

MOS 4410a/b | STRATEGY

# Session 05

# case framework

## Identify

- Vision – Mission
- Objectives: Financial/Non-Financial – Short Term/Long Term
- Business Model

## Evaluate

1. Industry
  - Five Forces – Look at the industry today
  - Industry/Product Life Cycle
  - Driving Forces – Look at the industry's future
    - General Environment: Demographic, Socio-cultural, Political-Legal, Technological, Economic, Global
  - Economic Traits (Nature of costs in the industry, Profit Pools)
  - Key Success Factors
  - Implications
2. Competition
  - Competitive Intelligence – Identify and understand rivals' strengths and weaknesses relative to industry KSF
  - Strategic Group Map **[ if available ]**
  - Implications
3. Company
  - Identify Current Business Strategy – Does it make sense? Why or why not?
  - Integration | Growth | Defensive | Diversification Strategies (Related/Unrelated/Test of Attractiveness)
  - Global Strategies **[ if available/applicable ]**
  - How Well Has Current Strategy Been Executed
    - Financial Performance
  - Portfolio Analysis - BCG Matrix **[ if available/applicable ]**
  - Organizational Structure/Design/Governance **[ if available ]**
  - Corporate Culture/Corporate Social Responsibility **[ if available ]**
  - Implications

### SWOT (Strengths, Weaknesses, Opportunities, Threats)

- Analysis
- Implications

### Value Chain

- Analysis
- Implications

### Competitive Advantages

- Identify – Are they sustainable?
- Implications

## Recommendations

- Consistent With Above Analysis

# strategic control

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Traditional approach is sequential

Strategies are formulated and top management sets goals

Strategies are implemented

Performance is measured against the predetermined goal set

Control is based on a feedback loop from performance measurement to strategy formulation

# strategic control

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## Informational control

Concerned with whether or not the organization is “doing the right things”

## Behavioural control

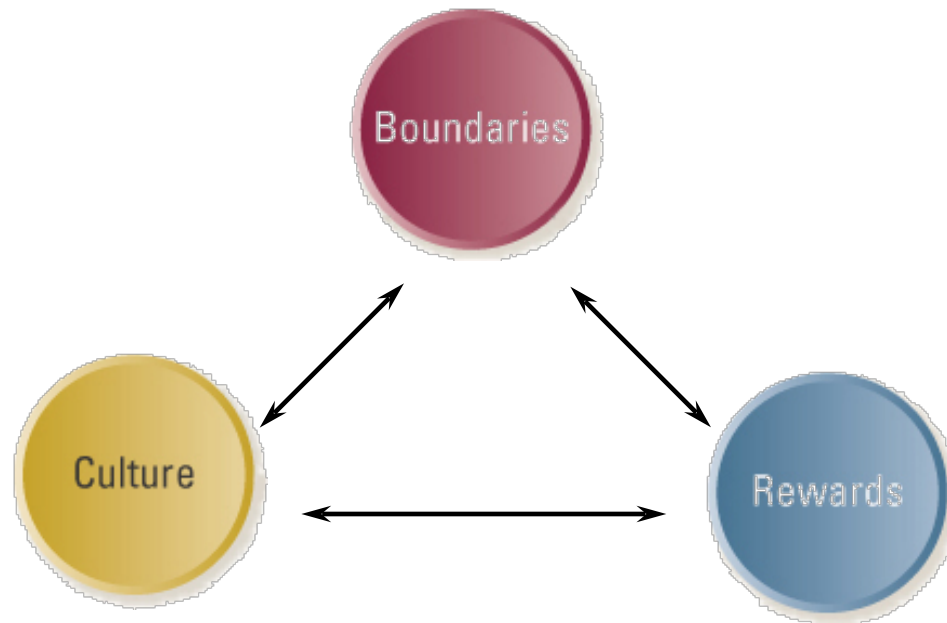
Concerned with whether or not the organization is “doing things right” in the implementation of its strategy

# behavioural control

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Behavioural control is focused on implementation - doing things right and is a balance between:

Culture | Rewards | Boundaries



# role of culture

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Culture sets  
implicit boundaries

unwritten standards of  
acceptable behaviour

Culture acts as a means of  
reducing monitoring costs

# sustaining an effective culture

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Effective culture  
must be:

cultivated | encouraged | fertilized

Storytelling...

