

Contemporary Strategy Analysis (9th edition)

SUGGESTED ANSWERS TO SELF-STUDY QUESTIONS

Chapter 1

The Concept of Strategy

1. *In relation to the four characteristics of successful strategies in Figure 1.1, assess the US government's Middle East strategy during 2009–2015.*

The foreign policy of the United States government under the Obama administration (and under the previous Bush administration) is widely viewed as a failure. The US has had little influence on events in the Middle East and its policies appear to have yielded few positive outcomes for US interests. Applying the “four common elements in successful strategies” outlined in Figure 1.1. and pages 4 to 9 of Chapter 1, the US Middle East strategy seems to have failed all four criteria.

- Clear, consistent, long-term objectives. US Middle East objectives were multiple and conflicting. They include:
 - i. Supporting Israel
 - ii. Supporting the House of Saud (and US oil supplies) in Saudi Arabia
 - iii. Containing Iran and preventing Iran from obtaining nuclear weapons
 - iv. Finding a solution to the Palestinian problem
 - v. Combatting terrorism
 - vi. Encouraging democracy, individual liberty, and constitutional government.

These goals are conflicting, e.g. support for democracy and individual liberty is inconsistent with support for the Saudi regime, support for an independent Palestine conflicts with supporting Israel, actions against terrorist groups such as the Islamic State conflict with the desire to overthrow President Assad of Syria. While multiple conflicting goals are inevitable the key problem has been the US governments reactivity to events and the failure to achieve any prioritization of long-term goals.

- Profound understanding of the environment. Ever since the failure of the US intervention in Iraq it has been clear that the US government has lacked good intelligence and a poor understanding of historical, cultural, and religious forces that have shaped conflict within the region, including the deep schism between Sunni and Shia Muslims. The US has shown a limited understanding of the implications of the “Arab Spring”—particularly of the chaotic forces that can be released by the overthrow of autocratic leaders such as Gaddafi (Libya), Mubarak (Egypt), and Assad (Syria).
- Objective appraisal of resources. Since experiencing the post-invasion chaos of Iraq, the US has become more realistic about the limits of its military power to influence events in the Middle East. Indeed, the cautiousness of the Obama administration undertaking major Middle East initiatives may reflect the pendulum swinging too far in the other direction—an underestimation by the US of its military, economic, and political influence in Middle East affairs.
- Implementation. Weaknesses of implementation included:

- The failure to secure cooperation with Congress (resulting in Congress pursuing initiatives that conflicted with those of the White House and State Dept. (e.g. invitation to Israeli leader Netanyahu to address Congress))
- Failure to cooperate with European countries and Russia over Syria
- Vacillation in US policy towards Egypt after the fall of Mubarak.

2. *The discussion of the evolution of business strategy (see the section “From Corporate Planning to Strategic Management”) established that the characteristics of a firm’s strategic plans and its strategic planning process are strongly influenced by the volatility and unpredictability of its external environment. On this basis, what differences would you expect in the strategic plans and strategic planning processes of Coca-Cola Company and Uber Technologies Inc.?*

Coca-Cola Company was established in 1892 and for over 80 years has been the world’s largest soft drinks company (it first joined the DJIA in 1932). Its strategy has also been highly stable: its franchised distribution system dates back to the 1890s. Of course Coca-Cola’s strategy is subject to unforeseen changes: the emergence of new competitors and changes in market conditions (e.g. reaction against sugared drinks), however, over the medium term its environment is much more stable than that of most firms. As a result, Coca-Cola should be able to plan its investments, its new product launches, and its marketing campaigns into the medium term in some detail. At the same time, Coca-Cola needs to retain the flexibility to respond quickly to emerging threats and opportunities. For example, in May 2013, the company announced a \$200m investment in Myanmar over 5 years.

By contrast, Uber operates in a highly uncertain, unpredictable environment. When it was first launched in San Francisco in 2011, its business model was unproven and its potential to generate revenues uncertain. By the end of 2015 it was operating in 58 countries and over 300 cities. It has had to adapt its strategy—often very quickly—both to competition (globally from Lyft and locally by a host of nationally-based ride share companies) and to regulatory differences and legal challenges. In adapting to a complex, changing regulatory environment it has introduced a number of variants of its core product: UberX, UberPool, and UberPop. Also diversification into delivery services UberFresh, UberRush, and UberEssentials and helicopter services: UberChopper.

Because Uber’s capital investments are small—it’s drivers are self-employed and they provide their own cars—it has limited need for long-term strategic planning: in new markets it can setup and exit in a short time with small sunk costs.

