

MBAC 811 PEC

STRATEGIC MANAGEMENT

Faculty of Economic and Management Sciences

Study guide compiled by: Prof Ronnie Lotriet

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North-West University

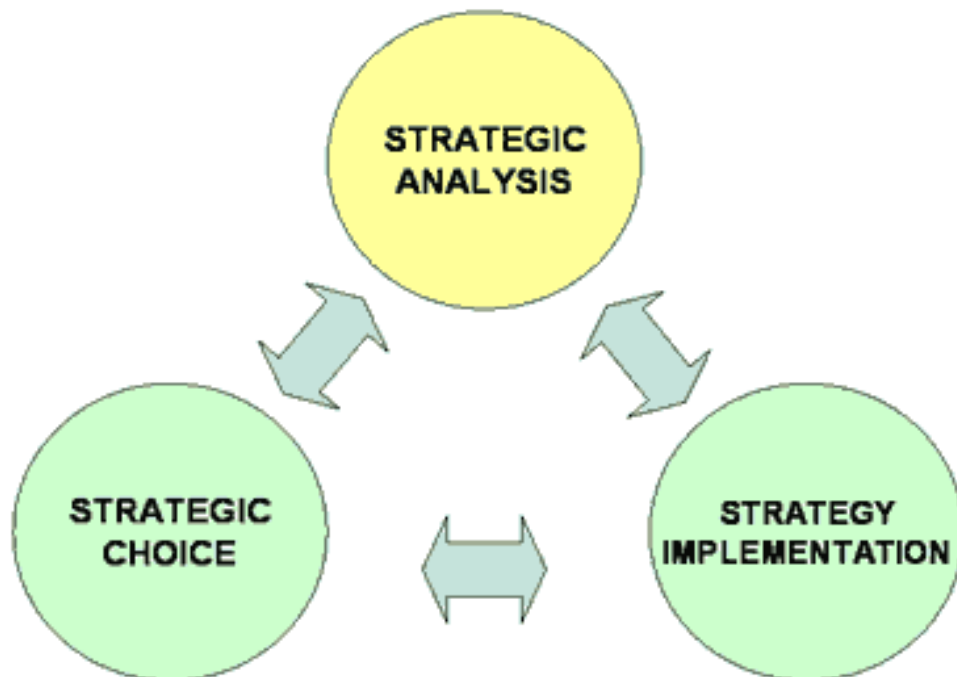
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1. Module information

Module code	MBAC 811
Module Credits	12
NQF-level	9
Module name	Strategic management
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“...the means by which a business plans for its future through a process which establishes what success will look like in a few year's time and puts in place a road map to move from where it is now to where it needs to be!”

2. Introduction

"While in an unreal and fanciful world all relevant information might be obtained and evaluated on every possible alternative, this...is in reality impracticable. It would swamp the working hours and mental capacities of those involved. So, in practice, most decisions are tackled in a piecemeal way a bit at a time. Just a few possible alternatives are compared and if a marginal improvement can be made then that does for the time being, more remote imponderable ideal solutions being left aside. Aims are reduced to what seems feasible rather than what might be desirable. Whilst now and again problems do crop up that are so large and all-of-a-piece that they cannot be dealt with in this way, the constant tendency is to "muddle through" as safely as possible." (University of Bradford Management Centre's study on strategic decision making)

This Strategic Management module is designed to provide learners with some of the best means available for the development of decision-making skills by taking a closer look at a wide range of organisations currently undergoing strategic change. All scenarios feature actual organisations – with real people and real problems. They range in size from small businesses to the industry giants.

There are a lot of smart people in the industry. If you ask them about a certain finance theory, they will happily discuss it with you. If you ask them where the stock market is heading, they'll happily give you their estimates. Along with the many reasons why.

But we are all amateurs in a probabilistic field such as investing.

So if the market's full of really smart people, why do so many fail to figure out that something bad (and occasionally something good) is about to happen?

One of the answers lies in the bias called overconfidence. It is overconfidence that makes a person 101% certain that they are right when in fact they are not. And it's overconfidence that stops us from looking at all the possible scenarios.

We're all prone to it; none of us are immune from it. Which is why you're likely to get better results if you follow three simple rules:

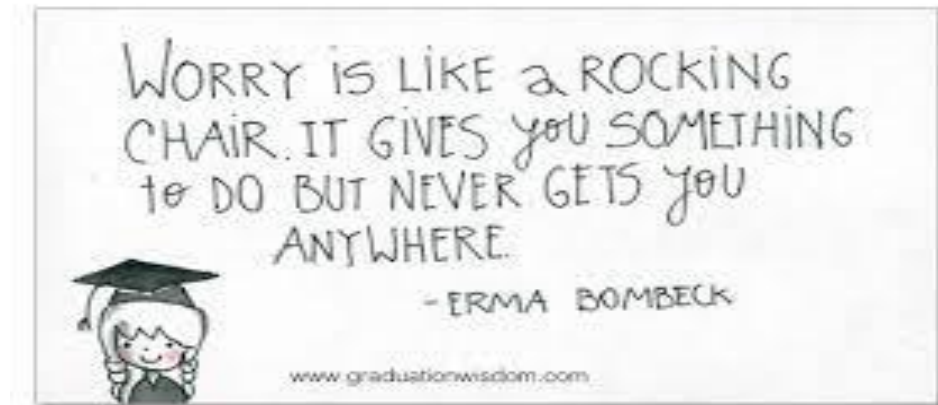
** Always question your assumptions and views – go take a serious look for the reasons*

***Know your limitations – don't buy things you don't fully understand*

****Listen to others. Find out what you are missing. The market may not always be right, but it is right most of the time. (Micheal Pireau, Streetdogs: Business Day)*

The South African marketplace has painted itself into a dangerous corner. The GDP is slowing down or relatively lower than that of our trading partners, with variables such as the inflation rate, productivity, population dynamics, skilled labour and labour unrest all in a poor state, with the end result that all of the afore going are actually destroying the competitive edge an ever-decreasing exchange rate ought to be giving us. Consequently, as business leaders, we need to constantly reinvent our companies to find the winning process in these ever changing markets. Such a winning process can be defined as *thinking strategically, and then doing it*. This is the way to surpass the art of muddling and waffling through!

- The **study guide's purpose** is to furnish you with an overview of the module content. As such, it provides information pertaining to the work programme, the lecture schedule and dates, et cetera. Please note that this study guide does not replace the NWU BS's official brochure that is available at <http://commerce.nwu.ac.za/business/mba-potchefstroom>.



3. Correspondence

All correspondence must firstly be directed to the relevant module lecturer, and only then to the Programme Manager at the following address:

The Programme Manager

Prof Ronnie Lotriet

North-West University Business School

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Private Bag X6001

Noordbrug

2522

Should you require further information with regards to a specific course or module, please contact the relevant lecturer in this regard.

4. Programme Exit Level Outcomes Matrix - Programme

*(*each module study guide will supply the specific skills)*

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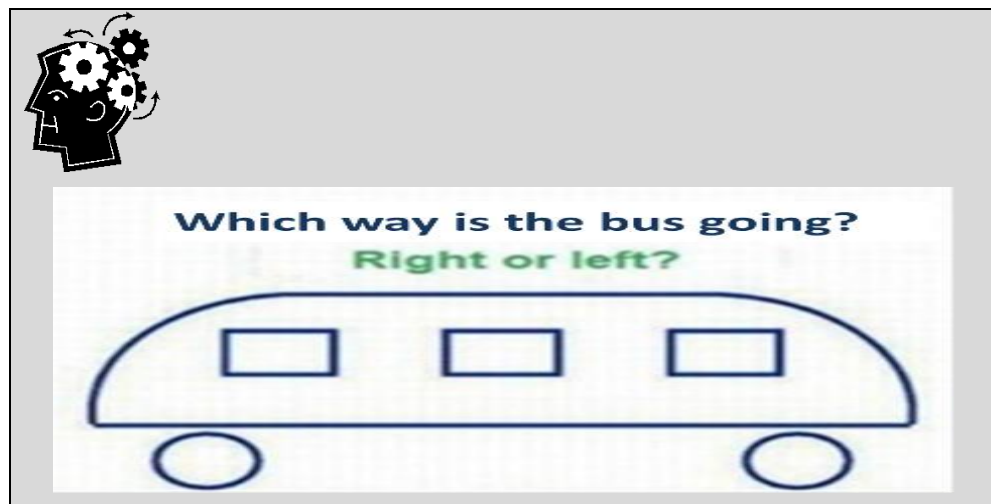
5. Module outcomes

However beautiful the strategy, you should occasionally look at the results - Winston Churchill



Strategy formulation and implementation concerns itself with the study of the processes of strategy formulation as well as the implementation thereof.

The *overall objective* is to master the relevant knowledge, practical skills and competencies required to formulate “winning” strategies against the backdrop of an ever-changing and very demanding competitive environment. The philosophical foundations, processes, structures and systems that underpin the successful implementation of such “winning” strategies are introduced and incorporated in a dynamic, integrated perspective of successful strategic management within the context of a modern business organisation.



5.1 The role and objectives of the strategic management module in terms of prescribed learning material

Module Exit Level Outcomes Matrix - Strategic Management

			MBA MODULES													
			MBAA 811 Corporate Governance	MBAA 812 Operations Management	MBAA 813 Managerial Economics	MBAA 874 Research Methodology	MBAB 821 Technology Management	MBAB 822 Strategic Talent Management	MBAB 823 Managerial Accounting	MBAC 811 Strategy Management	MBAC 812 Company Project	MBAC 813 Financial Management	MBAC 873 Research Project	MBAD 821 Leadership	MBAD 822 Marketing Management	MBAD 823 Entrepreneurship/Public Management
After completion of the Module, the student will be able to demonstrate the ability to -			Fo	Fo	Fo	Fo	Fo	Fo	Fu	Fu	Fu	Fu	Fu	Fu	I	I
SKILLS /LEVEL DESCRIPTORS	a. integrate the scope of knowledge									●						
	b. apply knowledge literacy															
	c. apply appropriate methods & procedures									●						
	d. address problem solving									●						
	e. integrate managerial ethics									●						
	f. to do research to access, process & manage information															
	g. to communicate effectively									●						

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The cornerstones of courses in strategic management involve looking at the job of managing through strategic eyes and drilling in the why's and how's of utilising the tools and techniques of strategic analysis to craft, implement and execute company strategies. The central theme of the strategic management course is that a company's chances for sustained success are greatly improved when leaders/managers:

- develop an astute, timely strategic “game plan” for running the company; and then
- implement and execute the strategic plan with great proficiency.

The content portion of the course should explain what it means to think strategically about a company's situation, and it ought to instruct the MBAs in some of the formal tools and techniques of strategic analysis, of crafting a strategy and, finally, of executing such a strategy successfully. The skills-building portion of the course, built around case analyses (strategy simulations), drills MBAs in the application of key concepts and analytical weaponry, helps develop their ability to do strategic thinking, forces them to exercise business judgment and gives them a modest but valuable dose of experience in making strategy-related decisions.

The ground that has to be covered content-wise is expansive and moderately rigorous in terms of core concepts and analytical tools, yet the subject matter has loads of energy and practical relevance. During the course, we are obliged to drive home what the roles and tasks of the strategist are, to introduce students to what strategy means, to lead them through the ins and outs of crafting and executing a strategic plan, and to instil the habit of automatically reviewing a firm's situation and re-appraising the need for strategy revision.

The overriding pedagogical *objectives* are:

- To sharpen students' abilities to “think strategically”;
- to evaluate a company's situation from the perspective of its competitiveness and performance prospects; and
- to draw sound conclusions about what actions a company's management needs to take in light of all the relevant circumstances.

Accomplishing these objectives entails introducing students to how an enterprise must, in fact, deal with all of the complexities and constraints contained within the business environment in which it operates, why none of these can be assumed or simply ignored, and how situational factors impact strategic decisions. This implies that MBAs are compelled to grapple with many determining factors at once and forced to weigh how they shape what actions need to be taken from the perspective of the total enterprise. This boils down to drilling MBAs thoroughly in the tools of strategy analysis and exercising them in the managerial tasks of sizing up a company's competitive position in the marketplace. It also implies systematically exposing MBAs to the rigors of industry and competitive analysis, to the process of evaluating a company's resources and competitive capabilities, to the ins and outs of crafting an attractive strategic plan, and to the varied managerial and leadership tasks associated with implementing and executing the chosen strategy as well as circumstances permit. And it means deliberately putting MBAs in managerial shoes and forcing them to make decisions (in an ethical and socially responsible manner!) and to concoct concrete action plans capable of producing good results.

In the midst of all this, another major purpose of the course is to be of service, in other words to help students synthesise and integrate much of the knowledge gained in the core business curriculum.

Unlike most other required business courses, Strategic Management is a *big-picture course*. Virtually all other MBA courses are narrower in scope and somewhat specialised:

principles of accounting, financial management, marketing management, economics for leaders/managers, et cetera. Some deal with the “hard side” and others the “soft side” of managing. Some relate to important concepts and information, while others involve skills-building. But no other course in strategic management can match this one when it comes to covering the spectrum of managing.

Weighing the ins and outs of crafting, implementing and executing company strategies forces a total enterprise perspective, demands that many internal and external situational considerations be dealt with at once and calls for judgments as to how all the relevant factors add up. This trait is what makes strategic management an integrative, capstone course.



Complete the following:

Winning organisations of the future will be-???

5.2 Other general outcomes

Upon completion of the STRATEGIC MANAGEMENT module, the student will demonstrate the following:

- demonstrate a comprehensive and systematic knowledge with regard to Strategic Management to specifically enable engagement in a business context;
- be able to identify, analyse and solve complex and real-world problems within a business and workplace context, specifically with regard to appropriate and effective strategic managerial behaviour, actions and decisions during the core processes of strategy formulation and implementation;
- apply research skills when solving problems relevant to the South African as well as international competitive strategic environments through insight, advanced information retrieval and processing skills, as well as the ability to present and communicate research results effectively, using the resources of academic discourse;
- demonstrate the ability to manage learning tasks professionally, autonomously and ethically at both an individual, group and business level;
- an ability to make interventions at an appropriate level within a business environment, based on an understanding of hierarchical relations (levels) within the system, and the ability to address the consequences of any such interventions; and
- be able to demonstrate the ability to analyse business cases, apply scientific case analysis methodology and to make an active contribution towards class discussions, oral reports and written assignments. This also involves the ability to perform a strategic audit when conducting detailed case analyses.



What are the three main criteria of a winning strategy?

6. Assessment Approach



Question: There is a prison with 100 prisoners, each in separate cells with no form of contact. There is an area in the prison with a single light bulb in it. Each day, the warden picks one of the prisoners at random, even if they have been picked before, and takes them out to the lobby. The prisoner will have the choice to flip the switch if they want. The light bulb starts off.

When a prisoner is taken into the area with the light bulb, he can also say "Every prisoner has been brought to the light bulb." If this is true all prisoners will go free. However, if a prisoner chooses to say this and it's wrong, all the prisoners will be executed. So a prisoner should only say this if he knows it is true for sure.

Before the first day of this process begins, all the prisoners are allowed to get together to discuss a strategy to eventually save themselves.

What strategy could they use to ensure they will go free?

6.1 Assessment criteria

The module outcomes will be mastered if the participants are able to:

- derive and practically apply the concepts and principles of strategy formulation and implementation;
- motivate the importance of a critical approach to creative and innovative strategic behaviour in all business organisations;
- connect concepts and techniques in strategy formulation and implementation to the real world and use real cases dealing with strategic issues to solve problems in ill-defined contexts;
- demonstrate specialist strategy formulation and implementation knowledge through arguments and debates in written and/or oral format;
- complete written assignments successfully in an academically acceptable manner and use information technology to communicate research results individually or in groups.

6.2 Methods of assessment

Assessment will be in both formal and summative format: Formal assessments will take the form of individual and group assignments; There is critical cross-field outcomes between the module, MBAC 811 - Strategy management (Strategic formulation), and the MBAC 812 - Company Project, (Strategic application). As a consequence these 2 modules are aligned.

The summative assessment could be in the form of one formal four-hour open-book examination or a component of the POE of the Company Project and final oral examination (panel presentations)

6.3 Assessment plan

Formative (participation mark):

Assessment method	Number	Maximum marks	Weight
Individual assignment	1	As indicated	Max. 40

Any other mini-class activities can also be incorporated	Various	(ratio adapted to contribute to formative participation mark)	20 (flexible)
Group assignment(s)	2	As indicated	Max. 40

Summative (examination mark):

Assessment method	Number	Maximum marks	Weight
Examination	1	100	100

Module mark = Participation: Examination = 50:50 (with exam sub-minimum of 45%)

7. Prescribed text(s)

- STRICKLAND *et al.* 2016 Crafting and Executing Strategy: the Quest for Competitive Advantage. 20th edition. Boston: McGraw-Hill.
- *Students have options of buying just the online eBook Connect Code or both the online code for access and the hard copy textbook. Consult the local authorised retailer(s) in this regard*
- *Any prescribed article or relevant article as indicated on either the efundi-module platform or during contact sessions*

7.1 Additional literature

- HOUGH, J *et al.* Crafting and executing strategy in South Africa: the quest for sustainability – concepts & cases. 2nd edition. McGraw-Hill
- THOMPSON, J; SCOTT, J.M & MARTIN, F. Strategic management: Awareness and change. 7th edition. Cengage Learning: Australia.
- AGUILAR, FJ. General Leaders/managers in Action. New York: Oxford University Press.
- BATES, DL & ELDREDGE, DL. Strategic Management: An integrative perspective. New Jersey: Prentice-Hall.
- CAMPBELL, A & LUCHS, KS. Core Competency Based Strategy. London: Thompson.
- GAMBLE, GE & THOMPSON, AA. 2012. Essentials of Strategic Management. New-York: McGraw-Hill.
- GOOLD, M, CAMPBELL, A & ALEXANDER, M. Corporate Level Strategy. New York: Wiley.
- GRUNDY, T & BROWN, L. 2002. Your Own Strategy Consultant. London: Thomson.
- HILL, CWL & JONES, GR. Strategic Management: An integrated approach. 7th ed. Houghton Mifflin.
- HITT, MA, IRELAND, RD & HOSKISSON, RE. Strategic Management: Competitiveness and globalization. 4th ed. South Western.
- LOUW, L & VENTER, P. 2012. Strategic Management – Developing sustainability in southern Africa. 4th edition. Cape Town: ABS Press.

- LYNCH, R. Corporate Strategy. London: Pitman.
- MATHUR, SS & KENYON, A. Creating Value: Successful business strategies. 2nd edition. Boston: Butterworth Heinemann.
- PORTER, ME. The Competitive Advantage of Nations. New York: The Free Press.
- PORTER, ME. Competitive Advantage. Creating and sustaining superior performance. New York: The Free Press.
- PORTER, ME. Competitive Strategy. Techniques for analysing industries and competitors. New York: The Free Press.
- ROBINSON, G. Strategic Management Techniques. Durban: Butterworth's.
- RUDANSKY-KLOPPERS et al. 2012. Business Cases. Oxford University Press.
- SHRIVASTAVA, P. Strategic Management: Concepts and practice. Cincinnati: South Western.
- THOMPSON, AA, PETERAF, MA, GAMBLE, JE & STRICKLAND, AJ. 2012. Crafting and Executing Strategy. The quest for competitive advantage: Concepts and cases. 18th ed. Boston: McGraw-Hill.
- THOMPSON, AA, FULMER, WE & STRICKLAND, AJ. Readings in Strategic Management. Boston: Irwin.
- THOMPSON, JL. Strategic Management: Awareness and change. 4th ed. London: Thompson.
- WARREN, K. Competitive Strategy Dynamics. New York: Wiley.
- WHITE, C. Strategic Management. Palgrave MacMillan.