Zappos

.com



# Strategic leadership

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# strategic leadership

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In a 1970 *Times* magazine article, the economist Milton Friedman argued that businesses' sole purpose is to generate profit for shareholders. Moreover, he maintained, companies that did adopt "responsible" attitudes would be faced with more binding constraints than companies that did not, rendering them less competitive.

# strategic leadership

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Organizational ethics is a direct reflection of its leadership

Ethical leaders must take a personal and moral responsibility for their actions and decision-making.

Leaders with high ethical standards become role models.

[Sign In](#)[Customer Service](#)[Find a Store](#)[Coffee](#)

Beans Blends Brewing

[Menu](#)

Drinks Food Nutrition

[Coffeehouse](#)

Music Wi-Fi Community

[Responsibility](#)

Values Goals Progress

[Card](#)

Register Reload Rewards

[Shop](#)

Search Compare Buy

## Being a Responsible Company

[Tweet](#)[+1](#)[Like](#)

1.8k

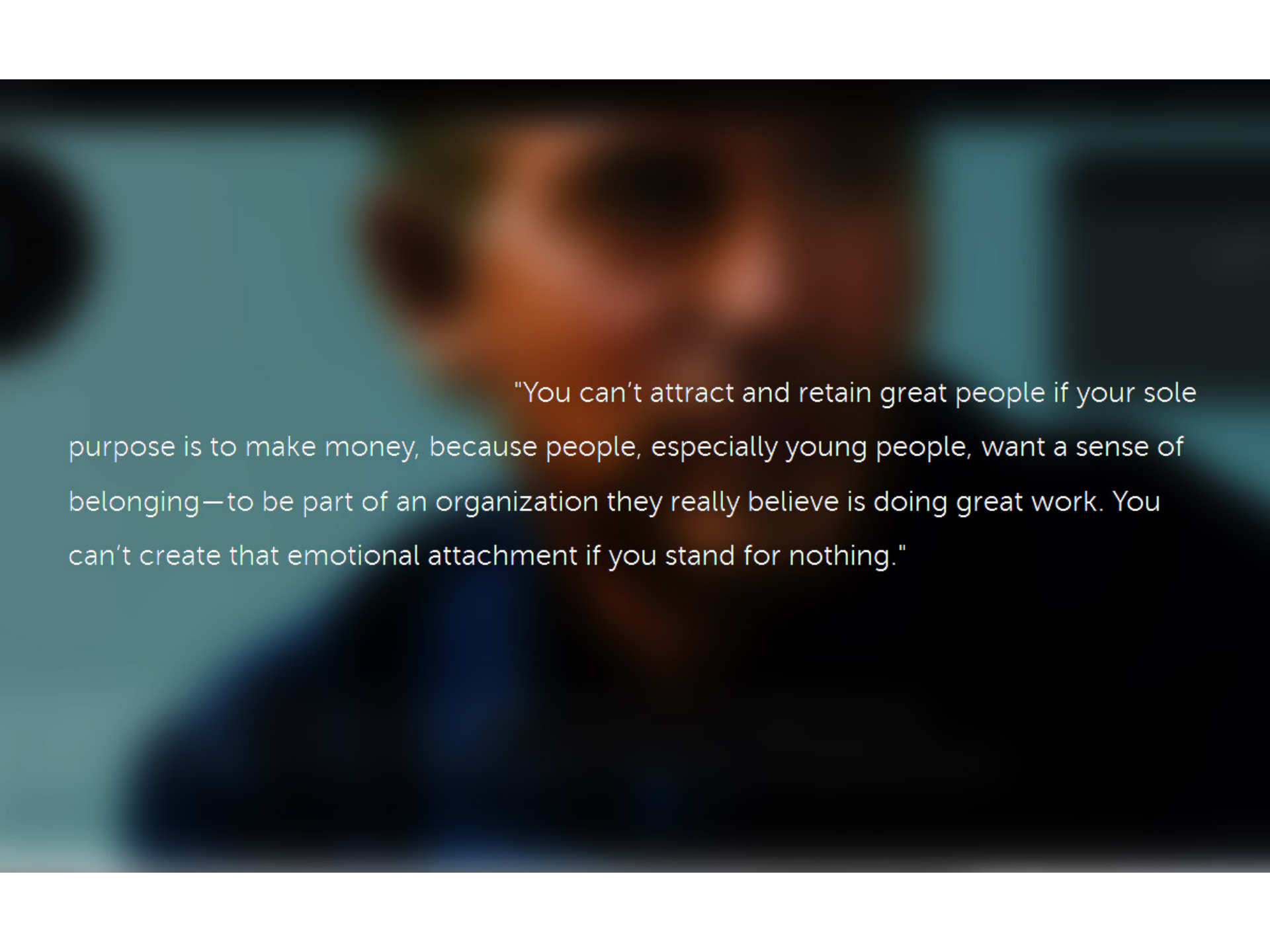
# Join your neighbors and volunteer with us.

