frameworks that guide strategy implementation may prove to be useful in the success of chosen strategies.

Organisational architecture, components and their integration.

- Lee, G.J., Venter, R. and Bates, B. 2004, 'Enterprise-based HIV/AIDS strategies: Integration through organisational architecture', *South African Journal of Business Management*, 35(3), 13-22, https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&q=lee+et+al+organisational+architecture+%282004%29&btnG= (accessed 10 November 2021).

Recap Your Knowledge

1. What structure would you expect the following organisations to have?

   1.1 A small management consultancy company based in one country only.
   1.2 A voluntary group providing volunteers to visit the housebound elderly.
   1.3 A medium-sized company (1 500 employees), two factories and a separate headquarters
   1.4 A leisure park business owned and operated by a family company.
   1.5 A medium-sized computer company with 80 employees who write software for games.
   1.6 A large multinational organisation with interests in the retail and energy sectors.
   1.7 A large broadcasting organisation.

2. Discuss the main principles involved in finding a strategic fit between strategy and structure.
3. What is your organisation's structure? Discuss the extent to which your structure is aligned to your strategy.
4. "Every organisation needs an element of innovation." Critically evaluate this statement.
5. Identify the organisational architecture that might be suitable for your organisation or one you are familiar with. Justify your selection.

6.8.11 Key Points

- The aim in implementing a strategy is to deliver on the vision, mission and goals of the organisation.
- At each level objectives are set, appropriate plans are drawn up, resources are allocated within clearly defined budgets, and the plans implemented, monitored and controlled to ensure that the organisation's objectives are achieved.
- Within the implementation process, it may be useful to draw a distinction between different types of implementation. There are three main approaches: comprehensive (pushed through regardless of changes in the environment), incremental (in conditions of great uncertainty) and selective (compromises are made).
- "No one should be in any doubt about the need for fundamental change on the part of all organisations in both the public and private sector with regard to green strategy and sustainability." (Lynch, 2018: 470)
- Setting objectives, formulating actions plans, and determining deadlines, milestones and resources require a cascading downwards of the corporate strategic goal.
- The balanced scorecard views the organisation from four perspectives: the learning and growth perspective, the business process perspective, the customer perspective and the financial perspective (Balanced Scorecard Institute, 2012).
- Each organisation needs to adjust to the environment in which it finds itself. This often requires a change in leadership and management styles and possibly even culture (eg think of a small, family-run business that develops into a national or even international organisation).

- The effective and efficient implementation of a strategy is almost entirely dependent on the organisation's internal processes (Venter, 2013).
- For a strategy to be successful, employees need to feel motivated by it.
- The alignment is crucial in ensuring that capabilities, mindsets, governance, and leadership are focused on delivering desired results (Lee, Venter and Bates, 2004:15).
- Whichever organisational architecture the organisation employs, the elements need to be organised and integrated into the main areas of the business as well as strategy implementation.

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

6.9 Managing Strategic Change

Timeframe	Minimum 20 hours
Learning outcome	• Implement and monitor strategy and revise where necessary.
Prescribed reading	• Lynch, R. 2018, *Strategic Management,* 8th ed., Harlow: Pearson Education Limited.
Prescribed articles	• Anastasia, 2015, 'Major approaches and models of change management', https://www.cleverism.com/major-approaches-models-of-change-management/ (accessed 10 November 2021).
Prescribed multimedia	• Duerst, A. 2011, 'Strategic change processes – managed holistically', http://www.youtube.com/watch?v=X25-hmr6dqY&playnext=1&list=PL2405FE1A247A2CAF&feature=results_main (accessed 10 November 2021). • Mueller, C. 2015, 'Christoph Mueller talks about the multi-cultural dimensions of change and corporate culture', https://www.youtube.com/watch?v=t6b5Xhle9dk (accessed 10 November 2021). • Flixabout, 2018, 'Leading change: the 8-step process: John P. Kotter', [video] https://www.youtube.com/watch?v=1QWiMkXyTP4 (accessed 10 November 2021). • Kotter, J.P. 2011, 'The heart of change', [video] https://www.youtube.com/watch?v=1NKti9MyAAw (accessed 10 November 2021).
Section overview	Strategy requires change. In this section, we discuss the management of strategic change and tools to manage change in an organisation.

6.9.1 What is Strategic Change?

While organisational change takes place continually, **strategic change management** is:

"The proactive management of change in organisations to achieve clearly identified strategic objectives."