8. Themes covered in this module

"...perhaps we have not perceived quickly enough that we are in a society which is changing radically. We've laid our plans on the basis that the future will be substantially the same as the past, and however good the plans have been, however fine the goals which we have set ourselves – and many people have done extraordinarily well – they have lacked the crucial element of a more realistic view of the future." – Gavin Relly, (previous) chairman of Anglo American Corporation

- Leaders/managers at all companies face three central questions in thinking strategically about their company's present circumstances and prospects: What's the company's present situation? Where does the company need to go from here? How should it get there? Asking the question, "What's the company's present situation?", prompts leaders/managers to evaluate industry conditions and competitive pressures, the company's current performance and market standing, its resource strength and capabilities and its competitive weaknesses. "Where does the company need to go from here?" pushes leaders/managers to make choices about the direction the company should be headed in — for example, what new or different customer groups and customer needs it should endeavour to satisfy, what market positions it needs to be staking out, what changes in its business makeup are needed. "How should it get there?" challenges leaders/managers to craft and execute a strategy - a full-blown action plan - capable of moving the company in the intended direction, growing its business and improving its financial and market performance.
- The scope and dynamics of strategic management:
 - E Integration and strategic alignment
 - E The strategic management process

- Analysis of the macro-environment: Critical variables and assumptions
- Analysis of the operating environment: Industry, competitor and market analysis
- Internal organisational assessment and formulation of strategic issues
- Concept and analytical tools:
 - E Analysing a company's external environment
 - E Analysing a company's internal environment (resources and competitive abilities)
- Crafting a strategy to create sustainable high performance:
 - E The five generic competitive strategies
 - E Tailoring strategy to fit specific industry and company situations
 - E Enterprise performance management
- Verification of strategic action plans
- The hierarchy of strategic planning: Corporate strategy, business strategy and functional strategy
- Executing and aligning the strategy:
- Building an organisation capable of good strategic execution and alignment
 - E Leadership, culture and teamwork
 - E Corporate governance and sustainability

9. Outcomes per theme

In a world that changing really quickly, the only strategy that is guaranteed to fail is not taking risks - Mark Zuckerberg

There are five themes in the Strategic Management module. The **first theme** is to teach future general and top leaders/managers to use the formulation and implementation of strategy perspective in order to make better decisions and thereby influence the organisation's chances for a successful outcome positively and to minimise the chances, and expenses, of strategic mistakes. The module will enhance your capacity to envision, anticipate and orchestrate what needs to happen and to be done in order to succeed.

Furthermore, the effective strategy formulation and implementation practices from the perspective of the board of directors and the top management team will be identified and illustrated through **the scope and dynamics of strategic management**.

The **second theme** is to investigate in greater detail the process of successful strategy formulation through **conceptual and analytical tools**. The focus is on the responsibility of the true "change agents" / organisational strategists to enhance strategy formulation through creativity amongst the top and senior-middle level leaders/managers in the organisation. This should enable the organisation to keep pace with the rapidly changing environments of the business, namely the macro- as well as the operating environment.

It focuses on the definition of the core business of the organisation, its internal strengths and weaknesses, its core and distinctive competencies and its future external threats and opportunities arising from its environment. You will need to demonstrate a meaningful grasp of all of the key internal elements of the business enterprise and the interaction between these elements as well as their significance for successful strategy formulation.

The **third theme** focuses on the personal development of the participant with the end goal in mind, namely his/her meaningful contribution to the effective **crafting of a strategy to create sustainable high performance**. This includes the development of

formulation skills and competencies and full exploitation of the innate creativity and innovative capabilities of the participant. It relates to five generic competitive strategies, tailoring strategic fit with regards to a specific industry and company situation and enterprise performance management.

The **fourth theme** is also concerned with the efficient implementation of “winning” strategies that have been formulated and, as such, focuses on the strategic thinking ability of the participant with a view to unlocking and fully utilising such ability. It relates directly to **executing and aligning the strategy** formulated and also on the building of organisations capable of good strategy execution and good strategic alignment. Essential aspects of these challenges are effective management and leadership of organisational culture and teamwork. As such, the issues of corporate governance and sustainability of the environment are essential ingredients of the winning business.

The **last theme** covers the course material in its entirety through readings about / case studies on crafting and executing strategy.



The Situation: Brain teaser – The Survival of the People

There is an island with 10 inhabitants. One day a monster comes and says that he intends to eat every one of them but will give them a chance to survive in the following way:

In the morning, the monster will line up all the people - single file so that the last person sees the remaining 9, the next person sees the remaining 8, and so on until the first person that obviously sees no one in front of himself. The monster will then place black or white hats on their heads randomly (they can be all white, all black or any combination thereof).

The monster will offer each person starting with the last one (who sees everyone else's hats) to guess the color of his/her own hat. The answer can only be one word: "white" or "black". The monster will eat him on the spot if he guessed wrong, and will leave him alive if he guessed right. All the remaining people will hear both the guess and the outcome of the guess. The monster will then go on to the next to last person (who only sees 8 people), and so on until the end.

The monster gives them the whole night to think.

The Task:

Devise the **optimal strategy** that these poor natives could use to maximize their survival rate.

Assumptions:

- 1) All the 10 people can easily understand your strategy, and will execute it with perfect precision.
- 2) If the monster suspects that any of the people are giving away information to any of the remaining team members by intonation of words when answering, or any other signs, or by touch, he will eat everyone.
- 3) The only allowed response is a short, unemotional "white" or "black".
- 4) Having said that, I will add that you can put any value you like into each of these words. For example, "white" can mean "my mother did my laundry" and "black" can mean the guy in front of me is wearing a black hat.

Hint

The hint is an example. Here is a simple strategy that will guarantee safety to 50%. Guy #10 (when he guesses) says the color of the hat on guy #9. Thus #10 may die or may luck out, but #9 will save himself since he will know his hat color. Thus #8 helps #7, #6 helps number #5, and so on. You thus save numbers 9, 7, 5, 3, and 1, or half the people. But you can do a lot better than that.

10. Regular Topics in strategic management

1. Analysis of the operating environment

- E The industry/marketing/ competitive environment
- E Industry characteristics
- E Industry value/supply chains
- E Industry driving forces

2. The competitive environment

- E Competitor analysis
- E Competitive advantage
- E Competitive intelligence

3. Keys to future success

- E Key success factors
- E The organisation's performance profile
- E The competitors' performance profiles

4. The resource-based view

- E Internal organisational assessment
- E SWOT analysis
- E Strategic benchmarking

5. The organisation's intellectual capital

- E Intangible assets
- E Competencies
- E Core competencies
- E Distinctive competencies

* The organisation's strategic architecture **Practical workshop

6. Identification of strategic issues:

- E Strategic themes
- E Potential action plans
- E Validation
- E Action plans
- E 21st century competitive paradigm

7. **Strategy and sustainable competitive advantage**
8. **Hierarchy of strategy formulation and implementation**
 - E Formulation of corporate strategy
 - E Portfolio management
 - E Related diversification
 - E Unrelated diversification
9. **Corporate strategy**
 - E Multi-national diversification
 - E Combination strategy
 - E Strategic matrices
 - E Corporate/parenting advantage
 - E Sustainability of corporate advantage
10. **Implementation of strategy**

11. Work schedule for 8 Contact Sessions & Study Schools

Lecturer/ student interaction	Date	Theme	Required reading & preparation
Study school	28 JAN-01 FEB	[A] <u>Introduction & Overview</u> ✓ Orientation: Overview of module contents & work requirements – study guide ✓ Introduction to Strategic Management & What is strategy? Why is it important? Integration and strategic alignment ✓ Introduction to writing a case analysis ✓ Various related aspects ✓ Guest lecture(s) ✓ Doing case analysis	Lecturing notes Thompson <i>et al.</i> , Chapter 1 Case study / Class topic assignment (to be announced) ☞ Start with group assignment 1 from the first day of the study school/ First block release
☞ Submit group assignment/case study (1) on last day of Study School!			
1st semester: Contact 1	09/11 FEB	[B].<u>The Scope & Dynamics of Strategic Management: Core Concepts & some Analytical tools</u> ✓ What is strategy? Why is it important? Integration and strategic alignment	Lecturing notes Study material: Notes Thompson <i>et al.</i> , Chapters 1 & 2

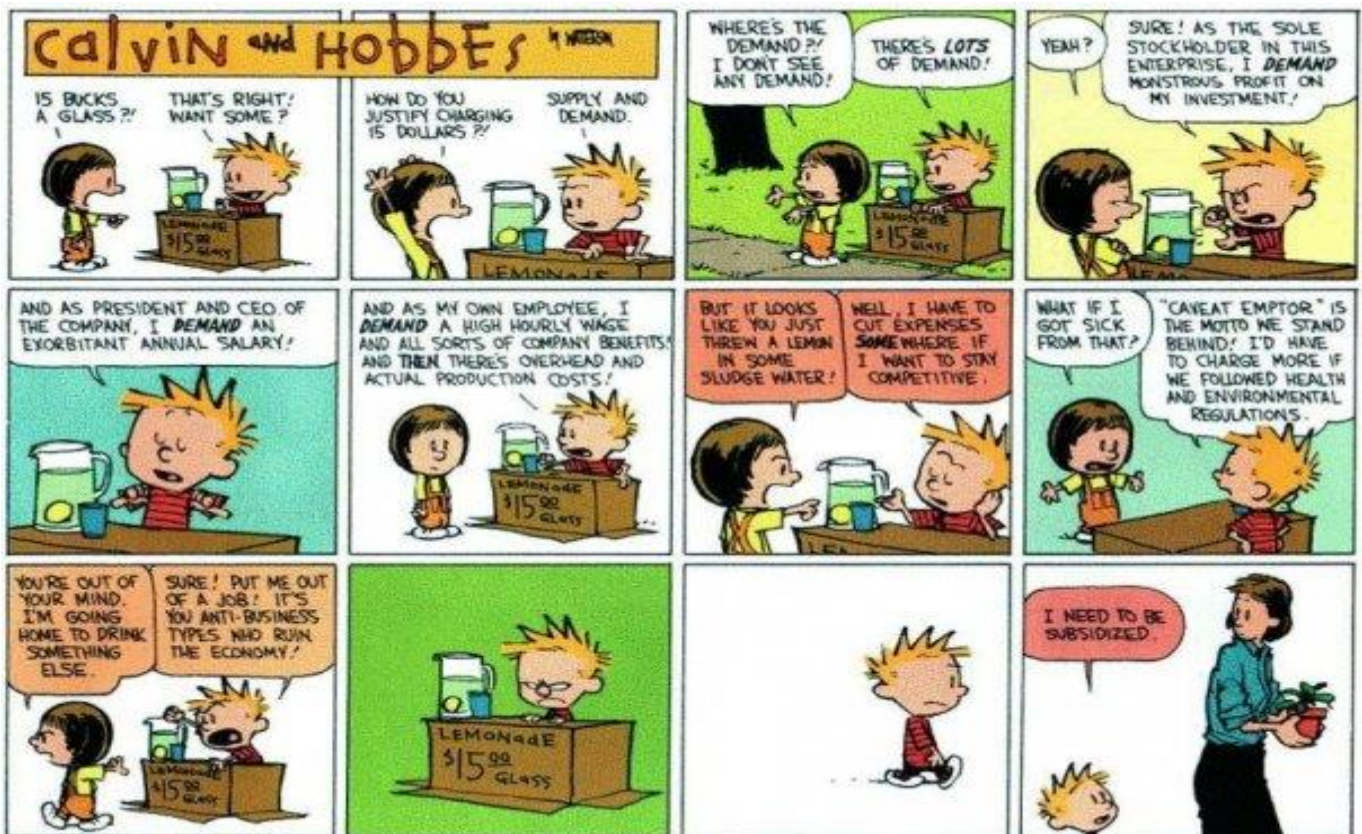
		✓ Charting an organization's direction: vision & mission, objectives & strategy ✓ Strategy formulation / Strategy implementation / Strategic thinking / Strategy formulation process: Strategic profile and objectives	Case study / Class topic assignment (to be announced)
1st semester: Contact 2	23/25 FEB	<u>[B] Core Concepts & some Analytical tools</u> ✓ The managerial process of crafting and executing strategy ✓ Developing a strategic vision; setting objectives; crafting a strategy, implementing and executing the strategy; evaluating performance and initiating corrective adjustments; corporate governance. ✓ Analysing a company's external environment	Lecturing notes Study material: Notes Thompson <i>et al.</i>, Chapter 3 Case study / Class topic assignment (to be announced) ☞ Submit group assignment 1
☞ Submit individual assignment during Contact 3!			
1st semester: Contact 3	09/11 MAR	<u>[C] Core Concepts & some Analytical Tools</u> ✓ Analysing a company's external environment ✓ Analysing an organization's internal resources and competitive abilities	Lecturing notes Study material: Notes Thompson <i>et al.</i>, Chapter 4 Case study / Class topic assignment (to be announced)
1st semester: Contact 4	23/25 MAR	<u>[D] Crafting a Strategy to Create Sustainable High Performance</u> ✓ Strategies for CA: generic strategies & beyond ✓ Strategies for changing the game	Lecturing notes Study material: Notes Thompson <i>et al.</i>, Chapters 5 & 6

			Case study / Class topic assignment (to be announced)
1st semester: Contact 5	06/08 APR	[D] <u>Crafting a Strategy to Create Sustainable High Performance</u> ✓ Strategies for International Growth	Lecturing notes Thompson <i>et al.</i> , Chapter 7 (p. 145-175) Case study / Class topic assignment (to be announced)
Feedback individual assignment during Contact 5!			
1st semester: Contact 6	13/15 APR	✓ Corporate Strategy	Lecturing notes Thompson <i>et al.</i> , Chapter 8 Case study / Class topic assignment (to be announced)
☞ Submit group assignment (2) during Contact 5!			
1st semester: Contact 7	04/06 MAY	[E] <u>Executing and Aligning the Strategy</u> ✓ Corporate Strategy ✓ Ethics, corporate social responsibility, environmental sustainability & strategy	Study material: Notes Case study / Class topic assignment (to be announced) Thompson <i>et al.</i> , Chapters 8 & 9 (self-study)
1st semester: Contact 8	18/20 MAY	<u>Executing and Aligning the Strategy</u> ✓ Building an organisation capable of good strategy execution and strategic alignment ✓ Organisational culture & Leadership ✓ Risk management pertaining to strategy	Study guide & Appendix Thompson <i>et al.</i> , Chapter 10 & 12 (self-study)
Feedback group assignment during Contact 8!			
Final preparation Final Paper!			

- Block Release 1: Work schedule of Study School + 1st FOUR contact sessions;
- Block Release 2: Work schedule of last FOUR contact sessions
- All additional material/ articles as uploaded/announced on e-fundi platform
- Scheduled of assignments for Block Release TBA according to schedule

12. Some applied strategic management issues

You will always see that the market/economic conditions have an impact on your strategic thrust-



☞ *Practical examples/applications of the context in the following media releases regarding companies' strategic issues are:*

Cell C is in the process of raising \$600 million (R8.5 billion) to prop up its balance sheet, given its crippling debt load of R23.6 billion (Oct. 2016). Says Moody's vice president and senior analyst Dion Bate in a statement: "Our review for upgrade reflects the expected reduction in Cell C's gross debt obligations to around R8.5 billion and improved leverage and interest coverage metrics as a result of approximately R16 billion of equity injections but also recognises that there are still a number of conditions that need to be satisfied." Cell C has struggled to keep up with its rivals Vodacom and MTN over the past five years, given their increasing dominance in a competitive telecommunications market with more revenue potential in data than voice. To claw back market share, Cell C has embarked on aggressive cost-cutting initiatives and focused on improving its network quality and customer service offering.

Clover Industries continues to ride out the cyclical nature of milk – with the company lifting the prices of its dairy products in response to the severe drought conditions and the oversupply of milk (2016). Add a weak rand to the cocktail of market challenges, which forced the consumer goods and beverages company to push up selling prices by 10% in April 2016 across all its dairy product categories to maintain its margin and earnings. Clover echoed the sentiments of other food producers on the impact of the sustained drought, which has hit large parts of the country with the Western Cape and Eastern Cape slightly spared. The drought resulted in increased feed costs and lower raw milk production, which prompted Clover to pass price increases to producers. “The moment when we have good crops and rain, costs will not increase as much as they did this year,”. *Product category* - Clover launched a swathe of new products including its Clover Classic yoghurt and custard range in addition to DairyBelle’s Fruits of the Forest brand, after the end of its service agreement with France-based Danone – which barred it from producing yoghurt products. *Expansion plans*- After shelving expansion plans in Nigeria and Angola last year due to foreign exchange controls and strict import regulations, Clover is focusing on growing its export markets such as Mozambique, Botswana, Namibia and more. It’s also on the prowl for acquisitions. “Going forward, we expect a similar trend of disciplined deal-making to continue. With net debt/Ebitda below 1.0x, Clover believe there is ample headroom to do more deals - should the opportunities present themselves.

- Fashion and household goods retailer **Mr Price** moved to allay market jitters emphasising that the low-price retail model is still its differentiator despite international retailers Cotton On and H&M encroaching on its space. After releasing a disappointing trading update (Sept. 2016), in which Mr Price’s retail sales grew by 1% while comparable sales declined by 2.4% for the 18 weeks to August 2016, CEO Stuart Bird said the retailer’s value offering for consumers is still intact. Mr Price blamed the sales update on unseasonably warm weather and the aggressive promotional activity by its competitors, profiting at its expense. Mr Price was often described as “defensive” because of its cash-based value model. The theory was that during tough economic times, consumers would trade down to Mr Price, putting the retailer in good stead compared to its competitors. Its preference for cash sales over credit has also been a boon. “As a cash retailer, we are the first to feel the economic impact but tend to recover earlier than competitors as consumers fear overextending themselves by taking more credit.” Mr Price’s resilience has been tested, as the ongoing arrival of international fashion retailers such as Cotton On and more recently H&M have impacted the competitive retail environment. To claw back sales growth, its focus will be on the competitive pricing of merchandise and improving the customer shopping experience (2016)
- When **Metropolitan and Momentum (MMI)** merged the buzz was all about cultural differences between Cape Town and Johannesburg, the competition authority’s no-retrenchment requirement and the dangers of big mergers. Yet it was pulled off with few noticeable hitches. Cash savings now seem to come in at double the estimated amount and natural attrition took care of the retrenchment ban, and margins are holding up. In retrospect, what helped the merger was the way it was built on the general economic recovery. Where to from here? Insurance companies are now slipping into areas once exclusively the preserve of banks, and vice versa. The winner in the next battle might not be the most focused, but the most diverse. Geographical expansion is part of that picture too, and for MMI, like many others, Africa is the first step.
- **Old Mutual’s** strategic turnaround is rather dramatic on almost all fronts. It’s been a hard and long road back to the beginning. There is a business school study to be conducted on the devastating effect of **failed international expansion**. With the Nordic business now gone, 74% of OM’s adjusted operating profit comes from

SA. Europe and the US are now not much more than outposts, delivering 14% and 6% respectively. African earnings are now almost the same as those from the US. And it's the rest of the African continent that is now the expansion focus. It is definitely a better strategy – it has to be much easier to sell insurance to people who don't yet have it than to sell insurance to First Worlders who probably already have some kind of insurance. The bugbear that OM needs to pack away in a dark box is the residual sense **that its execution is poor**. The market now clearly understands and like the new strategy. It just has to get it done this time.

- It is extremely worrying that one of the country's most celebrated entrepreneurs, Brian Joffe, says he is concerned about companies' ability to do business in SA. **Bidvest**, the highly *diversified* services and product group he heads as CEO, released interim results that were pretty good. We have employers not listening to their employees properly, and then employees demanding above-inflation wage increases. The worry is that the three pillars of the economy (business, labour and the government) are not communicating effectively with each other.
- **Eqstra** turns in respectable results despite the weak South African economy, poor global commodity prices and volatile labour relations in SA. The opencast miner, and leaser and renter of heavy equipment, is keen to establish market confidence in its geared business model. Banks are willing to lend because many of its customers are blue-chip companies, and because it has annuity income. Ideally the group would like a 50:50 revenue and profit split between SA, and also the UK, across its industrial equipment, fleet management and logistics, and contract mining and plant rental divisions. It has an appetite for "*selective and complementary*" *acquisitions* and further *diversification*, in addition to *organic growth*.
- **Investec** takes punishment in the market (specialist bank's disappointing results reflect global condition)
- **PPC** (Pretoria Portland Cement) sees sales slip but overall revenue rises 8% (however cement sales were trending upwards and order books were growing, albeit at lower margins and in the face of stiffer competition)
- Merger with **Gold Reefs Resorts boosts Tsogo Sun revenue**: Tsogo's CEO said many hotels in SA were "still financially distressed", which was creating opportunities for the country's largest gaming company to make acquisitions while it was generating about R2 bn a year in free cash flow and had very low levels of debt.
- **AVI** (owner of food and beverage brands such as Five Roses, Bakers and Willard's) added to its profitable shoe and fashion business by agreeing to pay about R400m for Green Cross, a specialist shoe manufacturer and retailer. The transaction represents a rare opportunity to acquire an established, category leading brand of relevant scale with a solid record of profitable operations.
- **Gold Fields** blames holidays for drop in output. The year-end holiday that perennially afflicts mining companies in SA was one of the key reasons for the steep fall in output at Gold Fields, but grade declines in Peru and Australia fed into the retreat, dragging down its profits.
- **Daytona Group**, which imports Rolls-Royce cars into SA, has downplayed an Australian report that the maker of the luxury marquee has recalled vehicles over faulty brakes and engines "that might burst into flames". Although there was no recall for the brake problem in SA, Daytona confirmed a Rolls-Royce recall in SA relating to an auxiliary water pump on Ghost models from April to June last year.