[Let's create a stronger community.](#)[What is an Agronomist?](#)[Meet Blair Taylor, our chief community officer.](#)[See how you can get involved.](#)

We have always believed Starbucks can – and should — have a positive impact on the communities it serves. One person, one cup and one neighborhood at a time.

### We Want To Hear From You

Provide us with your suggestions on how to contribute positively to your community and the

A blurred background image showing a person's face, likely a woman, with dark hair and a warm complexion. The image is out of focus, creating a soft, bokeh effect. The colors are muted, with shades of brown, orange, and blue.

"You can't attract and retain great people if your sole purpose is to make money, because people, especially young people, want a sense of belonging—to be part of an organization they really believe is doing great work. You can't create that emotional attachment if you stand for nothing."

# Strategic leadership

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pivot  
points

RENTTHERUNWAY  
love. wear. return.

# knowledge in today's economy

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Creation of wealth in a knowledge economy:

Effective management of knowledge workers

Intellectual capital

Assets such as:

- Reputation
- Employee loyalty and commitment
- Customer relationships
- Company values
- Brand names
- Experience and skills of employees

# intellectual capital

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## Human capital:

individual capabilities, knowledge, skills, and experience  
of the company's employees and managers

## Social capital:

the network of relationships that individuals have throughout the  
organization

## Knowledge:

explicit knowledge | tacit knowledge

# intellectual capital

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Market value of the firm

subtract: Book value of the firm

= Intellectual capital

# attracting human capital

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Hire for attitude, train for skill

Emphasis on:

General knowledge and experience

Social skills

Values

Beliefs

Attitudes

# retaining human capital

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## Financial and Non-financial Rewards and Incentives

Rewards are a vital organizational control mechanism

However, money may not be the most important reason why people take or leave jobs

Exodus of employees can erode a firm's competitive advantage

# retaining human capital

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# social networks

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Knowledge workers are often more loyal to their colleagues and profession, than to their employer

# leveraging knowledge

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## Codifying knowledge for competitive advantage

Tacit knowledge

Personal experience

Shared only with the consent and participation of the individual

Explicit (codified) knowledge

Can be documented

Can be widely distributed

Can be easily replicated

Can be reused many times at low cost

# the internal audit

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Identify strengths and weaknesses in:

Management

Marketing

Finance and accounting

Production and operations

Research and development

Management information systems



achieving  
sustained  
competitive  
advantage

# competitive advantage

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Three key types of resources:

Tangible resources

Intangible resources

Organizational capabilities

# competitive advantage

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Strategic Management  
is gaining and maintaining  
competitive advantage

