

# INTRODUCING STRATEGY

## Introduction

This chapter has been restructured since the last edition, particularly to put the *Exploring Strategy* model of position, choice and action in a more prominent position. This model should serve as a useful summary of the book's perspective on strategy as well as a practical heuristic for approaching strategy problems.

## Illustration 1.1

### *Vice pays*

Many students will be familiar with Vice Media, amused or perhaps offended. Anyway, the main purpose of this illustration is to introduce students to the range of issues that make up strategy. It touches directly on key topics introduced in this chapter, for example, strategic purpose ('the largest online media company in the world'); corporate-level strategy (Vice is both international and diversified, with a pub as well); and corporate culture ('weird'). With respect to the specific questions:

1. How does Vice Media's strategy fit with the various strategy definitions of Alfred Chandler, Michael Porter and Henry Mintzberg (see Figure 1.1)?

On the definitions of strategy: in terms of Figure 1.1, Vice seems more Mintzbergian than Chandlerian in its emergent approach to strategy ('we didn't have a business plan....'). It might be worth discussing whether this is more typical of entrepreneurial start-ups than larger corporations and the pros and cons of this (a business plan can be pretty important to early-stage investors: see Chapter 9). At the same time, Vice seems to have a Porterian concern for uniqueness, differentiating itself by offering edgy media worldwide.

2. What seems to account for Vice Media's success and is it sustainable?

Accounting for Vice's success: on the Porterian principle, Vice is clearly different and in a way that is valued by its customers (principally its *advertisers*, not simply its readers). There is also the enthusiasm of its entrepreneurs and the passionate culture they have created. It is important to ask how sustainable this success is. Diversification and growth threaten the 'weird' culture that gives the company its energy and its differentiation. Sustaining this culture is something that Shane Smith himself recognises as 'one of our big challenges going forward'.

## Illustration 1.2

### **Strategy statements**

An important point in this illustration is to show how strategy applies to widely different kinds of organisations – both a large technology company and a public university. Although the precise content of the two organisation's materials vary, they both cover the major issues involved in a strategy statement: goals, scope and advantages/capabilities.

1. Construct short strategy statements covering the goals, scope and advantage of Samsung and the University of Utrecht. How much do the different private and public-sector contexts matter?

Strategy statements for Samsung Electronics and Utrecht University. Samsung is very clear about its goals (\$400bn in revenue, and top five brand by 2020; note its vision – 'Inspire the World, Create the Future' – sounds more like a mission statement); its scope is clearly expanding, from mostly consumer electronics into health, medicine and biotechnology; and Samsung believes its competitive advantages lie in new technologies, innovative products, creative solutions and the brightest talent in the world.

Utrecht University is clear about its mission ('educate young people ... address social issues', etc.) and adds some specific quantified targets (retain third place, etc.); its scope is equally education, research, research training and addressing social issues; and its capabilities and advantages (over some rivals at least) lie in its University-wide education model, its Summer School and so on.

On the face of it, there is not much difference between Samsung and Utrecht: strategy statements – and strategy – are relevant to both private and public sectors. However, you might notice that Samsung features a financial goal (revenues), whereas Utrecht prioritises a quality goal (the highest number of programmes rated good or excellent).

It might be worthwhile challenging the claims to competitive advantage of both Samsung and Utrecht. How unique are Samsung's competitive advantages (vis-à-vis Apple or HTC)? Does Utrecht have very substantial competitive advantages over many other universities internationally (for instance, your own!)? Here, one could refer forward to Chapter 3, and its discussion of valuable, rare, inimitable and non-substitutable resources.

2. Construct a strategy statement for your own organisation (university, sports club or employer). What implications might this statement have for your particular course or department?

Strategy statements for students' own organisations. This may well surface the fact that some provide more public information than others, and are often vaguer about particular issues, especially sources of competitive advantage. You might encourage students to discuss the reasons for this. Clear statements of detailed strategy – competitive advantage, precise objectives and so on – are rather more difficult to construct than broad claims about where organisations want to go. Asking students why they think this is the case that should surface issues of the complexity of strategy development, competition and accountability.

## Illustration 1.3

### **Strategists**

This illustration is intended to reinforce the theme that strategy is something that students could get involved in personally – as a middle manager (Galina), as in some sense a strategic planner (Masoud) or as a strategy consultant (Chantal). All of these roles are further discussed in Chapter 15.

