Exploring Strategy Text and Cases 13th edition Whittington Test Bank

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Instructor's Manual

Exploring Strategy
Text and Cases

Thirteenth edition

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1. Introduction

Exploring Strategy offers one of the most comprehensive packages of material and support for teachers and students of strategy. The following materials and assistance are now available:

- The *text* with improved design and layout to assist readers – including objectives for each part of the book and chapter learning outpspcomes, concept definitions, chapter summaries, additional reading and much more.

- Over seventy *illustrations* and fifteen *Thinking Differently* sections, each including questions to facilitate their use as mini cases or class discussions.

- Seventeen end-of-chapter *case examples* with specific relevance to the content of the chapter and with questions relating to the major learning issues in the chapter.

- End-of-chapter *work assignments*, which provide further opportunities for student assessment, additional work or self-assessment.

- Case studies (text and cases version only) together with comprehensive teaching notes (in this manual and on the website). The case collection contains a rich mixture of material, including long and short cases from many different sectors and different countries.

- A number of 'classic cases' from past editions on the website (where they are not carried forward into the thirteenth edition but are still useful to tutors and students).

- The Strategy Experience simulation gives students hands-on experience of strategic analysis and decision making. The simulation can be used by individual students, or as part of a wider classroom exercise.

- The on-line fully interactive Revel version of *Exploring Strategy* is also available, containing the full text of the print book with additional multiple choice questions, assessments and interactives for a truly immersive experience.

For students:

- Classic Cases from past editions.

- Video and Audio files discussing various topics.

- Glossary (in several languages).

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For tutors:

- This Instructor's Manual
- PowerPoint slides
- Tutors' workshops led by the authors are held annually. These are practical days concerned with how teachers might gain most advantage from the book and associated materials. They also act as a forum in which to meet other strategy teachers.

Details on all of these items and extensive tutors' debriefs of work assignments, illustrations, case examples and case studies are included in this manual.

Many of these materials are also relevant to our shorter version, *Fundamentals of Strategy*. This shorter version has the advantage of consistent definitions and frameworks and the same illustrations and end-of-chapter case examples. It should therefore be very easy for teachers using *Exploring Strategy* or *Fundamentals of Strategy* to switch between these two texts according to the needs of a particular course.

2. Using this manual

This manual is designed to assist teachers of strategy in gaining maximum advantage from the text *Exploring Strategy* and the associated teaching and learning materials. It should provide help with:

- planning a teaching approach to suit the type of participants, time available, etc.;
- deciding on how to use the text, illustrations, case examples, readings and case studies in a teaching scheme;
- choosing additional material to include in a course;
- using the work assignments for the illustrations, case examples and those at the end of each chapter;
- preparing to teach the case studies;
- using the *Exploring Strategy* website.

The next two sections are intended to be of particular use to teachers who are relatively new to teaching strategy or are designing new courses. Experienced teachers may wish to pass over Sections 3 and 4.

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3. Planning your approach

This section provides some general guidance on designing a strategy course according to variations in the needs of participants and the practicalities of the situation. The factors listed below will also influence the way in which the text, readings, work assignments, case examples, case studies and videos can be used to best advantage.

3.1 Purpose of the course

Strategy courses can be designed to meet many different needs. At one extreme, the course may mainly be concerned with raising *awareness* of why organisations need to change and develop over time and some of the ways in which this occurs: typically this is the task with short courses for undergraduate students.. Alternatively, a course may be designed to improve the *skills* of participants in the formulation and implementation of strategy: this could be for advanced undergraduates, MBAs or executives. Between these extremes are other purposes for strategy courses. For example, improving managers' understanding of how their job function *fits* the overall strategic development of the organisation, helping to break down the very narrow *operational outlook* of many managers or *integrating* material from other parts of a business or management course. The following is some guidance on how the use of text and cases might be adapted to these various purposes.

- If *awareness* is the key purpose, the text can be used to provide a basic framework (say through a lecture series), devoting as much time as possible to illustrative work. The illustrations and case examples in the text should prove valuable resources and teachers often supplement these with their own topical material (media sources, company websites, etc.). Where participants have access to live organisations, use of issues from those organisations should be encouraged (e.g. student research and presentations). Guest speakers (live or conveniently via Zoom or similar) can also prove valuable – particularly, interesting success stories. The case studies and videos can be used mainly to encourage discussion and illustrate particular aspects of strategy. Work assignments should be useful to consolidate some of the key concepts in strategic management.

- If *skills development* is most important, then the purpose of the text should be to help participants understand concepts and analytical tools which they can apply and practice. Most of the case examples and case studies lend themselves to an analytical approach, and participants should be set tasks that require them to produce detailed and practical solutions. Work assignments for the illustrations and at end of the chapters should be useful to test skills development and the understanding of key concepts. With some groups, it may be possible to require participants to develop their skills on real, company-based issues, through a project. For example, students can be asked to undertake an analysis of a particular sector or organisation (which could be done on the basis of secondary data), to assess the strategic choices available to an organisation and propose how issues of implementation would be managed. Many of the advanced level work assignments are specifically designed to test readers' in-depth understanding of issues and/or ability to use them in a project situation.

- Where the *relationship between strategy and the separate business functions* is of primary importance, group work (preferably with cross-functional teams) could be very helpful. This could be for work on the case studies, in-company work or business simulations.

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3.2 Level of participant

The purpose of a strategy course is likely to differ with the level of participant (see Table 1). For example, this could relate to their age, job function or type of course which they are studying.

- For *younger* people with little full-time work experience the text should prove useful in providing a systematic approach and illustrations of strategy in practice. The illustrations and case examples in the text (and associated work assignments) should be used to relate theory to practice. Case studies and the video material should be used with focused questions based on key concepts or tools rather than in an all-embracing way, at least until later in the course. Selected readings should also prove helpful. The standard level work assignments will be the most appropriate for this group. Classroom polling apps such as Mentimeter or Kahoot are particularly effective at this level, both to maintain classroom engagement and, through closed questions, to check learning of particular points.

- Where participants have *some work experience* but are nevertheless fairly junior (e.g. final year sandwich course students and many young manager courses), the same comments are relevant except that there are more opportunities to encourage participants to relate to real-life situations through presentations, in-company projects, etc. With well-motivated participants, flipped-classroom methods might be effective, with preparation done before class and the class itself more devoted to discussion. Online discussion boards using the course platform (e.g. Blackboard or Canvas) can encourage and guide preparation, especially if the instructor is highly participative themselves. It can be helpful to use a classroom poll at the beginning of the class to check levels of preparation and understanding. Clear summaries of key learning points at the end of classes will help participants consolidate their knowledge.