Anything that a firm does especially well compared to rival firms

matters | exploitable | durable | hard to copy

innovation & entrepreneurship

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Innovate  
or die

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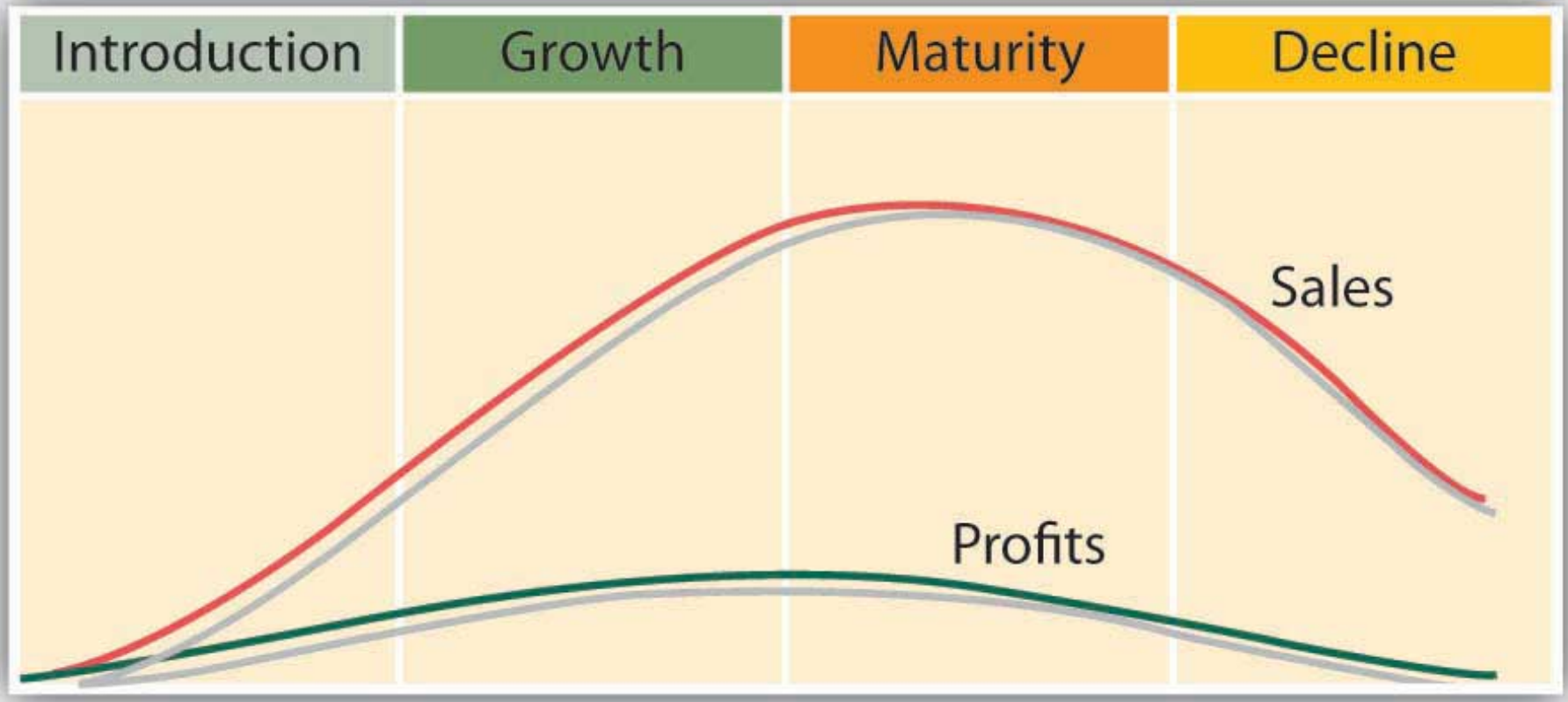
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Product Innovation

