Further Review Q&As

Chapter 1: Overview of Strategic Management

1) According to Mintzberg, strategists are like blind men who are feeling parts of an elephant and strategy formation is like the elephant thumping across the dessert; the subject area is comprised of different views that make up that elephant. Describe the 10 schools of strategy, and explain their premise.

- design school (a process of conception)
- planning school (a formal process)
- entrepreneurial school (a visionary process)
- cognitive school (a mental process)
- learning school (emergent process)
- power school (a process of negotiation)
- cultural school (a collective process)
- environmental school (a reactive process)
- configuration school (a process of transformation)

2) Explain the difference between 'strategy' and 'strategic management'.

- The essence of strategy is about the courses of action necessary, or approach taken, for achieving the organization's core objectives and ultimately the overall purpose.
- Strategic management concerns the management of the organization's overall purpose, to ensure all the needs of the present are considered with those of the future. These may relate to all the six specific tasks of purpose, objectives, strategy, implementation, execution, and strategic control (POSIES, as summarised on page 309).
- Hence, strategy is only one component (which operates at three levels – business, corporate and global) of strategic management. Strategy is also different from something that is tactical (hence Sun Tzu's famous line that 'all men can see the tactics whereby I conquer but what none can see is the strategy out of which great victory is evolved') or operational effectiveness (which Porter argues is important but is inferior to, and which cannot replace, real strategy).

3) Explain the levels of involvement in strategic management and the role of staff at each level. How does the strategy hierarchy facilitate this?

- The main responsibility of strategic management is predominantly at the top level. This is because senior management is most knowledgeable of the purpose of the organization and can therefore direct the whole organization to accomplish it.

- However, everyone has some involvement in the doing of strategic management. The amount of personal involvement is reduced as we go down the levels of the organizational structure. Referring to figure 1.1, the amount of involvement in strategic management is shown by the pyramid whereby senior management (at the top) is most associated with strategic management and supervisors and operators are most involved in daily management but only a little strategic management.
- The strategy hierarchy (illustrated in figure 1.2) is an explication of the different levels of strategy and who are responsible for managing it at the different levels of hierarchy. The kind of strategy reflects the nature of the work undertaken by staff at the different levels of the hierarchy.

4) Explain the controversial debate in strategic management regarding how strategy can be formed or formulated, ie – how emergent strategy is different from deliberate strategy.

- Despite the more sophisticated contributions to the subject field on what makes up the strategy and the different schools, one of the key debates is if strategy should be formed over time or be formulated by senior management. Within this distinct division (between strategic planning and emergent strategy), the other separations such as Mintzberg's ten schools can also fit.
- With formulation, the main premise is that senior management has the best knowledge of the overall strategy and is most appropriate for deciding on a strategy that the rest of the organization should follow. This view suggests that strategy should be consistent and specific to the organization, which is what gives it competitive advantage.
- In contrast, there are the emergent strategists who suggest that there should not be one specific strategy (deliberate) and that the appropriate strategy should be formed over time (ie, emerge), taking into consideration patterns of past behaviour, thus enhancing the importance of the learning organization, where the importance lies in having good information flows. This view is similar to the idea of James Brian Quinn on logical incrementalism.
- The figure (figure 1.3) by Peters and Waterman puts into context both deliberate and emergent strategy, illustrating how they become realized, or in one case how it is unrealized.
- The Honda paper by Pascale provides a good source for discussion.

5) Outline the fundamental differences between outside-in and inside-out thinking about strategic management, and their influence on strategy.

- Outside-in thinking about strategy concerns how the external environment, such as how the competitive position of the company, defines the way the organization is managed to sustain competitive advantage. An obvious example of this is Porter's view of competitive strategy, where the five forces that shape an industry must first be considered and then an appropriate strategy be chosen.
- Inside-out thinking about strategy concerns the consideration of the internal resources of an organization as the key source of competitive advantage. This is consistent with the resource-based view of strategy whereby competitive

advantage is achieved through the particular integration of a firm's strategic resources.

- In fact, both views are important, as for an organization both its external and internal environments must be assessed. The internal capabilities of a firm should be configured to meet the changing demands of the external environment.
- Some examples of useful frameworks that consider either outside-in or inside-out thinking should be noted, as well as key issues in strategy, such as those given in figure 1.5.

Chapter 2: Purpose

1) Discuss the importance of purpose to an organization, and how that purpose may be regarded as synonymous to the purpose that underpins human existence.

- The starting point to anything is its purpose, which is the same whether it is an organization or a human being. While there are numerous theories behind the existence of human beings on Earth, every individual has his/her own belief, and it is that belief that determines how s/he lives his/her life. An organization exists for a long-term purpose, and making money is only one activity that facilitates the achievement of that long-term purpose, and does not constitute that purpose per se (otherwise it will have accomplished it already!).
- To make a 'purpose' comprehensible to the organization, three distinct components are available to assist: vision, mission and values. The role of each of these is different, and quite often companies get it wrong. Even if these are not explicit, every organization still has them in the sense that they are implicit in the way it manages. Explicit statements also have the advantage of promoting to the public the strength of the company and further acts as a marketing tool.
- The way these influence the management of the organization is shown in figure 2.1, where vision affects the strategy, values affect the organizational culture, and mission affects the business model.