- **Click's** R95m plan to spruce up its brand: Clicks Group, the health- and beauty-focused retailer, will expand to Lesotho and spend R95m in the second half on opening new stores and refurbishing existing ones.
- SA's largest food company, **Tiger Brands**, confirmed that it had promoted Thabi Segoale to head its Nigerian interests, fuelling speculation it is seeking an acquisition in that country.
- **Vodacom** is having sleepless nights about its operation in the Democratic Republic of Congo. The cell operator has found itself technically no longer in possession of its majority interests in Vodacom DRC. The courts there intend to sell a big enough portion of its 51% interest to settle an amount they have decided is owed to Moto Mabanga, a South African consultant who claimed a \$41m "success fee" for his efforts to reconcile Vodacom and its Congo partners, a relationship that had decayed to the point that Vodacom executives were facing arrest back in 2007.
- Debtors, acquisitions and expansion top CEO's wish list for R1,8bn cash hoard: **Truworths International** CEO says he would rather use the clothing retailer's cash hoard to boost store credit sales and acquisitions than pay a special dividend. "I wish I could use it internally first and that's mainly on the debtor's book." The second preference is on expanding the business. The third is a great acquisition. The fourth preference is neutral between increasing dividend flow and a steady share buy-back or a combination. The least appealing option is a special dividend.



Why should an organisation do strategic planning?

Following from above, it is clear that strategic management as such have many approaches:

- A **focus on individuals** who are strategic decision makers and the processes they use in formulating and implementing strategy: Conversations with a company's top management will provide insights into the thinking of key strategists, the problems and opportunities involved in a business expansion decision, the complexity of making strategic decisions when multiple constituencies must be considered and analysing the lessons from the most-publicised business failures in recent years.
- A **focus on corporate-level strategic decisions**: Following press announcements of mergers, take-overs, and acquisitions; controversial diversification strategies; the process of corporate adaptation to a changing environment and the implementation of a major strategic decision.
- A **focus on business-level strategic decisions**: Emphasising strategic decision making in the fastest-growing segment of a specific industry, developing insights into any remarkable strategies that led a firm to industry dominance, investigating the effects of deregulation on both an industry and its leading firms, looking at contrasting perspectives on dealing with the problems associated with rapid growth in high-technology businesses for example, the turn-around of a company (and its successful enhancement of a specific business issue like quality) and the strategic response in a deregulated business environment.
- A **focus on social responsibility** requires that participants make business decisions while taking into account the impact of the organisation's values – the

so-called “triple bottom line” approach which is a prerequisite for contemporary market success.

- A **focus on international strategic decisions** features many related business problems in developing and operating joint ventures abroad: Dealing with company’s successful response to a structural change affecting a global industry, competition in the markets, strategic responses to worldwide consolidation in a certain industry (like home appliances) and the strategic decisions in companies’ duel with another one for market dominance.



What is the difference between strategic planning and annual planning?

The slow and uneven emergence from the global economic downturn has left many executives in a bind. They need to grow their businesses at a time when forces inside and outside their organisations make that task much more difficult. Having pinned their hopes on a relatively swift recovery, many global business leaders are coming to recognise they may have been overly optimistic. With more realistic expectations, executives are taking a more focused approach to the management tools they use to guide their businesses - using fewer tools to pursue revenue and profit growth, but using them more strategically.

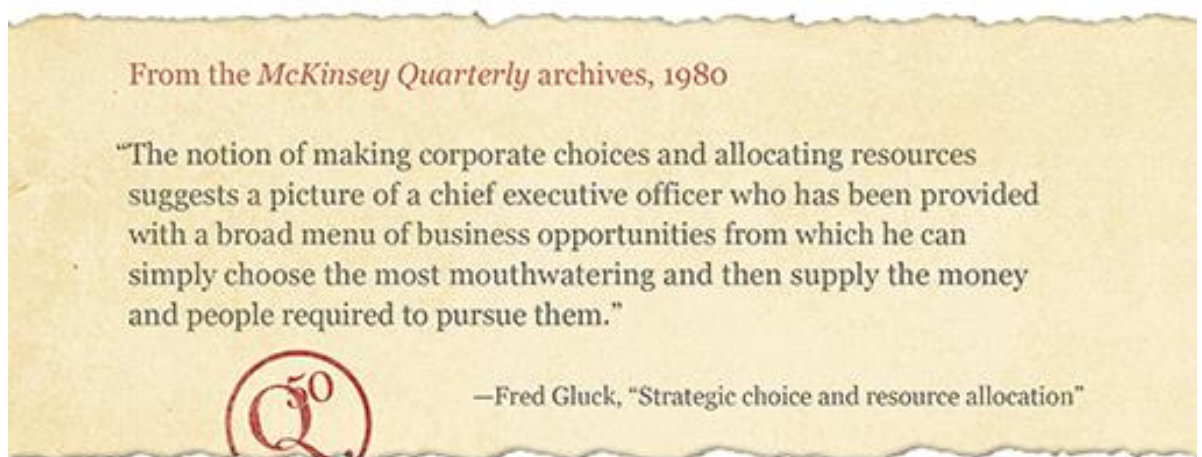
Overall, a majority of the 1,208 global executives interviewed for Bain & Company’s latest Management Tools & Trends survey see economic conditions improving in their industries (<http://www.bain.com/management.asp>). But their confidence level has slipped dramatically since the last survey in 2010, amid a slower recovery than many anticipated – and with some additional new challenges. As a result, 55% of executives surveyed are concerned about meeting their earnings targets in 2013 (see *table*).



Use this as an objective self-evaluation in connection with your own organisation or company-

The view on management trends	Agree	Disagree
We believe substantial opportunities exists to improve both <i>sustainability and profitability</i>	81%	5%
Our ability to adapt to change is a significant <i>competitive advantage</i>	75%	10%
<i>Innovation</i> is more important than cost reduction for long-term success	74%	10%
Preferences of younger generations are forcing us to change our <i>culture</i> and processes	69%	12%
We are very good at innovation	68%	14%
Customers are <i>less loyal</i> to brands than they used to be	67%	17%
Over the next three years, our <i>spending on IT</i> must increase as a percentage of sales	65%	13%
Our management actions favour <i>long-term results</i> over short-term earnings	64%	19%

Excessive <i>complexity</i> is raising our costs and hindering our growth	63%	17%
Increased <i>price</i> transparency has had a major impact on our pricing strategy	61%	12%
We will pursue <i>sustainability</i> initiatives even if they increase our costs	60%	17%
<i>Healthcare</i> costs will significantly impact our number of full-time employees over the next five years	57%	19%
Over the next 3 years, we will focus more on <i>revenue growth</i> than <i>cost reduction</i>	57%	21%
It feels like <i>economic conditions</i> are improving in our industry	57%	21%
<i>Social media</i> has improved our relationships with customers	56%	17%
I am very concerned about how we will meet <i>earnings targets</i> in 2018	55%	24%
Our top management is comfortable taking greater <i>risks</i> for higher returns	53%	24%
I am very concerned about the impact a <i>cyber attack</i> could have on our business	50%	26%
Insufficient <i>consumer insight</i> is hurting our performance	50%	24%
Our current <i>information systems</i> are constraining profitable growth	49%	27%



Twenty years ago, Bain & Co launched their first global survey of Management Tools & Trends to track executives' behaviours and attitudes through a full range of economic cycles. The latest results, as in the past, provide instructive insights into what is working and what is not, as well as what is on the minds of executives around the globe. Not surprising, *growth* is the top priority. The following were identified as Top Ten Management Tools (2012):

1.	Strategic Planning
2.	CRM
3.	Employee Engagement Surveys
4.	Benchmarking
5.	Balanced Scorecard
6.	Core Competencies
7.	Outsourcing

8.	Change Management
9.	Supply Chain Management
10.	Mission & Vision Statements

- **What is strategic management?**

Strategic management can be used to determine mission, vision, values, goals, objectives, roles and responsibilities, timelines, etc.

Here are 25 famous quotations that deal with strategy, from the battlefield to the boardroom, that will help to position strategy in your mind so that you may make it work in your company.

1. "Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win."
— Sun Tzu



2. "The essence of strategy is choosing what not to do."
— Michael E. Porter
3. "However beautiful the strategy, you should occasionally look at the results."
— Winston Churchill
4. "The best CEOs I know are teachers, and at the core of what they teach is strategy."
— Michael Porter
5. "The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself."
— Peter Drucker
6. "The purpose of a business is to create a customer."
— Peter Drucker
7. "Sound strategy starts with having the right goal."
— Michael Porter
8. "Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat."
— Sun Tzu
9. "In marketing I've seen only one strategy that can't miss - and that is to market to your best customers first, your best prospects second and the rest of the world last."
— John Romero

10. "What do you want to achieve or avoid? The answers to this question are objectives. How will you go about achieving your desired results? The answer to this you can call strategy." — William E. Rothschild
11. "There is nothing so useless as doing efficiently that which should not be done at all." — Peter Drucker
12. "What business strategy is all about-what distinguishes it from all other kinds of business planning-is, in a word, competitive advantage. Without competitors there would be no need for strategy, for the sole purpose of strategic planning is to enable the company to gain, as efficiently as possible, a sustainable edge over its competitors."
— Kenichi Ohmae
13. "The real challenge in crafting strategy lies in detecting subtle discontinuities that may undermine a business in the future. And for that there is no technique, no program, just a sharp mind in touch with the situation." — Henry Mintzberg
14. "In McKinsey's world, all of life is one of two things: strategy or organization."
— Tom Peters
15. "Strategy is not the consequence of planning, but the opposite: its starting point."
— Henry Mintzberg
20. "If you can't describe your strategy in twenty minutes, simply and in plain language, you haven't got a plan. 'But,' people may say, 'I've got a complex strategy. It can't be reduced to a page.' That's nonsense. That's not a complex strategy. It's a complex thought about the strategy." — Larry Bossidy,
21. "The expert in battle seeks his victory from strategic advantage and does not demand it from his men."— Sun Tzu
22. "The company without a strategy is willing to try anything."— Michael Porter
23. "In real life, strategy is actually very straightforward. You pick a general direction and implement like hell."— Jack Welch
24. "Strategy formulation, then, is an ongoing requirement of good management. It is, to quote Michael Porter, 'a process of perceiving new positions that woo customers from established positions or draw new customers into the market.' This is a process you must permanently embed in your organization."
— Harvard Business Review Blog Network
25. "What's the use of running if you are not on the right road."— German proverb
The purpose of strategy is to acquire customers. Are you getting all you can?

- **What is strategic planning?**

Strategic planning is a management tool, period. As with any management tool, it is used for one purpose only: to help an organisation do a better job – to focus its energy, to ensure that members of the organisation are working toward the same goals, to assess and adjust the organisation's direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organisation is, what it does and why it does it, with a focus on the future.

A word by word dissection of this definition provides the key elements that underlie the meaning and success of a strategic planning process: The process is strategic because it involves preparing the best way to respond to the circumstances of the organisation's

environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments. Thus **being strategic** means being clear about the organisation's objectives, being aware of the organisation's resources and incorporating both into being consciously responsive to a dynamic environment.

The process is about planning because it involves intentionally setting goals (i.e. choosing a desired future) and developing an approach to achieving those goals. The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions, gather and incorporate information about the present and anticipate the environment in which the organisation will be working in the future.

Finally, the process is about fundamental decisions and actions because choices must be made in order to answer the sequence of questions mentioned above. The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it and how to do it. Because it is impossible to do everything that needs to be done in this world, strategic planning implies that some organisational decisions and actions are more important than others – and that much of the strategy lies in making the tough decisions about what is most important to achieving organisational success.

- **What is the difference between strategic planning and long-range planning?**

Although many use these terms interchangeably, strategic planning and long-range planning differ in their emphasis on the "assumed" environment. Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the plan's reliability over the duration of its implementation. In the late fifties and early sixties, for example, the US economy was relatively stable and somewhat predictable, and, therefore, long-range planning was both fashionable and useful. On the other hand, strategic planning assumes that an organisation must be responsive to a dynamic, changing environment (not the more stable environment assumed for long-range planning).

Certainly a common assumption has emerged in the non-profit sector that the environment is indeed changeable, often in unpredictable ways. Strategic planning, then, stresses the importance of making decisions that will ensure the organisation's ability to successfully respond to changes in the environment.

- **What is strategic thinking and strategic management?**

Strategic planning is only useful if it supports strategic thinking and leads to strategic management – the basis for an effective organisation. Strategic thinking means asking, "*are we doing the right thing?*" Perhaps, more precisely, it means making that assessment using *three key requirements* about strategic thinking: having a definite purpose in mind; an understanding of the environment, particularly of the forces that affect or impede the fulfilment of that purpose; and being creative in developing effective responses to those forces. It follows, then, that strategic management is the application of strategic thinking to the job of leading an organisation.

Dr Jagdish Sheth, a respected authority on strategic planning, provides the following framework for understanding strategic management: Continually asking the question, "Are we doing the right thing?" It entails attention to the "big picture" and the willingness to adapt to changing circumstances and consists of the following *three elements*: Formulation of the organisation's future mission in light of changing external factors such

as regulation, competition, technology and customers and development of a competitive strategy to achieve the mission and the creation of an organisational structure which will deploy resources to successfully carry out its competitive strategy. Strategic management is adaptive and keeps an organisation relevant. In these dynamic times, it is more likely to succeed than the traditional approach of *"if it ain't broke, don't fix it."*

- **What strategic planning is not!**

Everything said above to describe what strategic planning is can also provide an understanding of what it is not. For example, it is about fundamental decisions and actions, but it does not attempt to make future decisions (Steiner). Strategic planning involves anticipating the future environment, but the decisions are made in the present. This means that over time, the organisation must stay abreast of changes in order to make the best decisions it can at any given point – it must manage, as well as plan, strategically. Strategic planning has also been described as a tool – but it is not a substitute for the exercise of judgment by leadership.

Ultimately, the leaders of any enterprise need to sit back and ask, and answer, *"What are the most important issues to respond to?"* and *"How shall we respond?"* Just as the hammer does not create the bookshelf, so the data analysis and decision-making tools of strategic planning do not make the organisation work – they can only support the intuition, reasoning skills and judgment that people bring to their organisation.

Finally, strategic planning, though described as disciplined, does not typically flow smoothly from one step to the next. It is a creative process, and the fresh insight arrived at today might very well alter the decision made yesterday. Inevitably the process moves forward and back several times before arriving at the final set of decisions. Therefore, no one should be surprised if the process feels less like a comfortable trip on a commuter train but rather like *a ride on a roller coaster*. But even roller coaster cars arrive at their destination, as long as they stay on track!

- **What is a strategic plan?**

In strategic planning, it is critical to formally consider how your organisation will accomplish its goals. The answer to this question is a strategy. There are a variety of formal definitions for strategies, but everyone fundamentally agrees that a strategy is the answer to the question *"How?"* *"Strategies are simply a set of actions that enable an organisation to achieve results"*(MAP for Nonprofits, St. Paul, MN). *"Strategy is a way of comparing your organisation's strengths with the changing environment in order to get an idea of how best to complete or serve client needs"* (Jim Fisk & Robert Barron, *The Official MBA Handbook*).

Essentially, there are three different categories of strategies: organisational, programmatic and functional. The difference among the categories is the focus of the strategy: Organisational strategy outlines the planned avenue for organisational development (e.g. collaborations, earned income, selection of businesses, mergers, etc.). Programmatic strategy addresses how to develop, manage and deliver programmes (e.g., market a prenatal care service to disadvantaged expectant mothers by providing information and intake services in welfare offices). Functional strategies articulate how to manage administration and support needs that impact the organisation's efficiency and effectiveness (e.g. develop a financial system that provides accurate information using a cash accrual method).

- **When should a strategic plan be developed?**

Strategy development follows the creation and affirmation of the organisation's purpose statement, environmental and programme data collection and analysis, and identification of critical issues. It is critical that strategy development follows these steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection. Each of these steps provides the following: The purpose statement, the statement of the organisation's ultimate goal and the direction to which the strategies should ultimately lead.

External market data and programme evaluation results provide critical data to support strategy development. Without this information and insight, the organisation's strategies will not be in alignment with or effective in the marketplace. The critical issues list serves as the specific focus and framework for the activities of the organisation and the pattern of these activities (developing and selecting the strategies).

- **How are strategies developed?**

Strategy formulation is a combination of rational, scientific examinations and educated, intuitive best guesses. Many individuals are overwhelmed by the idea of developing strategies, but it can be a fun and invigorating process.

The process entails examining the organisation's critical issues, determining how the organisation's strengths and skills can be employed to address the critical issues, analysing opportunities and strengths and looking for ways to synthesise the two and exploring and choosing the best approaches for the organisation. During this evaluation, ask these key questions: *Does the strategy meet/address critical issues? Is this aligned with our mission? Is this approach financially viable?* One effective method of strategy generation is to list critical issues and organisational strengths onto flipcharts and then have staff or board members brainstorm possible uses of those strengths or other skills to address the critical issues.

Once the brainstorm session is completed, use a roundtable discussion to investigate and evaluate the possible strategies. Remember to develop a list of alternative strategies to investigate and keep in the contingency planning file. It is important not to discount the ideas that come to people during non-working hours.

The Polaroid camera is the result of a three-year-old's question to her father: "Dad, why can't I see the picture now?"

- **What are some tools for analysis and planning?**

A number of analytical tools have been developed to assist organisations with the planning process. Many organisations have adapted these tools, modifying the questions and criteria to align with their own specific services and markets. Listed below are just two examples of analytical tools used by organisations.

- **SWOT Analysis:** SWOT analysis is a methodology of examining potential strategies derived from the synthesis of organisational strengths, weaknesses, opportunities and threats (SWOT). The partnering of the different elements and the extensive data collected as a result of the analysis can serve as a spark for roundtable discussions and refinement of current strategies or generation of new strategies.
- **The MacMillan Matrix:** This strategy grid is specifically designed to assist non-profit organisations to formulate organisational strategies. There are three assumptions underlying this approach: The need for resources is essentially

competitive, and all agencies wanting to survive must acknowledge this dynamic given that resources are scarce; there is no room for direct duplication of services to a single constituency – this is wasteful and inefficient. Mediocre or low-quality service to a large client population is less preferable to delivering higher quality services to a more focused population. These assumptions have implications that are difficult and painful for many organisations and individuals. It might mean terminating some programmes to improve core services and competencies; giving programmes and clients to more efficient, effective agencies or competing aggressively with those programmes that are less effective or efficient. MacMillan's matrix examines four programme dimensions that guide placement on the strategy grid and indicate implied strategies:

- *Alignment with Mission Statement:* Services or programmes that are not in alignment with the organisational mission, unable to draw on existing organisational skills or knowledge, unable to share resources and/or unable to coordinate activities across programmes should be divested.
- *Competitive Position:* Competitive position addresses the degree to which the organisation has a stronger capability and potential to fund the programme and serve the client base than the competitive agencies.
- *Programme Attractiveness:* Programme attractiveness is the complexity associated with managing a programme. Programmes that have low client resistance, a growing client base, easy exit barriers and stable financial resources are considered simple or "easy to administer". The level of programme attractiveness also includes an economic perspective or a review of current and future resource investments.
- *Alternative Coverage:* Alternative coverage is the number of other organisations attempting to deliver or succeeding in delivering a similar programme in the same region to similar constituents.

The MacMillan Matrix provides ten cells in which to place programmes that have been reviewed in terms of these four dimensions. Each cell is assigned a strategy that directs the future of the programme(s) listed in the cell (e.g., aggressive competition, joint venture, orderly divestment, etc.). One cell of the matrix, "Soul of the Agency," requires additional explanation. These are the difficult programmes for which the organisation is often the client's "last, best hope". Management must find ways to use the programmes in other cells to develop, piggyback, subsidise, leverage, promote or otherwise support the programmes in this category. (Adapted from: http://www.pim.com.pk/faq.htm#Str_Mgt)

13. Key challenges for the strategist

Anthony Manning said that "sooner or later, every business becomes obsolete". As such, he identified in the *New Age Strategist* seven key factors that are at work to ensure that no matter how well any firm is doing, its success will be short lived:

- **Challenge – Rapidly increasing competition from new and unsuspected sources:** A new breed of individuals and companies, and a new group of countries, are battling for the high ground in the world's markets.
- **Challenge – Changing consumer demographics and psychographics:** Society is being restructured and mentally reordered with people living through a whole new set of experiences with transformed values. Buying behaviour is undergoing a radical transformation.