- For *more experienced managers* (e.g. in many part-time or executive MBA programmes or in-company courses) it should be possible to reduce the formal inputs of concepts and methods. Flipped classroom methods may be particularly appropriate: participants should read the relevant text before the session, with the majority of classroom time devoted to applied work (the case studies, group projects, presentations, etc.). Cases can be presented in a more 'open' way, with less use of focused or closed questions, in order to allow participants to identify strategic issues and solutions for themselves. Online discussion boards can be very effective with more experienced (and confident) managers. For in-house courses, application can be directed at the organisation's own issues; it may be possible to do the same amongst the more diverse participants in an open executive MBA course. It is also likely that the content in Chapters 13–17 will warrant more emphasis since they raise critical issues of processes of strategic management confronting practising managers. It may also make sense to begin the course by discussing different ways of understanding strategy and strategic management. The strategy lenses introduced in the Commentary at the end of Part I provide a basis for this since they reflect on how strategy might be seen and interpreted in different ways.

Be aware that some participants may not do extensive preparation and you may have to adapt to varied levels of preparation. Similarly, willingness to engage in classroom discussion is likely to vary widely, for all sorts of reasons (e.g. experience, culture, language, gender, disability). Incentives in the form of class participation grades may help, but patience and empathy are also likely to be required.

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Table 1 Using the text and cases with different participants

	No work experience	Limited work experience	Experienced managers
1. Typical groups	Undergraduates	Sandwich degree students, supervisory level, full-time MBA	Part-time MBA, in-company courses
2. Sequencing of material from text	In chapter sequence	In chapter sequence	In chapter sequence (possibly highlighting of Chapters 13–17 earlier)
3. Relative emphasis of issues	Main emphasis on Chapters 1–13	More balanced emphasis	Greater emphasis on 'process issues' and Commentaries
4. Text to read	After class sessions	Before or after class sessions	Before or after class sessions
5. Applied work (case studies, etc.) used to	Illustrate issues from the text in a carefully focused way	Practice analytical and conceptual understanding	Improve practical skills, especially as applied to their own organisations and increase confidence in identifying strategic issues in more open contexts
6. Additional reading	Selected key readings	Selected key readings	Selected key readings (typically from *Harvard Business Review* or similar)

3.3 Study mode

The mode of study should also influence course design.

- For *full-time* courses, at least some preparation of case study work should in principle be expected. Such preparation provides an opportunity for smaller groups to work together on tasks for significant periods of time. A tightly organised package of student work (the case studies, group work, presentations, etc.) is, therefore, possible as an important way of consolidating the concepts/approaches from the text. However, the chance of live in-company work may be more limited – although projects based largely on secondary data can be very effective.

- In contrast, *part-time or executive* students should be more in touch with ongoing management issues but may have less preparation time available and find it more difficult to meet in groups. It may be, therefore, that some group time needs to be built into the programme and/or online discussion forums should be set up. It can also be helpful to provide selected readings linking theory and practice to part-time students as a basis for group/class discussions or presentations. Assignments and exercises can be directed at students' employing organisations.

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- Increasingly, *online and distance learning* elements are being used in business and management programmes. The structured nature of the text together with the illustrations, case examples readings, case studies, work assignments and website material can form the backbone of learning modules. Section 4 below, which reviews work assignments, provides guidelines on how the issues and materials in the book can be used to provide a structured learning 'path' for students.

3.4 Time available

The study hours available will also influence the course design and the use of text and cases.

- For *long* programmes (50 hours+) it should prove possible to use the text and cases extensively and to supplement the course with other materials and activities.

- For *shorter* programmes, a more selective use of the materials is likely to be necessary. For example, a course concerned largely with strategy formulation could confine the use of the text to Chapters 1–12 (or 13) and the associated illustrations, case examples, readings, case studies, video, work assignments and website material. In this case, our related book *Fundamentals of Strategy* might be considered as a course text. A course on strategic change and implementation would be centred on Chapters 14–17. The other chapters would be recommended as follow-up or contextual reading.

- Where time is *very limited* – particularly with more experienced managers – sessions may consist of an introduction to some basic ideas through the frameworks from the text together with a case study (or similar activity). More extensive use of the text would be in the participants' own time either pre- or post-course. The authors regularly use such an approach on short courses for senior managers. The work assignments also provide a valuable checklist and/or self-study guide around these basic concepts. Although experienced managers may appreciate the relative brevity of *Fundamentals of Strategy*, they often find the more detailed attention to the practicalities of process available in *Exploring Strategy* very useful as a reference source: it has been our (surprising) experience that the longer book is often preferred by executives.

4. Designing the teaching scheme

4.1 Pre-course work

It should be clear from the above that there are many circumstances where pre-course work could be essential. The text and case studies are designed to facilitate this. Where pre-course work is needed, it is suggested that it is prescribed in the following way:

- The appropriate chapters of the book with a few suggested issues to bear in mind. For example, it might prove useful for participants to read Chapter 1 and be expected to discuss what is meant by 'strategy' or to read Chapter 5 and discuss what strategic capabilities matter most in organisations in different sectors.

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- Preparation of *illustrations*, *case examples or case study* material. Here, specific guidance can be found in the teaching notes in Section 6 and in the work assignment debriefs.

- Any *organisation-specific data* that they might need. For example, if participants are to undertake project work they may need to access company reports, accounts and websites. New Chapter 2 (*Working with Strategy*) provides practical guidance on how to gather and analyse real-world data. To accompany the reading of Chapter 1 and/or Chapters 13 and 16, students could be asked to reflect on how strategic issues are managed in their own organisation. Or students could be asked to bring some topical data (e.g. media articles or blog posts) that might be used to develop a presentation on the course.

A brief video introduction by the course instructors placed on the course platform helps to engage participants before the first class and provides more motivation for preparation.

4.2 Starting the course

The specific requirements of each course will vary but here is some guidance on how courses in strategy might be started:

- A traditional approach would be to run through the issues in Chapter 1 and relate them to the structure of the course. This is most successful if the course follows the text quite closely and in chapter sequence. New Chapter 2 (*Working with Strategy*) can be helpful here in introducing strategic thinking skills and the basic tool of SWOT analysis.

- With groups of experienced managers, it can be stimulating to begin with a session on *different approaches* to strategic management and strategy development using the material from Chapters 1, 14 and 17 and the Commentary at the end of Part I that introduces the four strategy lenses. This does not preclude a follow-up that works through the chapters in sequence, but helps put that approach into context.