2) Who are the typical stakeholders of an organization, and how do they affect the purpose and management of it?

- The typical stakeholders of an organization include, but are not restricted to: lenders, customers, government, employees, owners, etc (as shown in figure 2.2). Their influence upon the organization varies depending on the industry to which the organization belongs and the nature of that industry (particularly if it is either a high or low velocity industry).
- Indeed, some organizations may not have some of those stakeholders at all and in some cases their presence is only implicit.
- The key stakeholders are the customers, suppliers and employees.
- The clarity and orientation of the purpose of an organization may be affected if one or more of the stakeholders have a strong influence over the way the organization works. For example, in the case of public services the safety or

economic regulator has a control over the standards of services expected by the companies, and so the purpose of the organization should be aligned with their expectations. Similarly, in industries of high competition, customers may be more demanding and so they may be able to sway the future direction, and thus influence even in a small degree the purpose, of the organization.

3) Is there always a perfect alignment between an organization's purpose and culture?

- There may be a mismatch between the true intention of the organization's purpose and its culture mainly due to the lack of clarity of the former.
- The purpose normally influences the culture of the organization as the purpose exists first and then people who are appointed to the position are then nurtured to the needs of that purpose. However, for reformed organizations, such as those which have become the outcome of non-organic growth (merger and acquisition activity), then the cultures may have existed first through a legacy of the merged companies and the newly established purpose may not be consistently or well aligned with them.
- There are three levels of culture (artifacts, espoused values, and basic underlying assumptions) which must be managed differently by the manager concerned, and if these are not managed properly there is likely to be misalignment to the organizational purpose.
- To help managers think more seriously about managing the culture of the organization, the cultural web may be instrumental to that process (figure 2.4).

4) Discuss the dangers of mismatch between corporate image and corporate identity. What strategies are possible for closing this difference gap?

- Corporate image and corporate identity are different things: the former refers to what the organization is understood as to the stakeholders (as receivers), and the latter refers to the organization's self-image.
- It is common for a mismatch between the two, particularly when the marketing efforts of the organization are not effective; in this case it is important that the organization is not prone to bad public impression.

5) How can the emergence of the importance of corporate social responsibility be seen as a threat to the purpose of an organization?

- If the organization is an old one, there may be explicit mission statements that do not accord with the present expectation of corporate social responsibility.
- Compliance with corporate social responsibility matters may often be expensive, and therefore the incurrence of these costs may mean cut-backs on other organizational objectives.

Chapter 3: Strategic Objectives

1) How can objectives be used as a filter system through which the organizational purpose is transferred into comprehensive outcomes against which to measure performance?

- The primary role of objectives is to break down the organizational purpose into an understandable definition, often offered by a set of objectives that relate to different people in different parts of the organization.
- This can be done through a number of ways, and tools have been developed over the years to deal with this role, for example the balanced scorecard is probably the most prominent, but there are other ‘performance management tools’, such as the performance pyramid, tableau de bord, etc.
- There are different kinds and types of objectives, all serving different purposes. The way organizations use and categorise objectives (into those which are strategic vis-à-vis operational) is a way of identifying what needs to be done to drive performance and what monitors performance.
- Employees need to be clear about their objectives and what they mean, in order for them to be effective.

2) How has the importance of ‘balance’ evolved over the last century, and how has it influenced strategic management thinking?

- The importance of balance began many years ago, which could be traced as far back as Barnard (1939). In management, it was discussed prominently by Peter Drucker (1954/5) when he commented on eight areas a business should focus on (and not to focus on the financials alone).
- The idea of balance has been made most popular through the balanced scorecard concept.
- The balanced scorecard is not used just as a way of measuring the performance of an organization; it can also be used to help set and manage objectives, to achieve a range of aims.
- The meaning of balance in general and in the context of the balanced scorecard is manifold: between long and short term, lagged and lead indicators, strategic and operational, financial and non-financial, etc.
- Recent failures of large organizations, such as Railtrack for example, have been blamed for not maintain a balance of objectives.

3) What are the differences between strategic and operational scorecards, and why is this distinction between the two important?

- A number of conditions distinguish strategic from operational scorecards: mainly that the objectives the former deal with are critical success factors (CSFs) and those the latter deal with are key performance indicators (KPIs).
- Another important distinction is in the use of such scorecards. Strategic scorecards involve the formulation of objectives (first part of strategic management) and operational scorecards involve the implementation of objectives down parts of the organization.

- A good example of the clearly different use of these scorecards is in the EDF case, where strategic objectives are presented in the form of ambitions and operational objectives are the local branch (network-related) measures and objectives.
- Strategic scorecards and operational scorecards feed off each other.

4) How can the use of objectives ensure organizational involvement?

