**External Analysis**

**Step Zero**

* Defining the industry in which the organization operates.
* Understanding the value chain of the industry in which the organization operates.
* Industry segmentation (grouping similar types of businesses within the industry)
* Understand the life cycle stage of the industry (defining life cycle position of the industry in which the organization operates) …. Growth, Maturity, Shake-out, Decline or renewal.

**Step1: REMOTE ENVIRONMENT ANALYSIS (page 97)**

* Understanding key factors that have driven historical growth (**Remote environment analysis** **using PESTEL**)
* **Step2: INDUSTRY ENVIRONMENT ANALYSIS : Industry Profitability(page 114)**
* Industry environment analysis (to determine **industry profitability**) **… use FIVE FORCES Analysis** 
  + Threat of new entrants to the industry
  + Power of suppliers to the industry
  + Power of buyers from the industry
  + Power of substitutes or the industry’s products and services
  + Intensity of industry rivalry between competitors

**Step3: UNDERTANDING CUSTOMERS AND MARKETS (page 127)**

* + **Market segmentation Analysis:** designed to identify the most profitable segments, develop profiles of key segments in order to better understand their needs and purchase motivations. **Page 127-128**
  + **Customer market segmentation:** Dividing customers into different groups that share similar needs so that the organization can market each group differently and focus on what each kind of customer needs at any given moment. Page 129

**Step4: COMPETITION IN THE INDUSTRY (page 130)**

What drive the competition? How competitive the industry is? What is required for an organization to successfully compete in the industry.

* + **Basis of competition**: Understand what drives demand for the industry’s products and services, and upon what the competition is based
    - Demand, Choice, Price, Costs, Current and Potential risks (See table 2.10 page 131 )
  + **Competitive positioning matrix**: allows an organization to assess competitor positioning within an industry. This matrix can be used to demonstrate an understanding of the organization’s market position (Demand vs Distribution channel strength), and to develop recommendations for specific strategic positions. See Figure 2.13 page 133
  + **Industry key success factors** (page 134)

What would provide a sustainable competitive advantage?

Could be: Strong brand names, Efficient Selling and Distribution Networks ? Effective brand support, marketing and strong merchandising.

* + **Competitor analysis** (page 135)
    - Identifying and assessing competitors (who are your competitors and what are they good at) …. Use ***Competitor Analysis worksheet to write down their “value propositions”, their “Strengths” and their “Weaknesses”***
    - Identifying strategic groups (Referring both group with similar strategy and similar target product market **and** group with difference strategy and different target product market)

**Understanding the Internal Environment**

To understand whether the organization is currently operating successfully and how it is positioned to meet the strategic intent and future ambitions of the organization.

**Understanding key stakeholders**

**Step 1:** **Identify stakeholders (page 178)**

**Step 2:** **Alignment of stakeholder needs (page 180)**

**Step 3: Assess stakeholder groups (page 182)**

Assess the level of interest and power of each stakeholders. The more interest and power, the more consideration that should go into attending to that stakeholder’s need.

There are 4 categories of stakeholders: Subject, Player, Context Setters, Crowd

**Step 4: Techniques for interacting with stakeholder groups (page 183)**

Prepare a way of interacting with each stakeholder group to minimize difficulties and increase the level of positive engagement with the organization.

*Who should you partner with?* Those with large amount of power and interest

*Who should you consult with?* Those with limited power but are interested and affected by the strategy

*Who should you inform?* Those who do not have much power….but the organization shouldn’t ignore them.

Organization need to **manage the expectation of all stakeholders**. Ensuring clear, concise and correct information and an effective channel of communication to all stakeholder.

**Assessing current performance**

Three main driving forces of an organization’s performance: ***Strategic Drivers****,* ***Operational Drivers****,* ***People and Organization Drivers.***

**Strategic Driver:** What differentiates an organization from its competitors (**Page 186**)

The key strategic drivers of an organization include:

* ***Industry and markets***: need to understand the organization’s position relative to the industry and markets (both customer and geographic markets) in which it operates. (**Page 186**)
* ***Customers:***  *need to understand different type of customers as they might have different need and require different sales management and distribution arrangement. Need to look at customer trends and profitability to be able to identify the issues with customers so that target area can be pursued based on findings.* (**Page 187**)
* ***Products and services:*** *Identify key products and services that the organization offers and how those products and services are performing.* ***Use BCG Matrix*** *to assess market growth rate and the organization’s market share*
* ***Channels:*** *identify the strong and weak channel for the organization to either focus on improvement on the weak channel or expanding on the channel that are successful.*
* ***Competitive advantage:*** *use porter generic strategy (Differentiation, Low cost, focus)*

