

Introduction to Strategic Management (SM) - a brief history of UPS

Case duration (Min): **> 60**
 Strategic Management (SM)
 Principles of Management (PoM)
Introduction to SM
Managing in a global context

Worldwide

Case summary:

The full film clip is 90 minutes - this can be reduced to 50 minutes by excluding questions and the introductions.

Under Michael Eskew's direction, UPS is expanding its emphasis on developing new lines of business that complement the company's core package operations. Driving this initiative, he oversees efforts to integrate technology into UPS's physical infrastructure - to create business opportunities for customers and help ensure the company's leadership position in the new age of global commerce. In this case, Eskew provides an overview of UPS's history (who they are), where the company is going and how it intends to get there.

Learning objectives:

Appreciate that there are five complementary perspectives of strategy-vision, plan, tactics, position and pattern.

Clarify the three broad approaches to strategy creation, namely visionary ideas, planning and emergence.

Understand the place of strategy in large organisations.

Describe the characteristics of strategic decisions and define what is meant by strategy and strategic management.

Case problem:

What does strategy mean in a large commercial organization?

Shipping
Company

UPS

www.ups.com

United Parcel Service, Inc., UPS, is the world's largest package delivery company. Headquartered in United States, UPS delivers more than 15 million packages a day to 6 million customers in more than 200 countries worldwide. Since 2005, its operations include logistics and other transportation-related areas. UPS is well known for its brown trucks and also operates its own airline. UPS's primary business is the time-definite delivery of packages and documents worldwide. Major domestic (United States) competitors include United States Postal Service (USPS), and FedEx. In addition to these domestic carriers, UPS competes with an array of international operators, including Canada Post, Deutsche Post (owner of DHL), TNT N.V., Royal Mail, Japan Post, India Post and many other regional carriers, national postal services and air cargo handlers.

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

When to Seed, When to Harvest: The
Four Quads of Innovation, Growth:

<http://mitworld.mit.edu/video/54>

Film

In this talk, Eskew (CEO) provides an overview of UPS's 100 year history, outlining the company, where it is going and how it will get there. His lecture starts (16.30) with contextual information about the company formed in 1907. UPS is a \$30 billion, 370,000 employee organisation with 88,000 vehicles and the 11th largest airline, used to deliver 40 million packages daily throughout 200 countries worldwide (as at 2002).

Throughout his presentation Eskew discusses the changes made over time, with particular reference to the business model. Reference to various environmental forces (technological, social, political, and economic) threats and opportunities are used to present arguments for such changes. Starting out as a messenger company, UPS (with the advent of telegraphy) moved into package delivery and then became a carriage business, becoming international in the mid-70s with a true international model by the 1980s. The business changed further with the advent of globalisation and the Internet.

Eskew (26.30) explains where the company is heading, describing an age of logistics and consumer pull. In this section of the film clip he discusses, in detail, various environmental forces and their impact upon his business. In particular he focuses on the supply chain and the component activities, mapping where his company can add value.

Later (33.00) Eskew discusses market opportunities for the company, noting that the US package delivery business (where the company was presently competing) was worth approximately \$55-60 billion; the company wanted to be in the logistics market, worth an estimated \$3.2 trillion worldwide.

Eskew then asks (35.15) how UPS might get there, listing the strategic imperatives for the next five years (developing teams and a good place for them to work, supply chain solutions, a customer focus, streamlined operations and an innovative culture). He recognised that the company had to do things now (2002) in order to get where it wanted to be in 2007. This required a strategy for growth.

The UPS strategy for growth is discussed under the heading (38.45) 'how we're going to grow'. Eskew draws his 'Quads of innovation and growth' (essentially an adaptation of the Ansoff growth matrix). He then spends 10 minutes explaining the strategies and tactics for each quadrant. Initially he discusses market penetration for growth through efforts of the marketing department. He then discusses expansion through the use of mergers and acquisitions, alliances and partnerships. He considers organic growth to be too slow and these approaches as the means to get there more quickly. Such initiatives and markets are only considered if they pass three tests: (one) the market has to be of a good size, growing and attractive; (two) the company has to be able to leverage its existing skills, brand, technology and people resources; and (three) the initiative has to fit within the corporate strategy. He discusses the role of alliances and partnerships for technological advantage and access to key knowledge areas. Next he discusses new areas of business (50.45) and the role of his strategy group in identifying and pursuing opportunities the company has not considered before. Finally he considers (1: 00: 00) diversification. His session finishes at 1:05:15 when questions are invited from the audience.

NOTES:

Case study questions...

