

Strategy Planning

Module 1: Concepts of Strategy

Module Introduction

Readings

Required

Chapter 1 in *Foundations of Strategy*

[Chapter 1 PowerPoint slides in *Foundations of Strategy* \(media/SEU_MGT510_PPT_CH01_module01.ppt\)](#)

Bloodgood, J. (2014, January). Enhancing the resource-based view of the firm: Increasing the role of awareness. *Strategic Management Review*, 8(1), 61-75. Retrieved from

<http://www.strategicmanagementreview.com/doi/full/10.4128/1930-4560-8.1.61>

<http://www.strategicmanagementreview.com/doi/full/10.4128/1930-4560-8.1.61>

Dinwoodie, D. L., Quinn, L., & McGuire, J. B. (2014). Bridging the strategy/performance gap: How leadership strategy drives business results. Retrieved from <http://insights.ccl.org/wp-content/uploads/2015/04/BridgingTheStrategy.pdf>

<http://insights.ccl.org/wp-content/uploads/2015/04/BridgingTheStrategy.pdf>

Recommended

Ansoff, H. I. (1991). [Critique of Henry Mintzberg's 'The design school: Reconsidering the basic premises of strategic management.'](https://csuglobal.idm.oclc.org/login?auth=seu&url=https://search-ebshost-com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=12571660&site=ehost-live) (<https://csuglobal.idm.oclc.org/login?auth=seu&url=https://search-ebshost-com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=12571660&site=ehost-live>) *Strategic Management Journal*, 12(6), 449-461.

For Your Success

History shows us how concepts, terms, and principles have changed over time. By studying history, we learn to avoid using analytic or decision-making processes that have been proven faulty. We learn to embrace aspects that are relevant to our company or organization and to dismiss those that are irrelevant. In this module, students are advised to compare the definitions of terms that will be used throughout the course. Further, students should determine which definitions best fit for

individual situations. There is no “one” use of a term that every scholar must embrace; think critically and define terms that work for you.

As noted in the module overview, an important principle of this course is the emphasis on implementation of successful strategies. Therefore, students are advised to study each module thoroughly, with an eye toward how strategy implementation may be effected. Students should also note the textbook author’s attention to analysis, as necessary, to make informed strategy decisions.

Remember that participation in the discussion board and completion of the graded quizzes are required and due by 11:59 p.m. on Saturday night. Be sure to familiarize yourself with the schedule for Critical Thinking Assignments to note when they are due and in which modules. As part of that, examine the corresponding grading rubrics to ensure you understand exactly how you will be scored.

This week you will participate in an introductory discussion, complete a graded Discussion Board question, and read the required materials from your textbook and the accompanying PowerPoint slides. Remember, the primary graded Discussion Question must be posted by 11:59 p.m. KSA on Wednesday for full credit; the additional postings must be posted by 11:59 p.m. KSA on Saturday.

There will also be a Live Session this week. Your faculty will provide further details about this event.

Learning Outcomes

- . Explain the evolution of strategy and compare original and current theories and concepts.
- . Identify and diagram the various levels of strategy in a real-world situation.
- . Apply the basic framework for strategy analysis to a specific organization.

1. A Brief History of Strategy



Most often, students of management and leadership discuss **strategy** as it relates to business cases such as Southwest Airlines, Starbucks, IKEA, and Amazon; or, as it applies to not-for-profit, examples such as the World Wildlife Fund, the American Red Cross, or UNICEF.

examples such as the world wildlife fund, the American Red Cross, or UNICEF.

Strategy is a term that can be traced back to the ancient Greeks, to whom *stratēgos* meant a chief magistrate or a military commander-in-chief. However, the strategic management discipline, which draws from earlier thinking and texts on strategy, originated in the 1950s and 1960s. Prior to 1960, the term *strategy* was primarily used regarding war and politics, not business (Gavetti & Rivkin, 2007). Whether it's on a battlefield or in boardroom discussions, there remains a strong thread in both language and purpose: **Strategy is about success.**

Origin of “Strategy”



(Source: <http://www.ggause.com/gausbio.htm>)

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MGT510

In 1934, Professor G.F. Gause of Moscow University published the results of a set of experiments in which he put two very small animals (protozoans) of the same genus in a bottle with an adequate supply of food. If the animals were of different species, they could survive and coexist together. If they were of the same species, they could not. This observation led to Gause's **Principle of Competitive Exclusion**: No two species can coexist that make their living in the identical way.

In his highly regarded article on the origin of strategy, Henderson (1989)—using Gause's experiment as a backdrop—deduced that business and biological competition would follow the same pattern of competition and gradual evolutionary change except for one thing: Business strategists can use their imagination and ability to reason logically to accelerate the effects of competition and the rate of change. In other words, imagination and logic make strategy possible. Henderson (1989) also noted that strategy requires the ability to understand the complex web of natural competition.

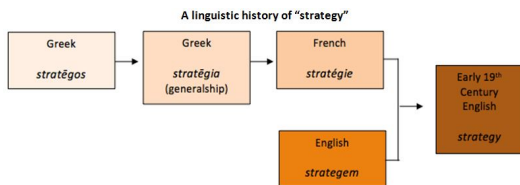
In the next sections, we examine three key strategy concepts

In the next sections, we examine three key strategy concepts.

Strategy Concept I: A strategy is not a tactic and a tactic is not a strategy.

The way to think about the difference between these two essential elements is:

1. **Strategies** are overall plans or visions chosen to deploy resources in the right place at the right time. Strategy—when done right—eliminates the destruction of the entire, interdependent system. The word *strategy* is derived from the Greek term *stratēgos* and, as the illustration below depicts, it was not until the early part of the 19th century that the word *strategy* and the linkage to organizational success came into common use. You can see from the illustration that the origins of the word *strategy* reinforce its initial application to military events. The major underpinnings were planning, directing, controlling, and leading in the war environment. Leaders and warriors needed knowledge of topography, supply lines, and troop locations if strategy was to be effective.



(Source: Origin of the Word Strategy, adapted from Google, n.d., para. 1)

[Click to Enlarge](#)

2. **Tactics** (<http://www.businessdictionary.com/definition/tactics.html>) are specific activities or actions to be completed at specific points in time.

Strategy Concept II: Strategy is developed from the basic premise of environmental analysis.



Understanding the external and internal environments of an organization is thought to be central to

choosing a strategy that can lead to success. There are differing opinions, however, as to whether the external or the internal environmental factors are more important when developing a strategy.

Note: Grant and Jordan (2015), the authors of *Foundations of Strategy*, purport that a keen awareness of the competitive environment is essential to building an effective strategy. And further, the authors suggest that internal analysis is critical as well. There are numerous opportunities throughout this course to conduct analysis and consider its impact on strategy decision making.

To fully understand how the relevance of strategy has evolved in a highly complex, global economy, it is instructive to be familiar with a few scholars who have **designed and tested theories** over the last 60-plus years. Below is a table displaying the current-era strategy schools of thought (McKiernan, 2006). Theorists are most often associated with one of these schools of thought.

Current-Era Strategy Schools of Thought	
Planning	Learning
Positioning	Resource-Based
Continuing Evolution	

Click on the tabs below to learn more about the theories of each of these scholars.

H. I. Ansoff

Often referred to as the *father of strategic management*, Ansoff introduced a strategy matrix in the *Harvard Business Review* (HBR) that is still used throughout the world. Ansoff introduced new language and is credited with coining the term **strategic management**, as well as continuing work in environmental turbulence and real-time strategy adaptation for more than 50 years. Ansoff is considered part of the **planning** school of thought and is quoted as saying:

The key to strategy is recognizing that if a company is functioning, it is part of the environment... when a manager understands the environment and recognizing that the environment is constantly changing, then the manager can make the correct decisions in leading the organization into the future. (Strategic Change, 2002, p. 438)

K. Andrews

Andrews is another key contributor to the *planning* school of thought and to the development of strategy thinking. Known as the cofounder of *corporate strategy* (Wheelwright, 2005), Andrews helped to redesign the *Harvard Business Review* and served as its publisher from 1979 to 1985. Bringing theory and practical management together was a hallmark of Andrews, and HBR's design was an example of that philosophy.

J. B. Quinn

As the environment became more turbulent through the 1970s, planning seemed to be more difficult and theorists lamented the unpredictability in a planning process (McKiernan, 2006). Questions about rational, analytic decision making increased. In the 1980s, J. B. Quinn, from Dartmouth, introduced the concept of taking an incremental approach to strategic change (Quinn, 1980). Quinn, thought of as representing the **learning** school, suggested that combining the analytical and behavioral aspects of strategy planning created a more practical and useful (and ultimately successful) approach to meeting corporate goals. Also, **M. Hatch** (1993) was a leader in describing how an environment gets interpreted and then impacts the internal culture of an organization.

H. Mintzberg

H. Mintzberg (1978) of Gill University, known as a management guru today, held the position that strategy is the development of a set of guidelines that shape future decision making. In the early 1990s, Mintzberg and Ansoff published opposing points of view regarding strategy thought that undoubtedly challenged many theorists to review their positions. Those articles, linked below and listed as recommended reading for this module, are worth reading for content and also to gain a better understanding of the scholars' dedication to the field of strategy.

M. Porter

Porter, who is well known among graduate students and organizational leaders alike,

contributed to the advancement of strategy formulation by developing a tool used in analyzing the external environment (McKiernan, 2006). Porter's tool was widely accepted by managers and MBA programs because of its practicality and ease of use; the practical approach is a renewal of Andrew's philosophy of bringing theory and practical management together. Porter is recognized as being of the **positioning** school of thought.

B. Wernerfelt

In the late 1990s and early 2000s, strategy scholars more intensely questioned why one firm is more successful than another given like strategies and environments (Madhok, 2002).

Wernerfelt (1984) explained that a **Resourced-Based View** (RBV) of a firm is built on the analysis of available resources rather than products. RBV was discussed and debated by **Priem and Butler** (2001) and represented a considerable shift in thinking from emphasis on external factors to internal resources and capabilities. They also questioned whether RBV held enough substance, at that point in time, to be considered a theory.

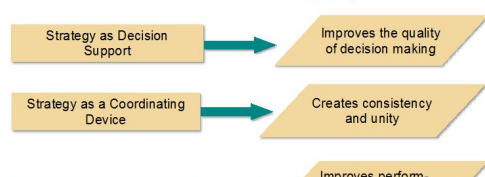
Current contributors

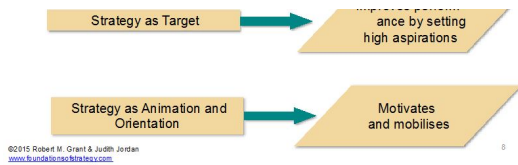
Finally, the most current contributions to the advancement of strategy thinking are coming from scholars who advocate for more consumer influence on strategy, which is again a shift to include additional external components into strategy development and decision making (Priem, Butler, & Li, 2013). As in any field, many scholars and theorists contribute to a body of work and will continue to influence the quest for success.

Strategy Concept III: Strategy is a set of guidelines intended to be used to guide strategy decision making.

No matter which school of thought a strategist embraces, a commonality is that strategy is a set of guidelines intended to be used to guide strategy decision making. Within this concept is an assumption that shared strategy serves to coordinate activity within an organization toward a specific goal or target.

What roles does strategy perform?





(Source: Grant & Jordan, 2015b, slide 8)

Check Your Understanding

[Click Here to Begin](#)

Check Your Understanding

Drag and drop the items on the right to the correct name they modify on the left.

[Click Here to Begin](#)

2. “Roles” of Strategy

The evolution of strategy over the past century provides a better understanding of why and how strategy is used today. Figure 1.2 from the Grant and Jordan textbook illustrates that strategy has evolved from “strategy as a detailed plan” into “strategy as direction,” which is consistent with the history and theory discussion on Page I in this module. Review the graphic below to reinforce those influences that affected this evolution:



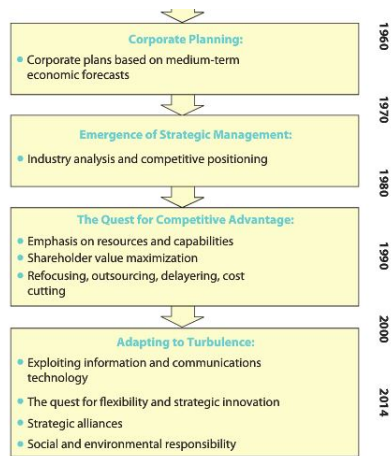


Figure 1.2 Evolution of strategic management: Dominant themes.

(Source: Grant & Jordan, 2015, p. 10.)

[Click to Enlarge](#)

For purposes of this course, four “levels” of strategy are identified to provide structure and clarity to the discussion of strategy design and implementation. The four levels are:

Corporate Strategy

Business Strategy

Unit Strategy

Functional Strategy

Differentiation between corporate and business strategy is important in that each is essential and each is typically determined by leaders at different levels within an organization. Review the graphic below that provides an illustration of the purpose of corporate and business strategy.

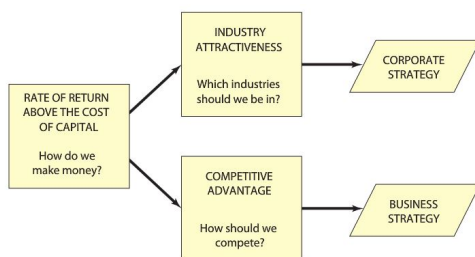
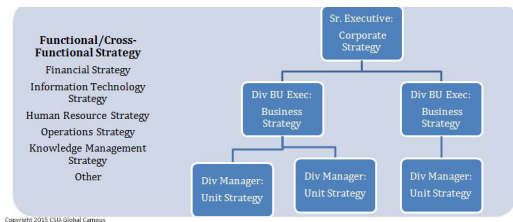


Figure 1.4 Corporate versus business strategy.

(Source: Grant & Jordan, 2015, p. 12.)

[Click to Enlarge](#)

Review the purpose of corporate and business strategy, and the explanation of the strategy levels and how they are aligned within an organization. Below is the depiction of an organizational structure with attendant strategy levels. It is vital to comprehend the roles that each level plays in aligning and carrying out corporate strategy.



Click to Enlarge

Generally, **corporate strategy** is determined by the **senior executive team** of a medium to large organization and is in alignment with the **vision and mission** of the firm. **Business strategy**, therefore, is most often decided upon by **senior managers** of divisional business units in alignment with corporate strategy.

Depending on the structure of an organization, the divisional business units might represent, for example, products or geographies. Subunits within the divisions have a responsibility to develop strategy that can be carried out within their realm of resources and authority.