- An alternative approach is to begin the course with a *case study*, *case example* or *illustration*. The end-of-chapter case for Chapter 1 (*AirBnB*), the first illustration in Chapter 1 (*Tesla*) and the first case in the case section of the book (*Glastonbury*) are provided for this purpose. This approach starts the course with participants talking about the strategic issues relevant to that company and industry, and gives pointers to issues that will be covered in the rest of the course. A similar opening can be achieved by asking one or more participants to talk about the key strategic issues in their *own* organisation or for an organisation that is well known to many participants.

4.3 Planning the topics

The text lends itself to a range of different treatments and we encourage teachers to use it in a way which suits their own style and the needs of the participants. Some approaches might be as follows:

- The most straightforward teaching scheme is one that follows the sequence of topics from the text. For example, on a final year undergraduate programme the text can be 'covered' in one-hour lectures leaving time for applied activities. It is strongly recommended that a

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lecture series of this type be used to *augment* the text (e.g. by addressing more fully some of the concepts or explaining how they can be used in practice) rather than replicate what is in the text.

- Courses can be taught on an 'issues basis'. For example, by focusing on the main strategic choices discussed in Part II of the book (e.g. competitive strategy, internationalisation, mergers and acquisitions). Here, Parts I and III of the book would be used as background reading by students to prepare for and inform class discussion on the issues.

- A 'case-based' course uses a series of case studies as the backbone of the course. Classes then focus on the issues raised by the cases. Here, it makes sense to choose the cases to focus on particular issues or themes. The case version of the book provides an extensive choice of cases that can be used for this purpose. It should then be expected that students (a) do recommended pre-reading from the text and (b) apply that reading to their preparation of the cases.

- On other courses, the text can be used somewhat differently. For example, one of the authors teaches a part-time MBA course where the opening few weeks of the programme run parallel sessions following the 'content' issues in Chapters 3–7 and the 'process' issues of Chapters 13 and 17 and the Commentary. This is augmented by a readings programme and a group project running through the course.

4.4 Balance of the course

The teaching scheme will need to be balanced in relation to many of the needs identified in Section 3 in many ways:

- The degree of *emphasis* given to different topics as discussed above.

- The *mixture* and *sequencing* of lectures, seminars, case studies, group work, etc. These are largely determined by the circumstances for which the programme is designed as outlined in Section 3. It is useful to look at some typical ways in which this mix can be planned:

    - *Case study/applied material only* courses, where the text is used as pre-reading and/or follow-up. This approach is not very common on open access courses but can be very useful in an in-company workshop where a review of the organisation's own strategy forms the basis of the programme, and frameworks and techniques from the text are drawn upon as appropriate. These kinds of courses can lean towards a flipped classroom approach, where reading and frameworks is done outside the classroom and class time is devoted to participant application and discussion, with the teacher acting primarily as a facilitator.

    - *Case study/applied material-based* programmes. Here, the applied material is prepared before the class sessions and forms the basis of a discussion of key concepts during the session. This is the Harvard approach and the text could be used either as pre-reading or for follow-up. The case studies, case examples, illustrations, website material and work assignments would form the basis of such a course. As above, this tends towards the flipped classroom approach, with little lecture input, more application and

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discussion by course participants. New Chapter 2 (*Working with Strategy*) provides students with practical guidance on how to conduct a case study analysis.

- *Lectures and applied work*. Here, the formal lecture accounts for perhaps 20–30% of the programme, the remainder being used for applied work – case studies, presentations, projects, etc. The text, case studies, case examples, illustrations, website materials and work assignments are ideal for providing the backbone of a course of this type. The dangers are that students do not read widely enough so teachers need to provide proper guidance on additional reading (including those identified at the end of each chapter).

- *Lecture and illustrative material.* Here, the lecture programme may amount to 50–70% of the course with illustrations, case examples, case studies and website material being used to provide practical examples of the issues in the text/lectures. This is only recommended for undergraduates.

4.5 Assessment

Many courses will require participants to be assessed. The text and cases (and the above advice on course design) provide opportunities for a wide variety of different assessments. For example:

- *Formal examinations* can be used to test understanding of the key concepts presented in the text. There are dangers that students give overly theoretical answers to questions. One way of avoiding this is to use short quotations from case studies, articles or illustrations as the basis of the issue that requires discussion in the examination question. This could include requiring answers that are directed at explaining concepts to managers as they could be asked to do, perhaps, in a job interview.

- *Case study examinations* are a commonly used method of assessment. There are typically two approaches here.

  i) The case study is distributed before the examination, but not the questions. Students are then able to prepare, perhaps in groups. The questions are then provided in the examination and answered on an individual basis. Students are, however, able to use their prepared notes. The biggest danger with this approach is that students overwhelm themselves with prior analysis, and simply replicate their notes, failing to answer the questions posed on the examination paper.

  ii) An alternative approach is to use a brief case study together with the questions provided to the students in the examination setting or shortly before it. The problem here is that students' speed of reading can vary considerably – particularly if they are reading the case in English as a second language.

  New Chapter 2 (*Working with Strategy*) provides practical guidance on how to conduct a case study analysis.

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- *Project-based assessment* involves students (or groups of students) applying the concepts and techniques in the book to a real organisation. This could be done, for example, by part-time students working on their own organisations. Or it can be done with students working on nominated organisations using secondary data. Please see also the paragraph immediately following these bullet points. New Chapter 2 provides guidance on sources of information on real organisations and their sectors.

- *Student presentations* are another method of assessment, popular with many strategy teachers. They can be used to assess students' work on illustrations, case examples, case studies or in-company project work that they have undertaken. It is desirable to combine an assessment of the presentation with a write-up. New Chapter 2 provides guidance on how to do presentations.

- *Participant's topic* – where participants are required to present a write-up and/or presentation on a strategic issue – often in the context of a topical situation or their own organisation.

- *Multiple choice online assessment* is often an efficient way of assessing basic learning, especially with very large student cohorts. It can particularly be a useful check on learning halfway through a course.

- *Simulation-based* assessments can be effective. Here typically the criteria of assessment are not results in the simulation itself, but the ability to apply techniques and concepts to explain results and, especially in team-based simulations, to reflect on the process (e.g. team dynamics).

- *Readings* – where a readings programme throughout the course is used as a basis of linking theory to practice and can be assessed through presentation and/or write-up in essays.