**Operational Driver:** Discuss specific operational drivers (Revenue and Costs) and the performance measurement of these operational driver. **Page 197**

**Performance measurement**:

* + Performance measurement: based on shareholder view……focus on financial return/shareholder return
  + Performance measurement: based on stakeholder view…...focus on output or activity ( not dollar outcome)
  + Characteristic of effective performance measure *(Validity, Reliability, Clarity, Low cost, Timeliness, Accessibility, Controllability, Resistance to gaming and manipulation, Relevance)*

**Competitive business environment benchmarks:** in order to be able to make any judgements about performance, it must be made relative to a separate, comparable performance benchmark or standard (eg: competitor’s benchmark).

Comparisons for performance measurement can include:

* + Measured at one point of time against comparable standards
  + Measured over periods of time using trend analysis

**The balanced scorecard (based on stakeholder approach): Page 201**

The balanced scorecard translate strategy into linked casual activities in different parts of the organization and in turn motivate behavior.

BSC Approach organized around four perspectives (Financial, Customer, Internal Process, the learning and growth perspective) that balance short and long-term performance, external and internal performance, financial and non-financial performance.

After BSC Analysis, the organization can then focus on setting goal and developing its strategy. Goal need to be SMART (Specific, Measurable, Achievable, Relevant, Timely)

**People and Organizational Driver:** Organization must seek to continually improve their operations. Two capabilities that are critical for improvement are “**Innovation**” and “**Learning**”. **(Page 206)**

**Driver of innovation are:**

* The unexpected
* The incongruity
* Process needs
* Structural changes to industry and market
* Demographics
* Changes in perception
* New knowledge

**Learning:** for innovation to occur, learning must take place both individual level and the organizational level.

**Strategic Capability:** To undertake activities to create value, the organization needs to have resources, and it needs to have capabilities to apply those resource to. Use SWOT to identify the strategic capabilities of the organization. (Page 207)

When organization resources or capabilities meet the four following tests, they can be termed as ‘strategic capabilities’ and show ‘competitive advantage’

* Is the resource or capability **valuable**?
* Is the resource or capability **rare**?
* Is the resource or capability **costly (and difficult) to imitate or replicate?**
* Is the resource or capability **non-substitutable?**

**To identify strategic capabilities**, there are several approaches: **Functional Analysis, Resources Analysis, Process & System Analysis.** **Page 208-209**

* Analyzing functions and resources: using conventional way to identify organization strategic capabilities.
* Analyzing process and systems: use the four tests ( Rare ? Valuable ? costly/difficult to imitate ? non-substitutable ? ) page 209

*Processes involve a number of activities and consequently form system. System are complex….it is often the way that people operate the system that determines how well (or badly) the whole system operates and whether it is a strategic capability*

\*\*\*Organization need to identify its performance that is better than that of its competitors, then, need to check if it is pass the four tests. If is pass the four tests, then it is the organization Strategic Capabilities.

**Big Data: Page 216**

Big data provide both opportunities and challenges for organization for their internal analysis.

* **Opportunities:** 
  + **Improving Organizational Performance:**
    - improving on the automation and digitization of many areas of data collection
    - Real-time reporting and action
  + **Analysis for Strategic Planning and Decision Making** 
    - Digitally driven practice of using unstructured data to support structured knowledge and decision making. Big data improvement make it possible to get an immediate understanding of current event and trends.
* **Challenges:**
  + Recognizing its existence:
  + Developing a data management plan:
  + Learning how to analyze the unstructured and structured data
  + Training and Engaging employees and managers in deciphing the reports

**Qualitative Analysis: Page 219**

* **SWOT Analysis**
* **Gap Analysis**

Gaps between the external environment and the current strategy yield information about external consistency. Gap between the internal environment and business strategy indicate internal consistencies.

* **Extended SWOT**

**Product and Market Development**

Major focus of this module is to identify the growth areas of the organization, including new product development, innovation and penetrating new markets.