Action		Pre/During/After class
1	INTRODUCING STRATEGY: All organisations have a purpose typically articulated in the form of a mission and/or vision statement. Strategies are means to ends; they relate to the pursuit of the organisation's purpose and goals. Discuss the purpose of UPS and its strategies. In your answer you should discuss what is meant by the term strategy and the characteristics of strategic decisions.	During
2	FIVE PERSPECTIVES ON STRATEGY: Thompson, J L. and Martin, F. (2005), discuss five perspectives on strategy: vision, plan, tactic, position and pattern. Discuss these views in relation to UPS.	During
3	BUSINESS MODEL: Identify what is meant by the term business model and describe the various business models pursued by UPS over the past 100 years.	During
4	STRATEGIC POSITION AND THE EXTERNAL ENVIRONMENT: The strategic position is concerned with the impact of the external environment on strategy . The organisation exists in the context of a complex social, technological, environmental and political world. Variables within the external environment affect the organisation, giving rise to opportunities and exerting threats. Identify and discuss a selection of environmental variables introduced by Eskew in the film clip.	During

Answers...

STRATEGIC ALLIANCE

an arrangement in which two firms agree to co-operate to achieve specific commercial objectives.

STRATEGIC DECISION MAKING

Determining the long-term objectives, resources, and policies of an organization.

STRATEGIC FIT

the matching process between strategy and organizational structure

STRATEGIES

The principles that show how an organization's major objectives or goals are to be achieved over a defined time-period.

STRATEGY

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

STRATEGY DEFINITION

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

STRATEGIC MANAGEMENT

Strategic management includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action

VISION

a description of the business as you want it to be

MISSION

a statement of purpose - what the organization seeks to achieve

TACTICAL PLANNING

Within the context of the planning cycle, planning that covers a shorter period, usually four months to a year out, although the planning horizon may be longer in industries with very long lead times (such as engineer-to-order firms).

Question/ Answer

1 INTRODUCING STRATEGY:

All organisations have a purpose typically articulated in the form of a mission and/or vision statement. Strategies are means to ends; they relate to the pursuit of the organisation's purpose and goals. Discuss the purpose of UPS and its strategies. In your answer you should discuss what is meant by the term strategy and the characteristics of strategic decisions.

Students should discuss the business within which UPS is situated and the desired future state, Strategy - Definition of the future direction and actions of a company, defined as approaches to achieve specific objectives. See prescriptive and emergent.

Strategies - The principles that show how an organization's major objectives or goals are to be achieved over a defined time-period. The strategic imperatives (2002) listed to attain the vision (2007) included: creation of an enjoyable workplace that fostered teamwork; development of complete supply chain solutions; customer focus; streamlined operations and the development of an innovative culture. Students may also discuss Eskew's comments (38:45) on how UPS intended to grow and the growth matrix. Marketing for product penetration, expansion through merger and acquisition, development of new ideas and diversification.

The characteristics of strategic decisions: long-term direction, scope of an organisation's activities, how to create sustainable competitive advantages, fit with the external environment, building competences,

2 FIVE PERSPECTIVES ON STRATEGY:

Thompson, J L. and Martin, F. (2005), discuss five perspectives on strategy: vision, plan, tactic, position and pattern. Discuss these views in relation to UPS.

See Thompson, J L., Martin, F. (2005:16-17)

3 BUSINESS MODEL:

Identify what is meant by the term business model and describe the various business models pursued by UPS over the past 100 years.

The business model describes what the organisation is and what it isn't, who will buy its products and services and why. Whilst there are many aspects to a business model, common themes include a description of the product (or service), the market and the compelling reason to buy. Eskew discusses the first business model-UPS as a messenger company-which evolved, as a result of threats, into a package delivery company. The advent of the motorcar and shopping centres forced a new model-the carriage business-where UPS competed with the Post Office. Technology, globalisation and improvements in travel and communication created opportunities for an international model. Further use of technology (databases and wireless) reduced costs and enabled product differentiation, replacing manual paper-based systems with integrated business information systems. Further market opportunities provided the impetus to change from competing in the US package delivery business and move into the logistics market.

4 STRATEGIC POSITION AND THE EXTERNAL ENVIRONMENT:

The strategic position is concerned with the impact of the external environment on strategy . The organisation exists in the context of a complex social, technological, environmental and political world. Variables within the external environment affect the organisation, giving rise to opportunities and exerting threats. Identify and discuss a selection of environmental variables introduced by Eskew in the film clip.

Eskew discusses competitive forces, globalisation (the erosion of country boundaries, customer travel and increased integration), technologies such as the Internet and electronic channels to market, enabling the world access and wider reach, disintermediation and mass customisation of products; consumers can get what they want from wherever they want, there are more new entrants with increased numbers of start-ups able to compete using Internet technologies; much of business is no longer conducted face-to-face and organisations must compete on a global scale.

BUSINESS MODEL

A summary of how a company will generate revenue identifying its product offering, value-added services, revenue sources and target customers.

Case study references

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

Thompson, J L. and Martin, F. (2005) 'Strategic Management', Ed. 5. Cengage Learning EMEA.