The two questions ask students to think about strategy in relation to their own education and careers. The references at the end of the chapter point them to the major consulting firms' websites and graduate employment website *www.vault.com*, all of which have an abundance of interesting and attractive material relating to strategy consulting in particular.

The three strategists also usefully raise concepts and techniques that appear later in the book. You might like to note particularly how Galina raises issues to do with the role of strategic planning versus emergence (Chapter 12) and Masoud talks about the importance of operations and delivery.

## Video assignment

### **British Heart Foundation (BHF)**

The British Heart Foundation is a large UK charity focused on research into coronary heart disease. It was founded in 1961 by a group of medical professionals wanting to fund extra research into the causes, diagnosis, treatment and prevention of heart and circulatory disease. In 2012, the BHF raised over £128m to fund its activities. The BHF not only funds a high proportion of the UK's research into cardiovascular disease (over 50%), but also undertakes a lot of education and care activity. Peter Hollins is the Chief Executive who, as the video says, is responsible for the strategy and its delivery on behalf of the BHF trustees and the stakeholders.

1. Section 1.2.3 gives a clear summary of what is meant by a strategy statement – it should have three main themes: the fundamental *goals* (mission, vision or objectives) that the organisation seeks; the *scope* or domain of the organisation's activities; and the particular *advantages* or capabilities it has to deliver all of these. Students will have their own ideas on how to construct this statement – it probably works best if you let them have a go at this without much prior discussion or research and then discuss the outcomes. However, if the students are given time to research the subject there is plenty of relevant material on the BHF website (<http://www.bhf.org.uk/pdf/BHF%20Report%20and%20Accounts%202012>).

Our vision is a world in which people do not die prematurely of heart disease.

Our mission is to play a leading role in the fight against disease of the heart and circulation so that it is no longer a major cause of disability and premature death.

Our objectives are:

- To pioneer research into the causes of heart disease and improved methods of prevention, diagnosis and treatment
- To provide vital information to help people reduce their heart health risk

- To help attain the highest possible standards of care and support for heart patients
- To reduce the inequalities in levels of heart disease across the UK
- To press for government policies that minimise the risk of heart and circulatory disease.

The scope of BHF's activities are clearly defined and limited by its charitable status – it is primarily focused on research into one set of related diseases and its activities are limited to the UK (although of course the benefits of research can be global).

The BHF has distinct capabilities that arise from its pre-eminent position as a well established charity (over 50 years) and its links with the top cardiovascular physicians in the UK. Its trustees and council members represent the best doctors in the field.

2. Figure 1.3 shows the *Exploring Strategy* model which is the framework on which the whole textbook is founded so it is useful to make sure students are familiar with its elements. A useful approach is to take each element of the model (or selected elements if time is short) and give relevant examples from BHF to illustrate the point. For example, the changes in the economic environment (recession) create opportunities and threats for the BHF – as Peter Hollins says recession can hit the amount raised in fundraising activities but provides opportunities in the retail sector (more customers in their charity shops and better deals on rents). A crucial part of strategy choice for the BHF is how best to invest the funds it raises. In 2012, the BHF spent 71% of its funds on research and 29% on prevention and care – including a high profile advertising campaign with the footballer Vinnie Jones which some students may remember. The BHF wants to avoid plugging holes from a shortfall in Government funding of research whilst at the same time supporting its fundamental mission. It should be possible to introduce the idea of multiple stakeholders at this point and engage in a discussion of multiple objectives and constraints. If time permits discuss some issues around putting strategies into action – an aspect of the CEO's job that Peter Hollins is well aware of. The annual report gives a full account of the work that the BHF did in meeting its objectives and how they did it.

## Assignment 1.1

### Strategy statements

The purpose of this assignment is to get students to engage with strategy in real organisations. These could be their own university or – better, in order to get a range – their actual employer or a desired employer. Students should be told to expect that the extent of information is likely to be variable. Students could be asked to ponder why some organisations are more informative than others. Published strategy information is often particularly deficient in two areas:

- Details with regard to objectives: vision and mission statements are common. However, organisations are often reluctant to reveal much about their detailed objectives both for fear of giving clues about their precise strategy to competitors and because they do not wish to be held tightly accountable should they fall short.
- Competitive advantages: organisations often draw attention to various strengths or resources that they have, but they do not show how these actually constitute advantages over competitors. For example, many universities claim to have a long historical heritage, but they do not explain why this is actually an advantage in competition today or show how their heritage is really advantageous against other universities with similarly long histories.