**The Ansoff product/market matrix (page 257)**

It is a tool for assisting in the identification and assessment of strategic options.

* Market penetration **Page 258**
* Product Development **Page 261**
* Market Development **Page 266**
* Diversification (Related Diversification & Un-related Diversification) **Page 269**

**New product development (page 272 )**

New product development and delivery is critical to creating new wealth and to growing and ensuring the survival of business. Organizations with high market shares need new products to grow their business.

**Typical cause of failure for new product development:**

* Developing the wrong products
* Inadequate planning and control
* Schedule delays
* Performance issues

**Key success factors for new product development: Page 272**

* **Understanding users’ needs**
* **Attention to marketing and launch publicity:** *requires involvement from a team who embody the image of new product and who can endorse the new product and market it successfully.*
* **Efficiency of Development**
* **Effective use of outside technology and external environment**
* **Seniority and authority of responsible managers:** *need commitment from top management and collaborative throughout the organization*

**To Reduce risks associated with bringing new ideas to market:**

* Recognize that all risks are not equal
* Be judicious with capital
* Manage experiments efficiently by testing one idea at a time and strictly enforcing the designated time
* Prioritize tasks

**Stage of the new product development process**

* Generating product and capturing ideas
* Screening ideas
* Product development
* Test marketing
* Commercialization
* Launch
* Service

***Blue Ocean Strategy:*** The creation of new, undiscovered markets through activities to innovate an organization’s product and service offering. ***(page 276)***

**Value innovation:** is the cornerstone of Blue Ocean Strategy. Consumer value is increased through innovative activities

that provide new and improved offerings. Costs are reduced through the increase in sales caused by superior value.

**Four actions framework (to achieve value innovation) :** Reduce, Create, Raise, Eliminate.

**Intellectual property and new product development:** Patents, Trademarks, Copyrights

**Using information technology to support new product development:**

* allows the target market to be segmented into extremely narrow grouping for which tailored products or services maybe created. It is now possible to profitably develop and distribute niche and tailored products that do not sell significant volumes (refer as ‘long tail’).
* Rapid prototyping and experimenting in the online environment. *Benefit of this Approach is “****speed of development****”, “****Low initial cost of developing new products****” and “****Product modification to suit customer needs earlier rather than later in the project****”*
* Some companies have taken consumer data analysis to the farthest extent and allowed customers to directly influence product development.

**New market development: (page 282)**

Basis for entering the market (Table 4.3 page 282)

Expanding into new customer markets

Expanding into new geographic markets

Strategic Reasons for seeking new markets:

* + Pursuit of growth
  + Market-related factors
  + Resource-related factors
  + Efficiency-seeking factors
  + Quality of the business environment
  + Access to knowledge and learning opportunities may be greatest
  + To establish regional coordination centers

Using information technology to support new market development

* + Help in market selection: I.T allows for faster collection and review of relevant data from a wide variety sources
  + Help in implementation

**Development of new geographic markets (Page 284)**

Objective of market entry **(Page 285)**

Mode of Entry **(page 285)**

Enabler **(Page 286 Table 4.4)**

Market Attractiveness

* + **The size and value of the proposed market:** *This might be in terms of number of unit sold. However, what might be considered a large opportunity by one organization may be considered insignificant by another*
  + **Market growth:** *what is driving the growth of this segment and confirm whether it is attractive in terms of future growth (use PESTEL)*
  + **Market profitability:** understand what is driving the profitability of a particular industry or segment and to confirm whether it is attractive in terms of future profitability.

**To grab the potential of new markets overseas, organization need to consider:**

* + **Obsolescence and leapfrogging of products:**
  + **Prices:**
  + **Substitution:**
  + **Distribution:** How will the customers in the market be reached
  + **Value proposition:** *Understand what it is about the product being offered that could entice these customers away from competitors? Is the offer better than the current suppliers’ offer to the proposed customer segment?*
  + **Organization capabilities:** *have resources to enter the market? have capacity to supply the market? Does the organization have the capacity to service the market?*

**Market development resources (Page 289)**

Require careful investigation of the business and social environment in a new market. Key to effective strategy implementation is a natural fit of the organization in its desired position, and for this to happen, a number of external resources can be used as a primary resource in analyzing how to expand an organization’s market. Those external resources/info can be provided by the government/ global financial organization such as World Economic Forum or from Regionally focused organization resources.