- A key aim of objectives is to ensure that everybody in the organization knows what they are to be able to contribute to them in the appropriate way to ensure alignment of effort. Numerous management frameworks have attempted to do this, and the most renowned is the balanced scorecard approach (another rival is the Performance Prism, among other similar techniques).
- Within the balanced scorecard approach, the idea of strategy mapping relates all input and output activities, and it makes it clearer how different efforts within the organization relate to each other.
- One key role of objectives is to break down the meaning of the purpose into understandable actions. Where this is the case, everyone in different parts of the organization are more able to relate to the different objectives, as they understand how their daily work contributes to the long-term aim of the organization; this in turn ensures a wider involvement.
- The nature of objectives should be such that they follow the SMART acronym; where this is the case, objectives are more practical.

5) How can objectives be problematic, and in what way can the use of objectives be considered as 'bad' management?

- Simply put, objectives can be seen as being problematic in the 10 ways described in Table 3.1.
- Bad management of objectives is when organizations do not understand what kind of objectives they are in the first place. For example, some are strategic and some are operational, and the tools employed for them may be problematic if they are not understood properly.

Chapter 4: The External Environment

1) What are the different ways in which the external environment can be explored, and for what purposes?

- The most obvious ways to explore and assess the external environment are those four presented in figure 4.1, where the focus may be wide or focused: scanning, scenarios, monitoring and forecasting.
- Each of these is used for a particular reason: scanning is an overview of the general environment to pick up on general events; scenarios are imagined and probable happenings; monitoring involves checking up on developing changes; and forecasting involves predicting possibilities based on calculations.

- A number of quite technical tools and management frameworks may be used for such activities.
- Another renowned/popular way to consider the external environment is to produce a PESTEL list of factors: political economic, social, technological, environmental and legal. These should not just be a static list, but rather an active and dynamic list of important considerations for constant review of the organization.

2) How are structural breaks similar to, and different from, 'black swan' events?

- Structural breaks are expected and normal, defined by activities that break the industry away from its regular behaviour. They are unpredictable events and so are their consequences.
- Black swan events are a special form of structural break. Termed 'black swan' by Taleb, after the argument that no matter how many times something can be proved it takes only one event to disprove it, such events have three characteristics: probability is low, has a large impact upon its happening, and afterwards it seems obvious it was to happen.
- The 2008 financial crisis is both a structural break and black swan.
- Black swans are far more difficult to manage than structural breaks, but can learn, hence black swans can eventually become white swans.

3) In what ways is knowledge of industry life cycles helpful to the strategic management of organizations?

- Industry life cycles explain the behaviour of the different phases through which products/services within it go through. Understanding it helps businesses plan and manage the next stage of their products/services.
- The industry life cycle is not the same as the product life cycle (although both follow the same curve); the former is the aggregate of the latter.
- Against each of the phases, it is possible to assess a number of important conditions, such as user/consumer characteristics, competitive conditions, etc, as shown in figure 4.2.
- Some practical solutions may be possible for extending or renewing products/services depending on the overall condition of the industry.

4) Are Porter's five forces still appropriate for managing today's business environment?

- In 1979 Porter's ground-breaking article on the five forces of an industry first appeared in the Harvard Business Review. Over the years scholars and practitioners have tried to put this theory into use, and it has received much criticism and a range of interpretation.
- In 2008, Porter revisited the idea with an update of this article in a special anniversary edition of the Harvard Business Review. The paper outlined the misinterpretations of the concept over the years, and stresses its continuing importance and relevance, even in today's management. In particular, Porter outlines factors which are influences, not additional forces.

- Other quite recent papers by Porter, such as the 2001 paper, summarised as Principles in Practice box 4.2, outline how the five forces can be applied for more modern contexts, such as the internet. There is other very recent research, such as working papers, that suggests that the five-force model is also a useful framework for assessing a range of industry structures and is not restricted to just competitive conditions.

5) Is the use of strategic group analysis just a marketing tool?

- The example used in the book for explaining strategic groups uses marketing intensity as a defining characteristic of analysis, but a strategic map used for strategic group analysis can involve any set of characteristics.
- Marketers often use a strategic group analysis to determine what kind of product/service characteristics on which to emphasise.
- However, it is also important for strategists to know where the uncontested space is, how close to a competitor the company is, and how much effort is necessary for competing in certain conditions.
- A similar approach to the strategic group analysis is Blue Ocean Strategy.

Chapter 5: The Internal Environment

1) What are the defining characteristics that determine the internal competitive advantage of an organization?

- Competitive advantage is based on synthesising well the internal configuration of resources and using them in a way that is consistent with the demands of the ever changing external environment.
- This view is known as the resource based view of strategy (RBV).
- RBV is based on mobilising strategic resources and satisfying all the aspects shown in the pyramid, as figure 5.1.
- Probably the biggest question regarding RBV is what actually constitutes a 'strategic resource'. Barney's VRIO framework (value, rarity, inimitability and organized to exploit) forms the assessment criteria.

2) How does Porter's value chain facilitate the workings of the resource-based view in achieving competitive advantage?

- Porter's generic value chain is comprised of five primary activities and four support activities which form the strategically relevant considerations of the internal environment of an organization.
- If the resource based view is correct, then the configuration of resources within the organization should be around these key activities.
- Competitive advantage is based on how value is recognised by customers and perceived as being different from rivals. Therefore the value chain is instrumental to how an organization delivers this specific and different set of values.