- **Challenge – New technology is changing the bases of competition:** There are many current revolutions which add up to a new set of possibilities in the design and delivery of goods and services, and in every aspect of the way we do business. They introduce quantum changes in what we can do...and therefore in how we compete.
- **Challenge – The new global economic structure:** Money flows faster than the speed of light and electronic impulses make it instantly available, everywhere and anywhere. Time zones are irrelevant, so 24-hour decisions are the new reality. Exchange rates are factored into literally everyone's bottom line.
- **Challenge – The swing from manufacturing to services:** Information is the new strategic resource. Ideas are the new corporate energy resource that requires thinking people. Service forms a growing part of every sale.
- **Challenge – The new proliferation of corporate stakeholders:** Every stakeholder demands a "share of voice" in business. They each have a different view of what's right or wrong, acceptable or unacceptable. Their different goals are seldom the same as management's.
- **Challenge – Managing the new workforce and coping with a shortage of skills:** The South African workforce has undergone major changes in the last decade alone – it mirrors the polarisation in our society. Trade unions have gained enormous power in the negotiating process.

But just remember: Although these challenges all signal problems ahead, they offer untold opportunities as well!

By way of conclusion, I want to take you to one of the final points of interest made by Thomas Peter and Robert Waterman in their nationwide number 1 bestseller *In Search of Excellence*:

Many of today's leaders/managers – MBA-trained and the like – may be a little bit too smart for their own good. It is a strange contradiction that may really hold – called the smart-dumb rule. The smart ones are the ones who shift direction all the time, based upon the latest output from the expected value equation: The ones who juggled hundred-variable models with facility; the ones who designed complicated incentive systems; the ones who wire up matrix structures. The ones who have 200-page strategic plans and 500-page market requirement documents that are but step one in product development exercises.

Our "dumber" friends are different. They just don't understand why every product can't be of the highest quality. They just don't understand why every customer can't get personalised service, even in the potato chip business. They are personally affronted when a bottle of beer goes sour (Heineken). They can't understand why a regular flow of new products isn't possible, or why a worker can't contribute a suggestion every couple of weeks. Simple-minded fellows, really: simplistic even. Yes, simplistic has a negative connotation. But the people who lead the excellent companies are a bit simplistic. They are seemingly unjustified in what they believe the worker is capable of doing. They are seemingly unjustified in believing that every product can be of the highest quality. They are seemingly unjustified in believing that service can be maintained at a high standard for virtually every customer, whether in Missoula, Montana or Manhattan. They are seemingly unjustified in believing that virtually every worker can contribute suggestions regularly. It is simplistic. But it may be the true key to inducing astonishing contributions from tens of thousands of people.

Of course, what one is simplistic about is vitally important. It's a focus on the external, on service, on quality, on people, on informality, those value content words we noted. And those may very well be things – the only things – worth being simplistic about. One

executive said that it was important for his people to want to be “the best” at something. He does not really care very much what.

But so many can’t see it. They always have practical, justifiable, inevitable, sensible, and sane reasons to compromise on any of these variables. And your companies will remain remarkably successful.

14. Assignments:

14.1 Individual assignment:

Total:[56]

Due date: Consult work schedule

Length limitation: 8 typed 1½-spaced pages. You have to adhere to this length limitation. The eight pages *include* (any) addendums.

☞ *Structure* your answers according to the question numbering sequence and sub-number to illustrate the various facts!. *No essays will be allowed!*

☞ Study the prescribed case study provided (or on the eFundi platform or in this study guide) and answer all of the following questions: (*or: To Be Announced!*)

QUESTIONS / VRAE:

Choose the one best answer from each of the various options presented to you. Only write down the option that you have chosen / *Kies die een beste antwoord van elk van die verskeie opsies aangebied. Skryf slegs die opsie neer wat jy gekies het* (10)

(1) In choosing among strategy alternatives, company managers

- A) should recognize that they are duty-bound to make as much money for shareholders as possible and that any and all strategic actions that are legal are entirely permissible and defensible in pursuit of this duty.
- B) have no compelling duty to craft a strategy whose elements are considered ethical—their only real duty is to craft a strategy that is calculated to yield a sustainable competitive advantage.
- C) are well-advised to go beyond merely keeping a company's strategic actions within the bounds of what is legal and consider whether the various pieces of the company's strategy are compatible with ethical standards of "right" and "wrong" and duty—what a company should and should not do.
- D) should take the position that any strategy that is legal can be defended as appropriate and well within the company's right to pursue—any notion that managers should have a moral conscience in making strategic choices is totally inappropriate in business situations.
- E) should recognize that outsiders have no right to pressure a company to observe so-called moral and ethical standards—there is no validity to the notion that a company's strategy should pass any so-called test of moral scrutiny.

(2) The difference between a company's strategy and a company's business model is that

- A) a company's strategy is management's game plan for achieving strategic objectives while its business model is management's game plan for achieving financial objectives.
- B) the strategy concerns how to compete successfully and the business model concerns how to operate efficiently.
- C) a company's strategy is management's game plan for realizing the strategic vision whereas a company's business model is the game plan for accomplishing the business purpose or mission.
- D) strategy relates broadly to a company's competitive moves and Business approaches (which may or may not lead to profitability) while its

- business model relates to whether the revenues and costs flowing from the strategy demonstrate that the business is viable from the standpoint of being able to earn satisfactory profits and returns on investment.
- E) A company's strategy concerns how to please customers while its model concerns how to please shareholders.
- (3) Which of the following is most integral to the responsibility of top executives to ensure a company has a sound, cohesive strategic plan?
- A) Requiring operating excellence as the company's primary core value.
 - B) Delegating the responsibility of setting objectives and formulating the details of strategy to key midlevel and frontline managers
 - C) Gathering information about what key rivals are doing and then developing a strategic plan based on this data
 - D) Effectively communicating the company's vision, objectives, and key strategy components to key personnel and exercising due diligence in reviewing lower-level strategies for consistency and support of higher-level strategies
 - E) Addressing conflicts among midlevel and frontline managers in their development of the company's vision, mission, objectives, and key strategy components.
- 4) Which one of the following is not among the chief duties/responsibilities of a company's board of directors insofar as the strategy-making, strategy-executing process is concerned?
- A) Hiring and firing senior-level executives and working with the company's chief strategic planning officer to improve the company's strategy when performance comes up short of expectations
 - B) Being inquiring critics and exercising strong oversight over the company's direction, strategy, and business approaches
 - C) Evaluating the caliber of senior executives' strategy-making/strategy-executing skills
 - D) Instituting a compensation plan for top executives that rewards them for actions and results that serve stakeholders' interests, most especially those of shareholders
 - E) Overseeing the company's financial accounting and financial reporting practices.
- (5) Which of the following is not a major question to ask in thinking strategically about industry and competitive conditions in a given industry?
- A) How many companies in the industry have good track records for revenue growth and profitability?
 - B) What strategic moves are rivals likely to make next?
 - C) What are the key factors for future competitive success?
 - D) Does the outlook for the industry present the company with sufficiently attractive prospects for profitability?
 - E) What forces are driving changes in the industry, and what impact do these changes have on competitive intensity and industry profitability?
- (6) Which one of the following pairs of variables is least likely to be useful in drawing a strategic group map?
- A) Geographic coverage and degree of vertical integration
 - B) Brand name reputation and distribution channel emphasis
 - C) Product quality and product line breadth
 - D) Level of profitability and size of market share

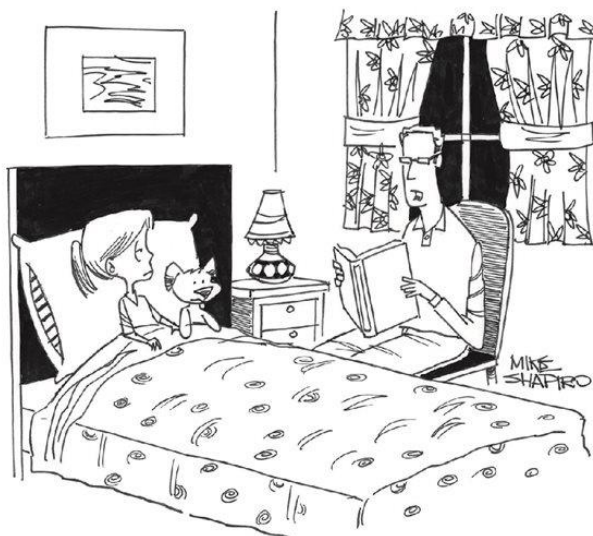
- E) Price/quality range and whether the company's product appeals to many or few types of buyers.
- (7) To build a competitive advantage by out-managing rivals in performing value chain activities, a company must
- A) position itself in the industry's more favorably situated strategic group.
 - B) develop resources strengths that will enable it to pursue the industry's most attractive opportunities.
 - C) develop core competencies and maybe a distinctive competence that rivals don't have or can't quite match and that are instrumental in helping it deliver attractive value to customers or else be more cost efficient in how it performs value chain activities such that it has a low-cost advantage.
 - D) outsource most all of its value chain activities to world-class vendors and suppliers.
 - E) eliminate its resource weaknesses.
- (8) Perceived value and signaling value are often an important part of a successful differentiation strategy because
- A) of the diversity of buyer needs and preferences.
 - B) buyers seldom will pay for value they don't perceive, no matter how real the value of the differentiating extras may be.
 - C) most buyers are heavily influenced by clever ads that signal value.
 - D) differentiation is all about smoke and mirrors.
 - E) there are no other ways to differentiate a commodity product.
- (9) Merger and acquisition strategies
- A) are nearly always a superior strategic alternative to forming alliances or partnerships with these same companies.
 - B) may offer considerable cost-saving opportunities and can also be beneficial in helping a company try to invent a new industry.
 - C) are a particularly effective way of pursuing a blue ocean strategy and outsourcing strategies.
 - D) seldom are a superior strategic alternative to forming alliances with these same companies because of the financial drain of using the company's cash resources to accomplish the merger or acquisition.
 - E) are one of the best ways for helping a company strongly differentiate its product offering and use a differentiation strategy to strengthen its market position.
- 10 Commonly encountered market conditions that must be considered when choosing among strategic options include:
- A) Rapidly growing markets.
 - B) Mature, slow-growth markets.
 - C) Stagnant or declining industries.
 - D) Fragmented markets comprised of a large number of relatively small sellers.
 - E) All of the above.

2. What are the key change drivers in Accor's macro-environment and what impact are they likely to have on the firm? Use a table format as illustrated (12)

Factors?	Changes/drivers?	Implications (likely impact)

3. Relate to the types of industry structure within the context of the case study (4)

4.



“... The third little pig wanted to build a wolf-proof brick house. But the other two pigs thought that would take away resources from their budgets, so they talked him out of it right before the wolf killed all three of them.” (McKinsey & CO, 2018)

Think about the resources and capabilities that Accor possesses. (4a) Identify examples of the key resources covered in the case study. 4(b) What do you think are Accor's key

strengths and significant weaknesses? (4c) Apply the “VRIO” tests to Accor and determine its distinctive competitiveness. (12)

5. (a) Which of the generic strategies most closely fit the competitive approach that Accor is taking? / *Watter van die generiese strategieë is mees tiperend van Accor se mededingende benadering?* (8)
6. How well is the strategy of Accor performing financially? (Do the applicable financial ratio analysis based on the information in the exhibit). Justify by illustrating the formulas and calculations clearly / *Evalueer Accor se strategie op grond van die maatskappy se finansiële prestasie soos bewys word deur toepaslike finansiële verhoudings uit die tabel te bereken. Toon duidelik die formules en berekenings* (10)

In hierdie gevallestudie mag u nie die gevallestudie opdateer nie (byvoorbeeld, die uitwerking van 'n onlangse samesmelting). U moet die gevallestudie suiwer op grond van SLEGS die gegewe feite en inhoud ontleed! (U sal nie in u finale vraestel toegang tot enige onlangse data hê nie, buiten die gevallestudie wat aan u verskaf word met die gegewe feite en tendense.)

Case: Reinventing Accor - Alex Janes, University of Exeter

In October 2016, Accor CEO, Sebastien Bazin announced the launch of his company's latest hospitality brand. Jo&Joe was designed to blend hostel, hotel and private rental formats in a new type of accommodation aimed at millennials. This was part of the French hotel chain's aggressive strategy to counter the potential threats from digital players such as Airbnb and HomeAway. It was also the latest in a series of changes to the firm's portfolio of hospitality brands.

Company Background

The Accor Group was created in 1983 and brought together the various hotel brands that Paul Dubrue and Gerard Pelisson had developed or acquired since starting the Novotel hotel chain in the 1960s. The two entrepreneurs, neither of whom had a background in hospitality, opened their first Novotel in 1967 adjacent to Lille airport. Their formula for success was very different from the established strategies followed by hotels in the 1960s and 1970s. Novotel took the idea of the standardized hotel concept, popular in the USA, and transported it to Europe. It introduced a range of innovations for its three-star hotels, such as a bathroom for every guest room, telex facilities, direct-dial telephones in guest bedrooms, and outdoor amenities such as swimming pools, children's play areas and free car parking, all of which quickly became standard in the new breed of out-of-town hotels. The hotel chain also treated its staff very differently – with much less hierarchy and job specialization, employees were encouraged to move location and learn a range of functions to maximize flexibility. The group created its own corporate university in 1985: the Academie Accor.

Pelisson and Dubrue expanded their business by building new hotels and then acquiring other chains. During the 1970s Novotel was growing by an average of one hotel per month. The company began its international growth in 1973 with its first hotel outside France in Warsaw, Poland. In 1974 the firm launched a new two-star hotel brand with the first Ibis hotel, which opened in Bordeaux. This was followed in 1975 by the acquisition of rival three-star operator, Mercure. 1980 saw the firm make its most dramatic acquisition yet, with the purchase of four-star deluxe hotel chain, Sofitel. It now had nearly 200 hotels in 22 countries.

The group then expanded into related businesses. In 1982, the acquisition of Jacques Borel International took it into the catering and food services sector with the Ticket Restaurant concept. By the time the Accor group was formally created in 1983, it had 440 hotels, 1,500 restaurants and 35,000 employees in 45 countries. The group's growth

continued throughout the rest of the 1980s and 1990s. Accor entered the budget end of the market in 1985 with the creation of Formule 1, a one-star motel brand, and in 1990 it acquired the Motel6 chain, which gave it a larger presence in the USA. The firm also expanded in Asia with developments in China and Thailand. The early 1990s were a tough time for the group in the aftermath of the First Gulf War and the subsequent reduction in travel. However, Accor proved it was capable of reinventing itself and in 1993 completed a comprehensive overhaul of the Novotel brand and its business model, which had become rather tired and much imitated. It also launched a new economy brand of hotel, Etap, in 1991 in response to the tough economic conditions.

In 2001, Accor started to move into a wider range of businesses with the acquisition of Employee Advisory Resource Ltd in the UK, which specialized in employee assistance programmes. The following year it acquired Davidson Trahaire, Australia's leading human resources (HR) consulting firm. The services business had grown from the pre-paid ticket restaurants part of the business and, in 2005, it launched services in Mexico and later India. This part of Accor's business continued to expand with the acquisition of a controlling stake in Motivano in 2008, an employee benefits firm in the UK, and Quasar, which offered similar programmes in Germany. In 2009 Accor further consolidated its position as a provider of pre-pay services through a joint venture with MasterCard to offer services throughout Europe.

Meanwhile the firm's hotel and leisure business was also showing significant growth. Accor created a long-stay hotel brand aimed at executive customers, Suite Novotel, in 1999. This provided 30 square-metre suites in city-centre locations for more flexible accommodation with lounge and catering facilities as well as meeting spaces. Accor continued to refresh and expand its existing brands, installing WiFi into both its economy and luxury ranges from 2003, and renaming its Formule 1 brand hotelF1 in 2008. It opened its first Ibis hotel in China in 2003 and continued to expand rapidly in Asia. The group also opened a series of Ibis and Formule 1 hotels in Brazil from 2008 onwards. Accor also launched a new business hotel brand, Pullman, and a new chain of individual economy hotels, All Seasons, in 2007. Its non-standardized offering was also extended to the upscale sector of the industry with the launch of MGallery hotels in 2008. Accor had even made a move into casinos and gambling with the creation of Groupe Lucien Barrière as a joint venture with Colony Capital in 2004.

The group divested hotels that were not performing, and also sold them to property firms and investment companies to release the capital in the asset. Some of the hotels sold

were leased back. Accor released €518 million in 2007 with the sale of 57 hotels in France and Switzerland to a consortium of real estate investment companies. This release of capital could support the two brands launched that year. In 2009 Accor sold 158 of its hotelF1 properties in France for €272 million. The capital generated by sales of real estate and divestment of underperforming hotels also supported the firm's expansion in new faster-growing markets such as China, India and Brazil. In 2009 the group opened more luxury hotels under its Sofitel brand in China.

Demerger

The rapid growth of the services and hotel businesses coupled with a poor performance in 2009, which saw the hospitality operations record a net loss of €262 million, prompted Gilles Pelisson, group Chairman and CEO, to start the process of demerging the two elements of the business. The board of directors and other stakeholders finally agreed the separation of the services and hotel businesses in February 2010, with the actual demerger taking place in June. The firm's rationale for the split centred on the view that the businesses now operated in very different business environments, and needed very different resources and skills to excel in their contrasting environments. Each business was also very capital intensive and, as separate entities, they would be better placed to attract a larger number of investors. The demerger left the majority of the group's €1.6 billion consolidated debt with the new hotel company, Accor SA, with Edenred, the renamed services company taking on €0.4 billion and Accor €1.2 billion. The hotel business had a substantially larger tangible asset base against which to offset debt. Both firms would be able to increase their level of equity funds by appealing to investors with different goals. There would be no capital ties between the firms. The demerger was also sold to stakeholders on the basis of its impact on partnerships and strategic alliances. Each of the new firms would be free to pursue different partners without the baggage of the other's business model or capital structure limitations.

Denis Hennequin became chief executive officer (CEO) of the Accor Group in December 2010, with the vision to make the firm one of the world's top-three leading hotel groups by 2015. The stage was now set for a new strategy to take the hotel group forward over the next five years.

Hennequin's Strategy

Since its separation from the services business, Accor SA had followed an ambitious expansion strategy, focusing mainly on emerging markets in the Asia-Pacific region. In

October 2011, the firm announced plans to add more than 200 hotels to its existing portfolio of 450 by 2014. The expansion would focus mainly on China, India and Indonesia, with some more limited growth in Australia and Vietnam. Accor's strategy was to seek to increase its level of activity in fast-growing emerging-country economies outside Europe. Within Europe, where the company remained the largest player in the market, expansion would be in the economy segment of the industry. Europe still accounted for more than 70 per cent of the group's revenue in 2010.

Like most of its competitors, Accor needed to find funds to pay for its expansion into faster-growth segments and regions. The decision to focus on hotels following the demerger led to the sale of some of the group's related businesses, such as casinos and catering. Accor sold its rail catering business, Compagnie des Wagon-lits, in 2010 and its 49 per cent stake in casino group Lucien Barrière in March 2011. Its gourmet dining brand, Lenôtre, was sold for €75 million the same year. However, most of the capital for expansion was raised by the sale and leaseback of the group's owned hotel properties in Europe and North America. One of the key aims of Accor's strategy under Denis Hennequin was to reduce its proportion of owned hotels and those on fixed leases from 60 per cent to between 20 and 30 per cent of the total. Again, this was becoming a common trend in the industry as firms sought to avoid taking on a high burden of debt, through what was becoming known as an 'asset light' approach. Rather than owning hotels, firms would use franchise contracts or manage the hotel under contract to the owners, or rent the property through a variable lease. Accor felt that this approach to managing its existing portfolio and developing new hotels through franchise agreements and management contracts would allow it to grow rapidly and take advantage of the new markets in emerging economies. Accor's expansion in Australia and New Zealand in 2011 was facilitated mainly through the purchase of hotel management firm, Mirvac, rather than the acquisition or development of hotel real estate.