A note on *Group Projects.* Group projects can be an excellent form of learning and, therefore, lend themselves to be incorporated into the assessment package. The group project provides an extra learning dimension from the individual project namely, the *process* by which the group undertook the project and managed themselves. We would advise that the project write-up should include issues of process as well as content. Many teachers shy away from group projects because they feel that the assessment of individual contributions can be difficult (which it is!). However, the potential learning from group work is so great that we encourage teachers to experiment with assessing the project work. There are several ways in which worries about assessing individuals can be alleviated. First, the group project can be part of an assessment package and weighted accordingly (e.g. 30–40% of the overall mark). Second, the formal requirement may be that the group project is assessed only on a pass/fail basis. The student's examination mark is that gained in other assessments. Third, the group can be given an overall group average mark and be asked to advise the tutor on the individual marks of group members (in relation to their contribution). Where the authors have used this particular approach, it has proved useful to provide *limits* within which individual marks can be varied (say 10 marks) and to ensure that students are clear that the final decision rests with the tutor. Fourth, students can be asked to complete an individual piece of work, for example, on their own key learning points from the group work.

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4.6 Sample teaching plan

This is an example of a teaching plan for a 500-strong cohort of level 3 undergraduates taking strategic management as a core double-weighted module over two semesters. Total contact hours are 36 hours, group work comprises 110 hours and independent study 154 hours. The module comprises a mixture of lectures, interactive workshops, group work, independent learning and online-mediated study (via an online learning management system such as Revel). Case studies are a key learning vehicle for the module. Students are also required to conduct group and individual research into organisations. A series of surgery sessions and online-mediated sessions are available to students wishing to reinforce their learning. Key skills are developed in the areas of teamwork, oral and written communications, selection and application of data collection methods, research and referencing skills, data analysis and online communications.

The strategic management module has two main learning components:

- Acquiring theory and concepts in strategy
- Application of theory and concepts to the analysis of organisations.

To some extent, these two components interact – application of the concepts helps to clarify understanding of the theory. The theory comes early in the module, in order to have something to work with. The module lectures (focusing more on the theory) are, therefore, mostly in Semester 1 and early Semester 2.

Successful studying for the module requires the following:

- Working through *Exploring Strategy*
- Attending lectures, having prepared for them
- Working with study group on analysing case studies and a chosen organisation
- Participating actively in workshops.

Reflecting this balance, the module has three elements of assessment:

1. **Online assessment (10%).** A range of question types to test students' basic understanding of the theory at the end of Semester 1 (e.g. multiple choice, pull-down list, matching, ranking and text match).

2. **An individual written assignment, including a copy of the group presentation (30%).** This requires application of the theory to a chosen organisation. Group work involves analysing the organisation, developing and ranking strategic options and making a presentation on one aspect of the organisation. Each individual then writes up a part of the analysis.

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3. **A two-hour case study-based examination (60%).** This requires application of the theory to a case study that is issued two weeks before the exam and students analyse it in their study groups prior to the exam.

The module requires commitment and time on the part of the students. They must be able to organise their own study time – reading, working through the interactive online study guide and doing the self-assessment tests, analysing the case studies, gathering data on the selected organisation, preparing presentations for the workshops and working on the assignment. Using study groups effectively is an important skill. Study group discussions provide an opportunity to practise using the strategy vocabulary. The grid in Table 2 gives a general outline of the requirements of the module.

The course structure is as follows:

Lectures:	All students attend 11 two-hour lectures – 8 in Semester 1 and 3 in Semester 2.
Workshops:	Each study group has 7 two-hour interactive workshop sessions. They commence in week 3, Semester 1 and run throughout the year.
Surgery sessions:	Six optional surgery sessions are available.
Online:	All students are required to complete the interactive study guide accompanying the *Exploring Strategy* textbook. All communication is via the learning management system (not email) and students should access it at least twice a week.
Guest lectures:	A series of guest lectures, 'Strategy into Practice', are organised over the course of the year. This provides an opportunity to hear how strategy is implemented in practice by leading business managers: Zoom or Teams video links can help with this.
	Tables 3 and 4 show topics, reading and cases.

Table 2 Outline of module requirements

Work area	Purpose	Group work
Read the core text *(Exploring Strategy)*, other recommended reading and work through the interactive study guide	Understand the theory	Discuss the ideas in groups; consider how to apply them and what their implications are

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Read and analyse the assigned cases using strategic management theory and the analytical techniques from other modules (e.g. finance, HR and marketing)	Understand organisations in practice, and how to apply the theory	Discuss and compare analysis within groups, in workshops and via the online discussion group/discussion board facility. Assess areas of overlap or disagreement. Identify areas of uncertainty or difficulty for surgery/workshop discussion or for debating via the online discussion board
Collect and analyse information on the chosen organisation. Use strategic management theory and the analytical techniques from other modules (e.g. finance, HR and marketing)	Develop research and analytical skills. Apply strategic management theory to an organisation	Discuss analysis within study groups. Assign areas for individuals to investigate in greater depth for the group. Identify areas of uncertainty or difficulty for surgery/workshop discussion or for debating via the online discussion board
Develop group presentation	Simulate a team-based work situation and a presentation to management – develop communication and influencing skills	Discuss who is going to make the presentation, how all group members can be involved, what format it will take. Rehearse and polish the presentation and prepare answers to questions that might arise
Work on individual assignment	Apply strategic management theory to the chosen organisation and develop written presentation skills	Work in groups and discuss analysis. Do the final write-up individually
Work on the case study for the exam	Utilise team work to simplify analysis and work towards a common aim of Success	Compare analysis of the case study. Discuss areas of disagreement and decide what position to take. Help weaker team members to understand the issues

Table 3 Lecture schedule

Lecture (2 hours)	**Topic**	**Preparation for lectures (*Exploring Strategy* text and online interactive study guide)**
	Semester 1	
Week 1	Introducing strategy	Chapter 1 text and online (possibly Chapter 2 also)

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Week 2	The environment	Chapters 3 and 4 text and online
Week 3	Strategic capabilities	Chapter 5 text and online
Week 4	Strategic purpose Culture and strategy	Chapters 6 and 7 text and online
Weeks 5/6	Surgery sessions	
Week 7	Business strategy	Chapter 8 text and online
Week 8	Corporate strategy and diversification International strategy Mergers, acquisitions and alliances	Chapters 9, 10 and 12 text and online
Week 9	Innovation and entrepreneurship	Chapter 11 text and online
Week 10	Evaluating strategies	Chapter 13 text and online
Week 11	Surgery session	
	Semester 2	
Week 1	Strategy development processes	Chapters 14 and 17 text and online
Week 2	Implementation	Chapter 15 text and online
Week 3	Leading strategic change	Chapter 16 text and online
Weeks 4, 6, 8 and 9	Surgery sessions	