- Regarding the value chain, there must be sufficient flows of information between the different parts of the chain. The cost of producing the value must be less than that perceived as beneficial by the customers.

3) How and why have strategic management scholars showed so much interest in the development of the 'dynamic capabilities'?

- Dynamic capabilities are an essential component in the workings of the resource based view of strategy, generally understood as the ability of organizations to reconfigure its strategic resources in a way that reflects the demands of the changing external environment.
- However the exact understanding of how they work in practice or what exactly constitutes a dynamic capability has been questioned and even disputed.
- It has been recognised that dynamic capabilities have become even more important recently, post global financial crisis as a way of dealing with crisis management and flexibility of management systems that can be adaptive to significant changes.
- The dominant view of dynamic capabilities is Teece et al's view of them being a higher order activity. Eisenhardt and Martin see them as lower order and can be specific processes and tools. The two fit together (like Russian dolls fitting together).

4) Give practical examples of dynamic capabilities, and explain why each constitutes a dynamic capability.

- Practical examples of dynamic capabilities are normally those that fall within the Eisenhardt and Martin view, where these are seen as specific tools and processes that facilitate management. These include:
- Lean production: based on the principles of reducing fat ('muda', in Japanese), anything that does not contribute directly to the value of the process, popularised by the Toyota Production System. One popular approach for this is just-in-time management (the process of ensuring the right amount of orders are made when they are ordered, and supplies delivered when needed so to reduce the need for storage).
- Total quality management: based an organization-wide management philosophy for improving customer specified quality. Ideas include ensuring strong links in the quality chain and zero defects. These ideas were particularly popular around 1970-1980s.
- Performance excellence frameworks and benchmarking: performance excellence frameworks are management audit tools to ensure that good practice is being maintained in key areas of the business. The idea is to benchmark (ensure that practices are consistently good within the organization and on a par with external organizations) practices, to sustain competitive advantage.

5) How can a SWOT analysis be useful for both internal and external organizational environmental analysis?

- A SWOT analysis recognises the strengths, weaknesses, opportunities and threats confronting an organization. These relate to both the internal as well as

external environments, and are often used as a quick framework to provide an overview of an organization.
- The SWOT list should not be static; these items should be updated as continuing areas to monitor for them to be useful to an organization.
- A more sophisticated interpretation of SWOT is to use it alongside the four perspectives of the balanced scorecard, as illustrated in figure 5.8.

Chapter 6: Business-Level Strategy

1) Is an organization that offers a cheap price operating a cost leadership strategy, according to Michael Porter?

- Frankly put, no! A cost leadership strategy is not tied to the need to charge customers low prices, although in practice many do. A company can still have a low cost base and charge the highest prices in the industry.
- Two key principles apply to a cost leadership strategy: the ability to keep costs low in all areas of the business, and be the leader in the industry in being able to continue to do so.
- The ability to charge a high/low price depends on a number of other things, such as the structure of the industry (a monopoly is more able to charge higher prices than in perfectly competitive industries).
- Cost leadership can be general, or focused (having the ability to channel to specific customer groups, while offering one source of competitive advantage – cost leadership or differentiation). A company that operates a (cost leadership) focused strategy need not be the best in the industry for the cost leadership strategy (others may be obviously better) – but its advantage comes from the ability to reach customers that others cannot.

2) How do business models differ from the use of a value chain?

- Business models are often confused with the overall strategy of an organization, and sometimes incorrectly used interchangeably.
- Porter's belief of real strategy is premised on delivering a unique value proposition deemed specific to the company by customers, and the value chain is instrumental to this. Business models do not constitute real strategy.
- A business model is a description of an organization's core business processes that describes the fundamentals for achieving the overall purpose of the organization. This is premised on the basic assumptions designed around the value proposition.
- A good example of a business model is through the easyGroup (Principles in Practice 6.1).
- George Yip clarifies the difference between strategy and business model: strategy changes the business model, to move the organization forward, whereas the business model itself is for regular monitoring.
- The value chain activities must therefore be built predominantly around the more important (strategy) in order to deliver the value proposition (and not just for general regular monitoring of activities).

3) According to Michael Porter, is strategy the same thing as operational effectiveness?

- A seminal article was written by Porter in 1996 to put the story straight to those who argued against Porter's view that strategy is about doing things that are specific to the company and which no other rivals can imitate, referring to the Japanese who succeeded on imitation of best practices.
- Porter argued that those things that could be imitated are merely operational effectiveness, and an organization could not compete merely on operational effectiveness.
- Operational effectiveness for a few companies helps to move them closer to the overall productivity frontier, but if they all do it then the frontier is pushed out (eg. through things like benchmarking) so that the overall industry benefits. The frontier naturally moves outward over time anyway.
- Strategy, however, is specific to the company and is what gives it competitive advantage.
- The Japanese rarely compete on strategy, but mostly on operational effectiveness.

4) What is the significance of strategy activity mapping, and how can it be used to enhance competitive advantage?