Hennequin also recognized that the effective management of Accor's portfolio of brands would be critical to the firm's success. The group covered a wide range of segments with its 14 hotel brands. Much of its strength lay in its economy and no-frills brands such as Ibis, hotelF1 and Motel 6. The firm's roots were in the mid-market brands, such as Novotel and Mercure, but it also had the capabilities to manage and create upscale brands such as Pullman and MGallery, and succeed with luxury establishments such as its Sofitel chain. Accor's brands combined regional offerings (Motel 6 was specific to the

USA) with global hotels such as Ibis. The firm also covered the extended-stay segment with an economy brand in the USA, Studio 6, and Suite Novotel internationally.

However, it was the economy brands that were the best performers in the firm's portfolio, showing year-on-year growth of 6.3 per cent at the end of 2011 compared with 5.9 per cent growth in the upscale and midscale hotels. Accor's strategy was to focus on the Ibis mega brand and align the other international no-frills brands, Etap and Hotel Formula 1, under the Ibis Budget brand, and its other economy brand, All Seasons, under the Ibis Style brand. The positioning for the Ibis umbrella brand would be captured by the concepts of "modernity, simplicity and well-being".

Another aspect of Accor's strategy was its focus on sustainable initiatives. The group's Earth Guest programme covers a range of activities, from encouraging the procurement of fair-trade goods for use in hotels, to recycling glass, cardboard and paper. By 2011, 495 of Accor's hotels has achieved ISO14001 and more than 90 percent subscribed to the group's environmental charter. Accor was listed on the four main international indexes: Ethibel, FTSE4Good, Dow Jones Sustainability and SPI Eurozone.

The Global Hotel Industry

History

Offering hospitality and accommodation to travellers for payment dates back to antiquity and there are many examples of spas, inns and taverns in the Greek and Roman worlds as well as outside Europe. In fact, the oldest hotel in the world is the Hōshi Ryokan in Komatsu, Japan, which has been run by the same family for 46 generations and dates back to 717. However, the growth of the global industry is a much more recent phenomenon. Most hotels were, and still are, individual enterprises or family-run businesses centring on a single location. It was in the 19th century that large-scale hotels were constructed in Europe as railways replaced the stagecoach as the dominant form of transport. A further boom in hotel construction occurred in the 1920s, particularly in North America, but the real genesis of the global industry began in the 1950s and 1960s when franchising and branded chain hotels allowed rapid expansion and the development of operationally effective standardized offerings at a national and international level.

The 1970s marked the start of another key phase in the global industry, driven by Middle Eastern states and their oil revenues, the growth of mass tourism, and the opening up of China and other Asian countries. This led to a 1980s boom as hotels were built in increasing numbers next to airports, and in a wide range of new resort destinations,

catering for both tourists on vacation and commercial audiences as the conference trade grew and business became more globalized. The 1980s also marked the start of the consolidation of the industry through a series of high-profile mergers and acquisitions. If the 1980s were the boom, then the 1990s were the bust. The First Gulf War in 1991 created uncertainty in world travel markets and led to a decline in revenues for many hotel-based businesses. The decade also saw the beginning of a greater emphasis on environmental issues for the industry, as well as a range of new strategies and business models. Some hotel operators ceased to own their hotels and moved to a management company role, leasing or renting their premises, others invested heavily in customer loyalty schemes and brand extensions to cater for a wider range of tastes and wallets. Technology also had a profound effect through the introduction of the Internet, electronic reservation systems and a range of computerized systems, from stock ordering to point-of-sale facilities in restaurants and bars.

In the last 10 years, many of these trends accelerated as the industry became more competitive and technology more pervasive. The advent of Web 2.0 has meant that consumers have far more access to information about hotels, from prices to reviews, and a stronger voice in the marketplace. Guests expect to be able to use their laptops in their rooms, have access to a range of satellite channels on the TV, access a wide choice of dining styles, from fast food to à la carte, keep fit in the in-house gym, or indulge in a range of beauty and wellness therapies. Like other travel sector companies, hotel firms have also found that there are many advantages in partnerships both within the industry and with a wide range of other organizations.

Current Trends

Globally, the hotel sector was valued at between \$500 billion and \$520 billion in 2014. There was agreement that the sector had bounced back from the recession after it contracted by some 2.8 per cent worldwide in 2009. Growth of between 4 and 5 per cent CAGR (Compound Annual Growth Rate) was being forecast for the period 2015–19. Commentators were predicting that most of this growth would come from the Asia-Pacific market, which had been increasing at more than 7 per cent, as opposed to Europe, where growth was less than 1 per cent in 2010. The leisure part of the hotel industry was still dominant in 2015, accounting for more than three-quarters of the market value, with business making up the remainder. Europe and Asia-Pacific were the most valuable element of the global market, making up 40 per cent and 31 per cent of the total value of the industry in 2013. The Americas accounted for 20 per cent of the global industry's value with the remainder of the market (7 per cent) in the Middle East and Africa.

Brands continued to be an important element in the global hotel industry and, after the 2009 dip, many of the biggest chains began upgrading and refreshing their different lines. The US market was particularly sensitive to this sort of activity due to the fact that, there, 70 per cent of hotels were branded chain outlets. Rebranding in the hotel sector meant far more than just a new advertising campaign; refreshing a hotel brand often involved new interior design schemes for lobbies, communal and dining areas, as well as guest rooms. New furniture was often part of the package and new amenities in the hotel itself, from gym and fitness facilities, to spa and health and beauty treatments. The staffing profile in hotels may also be altered as a result. Page 519In some cases rebranding also resulted in the disposal of hotel properties that no longer had a good fit with the new brand and development of properties in new locations. This made this element of strategy implementation one of the most expensive for firms in the industry. From 2010 onwards most of the key players were moving away from a traditional look and feel – even in their no-frills offerings – to a minimalist, contemporary atmosphere.

Despite the investment in brands and the growth of loyalty schemes, such as Hilton's HHonours and InterContinental Hotel Group's Priority Club Rewards, it cost consumers very little to switch providers and this led to an increasingly competitive marketplace. Few of the major players competed on price alone, despite the fact that many consumers were price-sensitive in the light of the global downturn. As part of their branding, hotel chains also adopted a highly segmented approach to marketing their ranges of hotels. Innovation also played a key role in attracting and retaining customers, and many of the hotel firms were focused on extending their offer and reducing costs in all but the premium sector of the market. There was a significant tension between hotels and the growing number of intermediaries, such as online travel agencies (OTAs) and aggregation websites, which aimed to generate income by helping customers to book hotels easily and cheaply. Lastminute.com and Expedia.com were early exponents of this approach but other firms, such as Hotels.com, Kayak.com and Trivago.com, were making competition in the field much fiercer. Many of the large hotel groups had started using their loyalty schemes alongside advertising campaigns to try to get customers to book direct – in some cases offering better rates than the intermediary websites. However, a proportion of rooms were still filled through these sites, so the large players could not afford to ignore them.

In terms of geographic expansion, most of the main hotel chains were focusing on Asia-Pacific as their main growth market. North America and Europe were considered mature markets where growth was difficult to achieve without potential retaliation from other

incumbents, although there was some scope for consolidation in Europe as most hotels remained independently owned. The top players in the global industry all had plans to significantly increase their penetration of the Indian and Chinese markets. Starwood had dramatically increased its number of hotels in China from 2010 onward as had Marriott. However, most hotel firms had focused on the larger cities in each country, and this meant that real estate prices and local taxes have risen in response to demand/opportunity in cities such as Mumbai and Shanghai. Second- and third-tier destinations, such as Huangshan and Wuzhen, were becoming increasingly popular because demand was still outstripping supply and there is significant potential for growth. However, Chinese guests tended to be rather frugal with spending on lodging, preferring to use their budgets for shopping and other activities.

Spas have long provided destinations for travellers interested in improving their health, and social changes to people's attitudes towards health and fitness provided a new lease of life for this style of hotel and destination. Investment in facilities to cater for the growing interest in wellness had taken place in a wide range of hotels. This included indoor and outdoor exercise facilities, and spaces for a range of therapies, from the use of special muds and minerals to traditional geo-thermal and sea water-based cures. Hilton launched the first of 80 planned in-house spas in October 2010. Globally, the largest growth in this sector was predicted for India, Vietnam and the Philippines. Hotels were also increasingly developing holistic packages to include food, room features and wellness classes. As consumers became more interested in how and where their food was produced, and demanded more healthy options such as anti-energy or relaxation drinks, hotels had to respond. Westin Hotels announced a \$30 million investment in promoting and delivering well-being throughout its chain of hotels in 2011–12.

Consumers' environmental concerns were also driving change in the hotel industry, with a number of the main players using ISO14001 or LEED (Leadership in Energy and Environmental Design) certification as the basis for improving their sustainability. Hotel firms had then found that the changes they made improved operational effectiveness. InterContinental Hotel Group (IHG) found that its Green Engage programme not only gained it LEED certification in January 2011, but also produced 20 per cent savings due to reduced energy use in its premises. Hilton's LightStay system, launched in 2010, produced similar savings in energy and water use, which helped to reduce operating costs. Extensive rebranding activities had enabled firms such as Marriott and Starwood to change menus and make use of low-energy lighting, green bedding and beauty/personal care products.

The Internet and a range of other technologies have had a profound effect on the global hotel industry. The rise of online booking websites such as Lastminute.com, Expedia.com and TripAdvisor.co.uk, which also carry reviews, meant customers had access to much more information about hotels and the deals they could offer. However, this also made social media an increasingly important tool for marketing. The major chains now had access to much more information about their customers, and could make use of advocates with large followings on Facebook or Twitter to help spread positive messages about their hotels and resorts. Marriott ran this sort of campaign for its SpringHill Suites chain by offering a variety of incentives to guests willing to enthuse their friends about the hotel.

The Internet was also producing potentially direct threats to the hotel industry in the form of peer-to-peer lodging sites, such as Airbnb and HomeAway. While the private rented sector and holiday lets had long been indirect rivals for the hotel industry, the economic crisis and the convenience of booking via the Internet had seen this sector grow at more than double the rate of hotel bookings.

The hotel industry had always been a capital-intensive one because of the amount of equipment and furniture needed to run a full-service establishment and the cost of the real estate in the first place. Increasing reliance on and need for technology had increased this in the last few years. Hotels now had a whole range of procurement and reservation systems, databases and associated networks, plus a whole host of expert suppliers that provided these products and services. In 2011 several hotel chains were experimenting with digital concierges, especially in mid-market and economy hotels. Further changes were being seen – for example, the growth in the use of mobile technology for everything from booking and checking in to providing special maps and even, like IHG, allowing guests to use their smartphones in place of room keys.

Key Players in the Global Hotel Industry

Marriott Corporation entered the hotel business a decade before Accor and, by 2015, was the leading global hotel company. It had flagship J.W. Marriott and Ritz-Carlton hotels with deluxe accommodation for business travellers and holidaymakers; its Courtyard by Marriott and SpringHill Suites brands catered to business travellers looking for moderately priced lodgings; and the Marriott Residence Inns and TownePlace Suites were designed as a ‘home away from home’ for travellers staying five nights or more. The company operated in 88 countries and had more than 4,500 hotels in 2015, using both an owned and a franchised business model. Marriott also operated more than 2,000 rental houses and condominiums for corporates. The corporation recorded revenues of

\$14 billion for the financial year ending December 2015 and employed 127,500 staff. The firm had launched its first economy brand in 2015, Moxy, and was intent on targeting millennials more effectively so had changed its offer to incorporate mobile apps, and the use of social media platform, Snapchat. The company had developed partnerships with Netflix and Universal Music – as well as developing its own content studio to make short films for consumption in its hotels.

Perhaps the most significant development in 2015 was Marriott's takeover of the Starwood Group. Its brands included Sheraton, Le Meridien, Westin, St Regis, Element and Aloft. About half of the firm's hotels were franchised, and the rest managed on behalf of property owners or owned outright by Starwood. The company had been a relatively late entrant to a number of emerging markets, such as India and China. It opened its first hotel in Russia in 2011. Starwood was founded in 1969 and incorporated in 1980. While its growth had been very strong in 2010/11 at 16 per cent, by 2014 this had fallen to 4 per cent which led to the departure of its CEO, Frits van Paasschen in 2015. Starwood's brands were mainly high-end and this was cited as a key reason for the stalling growth as many guests – especially those in emerging economies – were seeking more value-for-money propositions. By April 2016, both boards had agreed the terms of the acquisition and the integration of the two firms was under way.

Hilton Worldwide was also headquartered in the USA and employed 164,000 in 2015. Hilton operated 4,610 hotels in 100 countries worldwide. The firm was originally known as the Hilton Hotel Corporation until it was acquired by Blackstone and taken private in 2007. Founded by Conrad Hilton in 1919, the firm owned, managed and franchised a wide range of hotels. Its portfolio of brands ranged from luxury hotels such as the Waldorf Astoria and the Conrad, through mid-priced accommodation such as Hilton and Doubletree, to value brands such as Hampton. Hilton also catered for the extended-stay executive sector through its Homewood and Home2 Suites. Recent developments had included a move towards less standardized upscale hotels like many of its rivals. The Curio collection and Canopy were intended to provide authentic experiences which reflected the local communities in which they were located.

IHG had adopted a different approach to most of its rivals and, although its company revenues were substantially lower than the other players at the top of the market, it had more hotels than Hilton, Marriott or Accor. However, most of the hotels were operated under franchise agreements. InterContinental had 5,000 hotels globally in 2016, of which over 4,200 were franchised, operating in 100 countries under the Intercontinental, Crowne Plaza, Hotel Indigo, Holiday Inn, Staybridge and Candlewood brands. Its

portfolio covered both business and leisure sectors, and offered everything from economy brands, such as Holiday Inn Express to medium-stay suite products such as Candlewood. Based in the UK, the group generated revenues of \$1.8 billion in 2015 and an operating profit of \$680 million. The majority of its portfolio was in the Americas and Europe. The Group acquired Kimpton Hotels in 2014, as US-based high-end boutique hotel operator and had also expanded its Hotel Indigo brand along with the health and wellness offering through Even Hotels. Despite being a pioneer of the 'asset light' approach in the industry the firm had moved towards managing more hotels – especially as it expanded operations in China and other parts of Asia.

The Boardroom Coup

While it was clear that Accor's financial performance had improved since the demerger, by the end of 2012 some members of the board felt the pace of change was simply not fast enough. Hennequin's strategy had increased the firm's profits, but these and other financial measures still lagged behind other key players in the industry (see Exhibit 1 for selected financial data). Worse, Starwood had knocked Accor into fifth place in the global hotel rankings, according to Euromonitor in 2011, and the French firm's global market share had fallen from 2.9 per cent in 2010 to 2.5 per cent in 2012. Starwood's strategy had taken it from 2.2 per cent market share in 2005 to 3 per cent by 2012.

Exhibit 1 - Selected financial data on Accor SA (in € mn)

	2010	2011	2012	2013	2014	2015
Revenue	5948	6100	5649	5425	5454	5581
Operating Expense	(4134)	(4177)	(3861)	(3694)	(3682)	(3801)
EBITDAR	1814	1923	1788	1731	1772	1780
Rental expense	(934)	(995)	(938)	(885)	(849)	(794)
Operating profit before tax	(12)	326	239	256	419	605
Profits after taxes	(404)	52	95	136	244	271
Assets						
Assets held for sale	813	386	156	61	347	208
Non-current assets	5555	5038	4456	4065	4795	4756
Current assents	2310	2576	2891	2877	3613	3990
Total assents	8678	8000	7503	7003	8755	8953
Equity/liabilities						
Equity	3949	3768	2993	2752	3867	3987
Long-term liabilities	2015	1850	1775	1925	2958	2916
Current liabilities	2336	2293	2699	2300	1910	2031
Liability on assets held for sale	378	89	36	26	20	19
Total liabilities and equity	8678	8000	7503	7003	8755	8953

Sources: Accor (2012) New Frontiers in Hospitality: 2011 Registration Document and Annual Financial Report, Paris, Accor; Accor (2011) New Frontiers in Hospitality: 2010 Registration Document and Annual Financial Report, Paris, Accor; Accor (2015) Feel Welcome 2015 Registration Document and Annual Financial Report, Paris, Accor.)

Accor's board was divided over what direction to take, with some of the minority shareholders from venture capital companies, such as Colony Capital and Eurazeo, favouring a faster disposal of assets and a clearer distinction between the management of the firm's properties and its hotel operations. Denis Hennequin left Accor in April 2013 and was replaced by Yann Caillère on an interim basis until a permanent appointment was made in August that year. Sebastien Bazin's appointment showed that the venture capital companies would now be able to put their strategy in place as he had been one of Colony's senior managers.

The New Strategy

Accor was well placed to achieve a leading position in the industry. It was the leading hotel group in Western Europe, the Middle East and Africa, and had a strong position in Eastern Europe, as well as in many emerging markets in Asia-Pacific and South America. In June 2016, the group had 240,000 employees in its network and more than 3,900 hotels in 95 countries. Accor's portfolio of hotels offered substantial breadth as well as depth, from luxury brands such as Sofitel, through mid-market chains such as Novotel and Mercure, to economy and no-frills offerings such as Ibis Budget (see Exhibit 2 for details of Accor's portfolio of brands).

The group had moved rapidly towards an 'asset light' structure and, by mid-2016, owned only 9 per cent of the hotels it operated, with many more managed by franchisees (32 per cent) and other properties leased or managed from property owners. During 2015 the firm's rapid expansion had continued, with more than 230 hotels opened during that year. Most of the growth (39 per cent) was in the Asia-Pacific region, but Africa and the Middle East also saw a 15 per cent expansion, and Europe and the former Soviet states 19 per cent.

Bazin and his senior management team had also shifted the emphasis of the group away from the mid-range offerings with the growth of Accor's luxury brand portfolio and the expansion of more experimental economy brands to attract millennials and younger guests. The acquisition of the three iconic hotel brands, Fairmont, Raffles and Swissotel for \$1.9 billion in 2015/16 had strengthened the firm's portfolio at the luxury end of the market. Investing in the Mama Shelter brand and the creation of the Jo&Joe and onefinestay concepts showed that the company was still able to innovate and respond to changes in the market. How successful these new moves would be, only time would tell.

Exhibit 2: Accor's brands in 2016-

Adagio was a European brand offering apartments, but with some hotel-type features – known as ‘aparthotels’. The apartments ranged from economy (sub-branded as Adagio Access) to upscale, and the services on offer could be tailored to the needs of individual guests, but each apartment was fully equipped. There were 100 Adagio ‘Aparthotels’ in 11 countries at the end of 2016.
Fairmont – acquired by Accor in 2015/16 along with two other iconic luxury hotel brands: Raffles and Swissotel. The Fairmont portfolio included hotels such as the Royal York in Toronto and the Savoy in London, as well as hotels in the Middle East and Asia. In all, there were 71 hotels in 23 countries, with plans for 20 more developments.
Grand Mercure (or Mei Jue in China, Maha Cipta in Indonesia) was launched in 2011/12 and aimed specifically at the upscale market in China. By the end of 2016 there were 13 Mei Jue hotels, two Maha Cipta and a further 16 Grand Mercure hotels in other parts of the Asia-Pacific region.
HotelF1 was a no-frills brand with 237 low-cost hotels in France.
Ibis – as noted above, Ibis was revamped to become the umbrella brand for most of Accor's economy brands in 2011. However, Ibis Hotels continued to operate alongside Ibis Styles and Ibis Budget. Ibis Hotels was the largest element of the Ibis brand in 2016, with 1,067 hotels in 65 countries. The hotels offered a standardized product appealing to both business and leisure travellers.
Ibis Budget was another of the firm's economy brands. The no-frills brand formerly known as Etap was renamed as Ibis Budget (which also replaced Hotel Formule 1 outside Europe) in 2011 and had 561 hotels in 17 countries at the end of 2016. The brand appealed mainly to business travellers.
Ibis Styles was one of the economy products offered by Accor. Originally known as All Seasons, Ibis Styles hotels were located in business areas of towns and cities, and were non-standardized despite being all-inclusive. The rebranding to Ibis Styles took place during 2011 and, by 2016, there were 339 hotels in 34 countries.
Mama Shelter had been launched in 2008 by the founders of Club Med – the Trigano family. Accor invested in the idea and helped to expand the brand

beyond Paris to a number of other cities in France and to the USA. There were five hotels in 2016, which had accommodation, restaurants, workspaces and a range of facilities aimed at young business people.
Mercure offered a boutique hotel-style experience to mid-scale travellers, and was aimed at both leisure and business travellers. Locations were city and rurally based. There were 738 hotels in 56 countries at the end of 2016.
MGallery had grown rapidly since its launch in 2009, with 85 hotels in 24 countries by the end of 2016. These hotels were upscale, and intended to appeal to both business and leisure travellers. The brand's appeal was similar to that of many boutique hotels, with distinctive identities in each location and less of a chain hotel feel.
Novotel – probably the best known of Accor's brands. There were 439 hotels in 60 countries at the end of 2016. The mid-scale chain was intended to appeal to both leisure and business travellers, with dual-purpose rooms and meeting spaces, restaurants, and so on. The hotels were located in major city centres throughout the globe. The Suite Novotel was a separate product, offering long-stay, flexible room spaces for business and leisure guests.
Onefinestay was another experimental approach to tap in to some of the emerging trends in the industry. Taking ideas from the sharing economy, the brand offered guests a range of houses and apartments to rent while their owners were not in residence. Accor provided housekeeping services and many additional extras, such as use of an iPhone
Pullman was an upscale brand, aimed mainly at business travellers. These hotels were located mainly in regional/international hub cities. The brand had expanded rapidly from 20 hotels in 20 countries in 2011 to 117 hotels in 33 countries by 2016.
Raffles was part of the newly acquired luxury portfolio that had grown from the world-famous Raffles hotel in Singapore. The brand had 12 hotels in 10 countries at the end of 2016.
Sofitel was Accor's luxury hotel brand, consisting of non-standardized accommodation, with hotels generally sited in prestigious city-centre locations and reflective of the local culture as well as the group's French roots. There were 120 Sofitels in 43 countries in 2016.