Table 4 Workshop topics

Workshop	**Analytical focus**	**Preparation**
1	Business environment: PESTEL, five forces	Case example Chapters 3 and 4. *Gasunie – hydrogen pipedreams; Game-changing digital forces in the global advertising industry*
2	Organisational resources: value chain, strategic capability	Case example Chapter 5. *Reconfiguring retailing resources*
3	Organisational context: stakeholders, corporate governance, culture	Case example Chapters 6 and 7 *Petrobras: keep on trucking; Has Uber overcome the ubermensch?*
4	Corporate-level strategy: diversification, portfolios, parenting	Case example Chapter 9. *Grand strategies in vision*

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5	International strategy and the development and evaluation of strategic options	Case example Chapters 10 and 13. *Tomra's institutional challenges; ITV: DIY, buy or ally?*
6	Implementation of strategy: organising and change management	Case example Chapters 15 and 16. *Tencent: third time lucky; The Festival d'Aix-en-Provence: leading change in a time of crisis*
7	Revision	Case example from last year's examination

Workshops 2–6 allocate 30 minutes for group presentations.

5. A guide to using the work assignments

This section contains guidance for using the work assignments that appear with each illustration, case example and at the end of each chapter in *Exploring Strategy*. These notes are not intended to be prescriptive and instructors are encouraged to use these assignments in ways that best suit your own learning situation.

The work assignments with each illustration are designed to consolidate one or two learning points from a part of the chapter. The questions with case examples at the end of the chapter take the main issues from each chapter and suggest ways in which readers can consolidate their understanding by applying these concepts to appropriate case studies, illustrations and/or organisations of their own choice. There are also integrative assignments that look across chapters. The work assignments are provided at two levels of difficulty in order to give flexibility in their use:

1. *Standard* are straightforward applications of concepts or frameworks to specific situations.

2. *Advanced* require a fuller analysis usually linking two or more concepts and/or situations and requiring reading round the issues.

The sections below provide chapter-by-chapter guidance on how teachers might use the work assignments to consolidate students' understanding of the concepts in *Exploring Strategy*. There are, however, a few general guidelines that you may wish to consider in deciding how to gain most benefit from incorporating these work assignments into the students' programme of study:

- Remember there are many different ways in which you can use these assignments. For example as:

  - topics for students to *pre-prepare* for a session, where the concept or issue will be discussed in the light of their preparation;

  - a basis of a student's *presentation* in a class session;

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- a student *assessment*;
- a *self-study package*, which students use to test their own understanding.

- Although many of the work assignments draw on illustrations and/or case studies in *Exploring Strategy*, we have tried to write them in a way that does not make them entirely dependent on this specific source material. Most of these work assignments should be useable in a situation of the instructor's/student's choice.

- The reverse is also true; the use of illustrations, case examples and case studies should not be confined to the specific issues in the work assignments. With case studies, you will find that the authors' teaching notes in Section 12 suggest many other issues and questions in *addition* to those cited in work assignments.

6. A guide to using the case studies

- Section 12 contains comprehensive teaching notes for each of the case studies that appear in the text and cases edition of *Exploring Strategy*. These notes have been prepared by the authors of each case study and edited by Clive Kerridge and Jason Evans. The facing page is a guide to the main focus of each case study and also appears in the book. There is also a selection of cases from recent editions of the book which remain relevant for teaching. These can be found on the companion website.

- These case studies allow the reader to extend their linking of theory and practice by addressing the strategic issues of specific organisations in much greater depth – often providing solutions to some of the problems or difficulties identified in the cases. Cases are intended to serve as a basis for class discussion and not as an illustration of either good or bad management practice. New Chapter 2 (*Working with strategy*) offers students guidance on how to address case studies.

- The case studies have been chosen (or specifically written) to provide readers with a core of cases, which together cover most of the main issues in the text. As such, they should provide a useful backbone to a programme of study but can be supplemented by other material. We have provided a mixture of longer and shorter cases to increase the flexibility for instructors. In addition, there is a short case example at the end of each chapter (in both versions of the book). Some cases are written entirely from published sources, but many have been prepared in cooperation and with the assistance of the management of the organisation concerned. Case studies can never fully capture the richness and complexity of real-life management situations, however, and we would encourage readers and tutors additionally to take every possible opportunity to explore the live strategic issues of organisations – both their own and others.

The authors are always interested in the development of new cases relevant to the frameworks, concepts and issues of the book. If you have an idea for such a case, please be in touch in the first place with richard.whittington@sbs.ox.ac.uk, with a brief outline of the case idea and an explanation of how it might fit with the book. A small fee is typically paid for such cases.

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Page Number in the Book	Cases	Introduction to strategy	The macro environment context (RW)	The industry & sector context (PR)	Resources & Capabilities (PR)	Purpose & stakeholders (RW)	Culture and strategy (RW)	Business strategy & models (PR)	Corporate Strategy and Diversification (DA)	International strategy (PR)	Innovation and entrepreneurship (PR)	Mergers, acquisitions and alliances (DA)	Evaluating Strategies (DA)	Strategy development (PR)	Implementing Strategy (RW)	Leading Strategic Change (RW)	The Practice of Strategy (RW)	Public sector/not-for-profit mgt	Digital	Sustainability	Family or Small business strategy
545	Glastonbury: from hippy weekend to international festival	● ●	●																		●
549	The global pharmaceutical industry: world saviour or loathed pariah?		● ●	● ●						●		●									
561	Net Zero: economically inconvenient or the only competitive advantage in town?		● ●							● ●				● ●						● ●	
567	'Relocation, relocation, relocation: evolving strategies to deal with shifting shopping patterns at Vision Express.		●	● ●			●	●													
574	H&M in fast fashion: continued success?				● ●			●		●											
584	The Formula 1 constructors				● ●		●	●			●										
593	Manchester United FC and a 'super league' of Europe's elite clubs.		●	●		● ●															
607	Dare to Know? challenges in merging two French universities						● ●	●				● ●			●			● ●			
613	Governance and reputational risk: the rise and fall of Bell Pottinger					● ●	● ●														
619	Ryanair: the low fares airline – whither now?		●	●	●			● ●	●	●		●	●		●					●	
628	Multi-sided platform competition in the video game industry.			●				● ●			●								● ●		
634	Megabrew: undisputed King of Beer, but at what cost?								● ●	●		●									