Process Innovation

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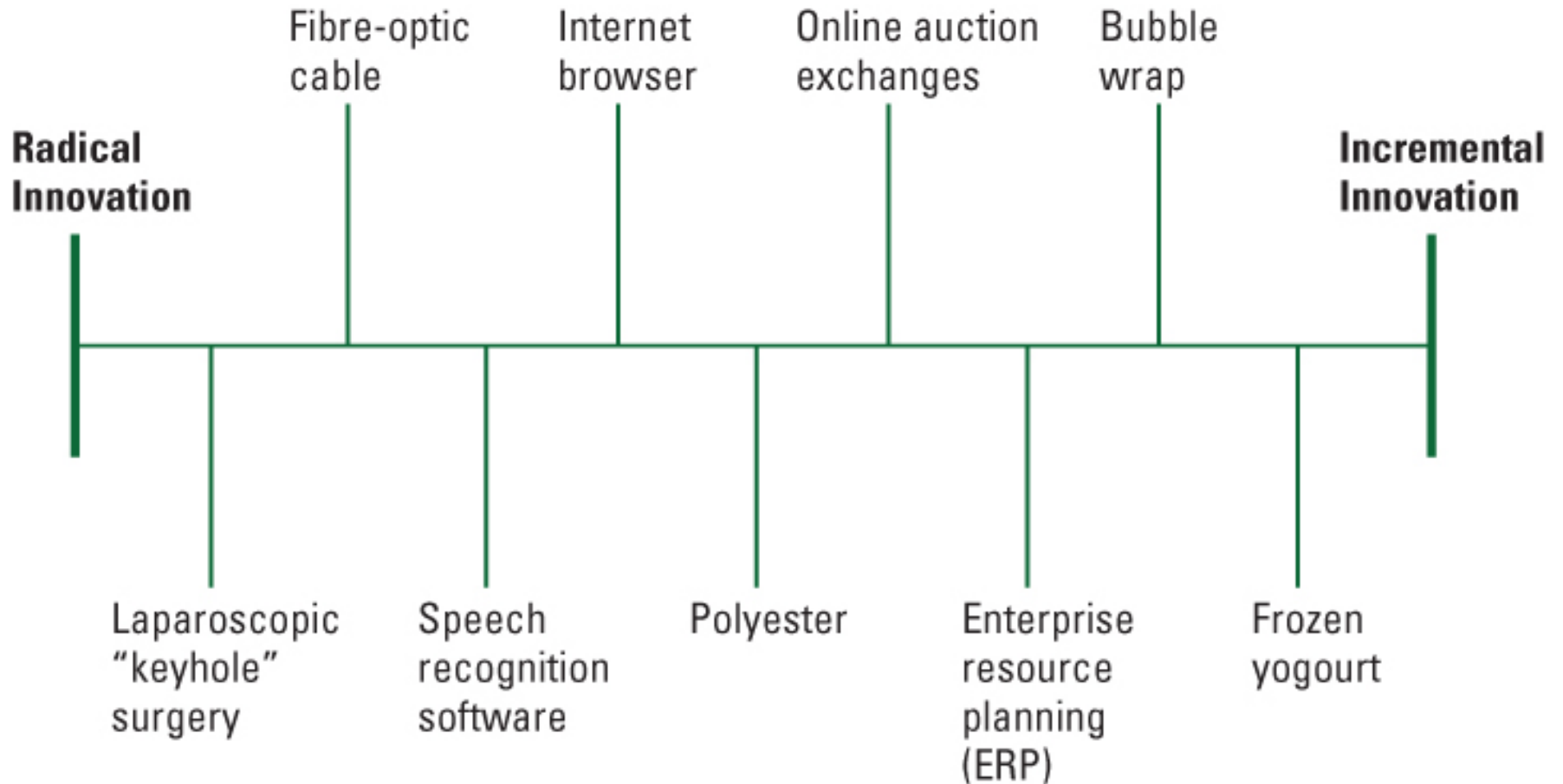
# innovation & entrepreneurship

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| Stage<br>Factor                     | Introduction              | Growth                 | Maturity   | Decline                                 |
|-------------------------------------|---------------------------|------------------------|--|---|
| Generic strategies                  | Differentiation           | Differentiation        | Differentiation<br>Overall cost leadership         | Overall cost leadership<br>Focus        |
| Market growth rate                  | Low                       | Very large             | Low to moderate                                    | Negative                                |
| Number of segments                  | Very few                  | Some                   | Many   | Few                                     |
| Intensity of competition            | Low                       | Increasing             | Very intense                                       | Changing                                |
| Emphasis on product design          | Very high                 | High                   | Low to moderate                                    | Low                                     |
| Emphasis on process design          | Low                       | Low to moderate        | High   | Low                                     |
| Major functional area(s) of concern | Research and development  | Sales and marketing    | Production   | General management and finance          |
| Overall objective                   | Increase market awareness | Create consumer demand | Defend market share and extend product life cycles | Consolidate, maintain, harvest, or exit |

# innovation & entrepreneurship

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# innovation & entrepreneurship

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## Sustaining Innovation

Energizes the market

Eg. Internet: Online Retailing

## Disruptive Innovation

Overturns the market

Eg. Discount Airlines like Southwest

# innovation & entrepreneurship

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## Five Challenges:

Seeds vs. Weeds

Experience vs. Initiative

Internal vs. External Staffing

Building Capabilities vs. Collaborating

Incremental vs. Preemptive Launch

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## Seeds vs. Weeds

Deciding the merits of innovative ideas

Seeds - likely to bear fruit

Weeds - should be cast aside

Dilemma

Some innovation projects require a considerable level of investment before merit can be determined

# innovation & entrepreneurship

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## Experience vs. Initiative

Deciding who will lead an innovation project:

Senior managers have experience and credibility  
BUT tend to be more risk averse

Mid-level employees may be the innovators themselves  
and may have more enthusiasm

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## Internal vs. External Staffing

Innovation projects need competent staff

People drawn from inside the firm may have greater social capital, know the organization's culture and routines BUT may not be able to think outside the box

People drawn from outside the firm are costly to recruit, hire, train and may have difficulty building relationships BUT may be better able to think outside the box

# innovation & entrepreneurship

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## Building Capabilities vs. Collaborating

Innovation projects often require new skills

Firms can seek help from other departments, partner with other companies that bring resources and experience

Partnerships create dependencies and inhibit internal skills development and sharing benefits of innovation may create conflict

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## Incremental vs. Preemptive

Companies must manage the timing and scale of new innovation projects

Incremental launch is less risky, requires few resources, serves as a market test BUT can undermine a project's credibility if too tentative

Large-scale launch requires more resources BUT can effectively preempt a competitive response

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# Corporate Entrepreneurship

[ an oxymoron? ]

Corporate Culture

Leadership

Structural Features (guide actions)

Organizational systems (foster learning)

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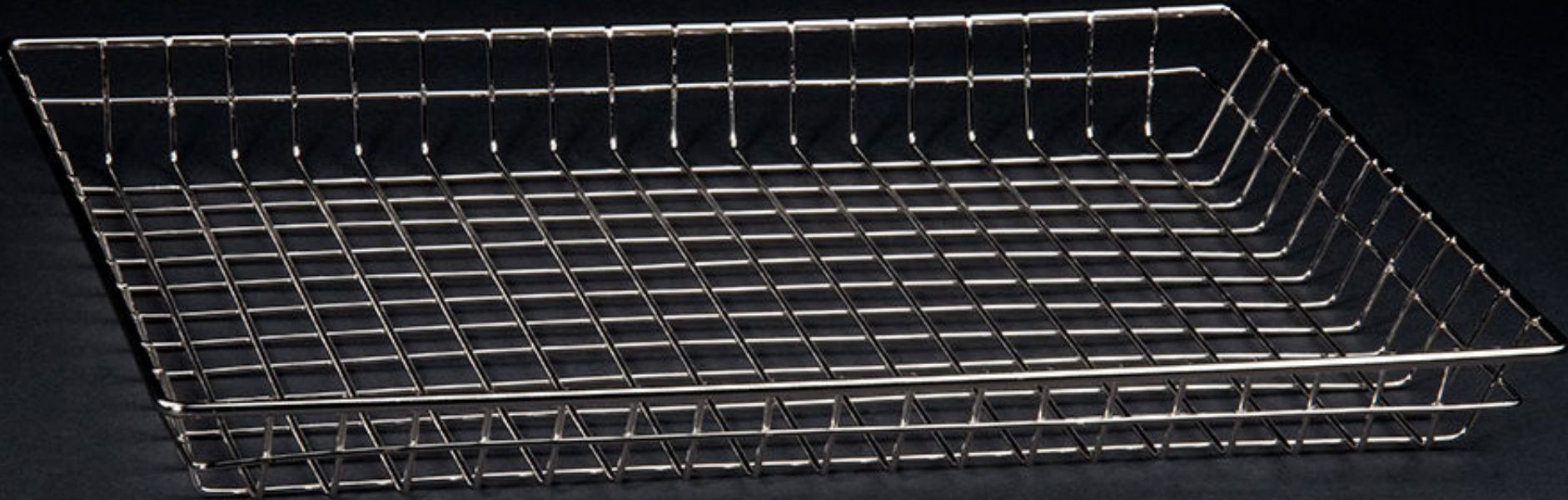
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Blue Ocean

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# Wire Baskets



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indiegogo.com