**To successfully entering and operating in a foreign market requires the right decisions with regard to the following:**

* Selection of market
* Entry objectives
* Timing of entry (Page 294)
* Scale of entry
* Mode of entry

**Issues that may affect an organization’s implementation of a strategy expanding into a new international market: page 293**

* The laws and regulations of that country
* Foreign exchange regulations
* Barriers to entry
* The attitude of regulators in the target market
* Considerations of corporate Social Responsibility

**The successful development of new market (either geographical or customer-base) perspective, depends on several common factors: page 294**

* The identifiable benefits of expanding into the new market must be in line with the long-term strategic goals of the organization.
* The organization must ensure that it has sufficient cash reserves to finance the new organization until such time as it becomes self-supporting
* The organization should perform both internal and external analyses.

Before the process of internationalization begin, organization should: Page 294 bottom page.

* Leverage of location-specific advantages
* Have ability to adapt to changes in infrastructure, government regulations, distribution channels…etc
* The organization’s opportunities for success internationally must meet or outweigh those options at a local level

**Accounting issues can affect the potential success of a strategy of international expansion:**

*Need to consider the following:*

1. Organization’s familiarity with the target country
2. Any similarities or differences in the legal environments of the two countries
3. Organization’s existing business practices and how well they fit with those of the target country in order to evaluate areas such as corporate governance and legal costs. Where there are distinct differences between the two countries, the operating costs will be affected by the need to operate in the new environment.
4. Internal capabilities of the organization (Factors such as the availability of qualified staff in the new operation, any cost of recruiting and hiring qualified staff or relocating existing staff to the new operation should be included in the establishment costs of the operation.
5. Consider any required infrastructure expenditure to establish the new operation.
6. Where there are variations between the systems in use, it may be necessary to purchase new hardware to operate the venture.
7. Cost associates with training existing staff on any new systems introduced.
8. Taxation regime of the target country
9. Need to have a strong financial management

**MODULE 5: Developing the strategic plan**

**Vision** = description of an organization’s ideal future state. It encapsulates the aspirations and values of an organization and its management rather than the practical processes that are used to transform the organization to this state.

**Mission** = Reason for operating and describe how the organization will achieve its vision. Mission helps capture the organization’s fundamental purpose.

What is organization going to do to achieve its vision?

Where is the organization going to operate?

When will the organization’s activities be done?

**Values** = Guiding principles that direct the organization’s journey and help prioritize its goals, decisions and behaviors. Eg: customer first, act with integrity, continuous improvement and innovation.

**Goals** = specific outcomes the organization seeks so it can achieve its mission. Goals should be SMART (Specific, Measurable, Achievable, Relevant and Timely)

**Developing the strategy:**

1. **Strategic Drivers:** Five categories to decide on (markets, products/services, customers, channels and competitive advantage)
2. **Operational Lever:**
3. **Organizational and People Lever:**

**Evaluating the strategic options and determining the strategic fit (Page 377)**

Strategic option must be viable in the context of external and internal environment. Option must be operationally feasible and give the organization a competitive advantage over its competitors for a period of time.

**A few approaches to evaluate strategic options are:**

1. **Value/effort assessment tool:** the four quadrants (*Low-hanging fruit, Blood Sweat and tears, Delegate or dump, Dead ducks*)
2. **Weighted criteria evaluation tool**: criteria set up by organization itself to evaluate strategic option ***(page 380)***
3. **Evaluation using business analytics** ***(page 381):*** Business analytics focuses on discovering and communicating patterns in data. It evaluates the likelihood of certain events taking place, as well as the most likely outcomes of those events. Analytics can also help to determine strategic fit and select the best strategic option for the organization. It can be used to support the decisions about the best marketing mix of products or to make strategic acquisitions of competitors.
4. Risk assessment, and ‘what-if’ analysis **(Page 382)**
   * Risk management framework **(page 383)**

Identify risk issues==>Determine possible causes==>Determine possible consequences==> Determine current likelihood==>Determine risk rating.