Swissotel operated 31 hotels in 16 countries in 2016, offering luxury hotel accommodation and managed apartments, aimed at both business travellers and families. The brand traded on its Swiss heritage.

Thalassa Sea and Spa was a resort brand with 18 hotels at 14 destinations in Europe, North Africa and the Middle East. Most of the resorts were located around the Mediterranean, offering guests health and beauty services as well as stunning locations.

[Sources: Accor (2012) *New Frontiers in Hospitality: 2011 Annual Report*, Paris, Accor; Accor (2012) *New Frontiers in Hospitality: 2011 Registration Document and Annual Financial Report*, Paris, Accor; Accor (2016) 'Brand portfolio', www.accorhotels-group.com. Available at www.accorhotels-group.com/en/brands/brand-portfolio.html (accessed 20 October 2016)].

[100]



14.2 Group assignment #1

- **Due date:** See the Work Schedule
- **Length limitation:** 12 typed 1½-spaced pages & Arial font size “12” . You have to adhere carefully to this length limitation. The 12 pages do not include any addendums (a maximum of 3 pages are allowed, if necessary).
- Structured and no essays allowed

Total: 100 (ABC grading system)

☞ The Kruger National Park and SANPark’s senior executives have noted your team’s consultancy skills in strategic management and has retained your services to help assess the Kruger National Park’s situation and to make recommendations for a winning strategy pertaining to the Park’s approach towards the fight against rhino poaching and sustaining the park’s public image. Specifically, you have been asked to provide the Park’s management with a structured report, along with whatever supporting exhibits you deem appropriate, that covers the issues concerned. Each recommendation should be accompanied by persuasive supporting arguments.

☞ Take note – every syndicate group need to complete a report on their own (envisaged to be included as consecutive chapters in a final aggregate drafted copy that is the responsibility of the group leaders and the class representative(s)).

Submit:

- One hard copy of the group assignment;
- Electronic copy on eFundi – dropbox;
- Proof of language editing.

The following article was published in Business Day on the front page (Monday, August 31, 2015)-

Hope not lost in poaching fight – Molewa (Penelope Mashego)

Despite a concerted effort by the government and other role players, rhino poaching has increased throughout the country – from 716 incidents by this time last year to 749 as of last week.

Environmental affairs Minister Edna Molewa yesterday urged the public not to be disheartened by the figures. “The poaching figures are not cause for despondency...they could unfortunately be far worse,” she said. Ms Molewa emphasised the need for collaboration between communities, the private sector and the government.

She said that though the Kruger National park had seen the highest number of rhinos lost to poachers – 459 and 544 this year and last year respectively – there had also been an increase in the number of arrests. This year, 138 poachers had been arrested in the park, compared with 81 last year.

“We are particularly proud of the work done by our law enforcement agencies”, which had been using new strategies and technology to hunt down the poachers, Ms Molewa said.

At the Kruger National Park, enforcement agencies had been using night airborne reaction and antipoaching rapid response forces, “a unique world-class capability for a park”.

The Peace Parks Foundation, an international conservation group, donated monocular night vision equipment worth R3,4m to the park, which Ms Molewa said had been useful because poachers had also become more sophisticated.

The fight against poaching has not been limited to nature reserves, and the Environmental Affairs Department, the Green Scorpions, Customs and border police have been working together at SA's airports and borders. As part of its translocation programme, the department will this year deliver 150 white rhinos from the Kruger National Park to private landowners.

Ms Molewa said that international collaboration against poaching was key in the poaching battle, and that SA had signed an agreement with Cambodia earlier this year. Ms Molewa said her department had been engaging with Mozambique and China to curb rhino poaching.

The department also hosted a group of young people from Vietnam on a five-day wilderness trail in Kwazulu-Natal.

14.3 Group assignment #2:

- **TWO sections**
- **Due date:** See the Work Schedule
- **Length limitation:** 20 typed 1½-spaced pages with Arial font size “12”. You have to adhere carefully to this length limitation. The 20 pages *include* any addendums.
- Structured and no essays allowed

Total: 100

 **ASSIGNMENT 2.1:** Record an interview of between 5-10 minutes pertaining to strategy and any burning issues (opinion) with any member of the C-suite (top management), preferably the MD, CEO, a DG or Chair of the Board (etc). Preferably a listed Company (floated on a stock exchange). This part of the assignment must be uploaded on the due date in a format like MP4 on the e-fundi site with your group name and members (15).

 **ASSIGNMENT 2.2 (85):** You are expected to provide the board of directors and senior executives in your capacity as manager with a report on the status of effective managerial habits regarding the perceived strategic management process at company/ organisational levels.

In your survey as group members, you need to build diversity in connection with different organisational layers into the empirical research process performed (questionnaire is the measuring instrument) and make copies of the template for your team members.

- *Each of the syndicate group members must complete three (one by yourself) questionnaires of the chosen companies /organisations. Thus, if you are 5 members, 15 questionnaires will be completed. As such it would be a summative and structured report that reflects a grasp environmental analysis.*
- The original completed questionnaires must be included as part of a portfolio of evidence (“POE”) under the heading “Appendix”.

Two copies of the group assignment must be submitted (the original lecture copy with appendix of questionnaires and a copy kept for the group (without appendix of questionnaires).

Strategic management questionnaire

Section 1:

1.1. Indicate your gender:

a) male	b) female
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1.2. Your age category?

a) 16-20	b) 21-25	c) 26-35	d) 36-45	e) 46-55	f) 55-60-	g) 60+
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1.3. Are you in management?

a) yes	b) no
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1.4. Level of management?

a) supervisor	b) middle management	c) senior management	d) director	e) other
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If you choose "other", specify briefly. _____

In which economic sector is the selected company (*banking industry / manufacturing, etc)? _____

1.5. How many years have you worked for this specific company?

a) 0-3	b) 4-10	c) 11-15	d) 16-20	e) 20 years+
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1.6. Your experience in different business units (BU's) of the same company?

a) Only 1 BU	b) 2 different BU's	c) 3 different BU's	d) More than 3 BU's
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1.7. My current job title is: _____

1.8. My current business unit (dept) is: _____

1.9. Are you working in South Africa? Yes _____ No _____

1.10 How many employees in total working for the company/organisation?

Less than 5	Between 5-100	Between 101-200	Between 201-500	More than 500
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1.11 Is the parent of the Company or organisation in South Africa? Yes _____ No _____

Section 2:

(Rank in order of importance as indicated)

2.1 Has your organisation articulated a vision for the organisation? (10 if YES; 1 if NO)

1 2 3 4 5 6 7 8 9 10

2.2 When was it last updated? (10 if in the last year; 9 if in the last 2 years, etc.)

1 2 3 4 5 6 7 8 9 10

2.3 Is the vision statement relevant to the organisation's activities and mandate? (10 for very relevant; 1 for not relevant at all)

1 2 3 4 5 6 7 8 9 10

2.4 Has your organisation developed a mission statement? (10 if YES; 1 if NO)

1 2 3 4 5 6 7 8 9 10

- 2.5 When was it last updated? (10 if in the last year; 9 if in the last 2 years, etc.)
1 2 3 4 5 6 7 8 9 10
- 2.6 Do you feel that your current mission statement is compatible with the activities being carried out by the organisation? (10 if YES; 1 if NO)
1 2 3 4 5 6 7 8 9 10
- 2.7 How would you rate participation in developing the mission statement by the following people? (10 very involved; 1 not involved at all)
- (a) Employees 1 2 3 4 5 6 7 8 9 10
- (b) Board of Directors/senior management 1 2 3 4 5 6 7 8 9 10
- 2.8 Has your organisation defined a set of value statements? (10 if YES; 1 if NO)
1 2 3 4 5 6 7 8 9 10
- 2.9 When were they last updated or discussed formally? (10 if in the last year; 9 if in the last 2 years, etc.)
1 2 3 4 5 6 7 8 9 10
- 2.10 How would you rate the understanding of the organisation's value statements (or values if formal statements have not been developed) by the following people?
- (a) Employees 1 2 3 4 5 6 7 8 9 10
- (b) Board of Directors/senior management 1 2 3 4 5 6 7 8 9 10
- 2.11 Has your organisation conducted a SWOT analysis? (10 if YES; 1 if NO)
1 2 3 4 5 6 7 8 9 10
- 2.12 How would you rate the competencies of your organisation to conduct a SWOT analysis?
1 2 3 4 5 6 7 8 9 10
- 2.13 How would you rate the priority that your organisation places on the SWOT analysis process?
1 2 3 4 5 6 7 8 9 10
- 2.14 How would you rate the importance of the SWOT analysis process in the effective operation of your organisation?
1 2 3 4 5 6 7 8 9 10
- 2.15 Is a SWOT analysis employed when dealing with significant issues outside of strategic planning? (Score 10 for regularly; 1 for never)
1 2 3 4 5 6 7 8 9 10
- 2.16 Any other tool other than the SWOT used by your organisation? (name:)

- 2.17 How would you rate the understanding of issues (10 very good; 1 very bad) that influence the organisation by the following people?
- (a) Employees 1 2 3 4 5 6 7 8 9 10
- (b) Board of Directors/senior management 1 2 3 4 5 6 7 8 9 10
- (c) Executive Director/CEO/MD 1 2 3 4 5 6 7 8 9 10
- (d) Relative to the decision-making process, how would you rate your organisation's attention to issues that influence the organisation? 1 2 3 4 5 6 7 8 9 10

- 2.18 Has your organisation established long-term objectives? (10 if YES; 1 if NO)
1 2 3 4 5 6 7 8 9 10
- 2.19 How important is it to establish long-term objectives for your organisation? (10 very important; 1 not important at all)
1 2 3 4 5 6 7 8 9 10
- 2.20 Rate your organisation's success with/practice of generating strategies to deal with issues. (10 very good; 1 very bad)
1 2 3 4 5 6 7 8 9 10
- 2.21 How important is it to generate strategies to deal with issues for your organisation? (10 very important; 1 not important at all)
1 2 3 4 5 6 7 8 9 10
- 2.22 Does your organisation select strategies to address issues that confront the organisation? (10 if YES; 1 if NO)
1 2 3 4 5 6 7 8 9 10
- 2.23 Rate the importance of selecting strategic solutions to address issues that confront your organisation. (10 very important; 1 not important at all)
1 2 3 4 5 6 7 8 9 10

Section 3

- 3.1 Does your organisation maintain a policy manual?
(10 if YES; 1 if NO) 1 2 3 4 5 6 7 8 9 10
- 3.2 Are organisation policies updated on a regular basis?
(10 if in the last year; 9 if in the last 2 years, etc.) 1 2 3 4 5 6 7 8 9 10
- 3.3 Rate the relevance of your organisation's policies to current organisation activities.
(10 very relevant; 1 not relevant at all) 1 2 3 4 5 6 7 8 9 10
- 3.4 Rate the understanding and support of formal policy development and implementation (10 very good; 1 very bad) by the:
- (a) Employees 1 2 3 4 5 6 7 8 9 10
 - (b) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (c) Executive Director/CEO/MD 1 2 3 4 5 6 7 8 9 10
 - (d) Senior management 1 2 3 4 5 6 7 8 9 10
- 3.5 Rate your organisation's financial capacity to implement strategies. (10 very good; 1 very bad)
1 2 3 4 5 6 7 8 9 10

- 3.6 Rate the commitment to providing financial resources to support the implementation of strategic initiatives (10 very committed; 1 not committed at all) by the:
- (a) Employees 1 2 3 4 5 6 7 8 9 10
 - (b) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (c) Senior management 1 2 3 4 5 6 7 8 9 10
- 3.7 Rate the motivation to maintain and support the implementation of strategic initiatives (10 very good; 1 very bad) by the:
- (a) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (b) Staff (subordinates) 1 2 3 4 5 6 7 8 9 10
 - (c) Senior management 1 2 3 4 5 6 7 8 9 10
- 3.8 Rate the “ownership” of the following people to implement strategic initiatives (10 very good; 1 very bad):
- (a) Employees 1 2 3 4 5 6 7 8 9 10
 - (b) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (c) Executive Director/CEO/MD 1 2 3 4 5 6 7 8 9 10
 - (d) Senior management 1 2 3 4 5 6 7 8 9 10
- 3.9 Rate your board’s (senior management) commitment to and support of the implementation of strategic initiatives(10 very good; 1 very bad)
- 1 2 3 4 5 6 7 8 9 10
- 3.10 Rate the performance of your board or senior management as it relates to the delivery of support to strategic initiatives (as opposed to “talking the talk”). (10 very good; 1 very bad)
- 1 2 3 4 5 6 7 8 9 10
- 3.11 Rate how appropriate the current structure of your organisation is to support the implementation of strategic initiatives. (10 very appropriate; 1 not appropriate at all)
- 1 2 3 4 5 6 7 8 9 10
- 3.12 Rate the effectiveness of your current governance model as it relates to the implementation of strategic initiatives. (10 very effective model; 1 not effective at all)
- 1 2 3 4 5 6 7 8 9 10
- 3.13 Rate your organisation’s readiness for organisational change. (10 very prepared; 1 not prepared at all)
- 1 2 3 4 5 6 7 8 9 10
- 3.14 Rate the willingness to accept and implement change (10 very open; 1 not open at all) by the:
- (a) Employees 1 2 3 4 5 6 7 8 9 10
 - (b) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (c) Executive Director 1 2 3 4 5 6 7 8 9 10
 - (d) Senior management 1 2 3 4 5 6 7 8 9 10

- 3.15 Rate the human resource capability to manage and implement a change process or new strategic direction (10 very good; 1 very bad) by the:
- (a) Employees 1 2 3 4 5 6 7 8 9 10
 - (b) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (c) Senior management 1 2 3 4 5 6 7 8 9 10
- 3.16 Rate the competencies of your organisation's staff to plan, manage and implement strategic initiatives. (10 very good; 1 very bad)
- 1 2 3 4 5 6 7 8 9 10

Section 4:

- 4.1 Rate your organisation's current practices as they relate to the ongoing assessment of strategic initiatives. (10 very good; 1 very bad)
- 1 2 3 4 5 6 7 8 9 10
- 4.2 Rate your organisation's performance in communicating assessment results (10 very good; 1 very bad) to the:
- (a) Employees 1 2 3 4 5 6 7 8 9 10
 - (b) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (c) Auditors/Public/Others 1 2 3 4 5 6 7 8 9 10
 - (d) Senior management 1 2 3 4 5 6 7 8 9 10
- 4.3 Has your organisation developed a set of key performance indicators or some other form of accountability to track the success of strategic initiatives? (10 for defined key performance indicators; 1 no indicators defined)
- 1 2 3 4 5 6 7 8 9 10
- 4.4 Rate your organisation's ongoing evaluation practices as it relates to strategic initiatives. (10 for doing a great job on a regular basis; 1 if no evaluation occurs)
- 1 2 3 4 5 6 7 8 9 10
- 4.5 Rate your organisation's success at identifying corrective action when strategic initiatives are failing or could be improved. (10 if very good; 1 if very bad)
- 1 2 3 4 5 6 7 8 9 10
- 4.6 Rate your organisation's response time, after they have acknowledged that a strategic initiative is failing. (10 if very fast; 1 if not responsive at all)
- 1 2 3 4 5 6 7 8 9 10
- 4.7 Rate your organisation's effectiveness at evaluating the impact of changes subsequent to initial strategy formulation. (10 if very effective; 1 if not effective at all)
- 1 2 3 4 5 6 7 8 9 10
- 4.8 Rate the level of participation in strategy evaluation (10 if very involved; 1 if not involved at all) by the:
- (a) Board of Directors 1 2 3 4 5 6 7 8 9 10
 - (b) Executive Committee 1 2 3 4 5 6 7 8 9 10
 - (c) Executive Director/CEO/MD 1 2 3 4 5 6 7 8 9 10

- (d) Management Staff 1 2 3 4 5 6 7 8 9 10
- 4.9 Rate the attention paid to abandoning, adjusting or developing new strategies subsequent to evaluation of the initial strategies (10 if very attentive; 1 if not attentive at all) by the:
- (a) Board of Directors 1 2 3 4 5 6 7 8 9 10
- (b) Executive Committee 1 2 3 4 5 6 7 8 9 10
- (c) Executive Director/CEO/MD 1 2 3 4 5 6 7 8 9 10
- (d) Management Staff 1 2 3 4 5 6 7 8 9 10
- 4.10 Rate the relevance and suitability of the strategic management model to your organisation. (10 if very good; 1 if very bad) 1 2 3 4 5 6 7 8 9 10
- 4.11 Rate the commitment to strategic management as the model of choice for your organisation (10 if very good; 1 if very bad) by the:
- (a) Board of Directors 1 2 3 4 5 6 7 8 9 10
- (b) Executive Committee 1 2 3 4 5 6 7 8 9 10
- (c) Executive Director/CEO/MD 1 2 3 4 5 6 7 8 9 10
- (d) Management Staff 1 2 3 4 5 6 7 8 9 10
- 4.12 Any other issues you would like to address within the context of this survey? (formulate and answer!)
-



Why are manhole covers round?

15. Warning against plagiarism!

ASSIGNMENTS ARE INDIVIDUAL TASKS AND NOT GROUP ACTIVITIES. (UNLESS EXPLICITLY INDICATED AS GROUP ACTIVITIES)

Copying of text from other learners or from other sources (for instance the study guide, prescribed material or directly from the internet) is not allowed – only brief quotations are allowed and then only if indicated as such.

You should reformulate existing text and use your own words to explain what you have read. It is not acceptable to retype existing text and just acknowledge the source in a footnote – you should be able to relate the idea or concept, without repeating the original author to the letter.

The aim of the assignments is not the reproduction of existing material, but to ascertain whether you have the ability to integrate existing texts, add your own interpretation and/or critique of the texts and offer a creative solution to existing problems.

Be warned: students who submit copied text will obtain a mark of zero for the assignment and disciplinary steps may be taken by the Faculty and/or University. It is also unacceptable to do somebody else's work, to lend your work to them or to make your work available to them to copy – be careful and do not make your work available to anyone!

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Seminar

1

STRATEGIC SUPREMACY IN THE HYPERCOMPETITIVE 21ST CENTURY (JG KOTZE)

Abstract

The dawn of the 21st century has given rise to a new competitive paradigm. This has been brought about by the competitive efforts of globalisation, information technology and biotechnology developments and the workforce revolution. These events have combined to produce change that is so continuous that it has come to be viewed as a normal part of economic life. This article identifies the shortcomings of traditional approaches to strategy formulation as measured against the demands of this evolving paradigm.

The processes, strategic action plans and philosophies required for strategic and financial success in the new century are identified, discussed and certain key guidelines are derived. These guidelines should contribute significantly to the establishment of resources and competencies as the cornerstone of strategy, the development and dynamic redevelopment of high potential strategic positions, the building and refining of distinctive competencies, the strengthening of strategic fit relationships, the maintenance of balance between the requirements of old and new business and the establishment and maintenance of a strategic thinking and learning culture. These desirable outcomes are the critical building blocks of strategic supremacy in the hypercompetitive 21st century.

