

# Managerial planning and strategy

Case duration (Min):

45-60

Principles of Management (PoM)

Managerial planning and strategy

Worldwide

## Case summary:

To formulate effective strategies, companies must be able to answer basic questions such as: what business are we in? How should we compete in this industry? And who are our competitors? Such questions are considered from the perspective of CEO, Hans Hickler, at DHL Express (USA) in this case. Specifically, consideration is given to:

SUSTAINABLE COMPETITIVE ADVANTAGE,  
CORPORATE, INDUSTRY AND FIRM LEVEL STRATEGIES,  
GROWTH STRATEGY &  
INDUSTRY LEVEL STRATEGY.

## Learning objectives:

Specify the components of sustainable competitive advantage and explain why sustainable competitive advantage is important.

Explain the different kinds of corporate, industry and firm level strategies.

## Case problem:

How should companies compete within their industry?

Air Delivery &amp; Freight Services

## Company

DHL

<http://www.dhl.com>

DHL (acquired by Deutsche Post in 2002) is a global market leader in the international express and logistics industry, specializing in providing innovative and customized solutions from a single source. Today, DHL's international network links more than 220 countries and territories worldwide and employs 300,000 employees. DHL also offers expertise in express, air and ocean freight, overland transport, contract logistics solutions as well as international mail services. Success has always been based around delivering excellent service for customers. At the heart of its success are its employees who focus on the customer's needs and provide individually customized solutions. The group generated revenues of more than 63 bn euros in 2007. DHL EXPRESS is a leading global provider of international road-, air- and rail-based courier and express services for business and private customers. Through three product lines Same Day, Time Definite and Day Definite, DHL EXPRESS offer customers a multi-faceted product portfolio, meeting all transport time requirements. DHL Express (USA) is the US arm of express delivery giant DHL. The operations of DHL Express (USA) are coordinated with those of other DHL express delivery units; In order to cut costs and improve DHL Express (USA)'s operating efficiency. In early 2009 Deutsche Post ceased all of its air and ground services within the US. DHL Express (USA) still offers international shipping services to and from the US. Hans Hickler, Chief Executive Officer, DHL Express USA., aims to improve the company's competitive position in the U.S. market, which is strategic to the company's global growth plan. The company has competed aggressively for market share against UPS and FedEx, as well as the United States Postal Service. DHL has invested more than \$3 billion into the U.S. since 2003, including \$1.2 billion in infrastructure and distribution.

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:

1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.

Consider attempting the case study as a group exercise; you could form a study group with fellow students.

3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.

Discuss questions and answers with other students.

4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

Title/ Media type	URL/ Media description
Shipping Success.	<a href="http://feedroom.businessweek.com/?fr_story=6f4b6f071888ce5bae42f216005195b5ad57b129&amp;rf=bm">http://feedroom.businessweek.com/?fr_story=6f4b6f071888ce5bae42f216005195b5ad57b129&amp;rf=bm</a>
Film	DHL Express USA CEO Hans Hickler talks to BusinessWeek's Jena McGregor about DHL's strategy to deliver market share growth.

**NOTES:**

## Case study questions...

Action		Pre/During/After class
<b>1</b>	<b>SUSTAINABLE COMPETITIVE ADVANTAGE:</b> Discuss the resources that may be used by DHL Express (USA) to attain a sustainable competitive advantage in their marketplace. In your answer you should explain what is meant by resources, provide examples and define sustainable competitive advantage.	During
<b>2</b>	<b>CORPORATE, INDUSTRY AND FIRM LEVEL STRATEGIES:</b> To formulate effective strategies, companies must be able to answer basic questions such as: what business are we in? How should we compete in this industry? And who are our competitors? Consider these questions from the perspective of CEO Hans Hickler at DHL Express (USA); write down your answers.	During
<b>3</b>	<b>GROWTH STRATEGY:</b> CEO Hans Hickler at DHL discusses his growth strategy. He notes that they are a new entrant into a pretty competitive marketplace. What is a growth strategy-what is its purpose?	During
<b>4</b>	<b>INDUSTRY LEVEL STRATEGY</b> With reference to porters five industry forces evaluate how DHL Express (USA) should compete and the attractiveness of their chosen industry	During

# Answers...

## STRATEGY

Definition of the future direction and actions of a company defined as approaches to achieve specific objectives. See prescriptive and emergent.

## STRATEGY

the creation of a unique and valuable position

## STRATEGY

The means to achieve objectives

## VALUE

The perception of the benefits associated with a good, service, or bundle of goods and services in relation to what buyers are willing to pay for them

## DIFFERENTIATION

## STRATEGY

A differentiation strategy seeks to provide product or service benefits that are different from those of competitors and that are widely valued by buyers.

## STRATEGY DEFINITION

Formulation, review and selection of strategies to achieve strategic objectives.

## FIRM RESOURCES

resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness

## ORGANIZATIONAL RESOURCES

all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by an organization that enable it to function and add value

## RESOURCES

inputs into the production process

## Question/ Answer

### 1 SUSTAINABLE COMPETITIVE ADVANTAGE:

Discuss the resources that may be used by DHL Express (USA) to attain a sustainable competitive advantage in their marketplace. In your answer you should explain what is meant by resources, provide examples and define sustainable competitive advantage.