For purposes of this discussion, the organizational structure graphic illustrates the cross-functional view of Information Technology (IT), Human Resources (HR), and other strategies that impact the business. Senior teams in IT and HR may play a leadership role in developing strategies specific to their expertise, or they may play a support role and design strategies that simply support the business strategies. Sometimes, these functional experts play both roles—leadership and support—to best ensure effective strategy implementation.

From the graphic above, note two important points that are as follows:

Point 1 Point 2

All strategies are in alignment with the vision and mission of the organization and with strategy throughout the organization.

To further expand the thinking of corporate strategy and business strategy, view the following video. In the video, **Donald Sull**, London Business School professor, poses three questions to break down complex strategies into actionable steps: [Simplify Your Strategy](https://hbr.org/2012/08/simplify-your-strategy/) (<https://hbr.org/2012/08/simplify-your-strategy/>).

3. The Basic Framework for Strategy Analysis

To bring together concepts, history, language, and levels of strategy, a basic framework for strategy analysis is a helpful tool. See the framework below that is used throughout MGT510.



Figure 1.8 The basic framework: Strategy as a link between the firm and its environment.

(Source: Grant & Jordan, 2015, p. 27)

[Click to Enlarge](#)

This framework illustrates the intersection between the organizational environment and the industry environment in the form of a chosen strategy. Grant and Jordan (2015) suggest that this framework depicts a *strategic fit* between the internal and external environments of an organization.

Check Your Understanding

[Click Here to Begin](#)

References

- Ansoff, H. I. (1957). Strategies for diversification. *Harvard Business Review*, 25(5), 113-125.
- Hatch, M. (1993). The dynamics of organizational culture. *Academy of Management Review*, 18(4), 657-693.
- Gavetti, G., & Rivkin, J. W. (2007). On the origin of strategy: Action and cognition over time. *Organization Science*, 18(3), 420-439.
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- Madhok, A. (2002). Reassessing the fundamentals and beyond: Ronald Coase, the transaction cost and resource-based theories of the firm and the institutional structure of production. *Strategic Management Journal*, 23(6), 535.
- McKiernan, P. (2006). Exploring environmental context within the history of strategic management. *International Studies Of Management & Organization*, 36(3), 7-21.
- Mintzberg, H. (1978). Patterns in strategy formation. *Management Science*, 24(9), 934-948.
- Priem, R. L., & Butler, J. E. (2001). Is the resource-based “view” a useful perspective for strategic management research? *Academy of Management Review*, 26(1), 22-40.
- Priem, R. L., Butler, J. E., & LI, S. (2013). Toward reimagining strategy research: Retrospection and prospection on the 2011 AMR Decade Award article. *Academy of Management Review*, 38(4), 471-489.
- Quinn, J. B. (1980). An incremental approach to strategic change. *McKinsey Quarterly*, (1), 34-52.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171-180.
- Wheelwright, S. C. (2005, November). Kenneth R. Andrews (1916-2005). *Harvard Business Review*, 83(11), 160.

Strategy Planning

Module 2: Industry Analysis and Strategy, Part 1

Module Introduction

Readings

Required

Chapter 2 in *Foundations of Strategy*

Chapter 2 PowerPoint slides (media/SEU MGT510 PPT CH02 module02.ppt) in *Foundations of Strategy*

Krzyzanowska, M., & Tkaczyk, J. (2012). **Competitive landscape of the educational market: A managerial perspective**

(<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=89544287&site=ehost-live>). *International Journal of Management Cases*, 14(4), 238-251.

Porter, M. (2008). The five competitive forces that shape strategy. Retrieved from **<https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy>** (**<https://hbr.org/2008/01/the-five-competitive-forces-that-shape-strategy>**)

Recommended

Chatain, O., & Zemsky, P. (2015). Discovering value in buyer-supplier relationships. *Strategic Management Journal*, 32(1), 76-102. doi:10.1002/smj.864. Retrieved from **https://apps.olin.wustl.edu/Conf/CRES/Strategy/files/pdf/2015/ST2015_57.pdf** (**https://apps.olin.wustl.edu/Conf/CRES/Strategy/files/pdf/2015/ST2015_57.pdf**)

For Your Success

Industry analysis is the dynamic place where strategy planning begins. The multitude of environmental factors makes industry analysis very complex. You are encouraged to look for the many facets and then determine their interdependencies. In strategy planning, it is necessary to make assumptions based on a solid set of factual data. Be prepared to develop assumptions when interpreting and forecasting. Remember that assumptions are not opinions, but are thoughtful conclusions based on the available facts. Assumptions are not formulaic, and if you find yourself

doubting what to do next, that is the time to consider whether making an assumption will allow you to move forward!

This week, you must participate in the Discussion Board, join the Live Session hosted by your instructor, and complete the graded quiz. Be sure to finish all readings and view the PowerPoint slides that accompany the textbook. You are heartily encouraged to take advantage of the recommended readings as these will provide you with a deeper analysis and understanding of the theories and material.

Learning Outcomes

- . Discuss and summarize the importance of industry analysis.
- . Analyze an industry in relation to profit, competitive advantage, and attractiveness using a real-world example.
- . Compare frameworks used to analyze an organization’s external environment as it relates to industry competition and profitability.
- . Assess the strength and practicality of industry analytic frameworks.

1. Industry Analysis: The Premise and Process

Industry analysis is built on the premise that some industries are more profitable than others. Industry profits, as explained by Grant and Jordan (2015a), are determined by three factors:

- . The value of the product to customers
- . The intensity of competition
- . The bargaining power of the producers relative to their suppliers

The table below provides examples of the profitability of a few industries as calculated by **Return On Equity (ROE)**:

The profitability of US industries, 2000-2010

Industry	Median ROE 2000-10(%)	Leading companies
Tobacco	33.5	Philip Morris Int., Altria, Reynolds American
Household and personal products	27.8	Procter & Gamble, Kimberly-Clark, Colgate-Palmolive
Motor vehicles and parts	4.4	GM, Ford, Johnson Controls
Entertainment	3.9	Time Warner, Walt Disney, News Corporation
Airlines	-11.3	AMR, UAL, Delta Airlines

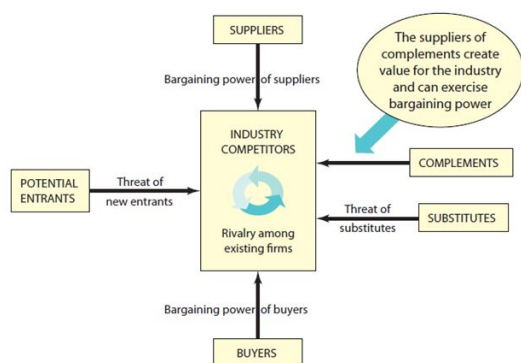
Source: Data from Fortune 1000 by industry.
See Grant & Jordan 2e Table 2.1 for a more detailed list of US industries.

(Source: Grant & Jordan, 2015b, chap. 2, slide 3)

Keep in mind that not all firms within a more profitable industry are highly successful, and some firms within industries having lower profitability may be highly profitable. An organization's strategy can be more of a determinant to success than the industry itself. Thus, it is critical for companies to determine the industry's potential for profit and then understand the external elements that may be *key success factors* in a firm's ability to position and sustain itself over time.

2. Industry Analysis: Tools and Models, Part 1

For companies to determine the potential for profit and understand those external elements requires extended analysis and calculation of data related to the competition, the customer, buyers, suppliers, and industry trends, according to **Michael Porter's Five Forces Model**, which is also represented in the chart below.



(Source: Grant & Jordan, 2015b, chap. 2, slide 13)

Click to Enlarge

Porter's Five Forces Framework is one example of the many models and tools that have been developed to structure the study of an industry and competitive landscape. Watch the following interview with Michael Porter and **make special note of descriptions as to how the model may be applied:**

The Five Competitive Forces That Shape Strategy

(Source: https://www.youtube.com/watch?v=mYF2_FBCvXw)

An interview with Michael E. Porter, Professor, Harvard University. Porter's five competitive forces framework is the basis for much of modern business strategy. Understand the framework and how to put it into practice.

One important first step in industry analysis is defining the industry; however, students will note that **there is no one definition for what an industry is**. There is a tendency to “lump” organizations into an industry label, but defining an industry is much more multifaceted. Read the following scenario and consider the ramifications.

Musab works for a fitness company in Jeddah, KSA. He has been asked by senior leadership to initiate an industry analysis to be used as part of a strategy planning process. It is apparent that there are some members of the senior leadership team who think about the industry in terms of state-of-the-art facilities, equipment, and fitness training, and do not consider older fitness clubs as competitors (for example, those that have been in existence for many years and may have older equipment and basic workout and shower areas). There are other senior leaders who group all fitness facilities under the health club industry label and consider new and old clubs to be competitors within the same market. In addition, some of the more luxurious hotels in town have opened up their exercise and spa facilities and services by offering club memberships.

To think more about Musab’s task, ponder the following questions:

- Perhaps you know of, or have experienced, one or all of these types of

fitness facilities. Is the industry definition crystal-clear to you as you compare and contrast your experiences?

- How should Musab go about defining the industry before proceeding to plan for the level and types of data to collect?
- Does the senior leadership team need to be aligned as to industry definition first, or might the industry analysis results help to create a common understanding among the team members?

Click on your answer below to see if you are correct.

Answer

There is not one right answer to each of the questions above.

If the answers to the questions seem unwieldy, then analysts make assumptions to ensure that the process can move forward. Once the boundaries of an industry and market are defined, we turn to the next steps of industry analysis.

According to many academic and business leaders today, the idea that a strategy could be determined without calculating the competitive environment nearly ensures defeat. From small businesses to large conglomerates, from publicly held companies to small entrepreneurial organizations, the need for industry and external analysis is clear (Banham, 2010; Kimberlin, Schwartz, & Austin, 2011).

To be successful, an organization must understand the competition and the industry's characteristics, and position the organization **against** rivals and the threats of new entrants, in **association with** suppliers and buyers. The most effective analysis uses **numerical data rather than vague descriptions. Percentages, numerical comparisons, ratios, and numerical results** are of high importance to objectively analyze the industry and market.

Check Your Understanding

[Click Here to Begin](#)

References

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Module Introduction

Readings

Required

- Chapter 2 in *Foundations of Strategy*
- **Chapter 2 PowerPoint slides (media/SEU_MGT510_PPT_CH02_module02.ppt)** in *Foundations of Strategy*
- Yoffie, D. (2009, April 16). Cola wars continue: Coke and Pepsi in 2006. Retrieved from http://cvonline.uaeh.edu.mx/Cursos/Lic_virt/Mercadotecnia/DMKToo8/Unidad%203/36_lect_Cola_Wars_Continue_coke_and_pepsi.ppt (http://cvonline.uaeh.edu.mx/Cursos/Lic_virt/Mercadotecnia/DMKToo8/Unidad%203/36_lect_Cola_Wars_Continue_coke_and_pepsi.ppt)

For Your Success

Again, industry analysis is the dynamic place where strategy planning begins. Although the tools used in Modules 2 and 3 are simplistic, the interpretation of information is very complex. You will gain the best understanding of industry analysis by concentrating on applying the content to real-world situations. Think deeply and enjoy the discoveries!

Your first Critical Thinking Assignment is due this week. Review the assignment early in the week and contact your instructor if you have any questions or concerns.

Learning Outcomes

1. Discuss and summarize the importance of industry analysis.
2. Analyze an industry in relation to profit, competitive advantage, and attractiveness using a real-world example.
3. Compare frameworks used to analyze an organization's external environment as it relates to industry competition and profitability.
4. Assess the strength and practicality of industry analytic frameworks.

1. Industry Analysis: Tools and Models, Part 2

One of the major challenges in conducting an external or industry analysis is the complexity of the environment and the vast amounts of data to consider. **Environmental scanning tools** (<http://www.cpshr.us/WorkforcePlanning/documents/toolkitEnvScanSWOT.pdf>) use an ordered approach to categorize data. For example, one analytical tool promotes the understanding of *Political, Economic, Social, and Technological (PEST)* factors. See the PEST example below and note especially the limited number of factors in each category:

PEST Analysis

How macro-environmental factors might impact a business organization:

Political Changes in government economic policy, e.g., taxation, government spending, monetary policy Changes in legal requirements e.g., employment law, health and safety legislation, licensing practices, environmental regulations, competition policy Changes in the government ownership e.g., nationalization, privatization, de-regulation	Economic Changes in the level of economic activity, e.g., growth rates, rates of unemployment, inflation Changes in wage rates and income distribution Changes in exchange rates
Social Changes in demographics e.g., the size of the population, the age distribution with the population Changing attitudes e.g., work/life balance, concern for the environment, ethical standards Changes in social structure e.g., socio-economic groupings, social mobility	Technological Development of new products and processes Automation Developments in information and communication technologies Developments in the natural sciences

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(Source: Grant & Jordan, 2015b, chap. 2, slide 6)

[Click to Enlarge](#)

Reducing the data to a small number of factors is reliant on identifying and **prioritizing** factors based on those **most important** to the industry and its future.

Another tool that strategists have found to be useful for summarizing and evaluating external information is the **External Factor Evaluation (EFE) Matrix (media/SEU_MGT510_Mod03_ExternalFactorEvaluation.docx)**.

The EFE goes beyond the PEST factors of political, economic, social, and technological, and expands to include cultural, governmental, technological, environmental, and competitive information. Examine each of the elements below to see what you have to complete to use the EFE effectively.

List of External Factors

A list of **15 to 20 external factors** is given with **percentages, statistics, ratios, and other numerical comparisons**, as much as possible. The numbers of opportunities and threats do not need to be the same.

Weight

A “weight” based on the **factor’s importance of being successful in the industry** is assigned. Each weight is assigned from 0.0 (not important) to 1.0 (very important).

Note: The analyst is interpreting whether one opportunity is greater than another and whether a threat is more severe than any opportunity—the combinations are endless. The sum “weight” of all external factors is **equal to 1.0**. The weights are industry-based.

Rating

Each external factor is then assigned a rating between 1 and 4. The rating is based on how effectively the organization’s current strategy is responding to the opportunity or threat, or its potential to respond. Again, interpretation is highly subjective and necessary. **Any factor may be given a 1, 2, 3, or 4.**

Note: The ratings are company-based.

Weighted Score

By multiplying the weight and rate, a **weighted score** is determined. The highest weighted score would be 4.0, and the average weighted score would be 2.5.