1.1 Introduction

Numerous authorities in the field of strategy formulation have noted the rapid escalation of competition, not just in fast-moving, high-tech industries, such as information technology, but in almost all sectors of the global economy (D'Aveni, Hamel, Beinhocker, Abell). This has resulted in the term "hypercompetition" appearing more frequently in the strategy literature (Porter; D'Aveni; Abell). This competitive situation is characterised by intense, vigorous, even savage competition, the near-impossibility of sustaining competitive advantage and a virtual state of business war (D'Aveni); a competitive environment becoming increasingly demanding and unforgiving on a global scale (Zahra & O'Neill); disappearing barriers to competition as regulation eases (Porter); the dynamic reinvention of entire industries (Hamel) and a business environment in which the past is not a reliable guide to the future (Beinhocker).

How should strategy be formulated in such a competitive environment? Is sustainable competitive advantage achievable at all in these circumstances? This paper attempts to address these questions and to develop some key guidelines to guide strategy formulation processes at the start of the 21st century. Before these issues receive

attention, however, the new competitive paradigm which has evolved out of late 20th century trends in globalisation, information technology and biotechnology developments, as well as the workforce revolution, require closer scrutiny.

1.2 The new competitive paradigm

Organisations entering the 21st century obviously face great uncertainty. Courtney and Kirkland identify four uncertainty levels, with the highest turbulence and unpredictability being found in levels three and four. The trend in most industries in the new century appears to be a shift towards level 3 and 4 environments (D'Aveni; Zahra & O'Neill; Hamel).

Another key characteristic of the new business environment is globalisation. According to Bolt, technological developments continuously drive convergence which, in turn, is pushing markets toward global commonality. This trend reinforces a global mindset in the 21st century management team. *The new paradigm emerging from these developments seems to place great emphasis on the following competitive attributes:*

- **Value**

Though organisations are often viewed and described in terms of the products and services they sell, these products and services are actually only purchased for the value they provide. Customers worldwide are demanding better quality at lower prices.

According to D'Aveni, organisations adept in the new paradigm's evolving requirements prioritise customers as the most important stakeholder. They continuously attempt to create and maintain the ability, even if only temporarily, to provide a better service than that of their competitors. Success in these competitive efforts may lead to a powerful new definition and enhancement of the dominant value proposition in the industry (D'Aveni).

- **Innovation**

Reinvention is the goal: Continuous improvement of products and services, business operations and organisational processes has become the basis for creating greater value for the customer, while also increasing organisational productivity. Only those organisations with the ability to adapt timeously and pro-actively to new market challenges will be able to sustain their competitiveness. D'Aveni identifies, as critical, the ability of the organisation to predict future trends, to exercise some control over the development of key technologies and knowledge that will shape the future and to create self-fulfilling prophecies. Hamel identifies "true strategic innovation" as the cornerstone of a successful strategic quest to redefine the industry, to invent the new by challenging the old.

- **Time and mobility**

The ability to make decisions quickly is critical. Using customer value as a focal point for action, organisations now increasingly stress swift response to customer demands. This requires shorter design and product/service life cycles. The emphasis is not just on shorter time cycles but also on correct timing. This requires mobility, speed, surprise and agility from organisations (D'Aveni; Zahra & O'Neill). For players in highly competitive environments, the ability to move swiftly from one temporary competitive advantage to the next may be the only sustainable basis of competitive advantage.

- **Flexibility**

In a hypercompetitive world, an organisation has to seize the initiative: In order to be successful, it gains business by being light and fast on its feet. The new competitive paradigm downplays the importance of size and scale advantages; it is much more

important to be fast and innovative. This enables the organisation to switch competitive positions and stances quickly and effectively as environmental and competitive conditions change.

- **Knowledge and intellectual capital**

Ideas and information are the driving forces of the new economy. In successful organisations, core and distinctive competencies cut across divisional boundaries, allowing management to understand the appropriate strategic paradigms and to compete in vastly different competitive industries. This has become a critical strategic skill in the new century as more industries become knowledge-intensive and globalised (D'Aveni).

The intellectual capital of the organisation must be enhanced, protected and dynamically redeveloped as industry trends dictate. Efforts by industry players or new entrants to change the dominant value proposition may downgrade or destroy existing competencies. Downgrading occurs when the existing key success factors are changed; when the definition of value and quality is redefined; when industry boundaries are blurred by competitive actions destroying entry barriers and forcing industry convergence.

A logical concern surfacing at this point is whether established strategy formulation processes can successfully address the issues raised by the new competitive paradigm.

1.3 Traditional strategy formulation processes

At the business-unit level, the trends outlined in the preceding sections have led to the situation where the majority of leaders/managers frequently express dissatisfaction with their organisation's planning processes. Strategy formulation has also become problematic at the corporate level (Campbell; Collis & Montgomery). A common complaint is that strategic planning is too static and too slow. On the corporate level, strategy frequently destroys rather than enhances the value created by the business divisions.

Pfeffer and Sutton also point out that the key to strategic success is action – translating knowledge, experience and insight into meaningful action, which creates value. Many strategic planning processes yield a vast amount of talk, ideas and insights. A disappointingly low percentage of these ideas are finally transformed into effective action. To pinpoint the reasons for this unfortunate state of affairs, a closer look at the established strategy-formulation process at the business unit level is necessary.

An effectively formulated and implemented business strategy for the single business (industry) organisation, or for the individual business unit within a multi-business organisation, should ultimately lead to sustainable competitive advantage. In this quest, the typical business strategy formulation process links relevant internal factors in the form of strengths, weaknesses, executive ambitions, values and objectives with relevant external factors in the form of macro-environmental trends, industry driving forces, anticipated competitive actions, opportunities and threats, as well as benchmarked best practices of competitors. Out of these linkages, a number of strategic action plans are developed and implemented. The objective of this exercise is to position the organisation as optimally as possible for the anticipated future, and to work towards sustainable competitive advantage.

Against the evolving requirements and challenges of the 21st century competitive paradigm identified in the previous section, *four major shortcomings* of this process can be identified.

- Not nearly enough emphasis on the intellectual capital, in the form of core and distinctive competencies, of the organisation. In addition, the strategic potential of the learning organisation is overlooked.
- A passive approach to strategy formulation. The focus is on the maintenance and future development of existing internal resource capabilities, strengths and skills while waiting for the appearance and realisation of anticipated opportunities, favourable driving forces and opportunistic competitive developments. This approach obviously has severe limitations against a backdrop of continuous and turbulent change.
- Typically, a mixture of the three generic competitive strategies of cost leadership, differentiation and a focus on niche markets is utilised in the attempt to secure sustainable competitive advantage. Unfortunately, these strategic initiatives, if successful, may allow the organisation to stay in the industry but will rarely lead to a leadership position within the dictates of the new competitive paradigm. Low prices, high quality, good service and other traditional competitive initiatives are market-entry and market-maintenance requirements today; they do not confer sustainable competitive advantage.
- The process of benchmarking does provide interesting insights during the planning process. It also frequently misleads and distracts, locks the organisation into low ambitions and focuses the management team on operational effectiveness instead of real strategic issues (Porter, Campbell).

The conclusion that traditional strategic planning philosophies and processes generally fail to create sustainable competitive advantage leads to a re-examination of this desirable outcome.

1.4 Sustainable competitive advantage in the 21st century

The essence of a good strategy has always been, and still is, to develop and exploit insights to create value. Sustainable competitive advantage requires management to discover, understand, document and exploit insights into ways of creating more value than that of their competitors (Campbell & Alexander; Porter). This also contributes significantly to the financial market test of investment decisions that lead to greater shareholder wealth (Amram & Kulatilaka). Market discipline also implies that organisations can sustain a competitive advantage for only that length of time that the products or services they sell have attributes that correspond to the key buying criteria of a large number of customers. *“Sustained competitive advantage is the result of an enduring value differential between the products or services of one organisation and those of its competitors in the minds of customers”* (Duncan & Ginter).

For some authorities, the essence of sustainable competitive advantage lies in strategic positioning. An organisation identifies one or more attractive industries and positions itself as advantageously as possible within these industries. It then attempts to achieve sustainable advantage by delivering greater value to customers or to create comparable value at lower cost, or to do both (Porter). According to this view, an organisation outperforms competitors if it can establish a difference which it can sustain. It develops a unique strategic position by performing different activities than those of competitors, or by performing similar activities in different ways.

Other authorities regard strategic positioning as too static for the dynamic markets and changing technologies of the 21st century. For them, sustaining a competitive advantage has become more a matter of movement, mobility, ability to change and speed than that

of location or position (Duncan & Ginter). The key enabler of sustainable competitive advantage, according to this view, is provided by a solid intellectual capital foundation. This foundation is constructed by acquiring and building resources, abilities and competencies that link closely to the changing requirements of the external environment; are difficult to replicate; are deeply embedded in the organisation's culture, thought processes and ways of doing; and that are integrated in innovative ways. These resources and competencies are dynamically redeveloped and redeployed as circumstances change and new opportunities arise in other markets and industries.

The essence of sustainable competitive advantage in the 21st century is probably found in the creative combination of both of these viewpoints. A unique strategic position, innovatively maintained, will confer short-term advantage. Sustaining it over the long term will probably require movement – a dynamic repositioning strategy to create tomorrow's competitive advantage faster than competitors can copy the one the organisation possesses today.

With all of the foregoing trends, issues and challenges as background, the next section will attempt to develop seven guidelines to assist in the formulation of winning strategies in the 21st century.

1.5 Formulating winning strategies: Guidelines

☞ *Winning organisations of the future will assume leadership positions within the structure of the new competitive paradigm by being:*

- E fast
- E friendly
- E focused, and
- E flexible (D'Aveni).

☞ *In pursuing these desirable characteristics, they will formulate winning business strategies, which-*

- E are well-suited/appropriate to the future demands and characteristics of the macro- as well as the operating environment of the organisation
- E contribute to sustainable competitive advantage, and
- E lead to superior financial results (Thompson *et al.*)

☞ *To achieve this, the business strategies of winning organisations will incorporate the following processes, strategic action steps and philosophies-*

- Strategic positioning and repositioning

Porter identifies activities as the basic units of competitive advantage. He points out that strategic positioning implies the performing of activities which differ from those of rivals or performing similar activities in different ways. According to this viewpoint, competitive strategy entails the deliberate choice of a different set of activities to deliver a unique mix of value. The choice of activities leads to the creation of a unique and valuable strategic position in the industry.

Markides reinforces this view by describing the essence of strategy as the selection of a certain position which a company can claim as its own: *"A distinctive strategic position that differs from those of competitors"*. Day claims that numerous organisations have enjoyed "protected prosperity" over the years in their unique strategic positions. This has been brought about by isolating mechanisms, which he identifies as competition-detering market factors, such as protected niches within the industry.

Afuah identifies **three strategies** available to organisations for protecting their strategic positions over time:

- *Blocking*: The erection and creative maintenance of entry barriers and continual efforts to prevent competitors from imitating innovations and other unique activities;
- *Running*: Frequent introduction of new products/services and cannibalisation of existing products/services. This strategy corresponds with D'Aveni's creation of industry conditions of constant disequilibrium and change, with Hamel's view of strategy as continuing revolution, with D'Aveni's continuous redefinition of industry rules establishing a pattern of stability punctuated by disruptions and with Beinhocher's array of robust adaptive strategies, which are constantly in a state of flux and allow the organisation to maintain a portfolio of strategic options over time.
- *Collaborative teaming*: Leveraging of own resources and competencies by teaming up with other organisations to create more stability in its strategic position by, for instance, establishing an industry standard or dominant design.

The aligning, re-aligning and fortifying of competitive assets with changing industry characteristics can also be employed to protect existing strategic positions (Dewar & Frost).

In the hypercompetitive conditions of the 21st century, however, most strategic positions are vulnerable. Uniqueness is transitory and new strategic positions are emerging continually (Markides). *This author provides a good prescription for a dynamic positioning strategy, under extremely uncertain conditions, which may serve as the **first guideline** for strategic supremacy:*

Guideline 1

In highly-competitive, 21st century conditions:

- Identify, exploit and protect a distinctive strategic position in an attractive industry;
- Continuously search for new strategic positions in established, as well as other industries, on a national as well as an international level;
- Manage and balance the shifting requirements of both positions simultaneously;
- Make a well-managed transition to the new strategic position, and then
- Start the cycle again.

- **Exploiting strategic-fit relationships**

A contribution to sustainable competitive advantage in the new competitive paradigm may be found by means of the improved management of linkages, either internally in the organisation or externally in the industry value chain. The combined strategic focus on network and linkage management views industry structure and functioning not as a given but as a variable that can be exploited in the quest for advantage.

Porter stresses the importance of fit because discrete activities often affect and complement one another in ways that can create value. Competitive advantage results from the unique ways in which activities fit and reinforce one another. Sustainability of this advantage comes from locking out imitators by creating an activity chain that is as strong as its strongest link. This author describes strategy specific fits as adding the most value, due to its ability to enhance a strategic position's uniqueness. They also substantially reduce cost and increase differentiation.

Value is also added in the value chain. According to Fisher, the critical decisions to be made regarding inventory and capacity concern the position in which they should be

placed in the value chain in order to hedge against uncertain 21st century demand. He also stresses that suppliers should not be chosen based on low-cost considerations. The new century requires speed and flexibility from suppliers in the value chain.

Guideline 2:

In highly-competitive, 21st century conditions:

- Search on a continuous basis for linkages and fits between all activities of the organisation. Identify better ways of managing these linkages, especially when industry conditions and market requirements change. Fit can be exploited to create contributions to competitive advantage difficult to imitate.
- Analyse and evaluate the industry value chain and changes in chain structure, arrangements and functioning. An effective, responsive and flexible value chain is a major contributor to sustainable competitive advantage.

Establishment of a strategic thinking culture

- Zahra and O'Neill make the point that emerging problems and issues of the new century require a different mindset. The past does not always reveal the solutions to new problems. This poses challenges to the established strategic ways of thinking in the organisation. The ability to think beyond the established paradigm in the industry, and the skill to think in a new and a non-linear way, is required by the challenges of the new competitive paradigm. The cited authors develop a convincing case that "strategic thinking requires an understanding of the subtle blinders imposed by culture and strategy, and the links between thought, action and reaction".
- It should become a habit within the organisation to think and talk about different aspects related to strategy on an ongoing day-by-day basis. Strategic thinking is not about establishing correct or optimal solutions but about understanding complex relationships, ongoing change and uncertain futures. Notions of strategic stability have been replaced by an emphasis on strategic change and, correspondingly, the notion of the search for the optimal strategy has been overtaken by the concern for a strategy which will work and can be implemented. Mintzberg poses the following challenge for the corporate strategist: "knowing the organisation's capabilities well enough to think deeply enough about its strategic direction". Strategic thinking is the link between what he describes as a past of corporate capabilities and a future of market opportunities, between thought and action. He also points out that the notion that strategy formulation is something which is done at the highest organisational level, far removed from the day-by-day details and challenges of running the organisation, is misguided. Strategy development needs to involve a wide and deep cross-section of leaders/managers. What is required throughout the organisation is to develop a capacity to work together to question, debate and innovate. This requires that leaders/managers at all levels be indoctrinated in the art of the strategic conversation. The strategic audit is one of the more effective ways to start the strategic conversation. In conducting a strategic audit of the present strategic situation, the groups of leaders/managers think strategically by asking the right questions about their department, division or the entire organisation. Gadiesh and Gilbert expand the focus of the strategic conversation

with an interesting perspective on the current and future profit pool in the industry. They argue compellingly that an intimate understanding of profit-pool dynamics can help guide important decisions about every facet of an organisation's operation and strategy. It contributes to good strategic thinking by placing that thinking on a solid foundation.

- Christensen's research has found that strategic thinking is not a core managerial competence in most organisations. This finding is reinforced by Hamel and further amplified by his contention that the strategy-formulation process in most organisations is too elitist, harnessing only a small proportion of creative talent and potential. He argues that the top management level sits atop the pyramid of experience. However, experience is valuable only to the extent that the future is the same as the past – an unlikely situation in the new century. Only a broad and deep engagement of human talent in the organisation will ensure a democracy in strategy formulation, buy-in to the agreed upon strategic direction and unleash true revolutionary and innovative ideas and strategic options. In this way, senior management will “supplement the hierarchy of experience with a hierarchy of imagination”.

Guideline 3:

In highly-competitive, 21st century conditions:

Create, maintain and reinforce a strategic thinking culture on as many organisational levels as is practically feasible. The end result should be a manager/supervisor/other employee who thinks about strategic issues and contributes to strategic value creation on an almost continuous basis. This orientation should become a normal part of everyday business and operations – part of “the way we do things around here”.

Development of a learning mindset

Strategic thinking is closely linked to notions of organisational learning. The concept of the “learning organisation” refers to the creation of circumstances, climates or conditions in organisations which encourage, support and reward the development and learning of its people. Organisational learning is strengthened by a culture which tolerates and encourages “new mistakes” and by competition. As organisational members learn to overcome specific competitive challenges, they develop potentially valuable resources and capabilities. Zahra and O'Neill raise an interesting point in suggesting that homogeneity and stability in organisational teams usually foster less learning. The corollary is that heterogeneity and instability (up to a critical threshold) lead to more learning.

They also stress the importance of developing strategic flexibility by preserving, developing and deploying intellectual capital in areas of the organisation's core competencies. When industry and competitive conditions change, however, a new challenge for the organisation is to develop the ability to abandon traditional core competencies and to replace them, timeously, with new ones. The critical linkage between industry prescience and dynamic, pro-active flexibility is underscored by this point.

Starkey identifies *knowledge* as a key concern of management in this century. He quotes Thurow, who writes that “*the dominant competitive weapon of the twenty-first century will be the education and skills of the workforce*”, and Bennis, who argues that “*the major challenge for leaders in the twenty-first century will be how to release the brainpower of*

their organizations". Hamel and Prahalad identify learning and competence as the fundamental strategic building blocks in the creation of a strategic architecture that link the present with the future. They conclude that competitive advantage will accrue to those organisations that succeed in pro-actively and speedily building new competencies in new opportunity areas.

Zack stresses the link between organisational strategy and the management of knowledge. The organisation's strategic context assists in the identification of knowledge-management initiatives which can contribute to competitive advantage. He also identifies knowledge as the most important strategic resource in the 21st century, as it enhances the organisation's fundamental ability to compete. Cummings and Worley discuss the processes of organisational learning, which enhances its ability to acquire and develop new knowledge, and knowledge management, which focuses on how that knowledge can be organised and utilised to improve performance and be a source of strategic renewal.

Inkpen leverages the strategy-enhancing potential of the learning organisation by the unique learning opportunities created by national and international strategic alliances. He expands on this by describing the requirements for the creation of a successful alliance learning environment. Teece stresses the potential of learning and knowledge as a contributor to the sustainability of competitive advantage, as knowledge assets are usually inherently difficult to imitate. He points out that there are increasing returns associated with effective learning and knowledge management.

Guideline 4:

In highly-competitive, 21st century conditions:

- Acquire, integrate, store, share and apply critical knowledge, especially context-specific, tacit knowledge embedded in the organisation's operations, processes, routines and activities.
- Circulate and utilise this knowledge as widely and broadly as possible to capture the increasing returns associated with its utilisation.
- Recognise and exploit effective organisational learning and knowledge management as the most important source of sustaining competitive advantage in the new century.

Balanced management of new as well as old business

In line with a preceding guideline which advocated that organisations have to manage a present as well as a desirable future strategic position, leaders/managers have to creatively balance the shifting requirements of new as well as old business. Abell argues that excellence in the new economy requires dual strategies from organisations, one for the present and one for the future. Furthermore, these are not sequential but parallel responsibilities. Excellence in old business requires a clear, precise definition of the business and a focus on shaping up the business to meet the needs of today's customers while it seeks to achieve a close fit in an organisation's functional activities with the chosen old business definition and requires an organisation structure that mirrors current business opportunities.

In contrast, excellence in new business is concerned with the way in which the business should be redefined for the future. Reshaping the business to compete effectively in the future may entail major changes from the existing business paradigm and may require significant structural changes to the organisation structure.

The above conflicting requirements placed upon the shoulders of each senior manager frequently cause ambiguity, stress and sub-standard performance (usually in terms of new business). The dual focus has to be institutionalised and managed effectively to decrease these negative outcomes.