(Lynch, 2018:501)

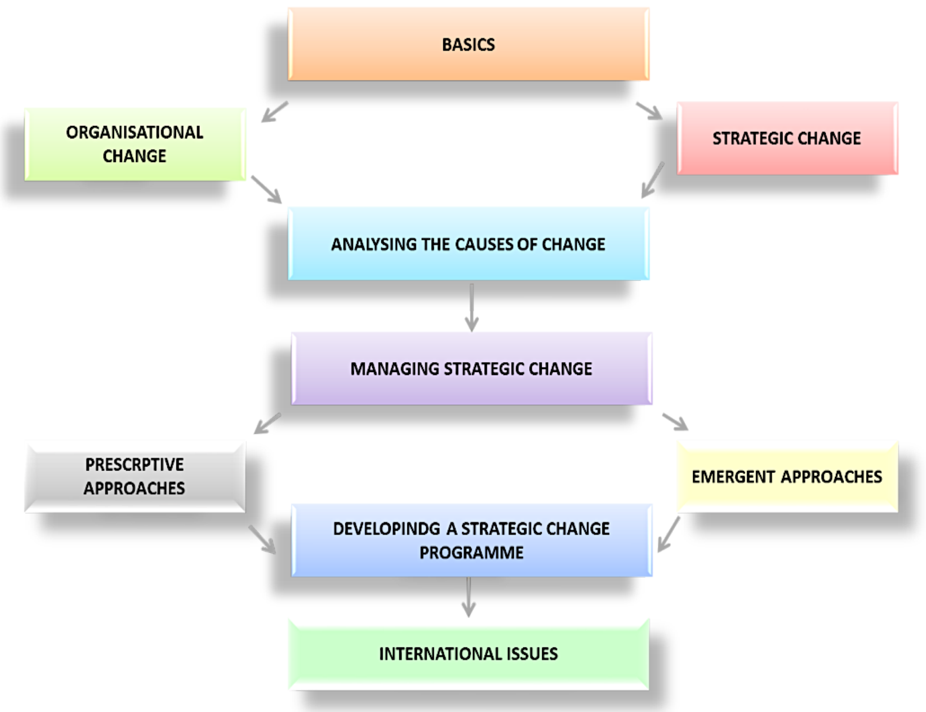
"Proactive" means that the company takes the initiative to manage new strategies and the impact that these will have on people in an organisation.

Why and how strategic change should be holistically managed:

- Duerst, A. 2011, 'Strategic change processes – managed holistically', http://www.youtube.com/watch?v=X25-hmr6dqY&playnext=1&list=PL2405FE1A247A2CAF&feature=results_main (accessed 10 November 2021).

The scope of strategic change is illustrated in **Figure 18**.

FIGURE 18: SCOPE OF STRATEGIC CHANGE



(Lynch, 2018:499)

6.9.2 Analysing the Causes of Strategic Change

Tichy (in Lynch, 2018:505) identifies four main triggers for change:

1. **Environment**: Environmental shifts in the economy, competitive pressures and legal changes can lead to demands for major strategic change;
2. **Business relationships**: New alliances, acquisitions, partnerships and other significant developments may require substantial changes in the organisation's structure in order to take advantage of new synergies, value chain linkages or core competencies;
3. **Technology**: Shifts here can have a substantial effect on the content of a company's work or even its survival;
4. **People**: New entrants to organisations may have different educational or cultural backgrounds, or expectations that require change. This is especially important when the leadership of the organisation changes.

Consider the multi-cultural dimensions of change and corporate culture:

- Mueller, C. 2015, 'Christoph Mueller talks about the multi-cultural dimensions of change and corporate culture', https://www.youtube.com/watch?v=t6b5Xhle9dk (accessed 10 November 2021).