Below is an example of an EFE matrix for a local 10-theater cinema complex:

TABLE 3-10 EFE Matrix for a Local Ten-Theater Cinema Complex			
Key External Factors	Weight	Rating	Weighted Score
Opportunities			
1. Roman County is growing 8% annually in population	0.05	3	0.15
2. TDB University is expanding 6% annually	0.08	4	0.32
3. Major competitor across town recently ceased operations	0.08	3	0.24
4. Demand for going to cinema growing 10% annually	0.07	2	0.14
5. Two new neighborhoods being developed within 3 miles	0.09	1	0.09
6. Disposable income among citizens grew 5% in prior year	0.06	3	0.18
7. Unemployment rate in county declined to 3.1%	0.03	2	0.06
Threats			
8. Trend toward healthy eating eroding concession sales	0.12	4	0.48
9. Demand for online movies and DVDs growing 10% annually	0.06	2	0.12
10. Commercial property adjacent to cinema for sale	0.06	3	0.18
11. TDB University installing an on-campus movie theater	0.04	3	0.12
12. County and city property taxes increasing 25% this year	0.08	2	0.16
13. Local religious groups object to R-rated movies being shown	0.04	3	0.12
14. Movies rental from local Blockbuster store up 12%	0.08	2	0.16
15. Movies rental last quarter from Time Warner up 15%	0.05	1	0.05
Total	1.00		2.58

(Source: David, 2012, p. 81)

Click to Enlarge

By studying the table above, the weighted score of 2.58 can be interpreted as better than the industry average. That is an indication of the theater complex’s position in the industry. Note that the most important factor according to the weighted score is #8, which is the threat of a *trend toward healthy eating eroding concession sales (.048 weighted score)*.

2. Apply EFE Matrix





Look closely at the EFE Matrix on Page 1 to see if you can interpret the information to answer the following questions.

Click on each question for the answer:

Which factor indicates that the company has capitalized well on the opportunity?

The answer is #2: TDB University is expanding 6% annually. This is indicated by a .08 weighting (industry) and 4 rating (effectiveness of the strategy).

Which factor, although a major threat, is being well-managed?

The answer is #8: Trend toward healthy eating eroding concession sales. This is indicated by a 0.12 weighting (industry) and 4 rating (effectiveness to handle the threat).

What strong opportunity is not being aggressively acted upon?

The answer is #5: Two new neighborhoods being developed within 3 miles. This is indicated by a .09 weighting (industry) and a 1 rating (response to the opportunity).

As previously stated, there are many models and tools available to help structure the industry analysis. Analytic tools such as the Five Forces Model, PEST, or EFE matrix are helpful, but critics worry that they may also promote the notion that the activity is uncomplicated. As noted throughout, critical thinking and interpretation are required if the data are to be useful, no matter what tool or structure is used.

Check Your Understanding

[Click Here to Begin](#)

References

David, F. (2012). *Strategic management: A competitive advantage approach* (14th ed.). New York, NY: Prentice Hall.

Grant, R. M., & Jordan J. (2015a). *Foundations of strategy* (2nd ed.). Hoboken, NJ: John Wiley & Sons.

Grant, R. M., & Jordan J. (2015b). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.

Module 4: Organizational Analysis and Strategy: Resources and Capabilities, Part 1

Module Introduction

Readings

Required

- Chapter 3 in *Foundations of Strategy*
- **Chapter 3 PowerPoint slides (media/SEU_MGT510_PPT_CH03_module04.ppt)** in *Foundations of Strategy*
- Barney, J.B. (1995). **Looking inside for competitive advantage** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=9512032192&site=ehost-live>). *Academy of Management Executive*, 9(4), 49-61.
- Zhouying, J., & Ying, B. (2011). Sustainable development and long-term strategic management. *World Future Review*, 2(2) 49-69. Retrieved from http://graduateinstitute.ch/files/live/sites/iheid/files/sites/cies/shared/UNEP%20CIES%20WS/ARTICLE_Jin_Sustainable_Dev_to%20Rick%20%2025Aug11.pdf (http://graduateinstitute.ch/files/live/sites/iheid/files/sites/cies/shared/UNEP%20CIES%20WS/ARTICLE_Jin_Sustainable_Dev

Recommended

- Parke, C. (2012). **Preparation meets strategic planning** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=70046454&site=ehost-live>). *Industrial Engineer*, 44(1), 44-48.

For Your Success

Before launching into this week's content, you are encouraged to review what was covered in the first three weeks of the course. Then—as this week's reading, discussion, Live Session, and writing unfold—the integration of previous information with Module 4 content will be an excellent way to absorb this material.

This week, you must also participate in the Live Session hosted by your instructor, participate in the Discussion Board, and complete the graded quiz by 11:59 p.m. KSA on Saturday night.

Learning Outcomes

1. Identify and appraise the resources and capabilities of an organization.
2. Formulate strategies based on data from the analysis of a firm's resources and capabilities.
3. Characterize an organization's internal environment, and assess how the organization may exploit internal strengths and contend with internal weaknesses.
4. Identify ways in which an organization may ensure alignment of internal resources and capabilities with its corporate strategy.

1. A Resource-Based View of Strategy



Reflect on the history and evolution of strategy covered in Module 1. Recall that schools of thought emerged over time, and one of those schools is the **Resource-Based View (RBV)** of strategy. Grant and Jordan (2015a) suggest that the **Resource-Based View**, placing emphasis on internal resources and capabilities, is a powerful approach to designing competitive strategies that are unique to a specific firm. Other experts go further to propose that internal resources are more important to sustaining competitive advantage than external factors. In truth, the external and internal environments are so interdependent that it is difficult to confirm if one has greater impact than the other.

To fully comprehend the scope of resources and capabilities within a firm, it is essential to define the related terms.

1 2 3

Grant and Jordan (2015a) use the categories of **tangible resources**, **intangible resources**, and **human resources** as a way to dissect the organization's resources into manageable sets of data.

Now that the terms are defined and the concepts reviewed, examples and explanations of how internal capabilities and resources are tied to competitive advantage can be helpful. As you watch the following video, begin to formulate a list of terms or concepts that you will want to better understand at the end of this module and course. Refer to the list after watching the video, and then again at the end of the week to discover what you have learned and what remains to be studied:

Resource-Based View of the Firm, by Jay Barney

(Source: http://www.youtube.com/watch?v=-KN81_oY1Is)

Resource-Based View of the Firm, originally put forward by Edith Penrose, but popularized and incorporated into Strategic Management literature by scholars like Rumelt, Hamel, and Prahalad and Jay Barney.

Whether the internal or external environment is more critical to business success is debatable. As studied in Module 2, the external environment is examined to identify **avenues of profitability**. Studying the internal environment of a firm helps to create strategies to **position resources and capabilities in pursuit of making profits**. The figure below illustrates how these two elements—the external forces and internal resources and capabilities—come together so that decision makers can make wise strategy choices:

Analysing resources and capabilities: the interface between strategy and the firm



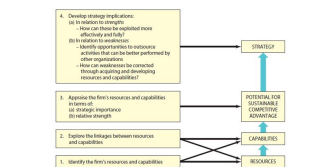
(Source: Grant & Jordan, 2015b, chap. 3, slide 4)

[Click to Enlarge](#)

2. Internal Analysis: An Important Element and a Practical Tool, Part 1

Identifying an organization's capabilities and resources is a fundamental step for conducting an internal analysis. In the framework displayed below, observe that recognizing and categorizing resources and capabilities serves as a baseline from which to build and interpret opportunities.

Summary: a framework for analyzing resources and capabilities



(Source: Grant & Jordan, 2015b, chap. 3, slide 15)

[Click to Enlarge](#)

Take another look at the framework and notice how the steps toward full analysis move upward from #1 to #4. Much like the process used in analyzing the external environment, appraising both the industry and company in light of the base information is essential.

Check Your Understanding

Study the graphic above carefully and review what you have learned in previous modules. Then assess whether you understand the construct and depth of the model by answering the following questions.

What is the starting point of the external analysis?

Answer: The starting point of the external analysis is to identify the industry that you are in by knowing the customers, suppliers, and competitors.

What is included in the industry environment versus the general environment?

Answer: The **industry environment** includes customers, competitors, and suppliers. The **general environment** is diffuse, and the only areas of consequence are those that impact the industry environment.

What three factors determine the level of profit in an industry?

Answer: The level of profit in an industry is determined by the following three factors: the value of products to customers, the intensity of competition, and the relative bargaining power of producers and suppliers.

In a contestable market, does there always need to be actual competition to keep prices relatively low?

Answer: No, just the threat of competitors entering the market can affect pricing.

What are the differences between the terms resources and capabilities?

Answer: Resources are a firm's productive assets; capabilities are what a firm can do.

What part of the model speaks to complex organizational capabilities that are difficult for a competitor to replicate?

Answer: The structure and systems of the organization are difficult for a competitor to replicate.

Why is it important to appraise a firm's resources and capabilities?

Answer: It's important to appraise a firm's resources and capabilities to compare them with the competitor's resources and capabilities.

capabilities.

How are a firm's values manifested?

Answer: A firm's values are manifested through the culture of the organization.

How do resources impact the creation of capability?

Answer: Combining several resources may create capabilities that deliver superior profitability.

References

Barney, J.B. (1995). Looking inside for competitive advantage. *Academy of Management Executive*, 9(4), 49-61.

Barney, J. B., & Clark, D. N. (2007). *Resource-based theory: Creating and sustaining competitive advantage*. Oxford, UK: Oxford University Press.

David, F. (2012). *Strategic management: A competitive advantage approach* (14th ed.). New York, NY: Prentice Hall.

Grant, R. M., & Jordan J. (2015a). *Foundations of strategy*. Hoboken, NJ: John Wiley & Sons.

Grant, R. M., & Jordan J. (2015b). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.

Module 5: Organizational Analysis and Strategy: Resources and Capabilities, Part 2

Module Introduction

Readings

Required

- Chapter 3 in *Foundations of Strategy*
- **Chapter 3 PowerPoint slides (media/SEU_MGT510_PPT_CH03_module04.ppt)** in *Foundations of Strategy*
- Coman, A., & Ronen, B. (2009). **Focused SWOT: diagnosing critical strengths and weaknesses** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=43429948&site=ehost-live>). *International Journal of Production Research*, 47(20), 5677-5689.
- Helms, M. M., & Nixon, J. (2010). Exploring SWOT analysis-where are we now? A review of academic research from the last decade. *Journal of Strategy and Management*, 3(3), 215-251. Retrieved from http://www.researchgate.net/publication/247630801_Exploring_SWOT_analysis_where_are_we_now_A_review_of_academic_research_from_the_last_decade (http://www.researchgate.net/publication/247630801_Exploring_SWOT_analysis_where_are_we_now_A_review_of_academic_research_from_the_last_decade)

Recommended

- Abdi, M. R., & Awartani, A. (2013). **Business strategy and corporate identity using balanced scorecards** (<https://csuglobal.idm.oclc.org/login?url=http://search.proquest.com.csuglobal.idm.oclc.org/docview/1626693094?accountid=38569>). *Journal of Current Issues in Finance, Business and Economics*, 6(2/3), 213-235.
- Kim, W. C., & Mauborgne, R. (2009). How strategy shapes structure. *Harvard Business Review*, 87(9), 72-80.
- Go to a full listing of **Harvard Business Review** (<http://eds.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/command/detail?sid=3e98b6a2-5359-49ea-bad5-de0bcccce228a%40sessionmgr115&crlhashurl=login.aspx%253fdirect%253dtrue%2526db%253dbth%2526jid%253dHBR%2526site%live&hid=126&vid=0&bdata=JnNpdGU9ZWVhc3QtbGl2ZQ%3d%3d#jid=HBR&db=bth>) publications
- Backtrack your citation by selecting the year, volume and issue number (right hand side of the screen)
- Scroll through the articles until you find the article: How Strategy Shapes Structure

For Your Success

Before launching into this week's content, you are encouraged to review what was covered in the first four weeks of the course. Then, as this week's reading, discussion, and writing unfold, the integration of previous information with Module 5 content will be an excellent way to absorb this material.

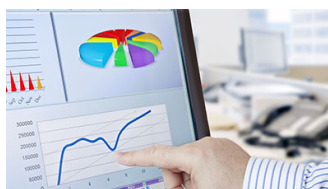
This week you have a Critical Thinking Assignment due. Review it and the corresponding grading rubric early in the week. Be sure to participate in the Live Session hosted by your instructor.

This week demonstrates graduate-level work that is not formulaic, but requires interpretation and assessment. Have fun. Investigate. Develop assumptions.

Learning Outcomes

1. Identify and appraise the resources and capabilities of an organization.
2. Formulate strategies based on data from the analysis of a firm's resources and capabilities.
3. Characterize an organization's internal environment, and assess how the organization may exploit internal strengths and contend with internal weaknesses.
4. Identify ways in which an organization may ensure alignment of internal resources and capabilities with its corporate strategy.

1. Internal Analysis: An Important Element and a Practical Tool, Part 2

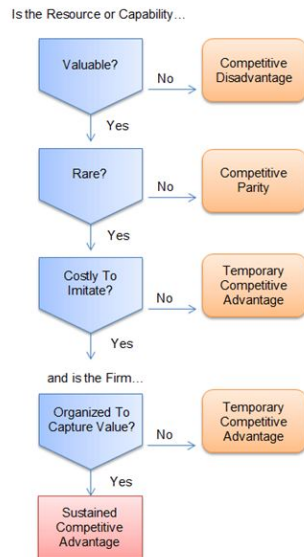




In order to understand the sources of competitive advantage, firms are using many tools to analyze their internal resources. One such tool is **VRIO**. The tool was developed by J.B. Barney in 1995, in his work *Looking Inside for Competitive Advantage*. VRIO stands for four questions that ask if a resource is:

Download Transcript (media/SEU_MGT510_Interactive_Mod05_P1.docx)

A resource or capability that meets all four of the above requirements can provide a sustained competitive advantage for the company.



(Source: Adopted from Rothaermel's, 2013, *Strategic Management*, p. 91)

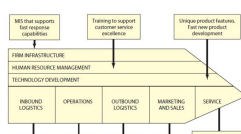
2. Understanding a Tool: Value Chain Analysis



A **value chain** is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable product or service for the market. The idea of the value chain is based on the process view of organizations; the idea of seeing a manufacturing (or service) organization as a system, made up of subsystems each with inputs, transformation processes, and outputs. Inputs, transformation processes, and outputs involve the acquisition and consumption of resources—money, labor, materials, equipment, buildings, land, administration and management. How value chain activities are carried out determines costs and how they affect profits.

Value Chain Analysis (VCA) is a strategy tool used to analyze internal firm activities. Its goal is to recognize which activities are the most valuable to the firm and which ones could be improved to provide **competitive advantage** (<http://www.strategicmanagementinsight.com/topics/competitive-advantage.html>). In other words, by looking into internal activities, the analysis reveals where a firm's competitive advantages or disadvantages are. The firm that competes through differentiation advantage will try to perform its activities better than competitors would do. If it competes through cost advantage, it will try to perform internal activities at lower costs than competitors would. When a company is capable of producing goods at lower costs than the market price or providing superior products, it earns profits.