- Strategy activity mapping is part of Porter's notion of competitive strategy, that is consistent with his ideas about an activity-based view of strategy.
- It can be understood as a visual representation of how organizational activities are tailored to deliver a competitive advantage.
- In his 1996 article, *What is Strategy?*, Porter uses South West Airlines to illustrate how activity mapping can be used to describe the interlocking activities.
- The map illustrates how an array of activities can lock out rivals from imitation (as a chain effect will minimise the consequences).
- There are three different types of fit (first order, second order and third order) that help to enhance an organization's ability to sustain competitive advantage, and these linkages can be mapped out in the strategy activity map.

5) Of what use is the Miles and Snow Typology: prospectors, analysers, defenders and reactors?

- The typology was devised by Miles and Snow to address three fundamental questions: (1) how to choose a general or target market; (2) what is the most appropriate means to make and offer products and services; and (3) how to organize and manage work?
- The typology argues that there are four distinct types of organization, and these determine the way they respond to the three issues. Prospectors emphasise new opportunities; defenders target a narrow market and concentrate on delivering value; analysers use a combination of the two; and reactors respond to change in an inconsistent way.
- Miles and Snow argue the organization's strategy, structure and processes should be consistent, based on its typology.

Chapter 7: Corporate-Level Strategy

1) What are the basic premises of corporate level strategy, and how is this different from corporate strategy?

- The term ‘corporate strategy’ is often used incorrectly to refer to matters relating to corporate level strategy. The latter concerns how businesses engage in decisions regarding several markets, products, or a combination of these, to allow for growth. The former concerns decision making for all strategic issues of an organization, and is the older term for ‘strategic management’.
- The key areas of consideration for corporate level strategy include product/market expansion, types of diversification, growth strategies and how to manage non-organic growth (where growth of a corporation is not through natural expansion).

2) Explain the implications of diversification strategies.

- Diversification is when the business becomes involved in activities that are not immediately within its usual range of products /services or market.
- It may choose to take this option as a growth strategy, or to spread the risks of concentrating on too specific a part of the industry.
- Ansoff’s matrix (figure 7.2) illustrates how the choice of diversification has greatest potential but also carries with it the highest risk.
- To manage the risks involved in diversification to accommodate for the growth objective, firms may choose non-organic growth (eg. through M&A activity) because the acquired businesses are already familiar with the market and have built up competency in the product/service.
- As growth takes place, the key implication of concern is how best to manage that growth. Figure 7.1 outlines the two broad types of strategy for corporate development, and so the subject of corporate strategy pivots around those issues.

3) Discuss the advantages and disadvantages of corporations involved in organic and non-organic growth.

- Corporate strategy involves such important issues as corporate growth and how best to manage this growth.
- A natural growth (organic) strategy involves expanding through developing a wider range of product/service or market activities, and non-organic growth is the involvement of acquiring businesses with the need to look after them.
- Organic growth has the advantage of knowing the organization’s own competency and slowly learning about the new markets it enters. The disadvantage is that this growth is slow and may be difficult to keep pace and be used as a means of sustaining competitive advantage.

- Non-organic growth has the advantage of quickly growing the organization and achieving synergies by combining resources and capabilities where the organization is weak; it can acquire expertise in various markets as the newly joined parts already have an existence and expertise there. Its main disadvantage is running the potential risk of not being compatible for such reasons as culture clash and extremely unrelated diversification. Many M&A (mergers and acquisitions) fail to reap benefits within two years of consummation and many are separated shortly afterwards.

4) The BCG (Growth-Share) Matrix is old but has stood the test of time. How significant and practicably usable is it today, in the light of vast developments in management tools that help assess market conditions?

- BCG Matrix was invented in the 1970s and has been used intensively by large organizations ever since. In management tools surveys today, the matrix still appears very prominently popular with well-known companies.
- It is useful because of its simplicity to map key products/services within four conditions; these conditions are also aligned with the stages of a product life cycle (which in term are linked to the stages of the industry life cycle).
- The two parameters, market growth and relative market share, have traditionally and long been considered key success factors for an organization's key products/services, and so it has stood the test of time.
- A key problem with it is its due dependency on decisions regarding cash and availability of cash flow. Given the emphasis of more recent literature on the need to consider a balanced range of measures for an organization (such as the balanced scorecard literature), this has become an area of criticism.
- A similar alternative commonly used by companies is the GE matrix: this considers the dimensions of business strengths (which is a measure of competency) and industry attractiveness (which is the market aspect), in three zones of strengths, and recommendations are offered for products/services falling within these zones.

5) How successful is franchising as a means of corporate growth?

- Franchising is a very popular method of corporate growth.
- Most of the large international large chain stores are operated on a franchising relationship, such as McDonalds, Zara and H&M.
- Its popularity is premised on its simplicity, a basic contractual relationship between franchiser and franchisee, where the franchisee pays the franchiser for the use of strategic resources and in return the franchisee will deliver the objectives of the franchiser.
- Franchising is based on implementing and executing the business model of the organization (and not strategy per se).
- Franchising is flexible as it allows quick growth of the organization, as well as downsizing of the organization without damage to the reputation or structure of the parent company.

Chapter 8: Global-Level Strategy

1) Explain the meaning of ‘the world is flat’ in the context of globalization.