* + Risk treatment: The objective is to develop cost-effective options for treating each risk such as : Eliminating risk, accepting the risk, acting to reduce the risk, transferring the risk.
  + Risk assessment using business analytics
  + What-if analysis **(Page 390)**
    - Step1: estimate benefit
    - Step2: multiplying step1 result by the expected percentage risk
    - Step3: **cost benefit analysis**: determine if cost exceed benefits. The benefit must also more attractive than alternatives. Cost benefit analysis should be calculated based on the expected time period. **(Page 391)**
    - Timing risks (page 391)

Strategic Themes: Page 392

Evaluation Strategic Themes using Rumelt’s criteria (Page 394)

* External consistency
* Internal consistency:
* Feasibility: the target need to be within range of the organization’s capabilities
* Competitive advantage: unless it creates an advantage compared with competitors, it may not be worth the effort.

Change Strategy (page 470)

Key elements for successful changes (page 472)

Kotter’s eight-step process for change (page 473)

**Monitoring implementation and performance** (page 476)

**MODULE 6: Strategy Implementation**

**How to implement strategy:**

**The Mckinsey 7-S framework** (Page 455 )

* + Structure (Page 456- 459)
  + Strategy
  + Systems ( page 460 )
  + Style
  + Staff ( page 461 )
  + Skills
  + Shared Values

**Structure:** ( page 456) need to understand

* + - 1. the Drivers of Structure (strategy, Environment, Technology, Size, People and culture)
      2. Components of structure (complexity, formalization, centralization)

**Principles of organization design**

1-Determine level of centralization or decentralization

2-Determine degree to which organization is mechanic or organic

**System:** see page 460

**Staff:** see page 461

* **Managing team**: team manager need to make sure that team members understand and commit to the organization’s strategy. The ability to work and cooperate in teams is an important managerial competency. Organizations need individuals who can manage teams and help others to develop to their full potential.
* **Managing culture:** In changing environments, the capacity to implement new strategies and operating practices is necessary for an organization to achieve superior performance and a sustainable competitive advantage. This require a culture that is adaptive to both organizational and environmental change and supportive of organizational strategy.
* **Developing a strategy supportive culture**:
  + Two hallmarks or indicators of an effective culture (page 463)
  + People and cultural issues relating to strategy implementation identified by Schein
    - Intergroup conflict
    - Ineffective communication
    - Concensus on change
    - Concensus on criteria for measuring result
    - Maintenance and change
  + Role modelling and coaching
  + Selecting people for key positions

**Successful strategy implementation (page 465)**

After managers consider alignment among the 7-S areas, ***they should also consider the following factors which help ensure success of implementation:***

1. *Strategies are supported by governance and decision-making:*

*Strategic initiatives should be given a high priority to ensure that they are sufficiently resourced and supported by all stakeholders. When there are several initiatives competing for the same resources and funding, there need to be prioritization.*

1. *Initiatives are supported by time-phased and adequately resourced tactical actions:*
2. *Strategic initiatives/projects are realistic and achievable*
3. *Initiatives are clearly defined*
4. *All initiatives are managed as a central program*
5. *Input is received from staff*

***Project and Program management: page 466***

*Definition of project & project management (page 466)*

*Definition of program & program management page 466)*

*Key distinctions between projects and programs (page 467)*

***Change management: page 469***

*Definition of project & project management (page 466)*

**Module 7**

**Leadership definition**

**Leadership : trait approach**

Born with leadership qualities.

Represent physical and psychological characteristics

**Leadership : Behavioral approach**

Leadership can be taught

Focus on consistent behavior or actions that describe a leader’s style

TWO MOST COMMON BEHAVIORAL STYLES ( page 519 )

* + - Employee orientation ( Concern for people )
    - Task orientation ( Concern for production )

It was criticized for :

* + - lacking predictive value ( failing to accurately forecast the relationship between a particular behavioral style and organizational performance )
    - One particular style of leadership cannot be guaranteed to produce improved group performance across different types of organizations.
    - situational factors were overlooked

**Leadership : Contingency approach**

Matching leadership style to the situation

Also consider substitute of leadership

If employees are mature, experienced and educated, leaders should focus on other big-picture matters that require their attention

**Leadership vs Management (page 521)**

* + - Leadership is about change, providing direction and influencing people to change their behavior in some way
    - Management is largely about systems: planning, budgeting, allocating resources, organizing and assigning tasks, staffing, evaluating controlling and problem-solving. (page 521)
    - Leadership help set direction, while management is needed to ensure successful progress
    - Management is essential throughout the organization while leadership is particularly important at the senior management level to ensure strategy is achieved
    - Management activity will also include communication, but the focus remains on: coordinating, making decisions, evaluating, following rules, regulations and orders and organizing and maintaining current operations.