It is useful to encourage students to be critical of the strategy information that is made available publicly. You might also alert them to the varying ways that organisations use the same term (e.g. vision and mission) in practice. Students ought to be aware of how strategy concepts often depart from the textbook in the real world.

## **Assignment 1.2**

### ***The Exploring Strategy Model***

This assignment requires students to use Figure 1.3 as a guide to identifying the different elements in the strategy of an organisation. It can be very useful in terms of highlighting the scope of the subject and the organisation of the book.

The Lego case in the case section of the book is designed for this exercise and the teaching notes for the case studies later in this manual provide a guide to its use. Using the student's own university would be the basis for a more substantial piece of work, but would also reinforce the theme that strategy is close to home, and relates to the students' own lives. Likewise, a desired future employer would be an engaging assignment.

It might be helpful to provide students with a 'blank' version of the three circle model for them to fill in themselves.

## **Assignment 1.3**

### ***Strategy consultants***

Reinforcing the message in Illustration 1.3 ('Strategists'), this assignment is intended to emphasise to students that strategy is not just for top managers or about the fate of big organisations. Strategy is a kind of work that they too could do. For many students, the attraction of courses such as marketing or human resource management is that they lead directly into a career. For strategy, that direct link to a job is often not so clear. This assignment asks them to consider what is attractive (and not so attractive) about strategy work in a strategy consulting firm. It also encourages them to think about what they might need to do to get such work (typically a very high class of degree!).

## **Assignment 1.4**

### ***Strategic management by context***

The aim of Assignment 1.4 is to help students understand that the elements of strategic management shown in Figure 1.3 are likely to differ somewhat between different types of organisation. This is raised in Illustration 1.2 of the text (Samsung and Utrecht University). Students should be able to see differences in different contexts. Try to get them to consider this in terms of specific organisations they know; or from articles in the press on businesses and business problems; or from the case section of the book as suggested below. Some of the differences which should be identified might be the following:

A small business is typically heavily influenced by an individual (e.g. owner) or small group, so understanding the values and views of such *stakeholders* is vital. However, typically small firms also face important *strategic choices* about the basis on which they compete (e.g. should they seek particular market niches?), how they configure scarce *resources* and maintain flexibility in strategic response. It can be useful to ask students to consider how these issues might change as businesses grow.

The complexity of a multinational business such as Vodafone or SABMiller will mean that global logistics and structure and control are important. However, the students should also see that other elements of strategy are also there; both organisations have portfolio *strategic choices* to make; they have had to integrate after *mergers* and manage disposals; they face differences of *culture* between parts of the company and in different countries; and need to determine ways to *control* their operations across the world.

The influences on strategy in a public sector organisation require the student to recognise the nature of public control and influence. A wide range of stakeholders is likely to be important in both the public sector and not-for-profits. Determining and planning the *allocation of resources* in a context in which different *stakeholders* have significant influence is a major issue, as in both Aids Alliance and Queensland Rail.

Overall, students should understand that all the elements of strategic management are important in most organisations; but that the weighting between these elements may differ.

## Case Example

### ***Glastonbury: from hippy weekend to international festival***

This case is based on an entertainment area where many students will feel comfortable in having some knowledge. Yet, they are unlikely to have considered the strategic implications that pervade such an area. Below, these notes address the specific questions highlighted in the case example. However, it's worth considering some interesting features of the case that offer opportunities for wider discussion. Firstly, note that this case is driven by cultural events that, unlike typical consumer goods, have a short shelf life and ought to be broadly seen as services. Secondly, the case focuses on more recent activity in this market but highlights some of the history of the event. Naturally, the strategic environment varies across the period and students may find this change across time slightly distracting. However, as particularly in Chapter 4, the repercussions of organisational history are a strong theme in *Exploring Strategy*. Thirdly, this case raises interesting issues about corporate purpose and sustainability that will be important to young managers in the future. In other words, whilst some seek profit, others seek to conserve the resources of the planet or be fair to its people: again, these are themes in Chapter 4. Finally, 2012 sees the festival at something of a crossroads in that it has lost the operational support from Festival Republic that originally helped rescue them from fundamental problems. Although this might diminish the corporate image that some have criticised, and gives the festival independence in terms of choice of future direction, Glastonbury may be short of key capabilities. All these issues are areas that might be explored with students as a pointer to key areas for their own strategic management, i.e. increasing importance of services, rapidly changing environments, sustainable development and the importance of strategic choice.