Using the Value Chain to Identify Differentiation Potential on the Supply Side



(Source: Grant & Jordan, 2015b, chap. 4, slide 11)

[Click to Enlarge](#)

A firm's primary activities add value directly to the production process; however, they are not necessarily more important than support activities. Nowadays, competitive advantage mainly derives from technological improvements or innovations in business models or processes. Therefore, such support activities as information systems, R&D, or general management are usually the most important source of differentiation advantage. On the other hand, primary activities are usually the source of cost advantage, where costs can be easily identified for each activity and properly managed. A firm's value chain is a part of a larger industry value chain, and the more activities a company undertakes compared to industry value chain, the more **vertically integrated** (<http://www.strategicmanagementinsight.com/topics/vertical-integration.html>) it is.

Check Your Understanding

[Click Here to Begin](#)

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Grant, R. M., & Jordan J. (2015a). *Foundations of strategy* (2nd ed.). Hoboken, NJ: John Wiley & Sons.

Grant, R. M., & Jordan J. (2015b). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.

Jurevicius, O. (2013, April). Vertical integration. Retrieved from <http://www.strategicmanagementinsight.com/topics/vertical-integration.html>

Porter, M. E. (1985). *Competitive strategy: Creating and sustaining superior performance*. New York, NY: Free Press.

Rothaermel, F. T. (2012). *Strategic Management: Concepts and Cases*. McGraw-Hill/Irwin, p. 91

Module 6: The Nature of Competitive Advantage: Innovation and Global Reach

Module Introduction

Readings

Required

- Chapters 4, 6 (*Introduction and objectives* section through *Competing for standards* section), & 8 (*Introduction and objectives* section through *Analyzing competitive advantage in an international context* section) in *Foundations of Strategy*
- [Chapter 4 PowerPoint slides \(media/SEU_MGT510_PPT_CH04_module06.ppt\)](#) in *Foundations of Strategy*
- Contractor, F. J., Kumar, V., Kundu, S. K., & Pedersen, T. (2010). [Reconceptualizing the firm in a world of outsourcing and offshoring: The organizational and geographical relocation of high-value company functions](#) (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=54591903&site=ehost-live>). *Journal of Management Studies*, 47(8), 1417-1433.
- Heracleous, L., & Wirtz, J. (2010, July–August). Singapore Airlines' balancing act. *Harvard Business Review*, 145–149.
- Go to a full listing of [Harvard Business Review](#) (<http://eds.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/command/detail?sid=3e98b6a2-5359-49ea-bad5-de0bcccce228a%40sessionmgr115&crlhashurl=login.aspx%253fdirect%253dtrue%2526db%253dbth%2526jid%253dHBR%2526site%253dehost-live&hid=126&vid=0&bdata=JnNpdGU9ZWVhc3QtbGl2ZQ%3d%3d#jid=HBR&db=bth>) publications
- Backtrack your citation by selecting the year, volume and issue number (right hand side of the screen)
- Scroll through the articles until you find the article: Singapore Airlines' Balancing Act

Recommended

- Liesch, P. W., Buckley, P. J., Simonin, B.L., & Knight, G. (2012). [Organizing the modern firm in the worldwide market for market transactions](#) (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=71107557&site=ehost-live>). *Management International Review*, 52(1), 3-21

For Your Success

Students are encouraged to coalesce their thinking this week around the contemplation and personal definition of competitive advantage. Resist using the term in a general way to ensure that strategy choices are thoroughly understood and appropriate for the situation. Innovation and internationalization should then be studied within that same context.

You are required this week to participate in the discussion board and to complete the graded quiz.

Learning Outcomes

1. Define competitive advantage and demonstrate an understanding of the term by applying the concept to a real-world situation.
2. Discuss the two general types of competitive advantage and differentiate each within an innovative environment.
3. Assess a competitive advantage strategy specific to a global context.
4. Dissect strategy opportunities in the technology industry and identify the risks and rewards associated with each.

1. Competitive Advantage Concepts, Terms, and Types



The term **competitive advantage** became widely used within **strategy concept** discourse in the late 1990s and early 2000s. According to Rumelt (2003), **value creation** was often discussed in conjunction with competitive advantage. However, there is no agreed-upon definition of competitive advantage. So business and academic leaders define and interpret the term according to their own understandings. The table below is a summary of different views and thoughts by a variety of scholars, and provides a sense of the breadth of approaches to competitive advantage.

As you read through the list of approaches and definitions below, compare what you see here to the stance taken by Grant and Jordan in your textbook.

Various Definitions of Competitive Advantage

Scholar	Definition or Approach
Barney	Economic profit is the difference between expected value and actual value; performance metrics are tied to generating greater-than-expected value.
Besanko, Dranove, and Shanley	A firm earns a higher economic profit than the average of competing firms and thus has a competitive advantage; economic profit is defined as the difference between profits garnered from investing in one activity versus investing the same resources in another activity.
Brandenberger and Stuart	This is an industry view approach with multiple “agents,” including buyers, suppliers, and producers , who may increase total value by their presence.
Dierickx and Cool	Privileged product market position may be nonsustainable if scarce assets are used to achieve the market position; opportunity costs of assets must be considered.
Ghemawat and Rivkin	Superior financial returns for a long period of time are considered to have an advantage over competitors.
Kay	Distinctive capabilities (those capabilities that others lack) are sustainable and can be transferred.
Peteraf	Using resources specialized to the firm that produce and sustain higher than normal returns creates competitive advantage.
Porter	Low costs, differentiation, or focus strategy success signal high performance and lead to competitive advantage; creating value for customers that is higher than the cost of creating it .
Saloner, Shepard, and Podolny	An organization’s service or product is valued more by customers than the competitors’ services or products, or the cost to produce is lower than that of competitors ; sustainable competitive value is needed to capture value.
Various	Some strategy consulting firms purport to measure competitive advantage in shareholder returns .
Your textbook authors: Grant and Jordan	A firm earns, or has the potential to earn, a persistently higher rate of profit over rivals.
(Source: Adapted from Rumelt, 2003)	

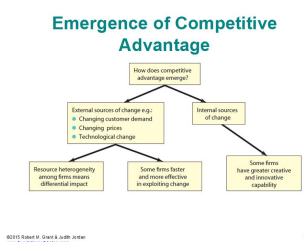
Using the table above, consider **your** current thinking about an appropriate way to define or approach competitive advantage. Note that some of these approaches may be related to each other or consistent with a singular approach.

When you are satisfied with what you have chosen, click on this sentence for feedback.

There is no right or wrong answer here. The value in making the choices that you did is in understanding the concepts and thinking about the ones that most resonate with your analysis and experiences. In your organization, be sure that you understand how and why the term is used. When speaking about competitive advantage more generally, do not assume that your definition is consistent with others’ viewpoints.

Internal and External Changes and Competitive Advantage

Competitive advantage may be gained when a **firm responds to changes** in the environment by taking advantage of new ways to profit or by **innovating and disrupting the industry** to its advantage. The two approaches are not necessarily mutually exclusive, but each requires specialized strategies. The figure below provides an overview of how external and internal sources of change impact competitive advantage:



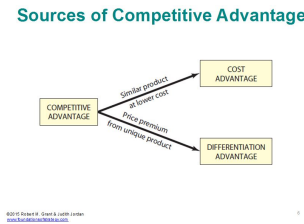
(Source: Grant & Jordan, 2015b, chap. 4, slide 3)

Click to Enlarge

In the diagram above, observe the external sources of change and the two avenues that firms may take to remain competitive. Also note internal sources of change and discover how the path to innovation becomes clearer.

Types of Competitive Advantage

There are many ways to achieve competitive advantage, but there are usually two basic types of competitive advantage: cost or differentiation advantage. A company that is able to achieve superiority in cost or differentiation is able to offer consumers the products at lower costs or with a higher degree of differentiation and most importantly, is able to compete with its rivals. The figure below illustrates these types of competitive advantage.



(Source: Grant & Jordan, 2015b, chap. 4, slide 6)

2. Technologies and Innovation: Risk and Reward



The demand to gain and sustain competitive advantage is particularly keen in the field of technology. According to Grant and Jordan (2015a), **innovation** is the main reason that one competitor may dominate others. Companies innovate:

- by developing a new product or service,
- by marketing a product in a new way,
- or by using a new method to manufacture or distribute a product.

Whether a company is in the technology industry or simply relies on advanced technologies to conduct business, there are factors that demand increased innovation. Four factors that influence the need for innovation include:

Factor 1	Factor 2	Factor 3	Factor 4
Responding to technological changes			

Alternative Strategies for Exploiting Innovation

	Export	Licensing	Joint Venture	Acq.	Internalization
Export	Exporting involves the sale of the product in foreign markets. It is the simplest and least costly method of internationalization.	Licensing involves the sale of the rights to use the product in foreign markets. It is a more complex and costly method of internationalization.	Joint venture involves the formation of a new entity in a foreign market. It is a more complex and costly method of internationalization.	Acquisition involves the purchase of an existing company in a foreign market. It is a more complex and costly method of internationalization.	Internalization involves the direct investment in a foreign market. It is the most complex and costly method of internationalization.
Import	Importing involves the purchase of the product from a foreign market. It is the simplest and least costly method of internationalization.	Licensing involves the sale of the rights to use the product in foreign markets. It is a more complex and costly method of internationalization.	Joint venture involves the formation of a new entity in a foreign market. It is a more complex and costly method of internationalization.	Acquisition involves the purchase of an existing company in a foreign market. It is a more complex and costly method of internationalization.	Internalization involves the direct investment in a foreign market. It is the most complex and costly method of internationalization.
Production	Production involves the manufacture of the product in a foreign market. It is a more complex and costly method of internationalization.	Licensing involves the sale of the rights to use the product in foreign markets. It is a more complex and costly method of internationalization.	Joint venture involves the formation of a new entity in a foreign market. It is a more complex and costly method of internationalization.	Acquisition involves the purchase of an existing company in a foreign market. It is a more complex and costly method of internationalization.	Internalization involves the direct investment in a foreign market. It is the most complex and costly method of internationalization.

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(Source: Grant & Jordan, 2015b, chap. 6, slide 6)

[Click to Enlarge](#)

After absorbing the contents from the table above, test your understanding in the following exercise:

Check Your Understanding

[Click Here to Begin](#)

3. Internationalization, Globalization, and Differentiation



The world economy grows just as trade and markets interconnect at every level. Not every industry can approach internationalization in the same way. To embark on a discussion of how to assess competitive advantage in an international setting, it is important to categorize industries for purposes of understanding commonalities and differences as well as opportunities and constraints. The graphic below depicts four industry segments based on the segmentation by **international trade** and **foreign direct investment**.

Patterns of Internalization



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(Source: Grant & Jordan, 2015b, chap. 8, slide 3)

[Click to Enlarge](#)

To further comprehend the segmentation, study the following definitions for each piece of the above matrix:

Trading Industries Trade primarily through imports and exports and, if the product is easily transferable, distribution from a central location is most effective. <i>Examples: Defense equipment, commercial aircraft</i>	Global Industries Investment and trade are both highly important to these industries, which are primarily large-scale manufacturing. <i>Examples: Consumer electronics, cars</i>
Sheltered Industries Primarily fragmented services industries, small-scale manufacturing, and perishable products; they do not compete with imports, or they are impacted by trade agreements or barriers. <i>Examples: Funeral services, local construction, fresh milk</i>	Multidomestic Industries Direct investment is used when trade is not feasible due to regulation or logistics, or when national differentiation exists. <i>Examples: Hotels, banking, consulting</i>
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Strategies associated with internationalization are described further in the following video:

Short film introducing the topic of global strategy: What is it? Why is it important?

Building strategies to gain or maintain competitive advantage in an international context requires the usual assessment of internal resources and capabilities, as well as industry characteristics. The graphic below illustrates the three assessment areas that contribute to strategy planning in an international context:



(Source: Grant & Jordan, 2015b, chap. 8, slide 4)

Click to Enlarge

Check Your Understanding

[Click Here to Begin](#)

References

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Hojnik, B., & Rebernik, M. (2012). Outsourcing of R&D and innovation activities in SMEs: Evident from Slovenia. *Economic Review: Journal Of Economics & Business / Ekonomska Revija: Casopis Za Ekonomiju I Biznis*, 10(2), 3-11.

Rumelt, R. (2003). *What in the world is competitive advantage?* Retrieved from
http://www.anderson.ucla.edu/faculty/dick.rumelt/Docs/Papers/WhatisCA_03.pdf

Strategy Planning

Module 7: Business Strategies and Corporate Strategies, Part 1

Module Introduction

Readings

Required

Chapters 5 & 7 in *Foundations of Strategy*

Chapter 5 PowerPoint slides (media/SEU MGT510 PPT CH05 module07.ppt) in *Foundations of Strategy*

Chapter 7 PowerPoint slides (media/SEU MGT510 PPT CH07 module07.ppt) in *Foundations of Strategy*

D'Aveni, R. A., Dagnino, G. B. & Smith, K. G. (2010). **The age of temporary advantage** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=54637557&site=ehost-live>). *Strategic Management Journal*, 31(13), 1371–1385.

Teece, D. J., Pisano, G., & Shuen, A. (1997). **Dynamic capabilities and strategic management** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=12493427&site=ehost-live>). *Strategic Management Journal*, 18(7), 509–533.

Recommended

Dibrell, C. Craig, J. & Hansen, E. (2011). **Natural environment, market orientation, and firm innovativeness: An organizational life cycle perspective** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=61817041&site=ehost-live>). *Journal of Small Business Management*, 49(3), 467–489.

O'Reilly III, C. A., & Tushman, M. L. (2013). **Organizational ambidexterity: Past, present and future** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=93403905&site=ehost-live>). *Academy of Management Perspectives*, 27(4), 324–38.

For Your Success

This week, you have a Critical Thinking Assignment to complete. In order to adequately plan your time, review the assignment early in the week as well as the corresponding grading rubric. Remember that this week you will also participate in the Live Session hosted by your instructor.

Look ahead to the following weeks to see what will be due and when. You have three more Critical Thinking Assignments (in Modules 10, 11, and 14) and three more graded quizzes (modules 10, 12, and 14).

Learning Outcomes

- . Analyze a specific industry's development and determine strategies that are appropriate for each development stage.
- . Identify the different stages of a not-for-profit organization's development.
- . Assess an organization's strategy to identify key stakeholders and analyze for interest and power.