6.9.3 Developing a Strategic Change Programme

When developing a strategic change management programme, the strategist may use these steps:

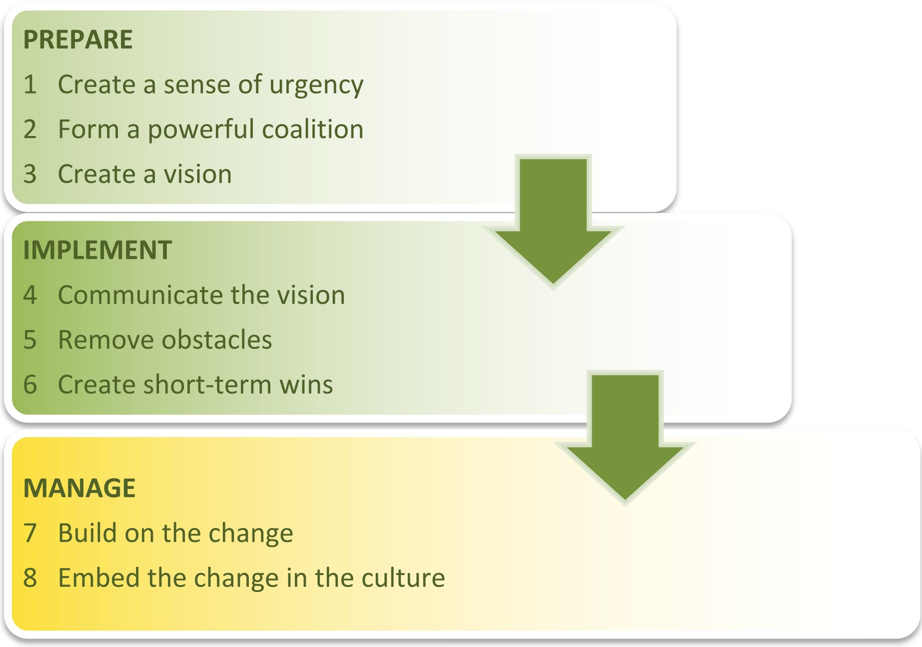
1. Identify a change process that the organisation can easily apply;
2. Review selected documentation to determine issues that should be addressed in the strategic change planning process;
3. Analyse stakeholder needs to determine what is wanted;
4. Conduct an environmental assessment (benchmarking) to determine what others have done and to identify organisational readiness;
5. Establish vision, goals and objectives for strategic change;
6. Adopt the core set of values and principles that will identify how the new culture will be developed for the organisation;
7. Identify communication channels for this change;
8. Establish goals for the strategic change;
9. Develop a strategy to implement the required change;
10. Conduct a risk assessment to uncover what might prevent total success;
11. Establish plans to manage risks; and
12. Ensure that the driving forces of change are viewed as beneficial to the organisation by all levels of employees.

Once you have considered the change management objectives and scope, you should consider the specific tasks. The range of possible change management activities is broad. The essence of this is to identify the tasks that are necessary if you are to give change the greatest chance of success.

6.9.4 Kotter's Eight-Step Change Model

John Kotter, a Harvard professor, wrote an influential article in 1995, "Why transformation efforts fail". This article has transformed how managers think about change management. The article identifies eight steps to change.

FIGURE 19: KOTTER'S EIGHT-STEP CHANGE MODEL



(Regenesys, 2018)

Watch Kotter on strategic change management:

- Flixabout, 2018, 'Leading change: the 8-step process: John P. Kotter', [video] https://www.youtube.com/watch?v=1QWiMkXyTP4 (accessed 10 November 2021).
- Kotter, J.P. 2011, 'The heart of change', [video] https://www.youtube.com/watch?v=1NKti9MyAAw (accessed 10 November 2021).

Change is an ongoing process. There are numerous change models that organisations can use to implement change management. Organisations must analyse their need for change and use a strategy that will most effectively enable change management in their organisation.

Read about the major approaches and models of change management:

- Anastasia, 2015, 'Major approaches and models of change management' https://www.cleverism.com/major-approaches-models-of-change-management/ (accessed 10 November 2021).
- Change Activation.com, nd, Change Management Model Guide, http://changeactivation.com/change-management-models/ (accessed 10 November 2021).

Recap Your Knowledge

1. Analyse the politics of an organisation with which you are familiar. If you were seeking significant strategic change in the organisation, how would you approach this?
2. Critically assess why people in your organisation might find it difficult to accept strategic change, and the likely consequences of this.
3. Outline the main approaches to managing strategic change.
4. Outline a plan to mitigate resistance to strategic change in your organisation.
5. What ethical considerations would you need to bear in mind?
6. What are the sustainability implications of your organisation's approach to strategic change? What are the three most important issues in terms of sustainability, and how might you adjust your change programme to take them into account?