Guideline 5:

In highly-competitive, 21st century conditions:

Instil, maintain and reinforce (reward) a dual strategic focus on the appropriate organisational levels to elicit the highest possible performance over time, in both established (old) business (a valuable and profitable today) as well as new business (a prosperous tomorrow).

Establishing resources and competencies as the cornerstones of strategy

Resources, capabilities and competencies have been mentioned throughout this article. Stalk and Evans identify capabilities-based competition as critical to success in the new economy. They claim that successful competitors focus their managerial attention on the infrastructure that supports hard-to-imitate capabilities that consistently provide superior value to the customer. These authors define a *capability* as a “set of collective and cross-functional business processes strategically understood, and connected to real customer needs”.

Collis and Montgomery expand on this view by claiming that an organisation will be positioned to succeed if it has the best and most appropriate stocks of resources for its business and strategy. They define *resources* to include both tangible as well as intangible assets, including capabilities, competencies, know-how and brand names. They conclude that superior performance will be based on “developing a competitively distinct set of resources and deploying them in a well-conceived strategy”.

Collis and Montgomery’s suggested approach to competing on resources in the new economy may serve as the sixth guideline for strategic supremacy:

Guideline 6:

In highly-competitive, 21st century conditions:

- Resources which pass the following five tests must be developed, upgraded and utilised as the basis for an effective, value-adding strategy:
 - * inimitability: Is the resource difficult to copy?
 - * durability: How quickly does the resource depreciate?
 - * appropriability: Who captures the value that the resource creates?
 - * substitutability: Can a unique resource be trumped by a different resource?
 - * competitive superiority: Whose resource is really better?
- These valuable resources should form the basis of strategies which should be leveraged in attractive industries in which they can contribute to competitive advantage.

Building and refining distinctive competencies

During the resource and competence creation process, a significant portion of the strategic team’s time should be devoted to the development of the strategic architecture of the organisation. Such architecture consists of the

- present core competencies,

- potential core competencies, and
- required core competencies of the organisation.

Core competencies are the specific collective competencies (skills) of the organisation in the form of intellectual capacities, collective experience and skills, specialised knowledge that integrates diverse production and service-rendering skills and multiple technology streams. This results in products/services that supply demonstrable client value in a unique fashion and achieves sustainable competitive advantage in a particular segment of one or more industries. To achieve the full potential of core competencies, an organisation requires effective management systems to integrate seamlessly across organisational boundaries.

Closely tied to the strategic architecture of the organisation is the management and nurturing of its network. It does not have to incur the prohibitive expenses associated with the maintenance and upgrading of a complete inventory of resource capabilities and core competencies. It can focus on the “core business” and source the remaining required competencies, capabilities and support services from its national and international network partners. In this manner, collaboration agreements can be used to leverage internal resources, skills, capabilities and competencies.

Meyer and Semark claim that core competence is recognised as the competitive advantage gained from a capability which lies behind the products that serve the market. They compellingly argue that *“in the boundaryless world of the emerging global economy, and the universal availability of information, competency at individual, organisational and national levels will become the currency of the 21st century”*.

Prahalad and Hamel provide a link between competence and learning by stating that core competencies are the outcome of collective learning in the organisation. They suggest that organisations which successfully identify and cultivate their core competencies can utilise them to obtain a sustainable competitive advantage. According to Thomas, Pollock and Gorman, competence-based competition begins at the organisational level and focuses on its distinctive capabilities relative to competitors. Collis and Montgomery advocate subjecting the organisation’s core competencies to a harsh external market assessment of what it does better than competitors. Any competence passing this test is known as the distinctive competence of the organisation. A distinctive competence is, accordingly, something an organisation does extremely well, relative to competitors. Its contribution to sustainable competitive advantage is obvious.

Guideline 7:

In highly-competitive, 21st century conditions:

The intellectual capital, in the form of core competencies arranged in a strategic architectural framework of the organisation, can be deployed and redeployed to contribute to sustainable competitive advantage, as market opportunities dynamically open, close, grow and shrink.

Constant efforts should be directed at refining one or more of these core competencies to the point where it leads to the organisation performing the activities flowing from that competence, significantly better than competitors do. This becomes a distinctive competence of the organisation and enables it to build and sustain competitive advantage.

1.6 Conclusion

In this article, the highly desirable outcome of strategic supremacy (sustainable competitive advantage) was discussed and analysed. The problems and challenges confronting organisations pursuing this outcome in the very competitive 21st century were identified and discussed. A list of seven guidelines was developed. These guidelines, derived from the newest thinking in the strategic management literature on the topic of competitive advantage in the new economy, should contribute to a better understanding of the requirements of the new century. They should also assist in an understanding of the actions required by organisations which are not content to merely survive in their industries but wish to work towards a highly profitable, competitively advantageous position, and to sustain this position over time.

Seminar

2

ARE YOU A STRATEGIST?

"What are the first three words that come to mind when you hear the word 'strategy'?" That's the free-association exercise Cynthia A. Montgomery gives to mid-career business leaders in her Executive Education classes at Harvard Business School. Seasoned executives respond with "plan," "vision," "direction," "focus," "advantage."



[Click to enlarge](#)

(Carmen Nobel, 16 July 2012)

To Montgomery, the Timken Professor of Business Administration, this is indicative of a disturbing trend.

"We've lost sight of where strategies come from and the distinctive role leaders play in the process," she says. In her new book, *The Strategist: Be the leader your business needs*, Montgomery discusses when that disconnect happened, why it's a problem today, and how leaders can turn themselves back into strategists.

According to Montgomery, the divorce of strategy and leadership was an inadvertent result of academic research that started to take hold in the 1980s and '90s. The work brought much-needed economic thinking to strategy's underpinnings. It armed legions of MBAs and strategy consultants with frameworks and techniques to help leaders/managers analyse their industries and position their firms for competitive advantage. It also made it very easy for leaders to think of strategy solely as an analytical exercise. "If we're being honest, I was part of the problem," Montgomery says.

Montgomery and fellow HBS professor Michael Porter – who is considered to be the father of the modern strategy field – were among the first researchers who began to study strategy through a rigorous, scientific process, using large empirical samples to look at regularities across industries and firms. "We were proud of it!" Montgomery says. "And rightly so: The work yielded a number of well-grounded insights that have had a powerful impact on practice. But the benefits have not come without costs."

Montgomery maintains that strategy has been narrowed to a competitive game plan, separate from a firm's larger sense of purpose. This has led to the eclipse of the leader's

unique role as arbiter and steward of strategy. The exaggerated emphasis on sustainable competitive advantage has drawn attention away from the fact that strategy must be a dynamic tool for guiding the development of a company over time.

"Strategy has become more about formulation than implementation, and more about getting the analysis right at the outset than living with a strategy over time," Montgomery says. "As a consequence, it has less to do with leadership than ever before."

- **Leading strategy**

Montgomery explains that leading strategy requires confronting four questions: What does my organisation bring to the world? Does that difference matter? Is something about it scarce and difficult to imitate? Are we doing today what we need to do in order to matter tomorrow? Being a strategist means living these questions, she says.

"For a leader, becoming a strategist starts with getting clear on why, whether and to whom your company matters. While that may sound obvious at face value, it's something that regularly stymies the veteran leaders in Montgomery's executive classes.

"We'll be talking about Nike or Apple, and the participants will be praising the authenticity of the company and the clarity of its strategy," she says. "And then I'll ask a participant at random, 'Do you have that clarity in your company?' And there's always a pause. That pause gives them away."

To illustrate the importance of clear purpose, *The Strategist* touts Swedish home-goods retailer IKEA, founded in 1943 by Ingvar Kamprad when he was 17 years old. From its early days, the book explains, IKEA set out to create "a better everyday life for the many." (http://www.ikea.com/ms/en_US/about_ikea/the_ikea_way/our_business_idea/a_better_everyday_life.html) The retailer did this by addressing an unmet market need: Offering customers an extensive range of practical, well-designed furnishings at low prices. This driving purpose steered IKEA to succeed not just on low prices but also with a singular customer experience that no other retailer has yet managed to duplicate.

"IKEA has made very clear choices about who they will be and to whom they will matter, and why," Montgomery says.

Clarity of purpose behoves corporations and nonprofits alike, Montgomery adds. "Look at Doctors Without Borders. If you go to the website, you'll see incredible clarity about what they do and why they do it. They won the Nobel Peace Prize in 1999, and they didn't get it for being murky about who they are and why they matter."

That said, a compelling purpose is just the beginning of a strategy. "It gives you the right to play, and puts you in the game," the book states. But at the root, it's only an idea.

Strategists also must lead the charge in creating organisations that can deliver on their intentions. That means building business models with mutually reinforcing parts. Rich in organisational detail, and anchored on purpose, such systems of value creation "make strategy the animating force in a company," says Montgomery. "They're the crucial link between lofty ideas and action."



To visualise such a system, Montgomery recommends the time-honoured "strategy wheel," in which purpose is the hub and the supporting factors are the spokes. Drawing from an HBS case study, she shows how Gucci essentially used such an approach to support a purpose – "fashion-forward, high quality, good value" – that saved it from failure in the 1990s.

- **Who is a strategist?**

Montgomery equally stresses the importance of recognising how a strategist lives and leads. To that end, in the book, she cites not only economic gurus, such as Joseph Schumpeter, but also philosopher Jean-Paul Sartre, military theorist Carl von Clausewitz, and poet Mary Oliver who wrote, "Tell me, what is it you plan to do/with your one wild and precious life?"

Incorporating the role of the strategist into one's identity is important because leading strategy is not so much a task as it is a never-ending quest. "For most companies, a long-run sustainable competitive advantage – the holy grail of strategy – is a dangerous mirage," Montgomery warns. "The longer you can keep an advantage vibrant, the better. But any advantage is better thought of as part of a bigger story, one frame in a motion picture."

Although a company may change what it makes, the services it provides, the markets it serves, and even its core competencies, its continued existence depends on finding and continuing to find a compelling reason for it to exist. Shepherding this never-ending process, being the steward of a living strategy, is the defining responsibility of a leader.

And while her goal is to embolden top leaders to embrace the role of strategist, Montgomery believes it's important for employees at all levels of an organisation to start thinking like strategists, too.

"What [people] do, and why they do it, should be driven by strategy," she says. "If the clarity isn't there, they should push for it and think more actively about how they can be communicating upward. Learning to be a strategist doesn't happen overnight. It's like a muscle that you have to flex. Don't wait to see if you might someday get the chance to drive strategy. It's a skill and a disposition that take time to hone."

3

Seminar

MANAGING STRATEGIC RISK



One need to incorporate the context of strategic risk whicg management need to manage and also in collaboration with internal and external audits. It needs to be a systematic and disciplined approach. This falls within the scope of the notion of Enterprise Risk Management (ERM). At the end of the day one of the aims should be to provide more assurance regarding the achievement of organisational objectives (strategic, operations, reporting, compliance and financial).

Notable quotes on risks-

- ☞ “Progress always involves risks. You can’t steal second base and keep your foot on first.” – F.B Wilcox
- ☞ “You’ll always miss 100% of the shots you don’t take” –Wayne Gretzky
- ☞ “ He who is not courageous enough to take risks will accomplish nothing in life” – Muhammad Ali

Strategic objectives are-

- The core of the entity’s strategy and as such, high-level goals
- Aligned with the other objectives
- Guidance on how the entity can fulfill the high-level goals
- “SMART” and define a time-frame. One needs indicators that measure progress against achieving the objective; must be clear objectives and aligned with the strategic foundations. Also within the grasp of the entity given its capabilities and opportunities in its environment. Ultimately, it must “stretch” the organisation!

Strategic risk is exposure to loss resulting from a strategy that turns out to be defective or inappropriate. There is allways risk associated with the future (plans/strategies)! It can be entering new markets, expanding existing services through M&A’s; enhancing infrastructure, etc. The risk is also embedded in the current and prospective impact of strategic decisions made by management arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. The risk lies in both the internal and external environments with events and scenarios. Therefore strategic risk is a *function* of the compatibility of an organisations’s strategic goals, the business strategies developed by management to achieve those goals, the resources deployed against these goals and the quality of implementation. The *resources* needed to carry out business strategies are both tangible and intangible. They

include communication channels, operating systems, delivery networks, and managerial capacities and capabilities. The organisation's internal characteristics must be evaluated against the impact of economic, technological, competitive, regulatory and other environmental changes and challenges.

Common strategic risks are:

External risks Competition Market changes	Human resource risks Knowledge Staffing Employee theft
Financial risks Cash flow Capital Price or cost pressures	Structural resource risks IT systems Proprietary information Regulatory actions
Physical resource risks Disasters Bottlenecks	Relationship risks Reputation Vendor performance

Managing strategic risk should be a *process* for identifying, assessing and managing risks and uncertainties, affected by internal and external events, scenarios and risks that could impede the organisational ability to achieve its strategy. The goal is successful implementation of the strategic plan while creating, enhancing and protecting the organisation and stakeholder value. It should form a primary component of the overall ERM-process and as such is affected by the decisions made by the Board, management and others. It requires realistic strategic views of risk and consideration of how external and internal events, scenarios and risks will affect the organisation in achieving its objectives. This should be a continual process that should be embedded in and part of strategy setting, execution and strategy management.



Which methods of strategic risk management do your Organisation perform?

Some of the more general methods of managing strategic risks are:

- Avoid – but, you will probably not achieve your strategic objectives by not taking some degree of risk
- Transfer – which is the purpose of insurance. There is probably no insurance company willing to issue a policy that would indemnify an organization for not managing strategic risk.
- Accepting at existing level – the ‘taking chances’ mindset could be detrimental to the organization and cause the strategic plan to fail.
- Reduce to an acceptable level.

The Strategic Risk Management (SRM)- process entails the following basic steps (by management)

1. Communicate and share information across business and risk functions (intranet, website, newsletters, global email announcements, etc)
2. Break down risk management silos (risk in one area could affect other areas)
3. Identify and assess possible risks (consider the severity, probability, timing, impact, and likelihood. Prioritise the organisation's strategic risks and consider the organisation's risk appetite)
4. Identify potential positive consequences of risks: a risk can be turned into an opportunity. Risk is inherent to an organization embracing areas of opportunity and change.
5. Monitor and manage the risk! As new strategic objectives are developed, new strategic risks will emerge. Develop risk mitigation strategy.
6. It is a continual process that never ends – not a one-time event. Management must do regular analysis and updates. Performed in conjunction with regular strategy reviews.

Some of the perceived benefits of SRM are:

1. Preparation for a major risk enables mitigation of that risk and promotes stability of the organization.
2. If you prepare better for risks than your competitors, you will have a *competitive advantage*.
3. Tool for thinking systematically “outside of the box” about the future and identifying risks and opportunities
4. Turn strategic threats into growth opportunities allowing the organization to move from the *defense into* the offense.
5. Better utilize resources and reduce costs.

Limitations of SRM are-

1. Certain risks may occur and cause irreparable damage despite anticipation and preparation (“Acts of God”)
2. No organization can anticipate *all risk* events.
3. This is *not a box-checking exercise*. There are substantial costs & efforts involved with SRM.

To conclude, a strategic risk is the possibility of an event or scenario that could be both internal and external that inhibits or prevents an organization from achieving their strategic objectives. It is measured in terms of impact and likelihood. SRM as described, is a *process* performed by management for identifying, assessing and managing risks and uncertainties, affected by internal and external events, scenarios and risks that could *impede the organization's ability* to achieve its strategy and strategic objectives. This process is continuous by management that requires regular analysis and updates.(Source:JC Taylor, Chief Audit Executive)

4

Seminar

THE STRATEGIC BRAINS @ WORK!

4

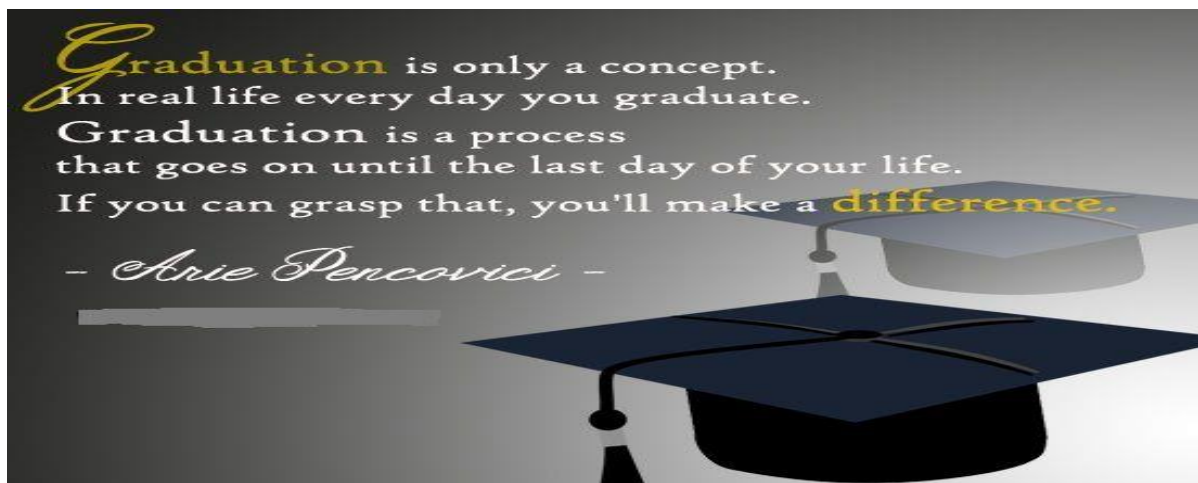
Individual activity

**Some Exercises to assure Learning Outcomes -****✓ Prepare the following exercises for the class discussions (in writing) –**

1. After reading the literature in this regard, and following a collaborative discussion among you as members of your company's management team about how you intend to manage the Company (pick a company in your group!) you have been assigned to run. Discuss the following three questions-
 - (i) What is our present situation?
 - (ii) Where do we want to go from here?
 - (iii) How are we going to get there?
2. Research Ikea as Company and identify the key elements of Ikea's strategy. What approach toward winning a competitive advantage does Ikea seem to be pursuing?
3. Go to the websites of the following companies-
 - E Intel
 - E Lufthansa
 - E Tata Motors;

To find some examples of strategic and financial objectives. Make a list of four objectives for each company, and indicate which of these are strategic and which are financial.
4. Do an analysis of the bottled water industry using the information provided on the industry trade association Web sites to describe the KSF's (no more than six) for the bottled water industry.
5. On the basis of your Company's latest financial statements and the available data regarding your company's performance that appear in an Industry report, list the three measures of financial performance on which your company did "best" and the three measures on which your company's financial performance was "worst".
6. Stihl is the world's leading manufacturer and marketer of chain saws, with annual sales exceeding \$2 billion. How does Stihl's choice of distribution channels and advertisements contribute to its strategy? What is Stihl's competitive strategy?
7. Has Nintendo's timing of strategic moves made it an early-mover or a fast-follower? Could Nintendo's introduction of the Wii be characterized as a Blue Ocean strategy?. Provide justification for your answers

8. The Hero group is among the largest corporations in India, with approximately 20 business segments. Many of the corporation's business units have utilized strategic alliances with foreign partners to compete in new product and geographic markets. Review the company's statements concerning its alliances and international business operations and prepare a 2 page report that outlines the group's successful use of international strategic alliances.
9. See if you can identify the value chain relationships that make the businesses of the following company related in competitively ways. In particular, you should consider whether there are cross-businesses opportunities-
 - E L'Oréal
 - Maybelline, Lancôme, Helena Rubinstein, Kiehl's, Garner, and Shu Uemura cosmetics
 - L'Oréal and Soft Sheen/Carson hair care products
 - Redken, Matrix, L' L'Oréal Professional, and Kerastase Paris professional hair care and skin care products
 - Ralph Lauren and Giorgio Armani fragrances
 - Biotherm skincare products
 - La Roche-Posay and Vichy Laboratories dermocosmetics
10. What specific actions have your company taken to develop core competencies or competitive capabilities that can contribute to good strategy execution and potential competitive advantage? Explain the rationale!



Addendum:

MBA program-administration 2019

The very important MBA program-administrative processes and procedures for the programme and its modules are available in the MBA rules and regulations available on eFundi under <eFundi: MBA Admin Info site>. It is imperative that every MBA student consult this Info site to ascertain what is expected for each module of the programme. The respective due dates are also scheduled on this site, as well as on the website: <http://commerce.nwu.ac.za/business/mba-potchefstroom>