1. Managing Strategic Change



With emerging technologies and expanding global marketplaces, it is imperative that organizations become highly proficient in driving their change agenda. Whether diversifying, downsizing, merging, reorienting business, or developing new management structures, organizations must be able to effectively carry out change initiatives to remain productive and competitive.

Industry and Product Life Cycles

Life cycles are not just a phenomenon of the life sciences. Industries, too, experience a similar cycle of life. Just as a person is born, grows, matures, and eventually experiences decline and, ultimately, death, so do industries, not-for-profits, and product lines. While the stages are the same for all industries, not every industry or not-for-profit will experience these stages in the same way; for some, the stages will last longer and for others they will pass quickly. Even within the same industry, various firms may be at different stages in their life cycle.

Another important step in this process is the identification of the organization's stakeholders. Stakeholders are generally said to be those with an interest in an organization; they can affect or be affected by any action taken by the organization. While some stakeholders are internal to the organization, like employees, others are external, like customers and competitors.

A firm's **strategic plan** is likely to be greatly influenced by the stage in the life cycle at which the firm finds itself. Some companies or even industries find new uses for declining products, thus extending their life cycle.

First, let's watch a video about **product life cycle** and then we will view the figure, below, on **industry life cycle**.

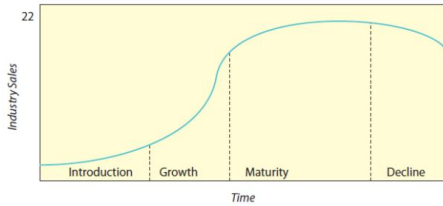
Product Life Cycle

(Source: <http://www.youtube.com/watch?v=9YyPEPgsRFU>)

This video describes the various stages of a product life cycle.

The two drivers of industry maturation are **demand from the market** and **knowledge gained** (particularly, what consumers come to know about the product and its use). Over time, consumers are better able to judge the value of a product and can assess what they are willing to pay for it.

The Industry Lifecycle



The two major forces that drive industry evolution are:

- Demand growth
- The production and diffusion of knowledge

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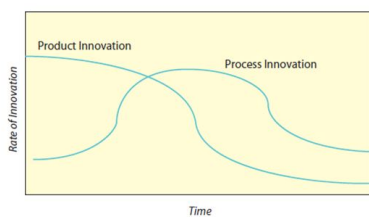
(Source: Grant & Jordan, 2015b, chap. 5, slide 3)

Click to Enlarge

Research and review the industry maturity cycle and the drivers, and then consider the following question: Where do you consider the personal computer (PC) on the industry life cycle model?

In Module 6 we discussed innovative products as a factor of success. In addition to that, a new product that begins to mature often creates profits through **incremental product innovation**. Incremental product innovation follows a typical path of moving from design, to manufacturing innovation, to process innovation. The figure below illustrates the intersection points of a product's maturity and process innovation:

Product and Process Innovation Over Time



Once a dominant design emerges, the focus of innovation shifts from product innovation to process innovation

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(Source: Grant & Jordan, 2012b, chap. 5, slide 4)

Click to Enlarge

Reflect on your answer to the question above about personal computers and consider the following questions in that context:

Question #1

When did PC manufacturing begin to assert a competitive advantage?

Question #2

What did that competitive advantage look like?

Question #3

What does process innovation look like in the PC industry?

To adequately grasp the force of industry life cycles, it helps to have a breakdown of the various factors associated with each stage to provide a framework for assessing a specific industry, as shown in the following table:

Industry Structure and Competition Over the Life Cycle

	Introduction	Growth	Maturity	Decline
Demand	Early adopters	Rapidly increasing market penetration	Replacement/ repeat buying; price sensitive customers	Obsolescence
Technology	Competing technologies; rapid product innovation	Standardization; rapid process innovation	Diffused know-how; incremental innovation	Little innovation
Products	Wide variety of features & designs	Design & quality improve; dominant design emerges	Commoditization; brand differentiation	Differentiation difficult
Manufacturing & Distribution	Short runs; skill intensive	Capacity shortage; mass- production	Over-capacity emerges; deskilling of production	Over-capacity
Trade	-----Production shifts from advanced to developing countries ----->			
Competition	Few companies	Entry, mergers and exits	Shakeout & consolidation	Price wars & exits
Key Success Factors	Product innovation	Design for manufacture Process innovation	Cost efficiency (scale economies, low-cost inputs)	Low overheads; rationalization; buyer selection

(Source: Grant & Jordan, 2012b, chap. 5, slide 6)

[Click to Enlarge](#)

Test your understanding of how you might apply the information from the table above to choose effective strategies by completing the following Check Your Understanding exercise.

Match the industry position on the left with the related effective strategy on the right by dragging items in the right-hand column to correctly match items in the left-hand column.

Check Your Understanding

[Click Here to Begin](#)

2. Tools of Strategic Change Management



Change management is the means used to evaluate current processes, to assess needed improvements, and to implement sound solutions. Good change-management tools help to ensure that the entire effort goes smoothly. Inherent in change management is that word that many people dread: “change.”

Although change is inevitable, it is often not welcome. For effective change management, a good set of tools and theories must be in place to ensure that everyone understands and supports the effort—the organization, its customers, and employees.

Examples of change management tools and models

Flow charting

This visual method depicts the order of processes, or their “flow.” Generally, a flow chart is a logical illustration with minimal text. Click [here \(http://asq.org/learn-about-quality/process-analysis-tools/overview/flowchart.html\)](http://asq.org/learn-about-quality/process-analysis-tools/overview/flowchart.html) to see an example.

The McKinsey 7-S Model

This model by McKinsey & Company is “a framework introduced to address the critical role of coordination, rather than structure, in organizational effectiveness” (Enduring Ideas, 2008, para. 1). Click [here](http://www.mckinsey.com/insights/strategy/enduring_ideas_the_7-s_framework) (http://www.mckinsey.com/insights/strategy/enduring_ideas_the_7-s_framework) for an example.

Metrics and data collection

These two measures are often confused. Metrics is one sort or type of thing whereas data may comprise multiple forms. Click [here](https://hbr.org/2013/03/know-the-difference-between-yo/) (<https://hbr.org/2013/03/know-the-difference-between-yo/>) for an example.

Project planning

No management activity takes place without proper planning. Click [here](http://www.techopedia.com/definition/14005/project-planning) (<http://www.techopedia.com/definition/14005/project-planning>) to learn more.

Kotter's 8-Step Model

Visit [Kotter International](http://www.kotterinternational.com/the-8-step-process-for-leading-change/) (<http://www.kotterinternational.com/the-8-step-process-for-leading-change/>) to download a free ebook and to view the model in entirety.

In the next module, Module 8, we continue our examination of Business Strategies and Corporate Strategies.

References

Enduring Ideas. (2008, March). Retrieved from

http://www.mckinsey.com/insights/strategy/enduring_ideas_the_7-s_framework

Grant, R. M., & Jordan J. (2015a). *Foundations of strategy* (2nd ed.). Hoboken, NJ: John Wiley & Sons.

Grant, R. M., & Jordan J. (2015b). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.

Module Introduction

Readings

Required

- Chapters 5 & 7 in *Foundations of Strategy*
- [Chapter 5 PowerPoint slides \(media/SEU_MGT510_PPT_CH05_module07.ppt\)](#) in *Foundations of Strategy*
- [Chapter 7 PowerPoint slides \(media/SEU_MGT510_PPT_CH07_module07.ppt\)](#) in *Foundations of Strategy*
- Dibrell, C. Craig, J. & Hansen, E. (2011). [Natural environment, market orientation, and firm innovativeness: An organizational life cycle perspective \(http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=buh&AN=61817041&site=ehost-live\)](#). *Journal of Small Business Management*, 49(3), 467-489.

Recommended

- Nagji, B., & Tuff, G. (2012). Managing your innovation portfolio. *Harvard Business Review*, 90(5), 66-74.
- Go to a full listing of [Harvard Business Review \(http://eds.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/command/detail?sid=3e98b6a2-5359-49ea-bad5-de0bcce228a%40sessionmgr115&crlhashurl=login.aspx%253fdirect%253dtrue%2526db%253dbth%2526jid%253dHBR%2526site%253dehost-live&hid=126&vid=0&bdata=JnNpdGU9ZWVhc3QtbGl2ZQ%3d%3d#jid=HBR&db=bth\)](#) publications
- Backtrack your citation by selecting the year, volume and issue number (right hand side of the screen)
- Scroll through the articles until you find the article: Managing Your Innovation Portfolio

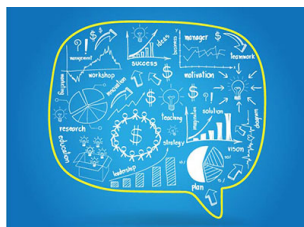
For Your Success

As always, it is important to thoroughly grasp the principles and concepts in this module before the end of this week. Reviewing Modules 1 through 7 is also encouraged to better understand how the content is integrated throughout. Remember that this week you must participate in the Discussion Board and join the Live Session hosted by your instructor.

Learning Outcomes

1. Analyze a specific industry's development and determine strategies that are appropriate for each development stage.
2. Identify the different stages of a not-for-profit organization's development.
3. Assess an organization's strategy to identify key stakeholders and analyze for interest and power.

1. Industry and Organization Types and Strategy



The study of product and industry life cycles and appropriate strategies for both is not exclusive to **for-profit companies**. Many **not-for-profits** (<http://www.idealists.org/info/Nonprofits/Basics1>) and **public-sector organizations** offer products and services that are critical to advancing the global economy and addressing social issues. Within the general labels of nonprofit and public sector are types of organizations that have different models, purposes, and stakeholders. Let's look at some different organizational types.

Not-for-Profit

Public Sector

Government

Again, this label might entail more than you think it does. Let's look at how the U.S. Internal Revenue Service defines this. <http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Is-My-Entity-a-Government-Entity%3F> (<http://www.irs.gov/Government-Entities/Federal,-State-&-Local-Governments/Is-My-Entity-a-Government-Entity%3F>)

Non-Governmental Organizations (NGO)

"The diversity of NGOs strains any simple definition," according to the World Bank (n.d., para. 1). **Non-Governmental Organizations (<http://www.ngo.org/ngoinfo/define.html>)** can be funded by a variety of sources including governmental ones.

According to Grant and Jordan (2015), public sector and not-for-profit organizations differ from profit-centered firms in the absence of market factors. However, in most cases, strategies require the involvement of multiple organizations that may have different goals that are targeted to reach the same outcome. Take, for example, the fight against malaria. Non-governmental organizations, governments, not-for-profits, and even private-sector firms have convened to tackle this imposing threat. At the heart of efforts such as malaria control is the need to acquire adequate funding and to engage large numbers of volunteers.

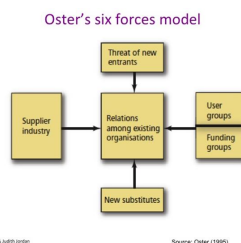
In the short video that follows, note the logos of different organizations displayed behind the dais. Consider what each speaker is asking for and the intricacy of the web of organizations involved:

Experts call for change in anti-malaria strategy

(Source: <http://www.youtube.com/watch?v=oqSoDBzINxs>)

Malaria still remains a major challenge despite the discovery of new drugs. Some patients have developed resistance to some known anti-malarial drugs and experts attribute this to what they call self medication. As NTV's Loise Wangui reports, one family -- Uasin Gishu -- is living proof that gains made in the fight against malaria could easily be reversed.

Strategy planners know that effective strategies must be developed within the context of the external and internal environments of an organization. Scholars and business leaders often adapt well-tested tools and models for use in unique situations. For example, **Porter's Five Forces of Competition model** that you studied in earlier modules has been adapted for use in nonprofit organizations with some success. One such adaptation is illustrated below in **Oster's Six Forces model**, which is geared specifically to the nonprofit world:



(Source: Grant & Jordan, 2012b, chap. 5, slide 11)

Click to Enlarge

To self-assess your understanding of Oster's model, read the following statements and determine the corresponding place on the model above for each statement. *Roll over each statement to confirm your understanding of its corresponding place on the model:*

Public-sector firms differ from private-sector firms in that public-sector firms are wholly or partly government funded.

In some cases, public-sector organizations provide services that cannot be provided by the private sector.

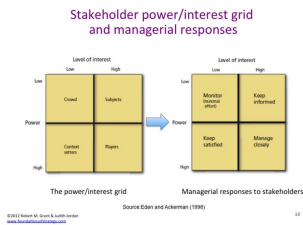
Public-sector organizations have stakeholders, some of whom are obliged by law to act in the national or public interest.

Not-for-profit organizations often do make profits (called a surplus), but these are reinvested in the organization.

A characteristic of not-for-profit organizations is a large number of stakeholders that require special management strategies.

Stakeholders

Stakeholders are powerful forces within a public-sector or not-for-profit organization. Stakeholder groups require careful management, as each has different goals and objectives that may or may not be specifically aligned with the organization’s mission and goals. Managing the competing priorities of stakeholder groups requires the public-sector or nonprofit organization to assess, understand, and plan for each stakeholder group’s power and interest. The illustration below provides an overview of how realizing stakeholder power and interest is useful in managing these groups:



(Source: Grant & Jordan, 2012b, chap. 5, slide 13)

[Click to Enlarge](#)

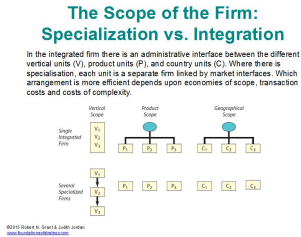
2. Corporate Structure and Strategy: Scope and Diversification



Business strategy and corporate strategy, as discussed in Module 1, are different in that the decision makers for each may be different. Business strategy deals primarily with **where business will be done**, while corporate strategy, as determined by senior executives in the firm, is geared toward **how business will be done**. Corporate strategy, in general, deals with the following.

Scope

Scope refers to that of products and geographies. Senior executives deal with decisions about **product scope** (the range of products that the organization will supply), **vertical scope** (what vertically linked activities are appropriate), and **geographic scope** (whether the organization competes locally or globally). The following diagram depicts examples of how product, vertical, and geographic scope may be intertwined to create an appropriate structure around which to build implementation strategies:



(Source: Grant & Jordan, 2015b, chap. 7, slide 5)

[Click to Enlarge](#)

Diversification

This addresses the constructs around how much **diversification** in product and business the corporation needs. Senior leaders have the responsibility to assess the benefits and costs of diversifying product lines or geographic reach. The core concepts around these decisions are based on how a firm needs to **grow** to seize and maintain competitive advantage, how to **mitigate risk** to the organization, and how to exploit the linkages between businesses to **create greater value**.