1. Sticking to the 35 word limit suggested by Collis and Rukstad in Section 1.2.3, what strategy statement would you propose for the Glastonbury Festival?

### **Strategy statement**

Consideration of Section 1.2.3 reveals the following points of discussion:

- In terms of the goals of Glastonbury, these are clearly stated at the outset in the sense of a 'social mission', reflected in continuing support of Greenpeace, Oxfam and similar. However, it is worth considering their recent complex relationship with corporate sponsors and the Mean Fiddler/Festival Republic.
  - The scope of Glastonbury's activity has clearly changed in operational terms, reflected in their name as a Festival for Contemporary Performing Arts, including circus and poetry. Geographically, it remains bounded by the Glastonbury location (though an international audience might be seen as an untapped opportunity).
  - Their advantage may be their position as one of the most varied and high-quality festival experiences, or, their place as an 'iconic' event. It is worth asking students to consider pricing data relative to competitors and over time (Table 1 and Figure 1) for what they may about the strength of their competitive advantage.
2. Carry out a 'three-horizons' analysis (Section 1.2.1) of the Glastonbury Festival, in terms of both existing activities and possible future ones. How might this analysis affect its future strategic direction?

### **'Three horizons' analysis**

Consideration of Section 1.2.1 reveals the following points of discussion:

- It might be claimed that Glastonbury has been short sighted and purely focused on the first horizon of core arts activities. The recent dropping of Festival Republic might even suggest a narrowing of already slender horizons.
  - Other festival organisers (e.g. Live Nation) have been more focused on the second horizon, with a portfolio events and ticketing included in their approach. Notice how some of the festivals in the figure are gaining scale economies by operating across two sites on the same festival dates.
  - A third horizon encompassing wider aspects of entertainment might be considered too, for example, various kinds of media for transmitting the contemporary performing arts.
3. Using the headings of environment, strategic capability, strategic purpose and culture seen in Section 1.3.1, identify key positioning issues for the Glastonbury Festival and consider their relative importance.

### **Environment, strategic capability, strategic purpose and culture**

Consideration of Section 1.3.1 reveals the following points of discussion:

- A wide range of environment issues emerge with opportunities such as sponsorship and threats such as increased competitors.
- Issues such as the increasing legislation around events show how a threat to Glastonbury becomes an opportunity for one of its partners.
- Glastonbury seems to have some excellent resources but has needed others (e.g. Festival Republic) to fully develop capability.

- Strategic purpose is mixed as described earlier in consideration of the strategy statement.
  - The hippy culture back at the start of Glastonbury's history has a clear impact on its ability to become financially sustainable. Indeed, it might be suggested that the rejection of more corporate elements could send them back to this problem without careful management.
4. Following on from the previous questions and making use of Section 1.3.2, what alternative strategies do you see for the Glastonbury Festival?

#### **Alternative strategies**

Consideration of Section 1.3.2 reveals the following points of discussion:

- The case starts to question Glastonbury's ability to be different in the face of wide ranging competition.
  - Leveraging the brand to create other festivals outside of the UK might be considered.
  - Diversification into other products such as merchandise, recordings, artist management, broadcasting, etc. might be discussed.
  - As Glastonbury is no longer part of a festival portfolio, the elements above become even more important.
5. Converting good strategic thinking into action can be a challenge: examine how the Glastonbury Festival has achieved this by considering the elements seen in Section 1.3.3?

#### **Strategic thinking into action**

Consideration of Section 1.3.3 reveals the following points of discussion:

- Evaluation of the strategic options from above should reveal a number that is suitable, acceptable and feasible.
- Yet, their future strategic direction cannot be developed without the cooperation of others.
- Glastonbury itself appears to be very reactive and their strategy is emergent.
- Though he appears to be a figurehead for Glastonbury, it is clear that leadership and change management may not come from Michael Eavis but be driven from elsewhere within the family.
- All in all, the case shows that being large and successful is not all that is involved in strategy – for the Eavis family, social issues, artistic integrity, legacy and control are important too.