Transactional Leadership

* + - Encourage team members’ performance & successful day-to-day activities
    - Focused on current activities and maintaining efficiency in the current environment

Transformational Leadership

* + - Leaders guide and motivate their followers in the direction of established goals by clarifying role and task requirements
    - Contrast with Transactional leadership which focuses on maintaining stability and does not pursue change.

Key phases of Transformational leadership (page 524)

* + - Leaders recognize the need for revitalization
    - Forming a new vision
    - Leader is successful in the institutionalization of change

Transformational leadership: Impact on individuals (page 527)

* + - Individual must end their association with the existing situation ( disengagement from the past)

**Strategic Leadership ( page 529 )**

**Arguments that opposed to leadership**

* + - **Structure and the environment determine leadership style :** environment in which the organization operates plays a large part in determining the type of leader that will be effective, and form part of the challenges and constraints that the leader will encounter
    - **Over-attribution of outcomes to leaders rather than the overall organization**: organization outcomes are determined primarily by other factors, but leaders are credited or blamed with what happened after the fact. People find it more comfortable to believe events are controlled by key individuals rather than vague outside forces.

**Arguments that support leadership**

**Core task of strategic leaders**

* + - * Make thing happen: they are proactive…they do what is required to achieve the strategic objectives
      * Leaders set goals that direct and shape
      * Leaders champion the organization’s strategy and direction
      * Leaders make complex decisions: use critical thinking skills within the organization to identify and commit to the strategic options that will achieve strategy
      * Leaders identify the right business model: Leaders define and innovate the business model to ensure the organization can meet the changing demands of the market.

Applebaum and Paese (2003) articulate nine leadership roles and therefore lend support to the argument that leaders positively influence organizational performance

* + - * Navigator :
      * Strategist
      * Entrepreneur
      * Mobiliser
      * Talent advocate
      * Captivator
      * Global thinker
      * Change driver
      * Enterprise guardian

**Nature of strategic leadership**

**Daft ( 1999) describes strategic leaders** as having the ability to match the strategic choices, vision, mission of the organization with the external environment. They ensure the organization can change as appropriate to meet the changing demands of customers and the market place.

**Key elements in the role of the strategic leader ( page 532 , Table 7.6)**

* + - * Strategic thinking
      * Strategic decision-making
      * Strategic external and internal analysis
      * Setting direction
      * Strategy formulation
      * Strategy implementation
      * Communication

**Leadership styles involved in strategy implementation ( page 533 )**

* + - * Directing : Specific instructions and close supervision
      * Coaching : clear explanations of what is occurring. Suggestions offered by employees may be accepted. Tentative steps toward collaboration
      * Supporting : employee efforts are facilitated and employees share decision-making responsibility
      * Delegating: responsibility for both decision-making and problem-solving is transferred to employees.

**Leadership styles involved in strategy implementation ( page 535 )**

Transactional leaders are more suited to the maturity and decline stages in the product life cycle .

Transformational leaders are best matched to the start-up growth and renewal stages

**Rothchild (1993) characterizes four styles of strategic leadership:**

* + - * + Risktakers : good match with start-up and growth phases
        + Caretakers : help org move from growth phases to **maturity phases**
        + Surgeons : shake-out stage. ensure future success or to fight against current problems
        + Undertakers : decline phase. Harvest or salvage what is viable and shut down the rest. This style is required to prevent prolonging losses.

**Balancing stability and change ( page 537 )**

**Role of leaders in strategic thinking and decision making ( page 538)**

Strategic thinking : means taking the time to consider the big and important issues over and above the urgent day-to-day tasks and problems.

There are 4 important dynamic capabilities that enable organization to adapt to major environmental shock. Those are : Strategic thinking, flexible leadership, flexible organizational culture, and strategic alliance.

**Decision making**

7 criteria of rational decision making ( page 540 )

why decision making can vary from ‘rational’ in practice

Decision making in practice

4 key ways leaders can make decision : Command, Collaborative, Consensus, Convenience