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644	Going to the dogs? Mars' and Nestle's diversification into veterinary clinics.		●	●	●				● ●			● ●	●								
652	Making Siemens ready for a digital future.		●						● ●						● ●				● ●		
660	Indian Premier League: glitz, glamour and globalisation		●	●			●			● ●											
665	Yuka: changing the world one barcode at a time		● ●			● ●					● ●			●						● ●	●
671	PensionBee										● ●								● ●		
680	Going for a ride: entrepreneurial journeys in the on-demand transportation sector							●			● ●								● ●		
684	CISCO launchpad in India: a corporate start-up partnering initiative.										● ●								● ●		
688	Has Teva been saved? Responding to challenges and problems in generic pharmaceuticals.						●		●	● ●		● ●				● ●					
696	Managing M&A: Elekta's acquisition of Neuromag							●	●			● ●									
702	Evaluating the Mexican Narco-Trafficking business and counterstrategies.					●		●	●				● ●								
711	Shoprite Holdings Limited: challenges to success				●			●					● ●	●					●		
720	Being hot in a cool market!					●					●			● ●			●				● ●

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725	EMMAUS: leadership and culture in a French third sector business					●									● ●	● ●		● ●			
729	Seplat Enrgy: leading Nigeria's energy transition in a multistakeholder environment.		● ●			● ●														● ●	
735	ACH, rethinking refugee and social impact: leading, evolving and driving changes.					●			● ●					●		● ●			● ●		
740	Strategy work at Dörr & Portbolaget: how open can you be?		●			●		●	●							● ●	● ●			● ●	
744	HomeCo						●		●				●				● ●				● ●
759	Participative strategy process in the city of Vaasa																● ●	● ●			

Key: ●● = major focus ● = important subsidiary focus

These are also available on the website 'classic cases' from previous editions of *Exploring Strategy*.

7. *Exploring strategy* teachers' workshops

Each year, since 1989, the authors have held one-day workshops for teachers who use either *Exploring Strategy* or *Fundamentals of Strategy* or are considering doing so.

These have been practical days concerned with how teachers might gain most advantage from the book and the associated teaching/learning aids (illustrations, case studies, work assignments, video and website materials).

In addition, these annual workshops have provided a forum to meet with the authors and other strategy teachers and share experiences of teaching problems and their solutions. Users of the book are often invited to give presentations on particular cases they have developed or teaching or assessing solutions that have worked for them and might be of interest to others. Please contact richard.whittington@sbs.ox.ac.uk if you are interested in delivering such a presentation.

Further information about forthcoming workshops can be obtained from the publisher.

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CHAPTER 1

Introducing strategy

Introduction

The overall structure of *Exploring Strategy* has changed since the 12th edition and this is reflected in the introductory chapter. Most notably we now have a new Chapter 2 entitled '*Working with strategy*'. This change is identified in Section 1.3, and also reflected in the The *Exploring Strategy* Framework, Figure 1.6, where it occupies the intersections between the three main dimensions of Strategic Position, Strategic Choice and Strategy in Action.

In this new edition, greater prominence is given to 'Purpose' in Section 1.2.2, as this concept is currently attracting a lot of strategy researchers' attention, and it receives more detailed treatment later in the book in Chapter 6. In the previous edition, we also included 'values' along with 'vision', 'mission' and 'objectives', but have now moved it to Chapter 6 as stakeholder values underpin organisational purpose. We have also introduced a new Figure 1.4 to illustrate a strategic hierarchy from purpose to objectives.

Throughout this new edition we have emphasised implementation, preferring 'implementing strategy' to 'organising and strategy', in Section 1.3.3, 'Strategy in Action'. A new innovation in this chapter is the introduction of major cross-cutting themes that run throughout the book. These are in Section 1.3.4 and include Nonprofits, Sustainability and Digital Transformation. In their respective sub-sections we identify subsequent chapters that contain significant content on these cross cutting themes. With the creation of the new Chapter 2 that focuses upon working with strategy, Section 1.4 now focuses upon 'Strategy Careers'.

At the end of Chapter 1, and at the end of all the chapters in the book, the 'Summary' section has now been replaced by a new section entitled 'Key Takeaways'. This aims to be more dynamic and action oriented, so students can appreciate what they may now do with the chapter material.

Illustration 1.1

Tesla Motors: the future is electric!

Many students will be familiar with the distinctive electric cars of Tesla. They maybe not be so aware that it is part of an overall energy system vision. 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 (to offer the world a sustainable energy system); corporate-level strategy (moving from car manufacture to battery production for homes and businesses); and business-level strategy (using disruptive technology). With respect to the specific questions:

1. On the definitions of strategy: in terms of Figure 1.2, Tesla seems to be more Chandlerian than Mintzbergian with a clear determination of long run goals and objectives ('…to offer an energy

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system for the world', 'The company aims to speed up the world's transition to sustainable energy sources by making electric vehicles and other energy products more affordable'). 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 11). At the same time, Tesla has a Porterian concern for using disruptive innovation to gain advantage in the car market. The theory behind Tesla's purpose of offering the world a sustainable energy system is not clearly articulated in the illustration. However from Drucker's point of view it might be that burning hydrocarbons is causing global warming and the provision of an alternative sustainable and clean energy source will remove our carbon dependency ('Tesla provides zero emission electric power generation'). From this point of view, Rumelt's focus upon strategy as a response to a high-stake challenge is apposite. Exploring Strategy's definition is clearly met in Tesla's strategy with a long-term focus upon offering the world a sustainable energy solution through affordable electric vehicles and energy products.

2. Accounting for Tesla's success: on the Porterian principle, Tesla is clearly offering a different product to the rest of the industry with a high-performance luxury, electric car priced competitively. Its follow-on car, model 3, is a higher-unit volume car with lower prices – again disrupting the car market. Its customers also value Tesla cars differently to other cars, as these products are attractive due to their sporting performance, zero emissions and free power. There is also no denying the important role that Elon Musk plays as a charismatic visionary as well as the enthusiasm of Tesla's other entrepreneurs.

Many difficulties faced Tesla in 2020–21. At the operational level, new product introduction and scaling up resulted in many investigation by the U.S. safety regulators and many complaints from new car owners. Elon Musk himself spoke of 'production hell', with many cars coming off the production line requiring extensive additional work – including needing seats. At the competitive level, competitors are clearly gearing up for massive electric car production with major producers such as BMW, Volkswagen, Mercedes, Toyota, Hyundai, Nissan and Volvo pouring billions into product development. Toyota already produces eight times the volume of Tesla. There are also new competitors such as Nio, Lucid, BYD and Polestar, with electric cars that outperform Tesla on some dimensions. There is also the threat of new technology such as hydrogen fuel cell cars that have a much greater range than electric cars and quicker refuelling times.