Motives for diversification

Growth: A powerful motive for managers—but growth without profitability does not create value for shareholders. Growth through acquisition a major destroyer of shareholder value

Risk spreading: Diversification tends to reduce fluctuations in profits; but this does not necessarily create value for shareholders

Value creation: For diversification to create shareholder value it must exploit some linkage ("synergy") between the different businesses, e.g. by:

- Exploiting economies of scope
- Operating an efficient internal capability market
- Operating an internal labour market

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(Source: Grant & Jordan, 2012b, chap. 7, slide 7)

Click to Enlarge

Creation of shareholder value in for-profit organizations is evident; however, in the public sector or not-for-profits, the notion of value creation is also relevant. Organizations working together may, for example, create economies of scale and lower transaction costs, or increase efficiency.

One aspect of diversification is whether a company focuses on **horizontal diversification** (moving within the same production areas) or **vertical diversification** (expanding along the chain of production). The answer lies in the types of products or services, the geographic scope, and the way the company interfaces with the customer or client.

Integration

This concerns how much a firm controls its supply chain.

In this module, we considered how to determine an organization's strategy. We also looked at the impact of corporate structure on strategy. The takeaway for this module is that corporate structure and strategy need to be aligned at all levels such that the responsible parties in an organization understand the corporate- and business-level decisions. A convenient way of thinking about the various levels of strategy is that **corporate-level strategy** defines an organization's market while **business-level strategy** refers to how the organization navigates the market. **Functional-level strategy** is the foundation that supports both corporate- and business-level strategies.

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Grant, R. M., & Jordan J. (2015a). *Foundations of strategy* (2nd ed.). Hoboken, NJ: John Wiley & Sons.

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Stakeholder. (n.d.). Businessdictionary.com. Retrieved from <http://www.businessdictionary.com/definition/stakeholder.html#ixzz3h87UAvod>

World Bank. (n.d.). Definitions of an NGO. Retrieved from <http://www.gdrc.org/ngo/wb-define.html>

Strategy Planning

Module 9: Realizing Strategy, Part 1

Module Introduction

Readings

Required

Chapter 9 in *Foundations of Strategy*

Chapter 9 PowerPoint slides (media/SEU MGT510 PPT CH09 module10.ppt) in *Foundations of Strategy*

Higgins, J.M. (2005). **The eight 'S's of successful strategy execution** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=16968322&site=ehost-live>). *Journal of Change Management*, 5(1), 3-13.

Recommended

Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. (2011). Resource orchestration to create competitive advantage breadth, depth, and life cycle effects. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1994489 (http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1994489)

For Your Success

Modules 9 -12 cover strategy implementation in a way that brings real-world examples to the concepts and theories. Previous course content showed how environmental assessment, quantification, and implementation are critical to successful strategy planning. At this point in the course, your attention is drawn to implementation, with the assumption that wise business and corporate strategies have already been developed.

This week you have a Discussion Question to respond to. Review the Discussion Board early in the week and plan for your thorough response that requires you to do research and analytical thinking.

Learning Outcomes

- Describe the linkage between strategy formulation and implementation, and ascertain the factors that influence whether a specific strategy may be realized.
- Explain an organization's operational barriers and mitigation choices that might impact a specific strategy and its likelihood of successful implementation.
- Analyze an organizational strategy, and design an organizational structure and management system that may support the effectiveness of a strategy.
- Illustrate the importance of organizational culture to strategy implementation in a real-world example.

1. The Strategic Planning System: Linking Strategy to Action



Realistically, a strategy cannot be realized until it is fully functioning. That is why strategy implementation is so critical to business success. For strategy to be realized, all elements of an organization must be aligned and working toward the same goal. If alignment is to be achieved, the constant changes in an industry and general environment mean that strategies must be changed and organizations must respond to new directions and regain alignment.

Many organizations are **functionally oriented**, meaning that management structures follow the lines of function, for example: finance, marketing, operations, information technology, and human resources. Alignment within the functional area is important for cost efficiency, specialization, and quality. However, organizational performance is also contingent on **cross-functional factors** such as:

systems,
processes,
and shared values.

The key here is that alignment is multidirectional.

Peters and Waterman's 1982 publication of the **McKinsey 7-S Model** introduced a cross-

functional way of approaching strategy execution (Higgins, 2005). The authors suggested that every factor that impacts organizational performance is encompassed in one of the “S’s.” Higgins (2005) suggested that the **8-S model** is used in strategy planning, such that when the implementation plan is under development, there are some agreed-upon principles that were already identified in strategy sessions.

Visit this week’s **Higgins reading**

(<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=16968322&site=ehost-live>) now to examine the flow-chart images in the article.



There are numerous reasons why organizations have difficulty in gaining alignment. There are times when a particular strategy cannot be implemented quickly because of the number of systems, processes, and policies that have to be designed, and the time needed to train employees and shift the values of the organization. Attempting to move the organization too quickly or too soon is a high risk to successful strategy implementation. Thus, leaders must remain cognizant of the organization’s ability to adapt, to manage the process and, perhaps most importantly, to lead the change effort.

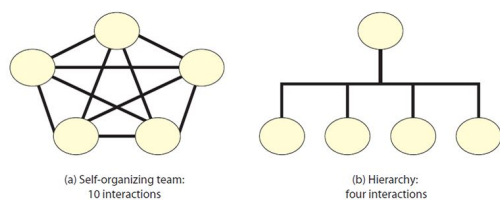
2. Organizational Design: The Fundamentals of Organizing

Functional operations are impacted by the entire realm of cross-functional factors discussed in the 8-S model detailed on the previous lecture page. One way that companies control the functions is through lines of authority and decision making. Another mechanism closely tied to control is the way that formal communication is distributed. Organizational design must include some control mechanisms; however, depending on the corporate strategies, the structures also promote or reduce

the probability of interaction, coordination, or cooperation.

Study the figure below to view two structures with different interaction requirements:

How Hierarchy Economizes on Coordination



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(Source: Grant & Jordan, 2015b, chap. 9, slide 6)

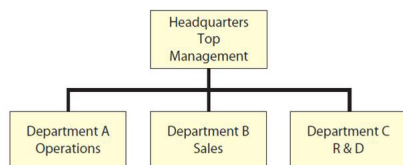
Click to Enlarge

The **(a) structure** in the diagram above is one of **self-designing teams**. The team must interact to agree upon and establish the operating principles, because there is no established leader, decision-making process, or communication channels. Zappos—a Las Vegas-based, online clothing and shoe store—is one organization that has been described as practicing a form of self-designing team concept called **holacracy** (<http://www.holacracy.org/how-it-works/>). The outcome may be successful and the number of interactions is noted (in this example as 10 interactions). In **structure (b)** above, the lines of reporting, communication, and decision making are clear and four interactions are noted.

Note: The fewer the number of interactions, the lower the cost to transact business.

In mature organizations, **bureaucracy** and **hierarchy** are common and necessary to maintain control and meet legal and regulatory requirements. Hierarchies are also quite efficient, making the design a low-cost alternative to some other structures. A functional hierarchical structure is displayed in the following figure:

Functionally Structured Organizations



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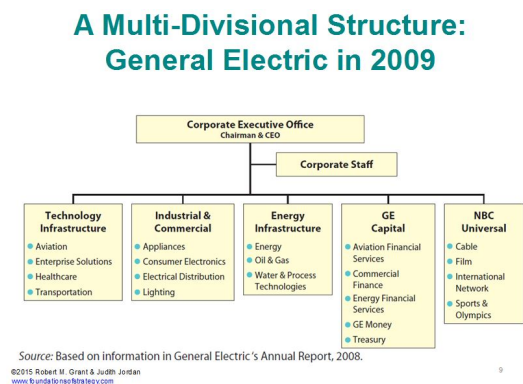
8

(Source: Grant & Jordan, 2015b, chap. 9, slide 8)

Click to Enlarge

In a **functional-structured organization**, there are often limitations to interaction and coordination among units. For example, a design that puts a lot of control in the hands of senior management leaves more junior employees with little flexibility or decision-making power. However, these structures are efficient and cost-effective, and develop a strong common language and culture.

Another organizational design is very common when organizations have diversified, either by adding products or by extending geographic reach. Shown below is the 2008 General Electric **multi-divisional structure** that promoted alignment through the common use of tools coming from corporate headquarters into all business units:



(Source: Grant & Jordan, 2015b, chap. 9, slide 9)

Click to Enlarge

The third type of organizational design, shown below, is the **matrix** structure. Note the added complexity of reporting and controls to meet the necessity of coordinating across the organization:



(Source: Grant & Jordan, 2015b, chap. 9, slide 10)

Click to Enlarge

Now, return to the core of this course and strategy planning. Place organizational design and operations in the context of strategy planning as you watch the following video. Look for elements

that may help guide your assessment for this week's Critical Thinking Assignment:

Michael Glenn Overview Organization Design

(Source: <http://www.youtube.com/watch?v=LvyXVTb3f1Y>)

This is a 4.5-minute video clip on Organization Design.

Check Your Understanding

[Click Here to Begin](#)

References

Grant, R. M., & Jordan J. (2015). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.

Higgins, J. (2005). The eight 'S's of successful strategy execution. *Journal of Change Management*, 5(1), 3-13.

Velcu, O. (2010). Strategic alignment of ERP implementation stages: An empirical investigation. *Information & Management*, 47(3), 158-166.

Strategy Planning

Module 10: Realizing Strategy, Part 2

Module Introduction

Readings

Required

Chapter 9 in *Foundations of Strategy*

Chapter 9 PowerPoint slides (media/SEU MGT510 PPT CH09 module10.ppt) in *Foundations of Strategy*

Chu, V., Girdhar, A., & Sood, R. (2013). **Couching tiger tames the dragon** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=89368473&site=ehost-live>). *Business Today*, 22(15), 92-96.

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Kaushik, M. (2012). **Conditions apply** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=84345716&site=ehost-live>). *Business Today*, 21, 20.

Norton, M., Mochon, D., & Ariely, D. (2011). The IKEA effect: When labor leads to love. Retrieved from <http://www.hbs.edu/faculty/Publication%20Files/11-091.pdf> (<http://www.hbs.edu/faculty/Publication%20Files/11-091.pdf>)

For Your Success

Remember, Modules 9-12 cover strategy implementation in a way that brings life to the concepts and theories. Be sure to think about all of the course content in order to fully comprehend the importance of dealing with each step of the planning process.

This is a busy week. You have a Critical Thinking Assignment due as well as a graded quiz. Review

the writing assignment early in the week and contact your instructor if you have any questions or concerns. You will also participate in a Live Classroom session hosted by your instructor this week.

Learning Outcomes

- . Describe the linkage between strategy formulation and implementation, and ascertain the factors that influence whether a specific strategy may be realized.
- . Explain an organization's operational barriers and mitigation choices that might impact a specific strategy and its likelihood of successful implementation.
- . Analyze an organizational strategy, and design an organizational structure and management system that may support the effectiveness of a strategy.
- . Illustrate the importance of organizational culture to strategy implementation in a real-world example.

1. Management Systems and Strategy Implementation



There are multiple systems that are impacted by new strategies. These systems—Strategy Planning, Budgeting, Financials, Information Technology, and Human Resources—are needed to contain and maintain the support for new strategy.

Strategy planning	Budgeting	Financial systems	Information systems	Human resources
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Strategy planning along with **budgeting**, below, are two of the core systems that must adapt to new strategies, in that they create a process for alignment and the distribution of resources to support the strategy.

An emphasis on implementation rather than support, maintenance, and monitoring, relies on **change management** principles. For purposes of this course, seven processes and systems are identified as “change levers.” This means that if the seven are aligned around the new strategy, then the risk of a failed implementation is greatly reduced.



The change levers include the following:

- Leadership and sponsorship
- Governance and reporting
- Communication
- Performance management
- Incentives and rewards
- Learning and training
- Recruiting and hiring

Recall Higgins’ 8-S model discussed earlier in this lecture. Do you find any correlation to the S’s and these change levers?

You need strategy for your organization – Prof. Michael Porter

(Source: <https://youtu.be/DViVtgDoxwE>)

Professor Michael Porter of Harvard University's School of Business discusses competitive strategy and the role it can play in solving the world's challenges.

Check Your Understanding

[Click Here to Begin](#)

2. Strategy Implementation is not Strategy Execution



Over time, most students of strategic management, and even managers, have used the words **implementation** and **execution** interchangeably, but these words have distinct meanings, particularly when it comes to business and organizational management. In a recent article in the *Harvard Business Review*, Favaro (2015) drew attention to these words, articulating the difference between them, and how the confusion could be affecting outcomes. Favaro (2015) noted that “ignoring or blurring the differences contributes to sloppy thinking, decision making, and action at all levels of an organization” (para. 2).

Let's look more closely at these two terms.

Implementation

Based on Favaro's definition, it appears it's all but impossible for strategy to ever be fully implemented. This is because the assumptions that an organization assumes about customers, technology, regulation, and competitors when formulating the strategy are in a constant state of flux. For these reasons, it is imperative that managers treat strategies as in constant evolution, that is, that they are continuously updating their strategies. There will always be a gap between where a company is and what its strategies call for. "Implementation" is what happens when we close the gap between where a company is and what the strategy calls for. Thus, strategy and implementation are almost always running in parallel rather than in sequence.

Execution

Favaro (2015) defined execution as "the decisions and activities a company undertakes in order to turn an implemented strategy into commercial success" (para. 8). It is his position that to achieve "execution excellence" is to realize the best possible results a strategy and its implementation will allow (Favaro, 2015, para. 9).

For Example: Imagine that SABIC decided to enter the water desalination business and to exit the fertilizer business. Once SABIC is in water desalination and out of the fertilizer business, that "strategy" (or that part of its strategy) is implemented. Now, the firm must set goals and plans for the water desalination business, establish the right incentives for employees, and create a mission statement that is to the point in the context of the goals and that will motivate and inspire followers. Certainly that is not the end of what these leaders will need to do to get the results they seek—in the context of an "implemented strategy" these are key actions, however.

What is clear from Favaro's article is that when business leaders confuse strategy, implementation, and execution, they usually end up just running a company—doing things such as setting goals and

targets; making plans and initiatives; and establishing mission, vision, and purpose statements—but they achieve very little actual strategy, implementation, or execution (Favaro, 2015).

We'll close this module with the following video.

Renée Mauborgne: Blue Ocean Strategy, Create New Markets and Leave the Competition Behind

(Source: <https://youtu.be/clp-IMpuwaQ>)

How to recreate the structure of your industry.