- ‘The world is flat’ is the title of a book by Thomas Friedman on globalization.
- He does not propose the world is literally flat, but that as the world is becoming more and more interconnected new players enter into the industry and competition becomes more fierce; as a consequence, ‘the playing field is being levelled’ and new strategies are required for global operations.
- In practice, this means that nations must find new sources of competitive advantage, new strategies must be found for local companies, and strategic approaches for global level business must be championed.
- Globalization does not just mean that trade barriers have been opened and companies can source internationally; anything that helps to provide a platform for seeking cross border advantages, such as the emergence of the internet over the last 15 years, may be used as a strategic platform.

2) If the benefits of globalization concern the expansion of operations across international borders, why then is it necessary to consider a strong home base?

- The foundation of a strong home base helps to support global strategies (and is not contradictory to globalization!). Porter argued that industrial sectors are clustered in geographical regions, which need nurturing to ensure a sufficient concentration of suppliers and specialised resources, so that a balance of home-based and dispersed foreign activities are pursued.
- This view of Porter is called the Competitive Advantage of Nations, otherwise known as Porter’s Diamond (shown in figure 8.1).
- Porter’s Diamond is made up of four core factors (firm strategy and structure, demand conditions, related and supported industries, and factor conditions) and one peripheral factor (the role of government).
- With the growing importance of emerging markets, some large organizations have been able to reap the benefits of local supplies, like Tata which has access to cheap supplies of government allocated iron ore.

3) Under what conditions are the four strategic approaches for global level business most appropriate?

- There are four strategic approaches for global level business activity: multi-domestic strategy, global strategy, international strategy, and transnational strategy (glocalization). Figure 8.2 shows these options against two dimensions – pressure to adapt to location conditions and pressure to cut costs, The suitability of the use of each of these strategies is dependent on these and other reasons.
- Multi-domestic strategy is the use of different products/services in different countries, and this is because most markets are distinctly different and so a specific strategy for the country is required. It is necessary to take into account of local conditions and understanding local culture is of utmost importance.

- Global strategy is the use of standardized products to exploit markets in different countries. The famous academic marketer, Levitt argued the benefits of using a standard product as over the years, through globalization, countries and companies that specialises in products/services will built up an expertise in them and the world's tastes and commonalities will become more and more alike.
- International strategy is the use of innovation to exploit markets in different countries. Technology, products or services are developed in the home country and extended to less developed international markets, so that corporate objectives are managed at the centre and activities deployed externally. Knowledge of foreign markets is important.
- Transnational strategy ('glocalization' – made up of two words, globalization and localization). It involves a combination of multi-domestic and global strategies. It is important to recognise how the global market is made up of many different local markets. Such a strategy requires the organization to think carefully about how the overall objectives of the central business are met against the need for local knowledge.

4) What is the strategic importance of emerging markets?

- Emerging markets are an important issue in international strategy, as the idea is to take advantage of new markets through more developed technologies elsewhere.
- Emerging markets, which can include the well-known BRIC economies (Brazil, Russia, India and China), pose a great source of potential in terms of future development and market space.
- Dawar and Frost propose a two-dimensional framework for assessing local companies within an emerging market (figure 8.3), creating four types of companies: dodger, contender, defender and extender companies.
- There are examples of the above (eg. as pressures for globalization are weak and competitive assets are not transferrable, Shanghai Jahwa, the Chinese cosmetics company, concentrated on developing the brand on traditional ingredients).
- Knowledge of national cultures is important here as this affects the companies' extent of pressure to globalise in the industry.

5) Explain the possible approaches for strategic alliance and partnerships.

- Strategic alliances and partnerships are defined as formal and informal associations and collaborations between independent organizations. Such forms include: co-opetition, technology-based strategic platforms, and private equity firms.
- Co-opetition (a word made up from co-operation and competition) concerns competing organizations that are also co-operating with each other. The reason is because firms within a particular strategic group may want to create barriers to restrict incumbents from entering the competition.
- Technology-based strategic platforms are standardised technological systems over which an organization may have property rights, which may be used by other companies to develop their own products/services. Microsoft's

operating system is a good example as it owns the property rights, but allows other software companies to develop their own software to operate alongside it.
- Private equity firms normally engage in leveraged buy-outs (when they buy publicly-quoted companies and make them private). These companies often break the newly bought companies up and sell them to other companies.

Chapter 9: Organizing

1) Why is organizational structure important and how does structure itself become a source of competitive advantage?

- Organizational structure has always been considered important for any aspect of the business as it stipulates responsibility and authority, as well as accountability and how work is organised. There are four basic types of organizational structure, as given in figure 9.1 (functional structure, product structure, regional structure and matrix structure).
- Structure allows the effective deployment of strategy within the organization, and if managed well leads to cost efficiencies, and can be used to gain an edge over its competitors.
- Structure is a medium term activity, and should be rigorous enough to support strategy, but also flexible enough to allow modifications to it to support changes to the organization’s changing strategy, as a consequence of the changing environments.
- More recently, the importance of ‘organizing’ has been regarded (by people like Pettigrew) synonymous to the noun of organization; in other words, the way companies are organized can be a competitive advantage against others if performed well.
- The Japanese are well-know for their use of cross-functional structure, as part of quality management, organizational effectiveness and process management.