Elon Musk's outspokenness in 2020 has also been taken badly by critics and investors, causing shares to plummet both due to his comments that the company share price was too high and admissions that the company was failing to meet its stated targets. He has also acted rashly more recently offering to buy Twitter for $44bn and now trying to extricate himself from the deal. This shows that entrepreneurs have a darker side, such as a propensity to take higher risks that may not be palatable to more conservative investors. In addition, some entrepreneurs are excellent as visionaries, presenting entirely plausible futures, sometimes described, as 'remembering the future', but are far less able to deliver on promises, needing others to actually manage the process and implementation of strategy. This can lead to separation of vision from what can actually be implemented. Also characteristic of many mega projects that need a certain amount of hyperbolae to 'get off the ground', it is perhaps not surprising that they do not always deliver to the extent promised. In broader terms, this also illustrates the difficulties of companies such as Tesla, implementing a strategy that aligns with its stakeholder context.

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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 organisations' materials vary, they both cover the major issues involved in a strategy statement: goals, scope and advantages/capabilities.

1. Strategy statements for Samsung Electronics and the University of Nottingham. Samsung is very clear about its goals ($400 bn. 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.

   The University of Nottingham wants to improve the human condition, including health and well-being, to change the world for the better. In scope the University aims to be global with campuses in the UK, China and Malaysia and expresses this view as becoming a University without borders. In terms of distinctive capabilities, the University is justifiably proud of its campuses and believes becoming 'one' university will confer competitive advantage. It also stresses the importance of secure and inclusive environments with stimulating social, cultural and sporting opportunities.

   On the face of it, there is not much difference between Samsung and Nottingham: strategy statements – and strategy – are relevant to both private and public sectors. However, you might notice that Samsung features a financial goal (revenues), while Nottingham prioritises a quality goal (improving the human condition).

   It might be worthwhile challenging the claims to competitive advantage of both Samsung and Nottingham. How unique are Samsung's competitive advantages (vis-à-vis Apple or HTC)? Does Nottingham have very substantial competitive advantages over many other universities internationally (for instance, your own!)? Here one could refer forward to Chapter 5, and its discussion of valuable, rare, inimitable and organizationally supported resources.

2. 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 should surface issues of the complexity of strategy development, competition and accountability.

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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 a strategy consultant (Chantal), a strategic planner – 'in-house strategy specialist' (Harminder). All of these roles are further discussed in Chapter 17.

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 14), how Chantal talks of problem solving (Chapter 17) and Harminder explains the importance of analysis (Chapters 2 and 3, 13 and 17) and stakeholder management (Chapter 6) in order to achieve strategic outcomes.

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.

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Assignment 1.2

The Exploring Strategy *framework*

This assignment requires students to use Figure 1.6 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 Airbnb case at the end of the chapter 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). Further information on the work of strategists is contained in Chapter 17.

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 1.6 are likely to differ somewhat between different types of organisation. This is raised in Illustration 1.2 of the text (Samsung and the University of Nottingham). 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:

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A small business is typically heavily influenced by an individual (e.g. owner) or small group (particularly in a family business), so understanding the values and views of such *stakeholders* is vital. However, typically small firms also face important *strategic choices* about the basis upon 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 AB Inbev or SABMiller in the Megabrew case 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 the Vaasa City and in Academies and Free Schools.

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

A viable unicorn? Airbnb

This case is based on the meteoric rise of Airbnb, a service provider most students will know and many will have experienced. Yet, they are unlikely to have considered the strategic implications of this business. 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 Airbnb has tapped into major environmental changes where technology has encouraged a much greater tailored responsiveness to the needs of customers. Also note a change in social need to both consume and provide services. Secondly, the case focuses upon the development of Airbnb but, as discussed in Chapter 7, 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: these are themes in Chapter 6. All these issues are areas that might be explored with students as a pointer to key areas for their own strategic management, that is, increasing importance of services, rapidly changing environments, sustainable development and the importance of strategic choice. Additionally the case raises the question of whether Airbnb is sustainable as a business model. Certainly it has been tested during the COVID pandemic, but is its model sufficiently robust for this unicorn to continue to prosper?

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1. Strategy statements

Consideration of Section 1.2.3 reveals the following points of discussion:

- In terms of the goals of Airbnb, these were not clearly articulated at the outset of the business, unlike Tesla in Illustration 1.1. However they came to be connecting people seeking lodging with renters who have listed their personal properties on the Airbnb platform. As Airbnb has grown these goals have been refined to be providing a home to people anywhere and they now appear to be changing to include the entire travel experience.

- The scope of Airbnb's activity has clearly changed in operational terms, reflecting their rapid growth. Initially the founders stated they were just targeting conferences and festivals across America. However the business soon outgrew just conferences and festivals. Airbnb then expanded geographically, and rapidly became global.

- Their advantage is providing easy to book, significantly cheaper accommodation than traditional providers in a very wide variety of locations. Their website allows rapid matching of buyers and sellers, and their steps to provide security to renting and letting parties has allowed a degree of trust to be built up with high levels of repeat business. Airbnb benefits from network effects so that the more users it attracts, the more successful the business. The case also makes a lot of the Airbnb culture as a distinctive feature of the company and aims to be a lifestyle brand.

2. 'Three-horizons' analysis

Consideration of Section 1.2.1 reveals the following points of discussion:

- The core business of Airbnb is the matching of renters and letters for accommodation worldwide. At this point in time the business is still growing rapidly and there is no end in sight, so we cannot determine the end of horizon 1, however the number of competitors is growing. As the market is global, and the potential is vast, this does not pose an immediate threat, but the website and capabilities upon which the business is based would not be so difficult to copy, suggesting that the growth rate may turn downwards at some point. As the nature of online businesses tends to be fast growth and, if the network advantage is not unassailable, fast decline, we must assume that the beginning of a slowdown in sales would mark the beginning of a steep decline (see Yahoo for instance).

- In terms of horizon 2, it seems that Airbnb is trying to broaden the scope of its offering, so that one is not just booking accommodation but a local experience. The focus upon your activities is an enrichment of product offering, and may help to tie in customers. It would also be harder to replicate by competitors and could extend the life cycle of Airbnb if it builds customer loyalty.