**Resources include the assets, capabilities, processes, information and knowledge that an organisation uses to improve its effectiveness and efficiency.**

**Organisations can achieve a competitive advantage (such as doing things faster or cheaper and possibly differentiating their product and service) by using their resources.**

**In some cases, a competitor is able to simply acquire the same resources and imitate the organisation, thus eroding competitive advantage. Consequently, it is the goal of many organisations to create a sustainable advantage. This is an advantage that is long-lasting, difficult to imitate and typically based upon rare resources or capabilities and competences that are difficult to emulate (typically knowledge and culture based i.e. based upon intangible resources).**

**CEO Hans Hickler talks about employee engagement, culture, processes and structure in particular.**

### 2 CORPORATE, INDUSTRY AND FIRM LEVEL STRATEGIES:

To formulate effective strategies, companies must be able to answer basic questions such as: what business are we in? How should we compete in this industry? And who are our competitors? Consider these questions from the perspective of CEO Hans Hickler at DHL Express (USA); write down your answers.

**What business are we in? The international express and logistics industry: express, air and ocean freight, overland transport, contract logistics solutions as well as international mail services.**

**How should we compete in this industry? At the heart of success are employees who focus on the customer's needs and provide individually customized solutions. Need to offer customers a multi-faceted product portfolio, meeting all transport time requirements. Aside from being effective through differentiation of product range and customer service, the company must also be efficient in order to keep costs and therefore prices down.**

**Who are our competitors? UPS and FedEx, as well as the United States Postal Service.**

### 3 GROWTH STRATEGY:

CEO Hans Hickler at DHL discusses his growth strategy. He notes that they are a new entrant into a pretty competitive marketplace. What is a growth strategy-what is its purpose?

**The purpose of a growth strategy is to increase profits, revenues, market share etc. CEO Hans Hickler at DHL is keen to increase market share in particular.**

**DHL Express (USA) has 9% share of the market**

## UNIQUE RESOURCES

Unique resources are those resources that critically underpin competitive advantage and that others cannot easily imitate or obtain

## SUSTAINABLE STRATEGIC ADVANTAGE

Strategic advantage that can last over a long period of time despite competitors' efforts to nullify it.

## 4 INDUSTRY LEVEL STRATEGY

With reference to porters five industry forces evaluate how DHL Express (USA) should compete and the attractiveness of their chosen industry

The five forces framework enables a more detailed understanding of the business environment. In the competitive forces model, five industry-level forces—entry barriers, threat of substitution, bargaining power of buyers and suppliers, and rivalry amongst industry incumbents—determine the inherent profit potential of an industry. The approach can be used to help the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favour.

The Competitive forces model is used to describe the interaction of external influences, specifically threats and opportunities that affect an organization's strategy and ability to compete. It uses concepts developed in Industrial Organization (IO) economics to derive the forces that determine the competitive intensity and therefore attractiveness (the overall industry profitability) of a market. An "unattractive" industry is one where the combination of forces acts to drive down overall profitability. They consist of those forces close to a company that affect its ability to serve its customers and make a profit.

The ultimate profit potential of an industry is governed by the collective strength of the five forces; organizations in certain industries typically earn high profits whilst organizations in other industries may earn relatively low profits; the weaker the forces collectively, however, the greater the opportunity for better performance. Some scholars believe the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favour

New entrants to an industry (such as DHL in the US) bring new capacity, the desire to gain market share, and often considerable resources. However they may face barriers to entry such as economies of scale, capital requirements, the need for access to distribution channels and political limitations. The threat of entry changes, as these conditions change. Rivalry amongst existing competitors takes the familiar form of jockeying for position—using tactics like price competition, product introduction, and advertising. Intense rivalry is related to the presence of a number of factors: competitors are numerous or are roughly equal in size and power; industry growth is slow; the product or service lacks differentiation or switching costs; fixed costs are high or the product is perishable and exit barriers are high.

Next we must determine how such profit is shared between the different organisations competing in that industry. To do this we must identify the key success factors - who the customers are and what their needs are, and how they choose between competing offerings. We must understand what customers want and what the organisation must do in order to survive competition.

Competitive analysis involves the systematic collection and analysis of public information about rivals (competitive intelligence) in order to predict and determine their future behaviour.

Strategic analysis should not be restricted to the present actions of competitors. The organisation should also think through future competitive behaviour- competitors do not stand still.

Forecasting what they may do in the future enables the organisation to contemplate moves that maintain or enhance their competitive position.

Companies adopt one of three generic strategies to position themselves in their industry: cost leadership, differentiation and focus. Companies rarely consider one strategy alone and may simultaneously push for all three; though one may be emphasised. In the case of DHL, emphasis is placed on differentiation and meeting customer's needs but they must still be efficient and offer a portfolio of products and services to meet a range of customer needs.

## Case study references

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