2) Why do the Japanese favour cross-functional structure?

- Cross-functional structure used by the Japanese has its roots from quality management, where the basic premise is QCDE (quality, cost, delivery and education). QCDE components relate to key areas of importance of an organization, and so company structures tend to be built around the consultation of these components.
- Ishikawa famously referred cross-functional management to woof and warp management, which is an idea likened to the horizontal and vertical threads of weaving cloth. The idea is that the strengths of an organization must be reinforced by the functional parts against specific review categories.

3) How can downsizing be used to sustain competitive advantage?

- Downsizing concerns the reduction in the size of a corporate entity, but a common misbelief is that this action is a response of a failing organization. Downsizing can be performed as a way to sustain competitive advantage by reducing any part of the business that is not core and highly value-contributing to the organization; if performed well, can make the necessary cost savings against its competitors.

- Downsizing is associated with the idea of business process reengineering (BPR) which is quite a large topic area in strategic management. The principle is that as organizations go through radical rescaling, then the structure of the entire organization should be redesigned around that rescaling to best ensure it is done so to achieve competitive advantage. Such redesign can include the additional use of outsourcing, where those things that are not the obvious competence or directly contribute value to the company can be done by external organizations.

4) How does structure support strategic architecture?

- Strategic architecture is the blue print of an organization's strategic actions. It is more than just a structure; it supports how people within the organization work together and all those things that are strategically important to be 'hard-wired' together.
- Of importance is the organization's ability to manage its networks (how groups of people are linked together). Networks can be formal or informal, but both are equally important (for example, in Chinese management, guanxi is considered a way of business).
- The McKinsey 7-S framework casts light on how to manage networks. The framework concerns 'hardball' factors (strategy, structure and systems) and 'softball' factors (style, staff and skills), all linked with shared values (or super-ordinate goals).

5) What is loosely-coupled strategic management?

- Loosely-couple strategic management is the idea of Weick, whose idea originated from biology, to refer to how organizational elements come together frequently and loosely to work as an entity.
- A number of means can lead to an end, so there are in fact a number of different and alternative pathways for accomplishing a desired outcome.
- Weick argues that impermanence, dissolvability and tacitness are the glue that hold organizations together, and illustrates this view with how an unconventional soccer match would look had there not been specific game rules but equally could exist, in the way that organizations could still function without specific management rules.
- This view is important, as it raises questions about the importance of strategic planning.

Chapter 10: Managing Implementation

1) What is the essence of strategic performance management, and why is it becoming increasingly recognised as of fundamental importance?

- Strategic performance management concerns the implementation and execution of priorities through an effective system of organizational effort that links daily work to strategy. The distinct stages that characterise strategic performance management concern FAIR (focus, alignment, integration and review).
- FAIR is also consistent with the well-known Japanese management philosophy, hoshin kanri. First used in the 1960s mainly in the automobile industry, it has become very popular in the last 20 years as it has been adapted in the west for a number of industries, such as digital electronics, healthcare and banking, where disjointed management has been recognised. In the UK, there has been a recognised disconnect between government policy makers and those bodies that implement these priorities.
- Focus concerns establishing ‘breakthrough objectives’ which form the strategic priorities for organization-wide effort. This involves recognising QCDE priorities against key functions of the business. Such objectives are called hoshins, which are typically 4-6 vital-few priorities.
- Alignment involves the agreement of team plans to ensure that the breakthrough objectives are consistent with the organization’s competency. This typically involves a process called ‘catchball’, which is the western equivalent of the Japanese approach of ‘nemawashi’, where ideas are passed around within the group so that they may be agreed upon.
- Integration involves ensuring that objectives and targets become part of the routines of daily management, and this can be facilitated by various processes of TQM.
- Review takes place on two levels: periodic review (to oversee objectives) and annual capability reviews (to review the entire hoshin kanri process).

2) How is strategic performance management different in Japan than the west?

- Strategic performance management in the hoshin kanri form has existed in Japan for longer than the recognised form in the UK.
- Due to culture reasons, the approaches to managing implementation (particularly in the form of hoshin kanri) are different between Japan and the west. This is mainly due to the differing attitudes to work and employment.
- Hence, as depicted in figure 10.1, decision and implementation times are different between the Japanese and westerners, organizational structures are quite different, perspectives on lifetime employment within one company is different, and western companies are less comfortable with using Japanese terms, like hoshin kanri (westerners have used alternatives, like ‘goal deployment’, ‘policy deployment’, ‘managing for results’ and ‘policy management’, etc).

3) What is the inspiration behind ‘hoshin kanri’ and how has it influenced western management?

- Etymologically, the term ‘hoshin kanri’ is made up of Kanji characters used in the Japanese language, which mean management of a compass needle. This has connotations of the light reflecting off the compass needle that shows the way forward for the company. It suggests that the captain of the ship is guided by the compass, who will then conduct the crew to manage it so that all effort is aligned to enable to ship to move forward in the same direction.