Despite all these differences, there are some similarities: both companies depend on making their offerings known to consumers and readily available anywhere within their marketing areas. Both are also highly sensitive to the regulatory environment in which they operate.

3. *I have noted that a firm’s strategy can be described in terms of the answers to two questions: “Where are we competing?” and “How are we competing?” Applying these two questions, provide a concise description of Lady Gaga’s career strategy (see Strategy Capsule 1.2).*

In terms of positioning we can describe Lady Gaga’s strategy as follows:

Where is she competing? Supplying pop/dance music, music videos, and concerts to a worldwide group of young people mostly aged from 12 to 25. Her business model comprised the following revenue streams: live (concert) and TV performances, royalties from recorded music (both as a performer and songwriter), product endorsements and other licensing income from the use of the “Lady Gaga” trademark.

How is she competing? Lady Gaga builds competitive advantage through distinctive differentiation. The Lady Gaga persona is heavily based upon striking visual impact through innovative, outrageous, and often shocking combinations of dress, makeup and hair styles. Her visual impact is also evident in her videos which use sophisticated cinematography to convey themes of lust, aggression, loneliness, religious iconography, birth and death, and traditional myths. Her music, by contrast, is mainstream: listenable, danceable and catchy. The loyalty of her fan base is reinforced through intensive efforts as building a community around themes that link with her own emotions and upbringing with those of her fans. The “Mother Monster” “Little Monsters” relationship involves communicating vulnerability, inclusiveness and emotional support and makes intensive use of social networking technology (Facebook and Twitter). In terms of future direction, Lady Gaga’s strategy seems to be primarily one of maintaining her current positioning through continual innovation and reinforcing her relationships with her fan base.

4. *Using the framework of Figure 1.6, describe the strategy of the university or school you attend.*

Positioning

Where?

Bocconi University is a commercial university that offers educational programs and conducts research within the areas of Economics, Law, Accounting, Economics, Finance, Management, Marketing, Decision Sciences, Legal Studies, and Policy Analysis and Public Management. It offers degree programs at the Bachelors, Masters and Doctoral levels as well as a variety of shorter, post-experience, non-degree courses. Its degree programs are offered in Italian and English. Most of Bocconi’s educational activities are conducted on its Milan campus. In addition it offers at its Indian affiliate, the Mumbai International school of Business, and has double degree and exchange programs with universities in China, India, Australia, Canada, USA, and several European countries.

How?

Bocconi seeks to build its competitive advantage through a commitment to excellence in both teaching and research; through emphasizing relevance to real world problems in its knowledge development and knowledge transmission activities; through close relationships with the corporate and government sectors; and to sustain its pre-eminence within Italy with growing recognition within the wider world.

Direction

Bocconi’s strategic development is in three main directions:

- a) Building excellence and reputation as a world class center of both basic and applied research within its field of activity in order to extend the frontiers of knowledge within this domain.
- b) To offer educational programs at undergraduate, graduate and postgraduate levels of the highest quality that will prepare Bocconi’s graduates for successful careers and allow them to become valuable members of society.
- c) To contribute to the economy and social community of both Italy and beyond.

These development goals are to be achieved through internationalization of both faculty and the student body; investment in faculty, buildings and research; and by providing incentives and development opportunities that allow the members of the university to realize their potential.

5. *What is your career strategy for the next five years? To what extent does your strategy fit with your long-term goals, the characteristics of the external environment, and your own strengths and weaknesses?*

I'll leave the details of this to you younger people: I am approaching retirement, hence my own strategic goals have moved away from career and more towards personal and spiritual fulfilment and contributing to the happiness and development of my grandchildren.

Let me emphasize, however, that the same principles that we apply to business strategy can also be applied to individuals' career. This exercise involves using the basic framework of Figure 1.2.

The principal stages are:

- Goals and values: What are you seeking—wealth, power, influence, fellowship, excitement, security, making a difference in the world.
- The environment: Which careers offer the best prospects in relation to your chosen goals?(Career opportunities may relate to work type (brand manager, financial analyst, general manager, entrepreneur, politician) and sector (financial services, manufacturing industry, public sector, international organization...) For the most attractive careers, you identify, what are the key success factors?
- Resources and capabilities: What are your strengths and weaknesses in relation to resources and capabilities such as intelligence, social and communicative skills, risk tolerance, aptitudes, financial resources, qualifications, experience, contacts, etc.?
- Strategy: On the basis of these considerations outline the principal elements of a career strategy in terms of: (a) Where? What time of job? In which sector? Where located? (b) How? How will you acquire your next job? What will be your approach to performing in that job? What kind of job sequence do you anticipate? What kind of additional training or personal development do you see as desirable?
- Implementation: What steps need to be taken to get this strategy off the ground?