The term **Blue Ocean Strategy** is derived from the best-selling book by W. Chan Kim and Renee Mauborgne. In the book, they described how companies traditionally compete in *red ocean* conditions, where businesses viciously fight against each other for a share of the marketplace. Instead, according to the blue ocean strategy, organizations should find a way to work in a marketplace that is free of competitors. In essence, the authors are suggesting that competition will be irrelevant if leading companies systematically create *blue oceans* of uncontested market space ripe for growth, instead of battling the competition.

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- Grant, R. M., & Jordan J. (2012). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.
- Higgins, J. (2005) The eight 'S's of successful strategy execution. *Journal of Change Management*, 5(1), 3-13.
- Kim, W. C., & Mauborgne, R. (2015). *Blue Ocean Strategy, Expanded Edition: How to Create Uncontested Market Space and Make the Competition Irrelevant*. Boston, MA: Harvard Business Review Press.

Module Introduction

Readings

Required

- Chapter 6 (*Implementing technology strategies: Creating the conditions for innovation* through the end of the chapter) & 8 (*The international location of production* section through the end of the chapter) in *Foundations of Strategy*
- [Chapter 6 PowerPoint slides \(media/SEU_MGT510_PPT_CH06_module11.ppt\)](#) in *Foundations of Strategy*
- [Chapter 8 PowerPoint slides \(media/SEU_MGT510_PPT_CH08_module11.ppt\)](#) in *Foundations of Strategy*
- Martin, R. L. (2010). The execution trap. *Harvard Business Review*, 88(7/8), 64-71.
- Go to a full listing of [Harvard Business Review](#) (<http://eds.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/command/detail?sid=3e98b6a2-5359-49ea-bad5-de0bcece228a%40sessionmgr115&crlhashurl=login.aspx%253fdirect%253dtrue%2526db%253dbth%2526jid%253dHBR%2526site%253dehost-live&hid=126&vid=o&bdata=JnNpdGU9ZWVhc3QtOGl2ZQ%3d%3d#jid=HBR&db=bth>) publications
- Backtrack your citation by selecting the year, volume and issue number (right hand side of the screen)
- Scroll through the articles until you find the article: The Execution Trap
- Yu, D., & Hang, C. C. (2010). [A reflective review of disruptive innovation theory](#) (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=55022200&site=ehost-live>). *International Journal of Management Reviews*, 12(4), 435-452.

Recommended

- Ning, H. (2012). [How to maintain sustainable competitive advantages: Case study on the evolution of organizational strategic management](#) (<https://csuglobal.idm.oclc.org/login?url=http://search.proquest.com.csuglobal.idm.oclc.org/docview/1040853356?accountid=38569>). *International Journal of Business Administration*, 3(5), 45-51.

For Your Success

This week's module focuses on the importance of culture to strategy implementation. Critical thinking related to organizational culture and managing strategy change can be invigorating, because it certainly is complex and challenging.

You have a Critical Thinking Assignment due this week. You will also participate in a Live Session hosted by your instructor.

Learning Outcomes

1. Describe the role that organizational culture plays in realizing strategy and assess a real-world organization's strategy and culture fit.
2. Identify the organizational conditions necessary to successfully implement strategies in an innovative environment and apply them to a real-world example.
3. Identify the organizational conditions necessary to successfully implement strategies in globally diverse environments and apply them to a real-world example.
4. Evaluate the success of a specific strategy and make recommendations for improvement.

1. Just How Important Is Culture to Realizing Strategy?



In Modules 9 and 10, the emphasis for realizing strategy was on operations, organizational design, and management systems. Review **Higgins' 8-S model** and the correlation to management systems and processes. This now brings the implementation discussion to the culture of the organization and its relationship to strategy success.

Organizational culture is fundamentally about the way individuals behave in an organization to get work done. **Corporate culture**,

as defined by Grant and Jordan (2015a), most often refers to the values that senior management wants to encourage in the organization. It's difficult to define organizational or corporate cultures, but read the elements of each in the statements below. As you see, the culture might focus on teaming, cooperation, bureaucracy, front-line decision making, or open and direct performance management. The culture essentially drives how work gets done and how strategies are successfully achieved.

Read the following statements. What can you learn about an organization's culture through each?

Example #1

When I am completing a client-application form, I know that pulling the data from the information system at a later point in time is difficult. So, I keep a copy and that way I always know where to access the information. We're not supposed to do that, but it saves so much time down the road.

Example #2

I know that if I make a decision that ensures one of our customers walks away with a correct answer, my manager will support me. Even if the company policy isn't clear, I always know that the customer comes first.

Example #3

When I have a performance review, I know my manager is going to tell me about two things that I do well and two areas where I need improvement. It's the same every time.

Example #4

There are times when the salespeople get to trump my decisions; revenue is "king" in this organization.

Example #5

A group of us from different departments gets together for lunch one day a week. It's a great way to talk about the projects in which we're involved. It's the only time we really get to hear about what's going on in other units. I don't think management knows this, but without this group, these projects would keep getting stuck.

Example #6

My manager and I sit down once a quarter over coffee. I talk about things I want to learn and also what holds me back from completing some current assignments. My manager tells me about the direction of the unit and upcoming opportunities. The thing that I really like is that my manager knows what my strengths are and tells me how I am making a contribution.

Example #7

I found out the hard way that making a bad decision can wreck a career in my company. I simply will not make a decision until I know that it will be approved; it just isn't worth the risk.

What's the importance of this thing called "culture"? See what one expert has to say about it.

Adam Bryant: The Importance of Culture in the Workplace

(Source: <https://youtu.be/nDStFRcXhJQ>)

Adam Bryant discusses the amorphous nature but extreme importance of healthy company culture. Bryant writes the feature *Corner Office* for *The New York Times*. His latest book is *Quick and Nimble: Lessons from Leading CEOs on How to Create a Culture of Innovation* (<http://goo.gl/V2azMD> (<http://goo.gl/V2azMD>)).

As you can see, culture is deep-seated and comprises multiple levels.

Some Key Questions

Can organizational cultures be managed?

- People are not easily manipulated
- Attempts to change attitudes may be met with cynicism or resistance

How does culture affect performance?

- It is difficult to measure broad concepts like culture and performance
- Limited empirical evidence

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(Source: Grant & Jordan, 2015b, chap. 9, slide 14)

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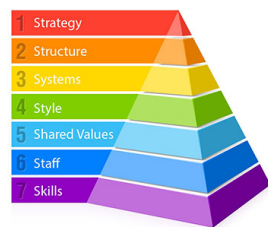
Click items in the left column to add them in order on the right. Click items on the right to remove them and try again.

Check Your Understanding

Click Here to Begin

2. Global Organizations and Strategy Implementation

A firm that is geographically dispersed such as a **multinational enterprise** (MNE) is particularly challenged in the implementation of new strategies. **The 7-S model**, also referred to as the McKinsey 7-S, is a framework that represents:



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Developed by Tom Peters and Robert Waterman, two consultants working for McKinsey in the 1980s, the framework helps align all the internal aspects of an organization to make it more effective, whether the organization is geographically widespread or operates in one location. If something within the organization is not working, it is quite possible that there are inconsistencies in or among some of the seven elements. Once these inconsistencies are revealed, the organization can then work to align the elements to ensure each is contributing to the shared goals and values.

In particular, leaders diagnosing and assessing the ability to implement strategies must consider that geographic distribution, in itself, impacts the organizational culture and subcultures. Below is a list of questions that leaders might ask in planning for strategy implementation and change in an MNE:

What are the norms?

What are the different languages, ethnicities, religions, and social norms exhibited in the workforce and among customers, suppliers, buyers, strategic partners, and other stakeholders? How specifically do these differences in norms impact the product or service?

What are the politics?

What different political forces exist and what are their relationships with the firm and various locations?
What about currency? What monetary differences exist?
What is the strength of related organizations? How weak or strong are financial institutions and legal organizations?
How about getting products or services to market? Do transportation links exist?
How will distance affect us? Are some parts of the organization geographically remote from others?
What communication modes and technologies exist? What communication links are accessible and what are the preferred communication modes?
Are the economies different? Are the economics of consumers the same or different across the geographic locations?
What can we count on? What resources are available in each location?
How do we share knowledge? How is knowledge shared across company lines?
What cultural issues exist? What is it about our products or services that may be relevant to a particular culture or country?

Overall strategy implementation planning is essential, but it is evident that managing change may be particular to the various locations and ventures, as you will see in the video below.

Globalization

(Source: <https://youtu.be/3oTLyPPrZE4>)

The world is becoming more and more interconnected. Globalization changes how people consume, work, and live almost everywhere in the world. Today, many economic, political, cultural, or ecological relationships are not explainable from a national perspective. At the same time, a controversial debate about the consequences of globalization has begun. But what are the main causes for globalization? In what areas is it most prominent? And who are the winners and losers of globalization?

Unlike those firms doing business domestically, MNEs have a slew of additional factors that are affected by engaging in business overseas. These companies must consider such things as the culture of the host country and its religion, politics, and economy (including marketing, finance, and accounting), to name a few. To be successful internationally, MNEs must preempt some of the difficulties of doing business outside the “home” by developing a well-designed business strategy. For example, McDonald's has managed to succeed in Saudi Arabia by offering various culturally and religiously appropriate specialties. Not only does the fast-food giant respect Ramadan by restricting service during fasting periods during the holy month, it also offers special menus at night. The chain adheres to local laws by segregating male and female diners.

We've seen in this week's readings and module that globalization, while expanding options and opportunities, in many ways requires careful consideration, analysis, and realignment of strategies and tactics in order to remain successful.

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<http://www.businessdictionary.com/definition/organizational-culture.html>

Module Introduction

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- [Chapter 8 PowerPoint slides \(media/SEU_MGT510_PPT_CH08_module11.ppt\)](#) in *Foundations of Strategy*
- Martin, R. L. (2010). The execution trap. *Harvard Business Review*, 88(7/8), 64-71.
- Go to a full listing of [Harvard Business Review](#) (<http://eds.b.ebscohost.com.csuglobal.idm.oclc.org/ehost/command/detail?sid=3e98b6a2-5359-49ea-bad5-de0bcccc228a%40sessionmgr115&crlhashurl=login.aspx%253fdirect%253dtrue%2526db%253dbth%2526jid%253dHBR%2526site%253dehost-live&hid=126&vid=o&bdata=JnNpdGU9ZWVhc3QtOGl2ZQ%3d%3d#jid=HBR&db=bth>) publications
- Backtrack your citation by selecting the year, volume and issue number (right hand side of the screen)
- Scroll through the articles until you find the article: The Execution Trap

Recommended

- Ning, H. (2012). [How to maintain sustainable competitive advantages: Case study on the evolution of organizational strategic management](#) (<https://csuglobal.idm.oclc.org/login?url=http://search.proquest.com.csuglobal.idm.oclc.org/docview/1040853356?accountid=38569>). *International Journal of Business Administration*, 3(5), 45-51.
- Capozzi, M. (2012). Leadership and Innovation. World Bank Organization. Retrieved from <http://wbi.worldbank.org/wbi/devoutreach/article/365/leadership-and-innovation> (<http://wbi.worldbank.org/wbi/devoutreach/article/365/leadership-and-innovation>)

For Your Success

This week's module continues the exploration of strategy implementation. You are encouraged to review previous module content to clearly understand how the various levels of strategy are interconnected.

This week you are required to participate in the Discussion Board and take the graded quiz. Refer to both your syllabus and the Discussion Board rubric.

Learning Outcomes

1. Describe the role that organizational culture plays in realizing strategy and assess a real-world organization's strategy and culture fit.
2. Identify the organizational conditions necessary to successfully implement strategies in an innovative environment and apply them to a real-world example.
3. Identify the organizational conditions necessary to successfully implement strategies in globally diverse environments and apply them to a real-world example.
4. Evaluate the success of a specific strategy and make recommendations for improvement.

1. Innovative Organizations and Strategy Implementation



Earlier in this course, we studied **competitive advantage** and the role of **innovation**. In a study by Ning (2012), findings indicate that sustaining competitive advantage requires innovation and **continuous improvement**. To innovate means that companies must be flexible and creative, and, for that to occur, the firm's environment must be conducive to stimulating and developing new ideas.

Interaction among various operatives such as information technology specialists and business units is essential. Strategy with relation to

interaction among various operatives such as information technology specialists and business units is essential. Strategy with relation to innovation is challenging—the culture of the organization plays an important role in the quest for successful implementation. The demands on structure, processes, reward systems, and people are particularly important in innovative organizations.

Study the comparison in the table below between operating and innovating organizations to get a sense of just how different implementation may be in each of these organizations:

Conditions for Creativity: "Operating" and "Innovating" Organizations

	Operating Organization	Innovating Organization
Structure	Bureaucratic. Specialization and division of labor. Hierarchical control. Defined organizational boundaries.	Flat organization without hierarchical control. Task-oriented project teams. Fuzzy organizational boundaries.
Processes	Emphasis on eliminating variation (e.g., an integral, top-down control). Tight financial controls.	Emphasis on enhancing variation. Loose controls to foster idea generation. Flexible strategic planning and financial control.
Reward Systems	Financial compensation, promotion up the hierarchy, power, and status symbols.	Autonomy, recognition, equity participation in new ventures.
People	Recruitment and selection based on the needs of the organization structure for specific skills, functional and staff specialists, general managers, and operatives.	Key need is for idea generators that combine required technical knowledge with creative personality traits. Managers must act as sponsors and orchestrators.

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(Source: Grant & Jordan, 2015b, chap. 6, slide 14)

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Ning (2012) points out that one of the greatest challenges for leaders is to be able to assess, diagnose, and plan for organizational change in an innovation-heavy environment. Recall the necessity to align systems and processes to manage change and realize strategy.

2. Knowing Success When You See It: Evaluation and Adjustment



Strategy planning is never complete without evaluating whether the strategy was successful. We have studied the importance of sound strategy implementation to realizing strategy. Implementing a bad strategy, however, often means failure.

The following video tells the story of a wrong-headed strategy implementation:

JC Penney Fires President after Failed Strategy, June 2012

(Source: <http://www.youtube.com/watch?v=lmLZMLhqN4k>)

JC Penney's recent strategy to eliminate coupons so they can compete with Target and Walmart is a miserable failure.

Strategy evaluation is based on the firm's **metrics** (<http://www.klipfolio.com/resources/articles/what-are-business-metrics>) to determine if goals have been met. Let's look at some of the factors to consider:

Revenues



Financial reports: The formal record of an organization's financial activities.

Revenue: The amount of money that a company receives for goods and services during a specific period.

Profits

The financial gain to a company, especially the difference between the amount earned and the amount spent in buying, operating, or producing something.