- Used originally as part of total quality management, hence the title of Akao's book being 'Policy Deployment for Successful TQM', it started off as quite specific to managing efficiently change programmes concerning quality. Its use was later expanded to a much broader context for other policies.
- The adoption of hoshin kanri in the west was a consequence of the successes seen in the use of TQM, its connections to PDCA and the success of the Deming Prize awarded annually in Japan; this is connected to the growing importance of review and excellence models used in the west for auditing and benchmarking good and best practices.

4) How is the general 'management of objectives', following Japanese principles, different from 'management by objectives' used popularly in the West?

- A common mistake is the belief that the 'management of objectives' (MoO) is the same thing as 'management by objectives' (MbO). The former refers to such approaches as hoshin kanri, while the latter concerns tools and frameworks of performance management, and can include the balanced scorecard.
- With MoO, objectives should be managed by people to facilitate their work, and should link together objectives and means. The transparency and proximity of objectives to each other enable people to work together strategically.
- With MbO, objectives are deployed down an organization, which are subdivided at each stage. The problem is its top-down approach and pays little attention to the implementation process.

5) How have governments in the UK and USA taken on board lessons of strategic performance management in the running of their public services?

- During Blair's office, a new Government Delivery Unit was established in the UK to manage the implementation of governmental targets and objectives. This was commented in Michael Barber's book, *Instruction to Deliver*. A key improvement is the establishment of a delivery chain that takes into consideration and maps out participants' cause and effect issues.
- A criticism of the UK approach was the inadequacy of such a unit that failed to manage and follow through some of the key considerations. This seems to be consistent with the point made by Mintzberg (2004) in an interview when he commented that we still get grand and gloriously simply minded strategies and a disconnect between strategy and operations.
- In the USA, the ex-Mayor of New York, Giuliani implemented a crime-fighting performance management system called CompStat. The idea is that real-time statistics are corroborated based on 20-40 strategic objectives. The underlying principle is premised on Broken Windows Theory (PIP 10.3).

Chapter 11: Leadership

1) Why are leaders of strategic importance?

- Leadership plays an important role in how objectives, activities and daily management are performed in an organization.
- The style and nature of particular leaders flavour the way strategic review is carried out for the organization, and therefore the choice of the leader can be a source of competitive advantage.
- There are distinct types of leaders, many of which are famous for their style of leadership, which has arguably been the reason for the company success.
- Strategic leadership is key to strategic control (the last component of the POSIES model, figure 11.3). While leaders are aware of the day-to-day monitoring activities, their key responsibility is to ensure the organization achieves their strategic objectives, and that the overall strategy of the organization is followed through.

2) "Men in general judge by their eyes rather than by their hands … everyone is in a position to watch, few are in a position to come in close touch with you!" Discuss this sentence in the context of emotional intelligence.

- The stated quotation appears under the strategic leadership heading, in the context of emotional intelligence, quoting from Nicolo Machiavelli, the political philosopher.
- The quotation argues that appearance is important when trying to make best use of emotional intelligence.
- Emotional intelligence concerns the leader's ability to recognise and understand their own emotions and the emotions of others, in order to switch between different leadership styles depending upon the situation they are faced with.
- This ability is attributed by: self-awareness (to be open about feelings), self-management (to control and use emotions to good effect) and social awareness (to empathise with others).
- How emotional intelligence is used determines the type of leader.

3) How different are leaders from managers, and does it matter?

- In practice, often managers are mistaken for doing the role of leaders, and vice-versa.
- Zaleznik argues that leaders and managers are different; leaders are more proactive and shape ideas, while managers should focus on progress, teamwork and working within the organization.
- An organization requires both a leader and managers, operating these specific tasks.
- Bennis observes a profound difference between the work of leaders and managers, as shown in Table 11.1.

4) How does leadership strategy change with the size of an organization?

- Greiner argued there are five distinct stages of growth an organization goes through, and the leadership style required at each of these stages must match accordingly. Each leadership style resolves a specific crisis that an organization goes through.
- Greiner's model that shows the stages of growth is depicted as Figure 11.1.
- Gary Hamel more recently commented that in the internet age, a more specific form of leadership style may be required to stimulate and facilitate staff creativity and innovation.

5) How can Simons' model of strategic control levers be useful, say for understanding the cause of the global financial crisis?

- Simons' model of strategic control levers is illustrated as Figure 11.2.
- The key principle is that there should be balance (and harmony) of the four control levers; hence, the left two levers are positive (yang) forces of an organization that must be balanced by the right two levers which are negative (yin) forces. The top two levers frame the strategic domain, which must be in balance with the bottom two levers, which are to formulate and implement the strategy.
- Case 11.1 suggests that one of the causes of the financial crisis is that leaders did not understand the banking industry and inadequate decisions were made.
- Simons' model may be applicable in that the beliefs system did not capture the true nature of what banks should be involved in; boundary systems did not put a hold on the growth in lending; diagnostic control systems did not set appropriate revenue targets; and interactive control systems did not review appropriately the entire economic situation (including the US financial markets).
- Other views and interpretations on how the model may be applied should also be welcomed.