6.9.5 Key Points

- Strategic change management is "the proactive management of change in organisations to achieve clearly identified strategic objectives" (Lynch, 2018:501).
- "Proactive" means, in this context, that the company takes the initiative to manage new strategies and the impact that these will have on people in an organisation.
- Causes of strategic change may include the environment, business relationships, technology, and people.
- It's crucial to develop the core set of values and principles that will identify how the new, strategy-aligned culture will be developed for the organisation.
- Before embarking on any strategic change initiative, conduct a risk assessment to uncover what might prevent total success.
- Ideally you will follow your preparations for change with careful implementation and management of that change, as per Kotter's eight steps.

Remember to do your digital assessment for this section online!

It will help you strengthen and embed your understanding of the course. You will not be able to change your answers once you have submitted them, so make sure you have completed the relevant section of coursework first. Where you see **Select all that are relevant**, be aware that any number of the options presented could be correct. You will lose marks for incorrect selections, so choose carefully. Your combined marks from these assessments count towards a total of 20% of your course mark.

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8 Glossary of Terms

Term	Explanation
Benchmarking	A system whereby an organisation's performance is measured against the performance of others that may be in the same or different industry.
Competitive advantage	An organisation's ability to have higher rates of profits than its competitors.
Competitive strategies	Organisations' action plans to enable them to reach their objectives.
Competitor analysis	Process to identify primary competitors and assess their objectives, strengths, weaknesses and product lines.
Competitive strategy	How an organisation competes in a specific business.
Corporate strategy	A field in the study of business that concerns itself with how an organisation can gain a competitive advantage by means of a distinguishing way of competing.
Environment	Everything outside a system that interacts with the system.
Global competition	Occurs when competitive conditions across national markets correspond strongly enough to create a true international market and when chief competitors compete head to head in many different countries.
Mission statement	Broad statement that defines the purpose and scope of the organisation.
Resources	A group of people, a person, piece of equipment or material that is used to complete and accomplish an activity.
Strategic innovation	A framework for studying and implementing strategic innovation.
Value chain	A value chain identifies the distinct activities, functions, and business processes carried out in designing, producing, marketing, delivering and supporting a product or service.
Values statement	A clear and concise description of an organisation's (and its members') fundamental values, beliefs and priorities.
Vision statement	A brief account of the organisation's desired future position (provided it can acquire the necessary competencies and provided it can successfully implement strategy).

9 Version Control

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Document Change History

Date	Version	Initials	Description of Change
29 July 2015	15.7_e_f	SK	Updated introductory section
14 August 2015	15.8	TS	Updated icons, added feedback address
18 August 2015	15.9	TS	Updated PRME principles, icons
8 September 2015	16	TS	Updates CI
17 September 2015	16.1	TS	Adds PRME logo
9 October 2015	16.2	TS	Updated prescribed books reference
4 January 2016	16.3	TS	Added MCQ format
21 January 2016	16.4	RT	Deleted colons after “Timeframe”, “Learning outcomes”, etc at start of each chapter
1 February 2016	16.5	TS	Added Ebsco to useful sources
16 February 2016	16.6	TS	Updated useful websites and icons, removed digital assessments, moved outcomes to follow course introduction
5 April 2016	16.7	TS	Updated note on article access, added more icons
Dec 2016-Feb 2017	16.8	LL	Revised
7 March 2017	18_e	RT	Edited
8 March 2017	18_e_f	SK	Formatted
19 October 2017	18.1_e_f	SK	Updated links and Regenesys model
6 February 2018	18.2_e	JC	Edited, refreshed diagrams
7 February 2018	18.3_e_f	SK	Finalised for 2018 intake
1 March 2018	18.4_e_f	SK	Minor fixes made
8 January 2019	18.5_e_f	SK	Updated links and introductory section
11 January 2019	18.6_e_f	RT	Minor fixes after sweep eye; made Lynch textbook prescribed
26 January 2020	18.7	TM	Added content and updated with 2018 edition of prescribed textbook.
6 February 2020	18.7_e	RT	Edited
7 February 2020	18.8_e	RT	Added detail to introductions to case studies
8 February 2020	18.8_e_f	SK	Formatted
10 June 2021	18.9_e_f	ND	Formatted, updated links
15 June 2021	19_e_f	SK	Sweep eye
16 November 2021		FS	Updated links add icons
3 December 2021	19.2_e_f	ND	Formatted
17 February 2022	19.3_e_f	RT	Fixed link to Lear article. Corrected spelling of “Jureviclus” to “Jurevicius”.