Customer Satisfaction

A measure of how satisfied customers are with the products or services of a company.



Supplier Satisfaction

Supplier satisfaction is essential in managing buyer-supplier relationships. Satisfaction of the supplier can enhance information exchange between the buyer and the supplier.





Industry Position

The ranking of a product or company relative to competitors in the same industry.



In all instances, the data collected may be the catalyst to initiate another round of strategy planning. The process of conducting an **external industry analysis and internal resource and capability assessment** (<http://trinitywebworks.com/blog/internal-analysis-your-competitive-advantage.html>) is a first step toward recognizing what and how to adapt strategy. Reviewing business and corporate strategies in alignment with the organization's vision and mission is imperative. Finally, assessing the strength of implementation and the flexibility and adaptability of the firm is a solid step toward continuous improvement in the quest for competitive advantage.

Check Your Understanding

[Click Here to Begin](#)

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- Grant, R. M., & Jordan J. (2012b). *Foundations of strategy* [PowerPoint slides]. Hoboken, NJ: John Wiley & Sons.
- Ning, H. (2012). How to maintain sustainable competitive advantages: Case study on the evolution of organizational strategic management. *International Journal of Business Administration*, 3(5), 45-51.

Strategy Planning

Module 13: Trends and Issues in Strategic Management

Module Introduction

Readings

Required

Chapter 10 in *Foundations of Strategy*

[Chapter 10 PowerPoint slides \(media/SEU_MGT510_PPT_CH10_module13.ppt\)](#) in *Foundations of Strategy*

Elms, H., Brammer, S., Harris, J. D., & Phillips, R. A. (2010). [New directions in strategic management and business ethics](#) (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=52533907&site=ehost-live>). *Business Ethics Quarterly*, 20(3), 401-425.

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Luchs, M. G., Naylor, R. W., Irwin, J. R., & Raghunathan, R. (2010). [The sustainability liability: Potential negative effects of ethicality on product preference](#) (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=bth&AN=52902827&site=ehost-live>). *Journal of Marketing*, 74(5), 18-31.

For Your Success

Strategy planning has so many components that students often feel overwhelmed by the amount of

content. At this point in the course, we have placed an emphasis on designed and tested theories and current ways of doing business, with an eye to the future of the field. That will serve you well as you develop your interests and career goals.

Remember that there are resources available to consult when developing strategy choices, making decisions, and planning for implementation. The critical things to remember are:

- Gather and use data; calculate and analyze.

- Know the industry and be laser-focused on the vision and mission of the organization.

- Use the resources and capabilities of the firm for optimal results; don't let internal weaknesses eat up all your resources and time.

- Use well-tested theories and principles.

- Plan for change to implement strategies.

- Evaluate and adapt; plan to improve.

This week you are required to participate in the Discussion Board (by 11:59 p.m. on Saturday night). You will also participate in a Live Session hosted by your instructor.

Learning Outcomes

- Identify the responsibilities of ethics and social programs in the context of internationalization.
- Describe the concept of management of organizational fashion and potential perils.
- Assess the impacts of macro trends (economic, environmental, technology, social, political, demographic) on strategy thinking.

1. The Changing Role of the Manager



Nothing is constant but change—have you ever heard that adage? It's true, especially in the business

and organizational-management worlds. Everyone is talking about change, and is interested in what change brings, because it likely affects what we do in our organizations and how we do it. Change is hard on people. We resist. So, to minimize disruptions, managers must develop new skills or at least update their skills as well as gauge what training and skills development is going to be necessary in their staff.

In a 2006 [report \(https://www.bcg.com/documents/file14724.pdf\)](https://www.bcg.com/documents/file14724.pdf) prepared by the Boston Consulting Group (BCG) for a skills agency in Australia, Nicholson and Nairn identified the economic rise of China and India and the consequent growth in **offshoring** as some of the factors that are changing the executive landscape. The world economy, especially those economies of developed countries, has shifted from a production economy to a service economy. Another change in the world economy is the greater focus on people performance rather than on the performance of assets. Too, innovations in technology have affected not only systems, circuits, and hardware, but also how individuals and groups communicate and perform activities of daily living.

Consider the other factors found by Nicholson and Nairn as having dramatic impacts on the way managers think and act:

Labor



The workforce is aging and being affected strongly by Baby Boomers' retirements. It is estimated that by 2025, Millennials will make up 75% of the global workforce. Being the most educated, diverse, and connected generation in history, they are going completely against normal work protocol. This is the generation of workers most likely to use social networks such as Facebook and Twitter to communicate with coworkers. To be competitive in this new age, companies should embrace social networks because these technologies not only help Millennials learn about what is going on in the industry, but also appeal to them as means of communication.

Value



The rise of shareholder value as the primary measure of a company's performance and the growing influence of the corporate governance movement are strong factors impacting management.

There has also been an increase in shareholder activism; shareholders are demanding more say in matters like corporate governance, board membership, and overall company strategy. There have been instances of activist shareholders demanding the removal of company CEOs, and sometimes sacking the entire management of companies. To respond to this changing landscape, companies must become sophisticated in preparing for and in dealing with activists. Companies must periodically review their businesses and strategies with an eye to understanding the platforms that activist investors would pursue.

Nicholson and Nairn concluded that the mindset of managers in the 21st century will undergo a transformation in the way they think about their role, interact with colleagues, consider the basis of leadership, and address their broader attitude to life. Below are some of the skills they have identified in successful managers through 2020 and beyond:

Maximize opportunities in a changing world

To do this, a “new” manager will be a continual learner who has an international perspective and is able to confidently move among global markets and cultures. She or he must be able to reflect the needs of the aging Baby Boomers and the Millennials that make up the bulk of the workforce (Blatstein, 2012).

Manage diversity in a changing workplace

To be able to do this, a manager must be able to manage three generations of workers and gain insight into how to motivate a diverse workforce (Blatstein, 2012).

Master staff performance measures based on outputs rather than inputs

To do this, a manager will need to focus not only on managing outcomes, but also on managing outputs. In the past, the advice to managers was generally not to measure inputs, processes, and outputs and rather only measure outcomes (Cox et al., 2012).

Respond to changing times with a changing mindset

To do this, a manager should be able to encourage teams and individuals to be creative. The new era is one of “hyperspecialization” where managers strive to develop specialist skills and encourage individuals to develop those special skills (Blatstein, 2012).

2. Strategic Thinking and Ethics: Today and Tomorrow



Leading organizations into the future is exhilarating, terrifying, and stimulating, and it is startling when we realize the infinite number of opportunities and threats that not only exist now but also may exist in the future. Watch the following video and reflect on what you have learned about strategy planning throughout this course:

Business is Social → A Glimpse into the Future

(Source: <http://www.youtube.com/watch?v=ujlfePzD77E>)

Futurist Peter Schwartz and a group of thought leaders talk about the consumerization of the enterprise and how social, mobile, and local technologies are accelerating this transformation. This video includes insights from Chris Anderson, *WIRED* Magazine Editor-in-Chief; Koa Shen, G.O.A.L.S. Haiti Founder; Jennifer Pahlk, from Code for America; and Peter Schwartz, Founder of the Global Business Network.

Management and Organizational Fashion: Today and Tomorrow

Based on what you heard in the video, is it any wonder that decision makers are looking for tools, frameworks, structures, and models to support strategy planning? Also, have you ever wondered about new management or organizational practices that crop up and are quickly adopted throughout the business world? These new practices may be adopted by leaders as a way to move forward quickly and to stay in balance with competitors that also have adopted the new practice.

At issue, however, is whether “going along with fashion” is valuable or risky for organizations and leaders. **Lang and Ohana** (2012) reported on an experiment conducted in 2006 by two French engineering students. The student researchers contacted more than 100 corporate executives, scientists, and consultants to gather impressions about a new fashion that had been introduced by eminent professors from the Harvard Business School. The new practice was entitled **Strategic Alignment** (<http://www.advancebusinessconsulting.com/advance!/strategic-alignment.aspx>) (SA). As part of the experiment, the SA concept had been concocted by the

Internationalization, Social Responsibility, and Ethics: Today and Tomorrow



In reference to the responsibilities described above, there are those who believe that “strategic management must start with a strong moral, ethical, and socially responsible core” (Godiwalla, 2012, p. 3). Special demands arise for companies deploying an internationalization strategy. Multinational enterprises (MNEs) deal with implementing business ethics and social responsibility strategies in different parts of the world. The basic premise is that the MNE must address the establishment of a common global social responsibility policy and, at the same time, tailor the policy and program to each country’s culture and social expectations.

Re-thinking corporate social responsibility: Andy Le Seelluer at TEDxStHelier

(Source: <https://www.youtube.com/watch?v=jga4soEi7Zs>)

Andy was recently awarded an MBE for his charity work, yet he has some unusual and controversial views on Corporate Social Responsibility.

As recently as a decade ago, business ethics were viewed only in the context of administrative compliance with legal standards and adherence to government rules and regulations. Today—especially since the 2001 collapse of Enron, a major organization in United States—the situation is different; attention to business ethics is on the rise across the world, and many companies are starting to realize that in order to succeed, they must earn the respect and confidence of their customers. Like never before, customers, governments, and stakeholders are demanding that corporations improve their business practices to emphasize legal and ethical behavior. Also, as demand has continued to grow for higher standards of corporate social responsibility, companies, professional firms, and individuals are being held accountable for their actions.

Check Your Understanding

[Click Here to Begin](#)

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Strategy Planning

Module 14: Strategic Planning – Concluding Thoughts

Module Introduction

Readings

Required

Ali, A. J., & Al-Aali, A. (2012). **Corporate social responsibility in Saudi Arabia** (<http://search.ebscohost.com.csuglobal.idm.oclc.org/login.aspx?direct=true&db=aph&AN=84187694&site=ehost-live>). *Middle East Policy*, 19(4), 40-53.

Recommended

Ahmad, A. E. M. K. (2012). **Macro-environment Influences on Health Service Strategy in Saudi Private Sector Hospitals: An Empirical Investigation** (<https://csuglobal.idm.oclc.org/login?url=http://search.proquest.com.csuglobal.idm.oclc.org/docview/1039099693?accountid=38569>). *International Business Research*, 5(5), 49.

For Your Success

This week you have your final Critical Thinking Assignment and graded quiz due. You will also participate in a Live Session hosted by your instructor.

We have identified in previous modules that the strategic management process has four basic steps: Environmental Scanning, Strategy Formulation, Strategy Implementation, and Evaluation. More importantly, strategy planning is a process by which managers decide on a set of strategies that will enable their organizations to compete while meeting stakeholders' needs. At this point in the course, we place emphasis on designed and tested theories, models, and best practices while also looking to the future of the field.

Remember that there are resources available to consult when developing strategy choices, making decisions, and planning for implementation. The critical things to remember are:

- Understand the strategic-management issues that are specific to organizations in the industry in which your organization competes.
- Evaluate the external and internal factors of your organization.
- Demonstrate an ability to create an appropriate strategy based on an organizational assessment of your organization.
- Demonstrate comprehension of strategic issues surrounding modern-day organizations, including your own organization.

Learning Outcomes

- Identify the responsibilities of ethics and social programs in the context of internationalization.
- Describe the concept of management of organizational fashion and potential perils.
- Assess the impacts of macro trends (economic, environmental, technology, social, political, demographic) on strategy thinking.

1. In Conclusion



As leaders and managers choose and manage **strategies** today, the world continues to change, forcing organizations to adapt or die. This is true in for-profit, not-for-profit, and public-sector organizations. The same challenge is found in large corporations, as well as in mid-sized or small businesses. Wise leaders think carefully about strategy planning, its history and evolution, and proven current practices. Insightful managers rely on the basic tools of strategy analysis—resource, capability, and industry analysis—that have been proven reliable and valid. Prudent leaders emphasize data analysis and effective implementation.

The Future of Work 2.0

(Source: <https://youtu.be/slK1RbPPGqY>)

Tom Malone, professor at the MIT Sloan School of Management and author of the HBR article "The Age of Hyperspecialization," explains why breaking jobs into tiny pieces yields better, faster, cheaper work—and greater flexibility for employees.

2. The Future of Strategic Management



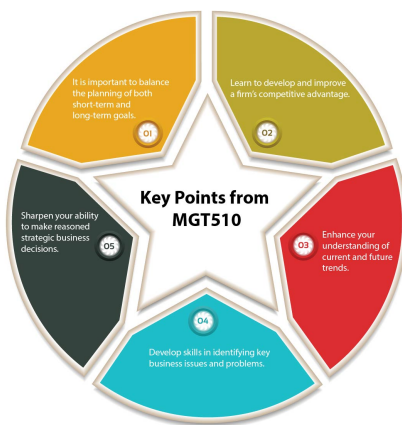
In Module 13, we looked at the changing role of managers in the 21st century. Our primary goal here is to encourage students to recognize current trends while also looking ahead, because their organization's business environment is constantly changing and new circumstances require new strategies, including critical thinking and analyses by its managers at all levels.

Bain & Company, one of the world's foremost management consulting companies, identified four trends driving strategic management. In the firm's 2015 Management Tools & Trends survey of company executives, and in the subsequent report (compiled by Rigby & Bilodeau, 2015), those trends were identified as:

understanding customers.

These four trends must be placed high on the priority scale in order for organizations to compete globally. By paying attention and being proactive in addressing these four trends, leaders can strategically manage their organization for future growth and sustainability of the organization.

In Conclusion



Click to Enlarge

Watch the final video featuring a leading strategist:

Gary Hamel: Renowned Business Strategy and Management Thought Leader

(Source: <https://youtu.be/7hBjdVGDI8>)

The Wall Street Journal ranked Gary Hamel as the "world's most influential business thinker" and *Fortune* magazine has called him "the world's leading expert on business strategy." For three consecutive years, Gary Hamel has also topped Executive Excellence magazine's annual ranking of the most sought after management speakers. Gary Hamel's landmark books, *Leading the Revolution* and *Competing for the Future*, have appeared on every management bestseller list and have been translated into more than 20 languages. His book, *The Future of Management*, was published by the Harvard Business School Press and was selected by Amazon.com as the "best business book of the year."

The course has covered topics of vision, mission, goals, strategy formulation, strategy implementation, and strategy evaluation. It also covered techniques that included industry analysis, vertical and horizontal integration, and analysis of the competitive environment. Being able to understand and apply these concepts will allow you to be a better leader in your organization.

Check Your Understanding

[Click Here to Begin](#)

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Rigby, D., & Bilodeau, B. (2015, June 10). *Management Tools & Trends 2015*. Retrieved July 28, 2015, from <http://www.bain.com/publications/articles/management-tools-and-trends-2015.aspx>