- A horizon 3 Airbnb is considering becoming a lifestyle brand business encompassing a wider set of products than just accommodation. The focus is upon 'belonging' although it is not clear exactly what this might entail and whether it would really extend the strategic horizon. With the substantial environmental shock of the COVID-19 pandemic, customers

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have reassessed their use of online accommodation, with changing use patterns and preferences. 'Belonging' may now have more force than before.

3. Consider the environment, industry, resources and capabilities, purposeful strategy and culture, identify key positioning issues for Airbnb and consider their relative importance.

Consideration of Section 1.3.1 reveals the following points of discussion:

- A wide range of environment and industry issues emerges with opportunities such as new geographic territories, different types of property offerings and new social trends. Threats are also looming such as increased new competitors, local backlash from incumbents and regulatory constraints, such as the increasing legislation with the need for permits and potential tax charges, which may be a threat to Airbnb but may present opportunities for competitors. Although COVID has hit Airbnb hard initially, with a huge loss in 2020, it also damaged the whole accommodation industry. However there was some evidence that Airbnb's business model was more robust than rivals and as more people worked from home, this led to significant growth in 'staycations'. However Airbnb seems to have recovered slower, maybe due to new competition, and hotel operators adjusting their business models to be more price-competitive and also in some cases, more local experience-oriented. Nonetheless, as the case states, Airbnb's model still has a long way to run.

- Airbnb has few physical resources, although the website is distinctive. Its brand is also well recognised although it remains to be seen if it is transferable to other services/products. It has developed useful capabilities including mechanisms for protecting clients and promoting properties for rental, although these are not distinctive to Airbnb. Airbnb's main advantage is its network that grows in importance with every additional client.

- Strategic purpose has emerged overtime (see strategy statement) and now has clarity in terms of growing a successful model to its limits. However the strategic purpose going forwards is less clear.

- The early entrepreneurial culture of Airbnb clearly impacted on its ability to raise finance and for the company to take-off. Although the enthusiasm of the entrepreneurs has been very important in terms of winning financial and market support for Airbnb, what is less clear is whether the culture that now exists can actually generate benefit for the business. One might argue that Airbnb does need entrepreneurial passion to create a driving vision for the third horizon, which is what the case is arguing for, although to consolidate its huge gains in the global property lettings market there could be a good argument for a different company culture.

4. Alternative strategies

Consideration of Section 1.3.2 reveals the following points of discussion:

- The case recognises Airbnb's phenomenal growth and sees little immediate threat to its business strategy. However there does appear to be regulatory intervention in many areas and competitors are growing in number and strength, with hotels are clearly responding to

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Airbnb's business model. These threats will inevitably begin to reduce Airbnb's dominant position in its markets. Possible threats will be from different geographies with competitors better attuned to local tastes and also from core markets where competitors may better address specific profitable segments;

- Possible alternatives include
  - growing the network even further to establish unassailable dominance – so local or more specialised competitors cannot build sufficiently large networks to be competitive.
  - Continue to strengthen the brand so that its values are hard to imitate.
  - Use brand to extend offerings into related products and services, becoming a trusted travel brand rather than just an accommodation brand. This would be closer to their core identity than a lifestyle brand. However if they pursue the latter then they will need substantial investment to make it work.
  - Continue to expand into new geographies
- Continuing to build the network and strengthening the brand are important options but not to invest in these areas would leave the company to imitation. At the moment, the distinctive aspects of Airbnb are not so substantial that they could not be imitated.

5. 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 are suitable, acceptable and feasible.
- After its successful IPO in 2020, stronger growth rates than its two largest competitors, Expedia and Booking.com, as well as improving financials, Airbnb should be better placed now to develop its future strategic direction.
- Airbnb strategy was originally emergent, then planned, when they accessed external funding, and one could argue that they are now in a creative phase of exploring what they might do next.
- Leadership and change management may continue to come from the original founders although Airbnb funders will have a major say in what comes next.
- In terms of the work involved going forwards, Airbnb managers have a lot to do to communicate their vision for the future, but if Brian Chesky is correct, post-pandemic will see international borders reopen, and the new found taste for working from anywhere, will provide a significant tailwind for Airbnb. 'Belonging' may really resonate in the post-pandemic world.

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PART I

The strategic position

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CHAPTER 2

Working with strategy

Introduction

This is a new chapter, intended to help users develop a practical approach to 'working with strategy' – for example, doing case studies for class, making classroom presentations, carrying out strategy projects for assessments or preparing real-life strategic plans for their own organisations. The chapter introduces some basic approaches to strategic thinking (e.g. Daniel Kahneman's thinking fast and thinking slow), introductory strategy frameworks (e.g. SWOT and TOWS), some strategic thinking techniques (e.g. allocentrism, issue trees and systems mapping), analysis procedures (e.g. case study analysis and analysis of real organisations) and guides to developing and communicating strategic analyses and plans (e.g. Rumelt's 'good' and 'bad' strategy distinction).

The chapter is foundational, something to introduce early on so that it can underpin students' basic approach to strategy as they progress through the course. It should also be a useful resource to review later in a course, as students prepare for case study exams or real-world projects and presentations. Because of its foundational character, the chapter is slightly different to other chapters, for example in not having a 'thinking differently' section or specific assignments (beyond the questions in the illustrations and the end-of-chapter case).

Illustration 2.1

What makes a good SWOT?

This illustration introduces a basic tool for assessing an organisation's Strengths, Weaknesses, Opportunities and Threats. Our approach in *Exploring Strategy* is to recognise SWOT's value as a summarising or presentational device, but to encourage students to base their SWOTs on deeper analysis making use of additional analytical techniques (for example, Strengths can build upon the VRIO analysis of Chapter 5; Threats and Opportunities can be identified by the scenarios analysis of Chapter 3 or the five forces analysis of Chapter 4).

1. **Examine the SWOT analysis above and indicate whether you believe it to be: (i) inadequate (ii) barely adequate (iii) reasonable (iv) good (v) outstanding and explain your judgement.**

   Students rarely get the opportunity to evaluate other peoples' work, and there is benefit in them developing this critical skill. The key to the question is the basis for their judgement and this can indicate to the instructor the level students are operating at.

   In broad terms the judgement will, to some extent, depend upon the level of the class and the expectations of the instructor. However, the following points can be made:

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- At a basic level,
  - to what extent are the factors identified accurate (i.e. can they be directly traced to the Tesla case?)
  - are there errors, with the inclusion of factors not in the case? (although it is important to note whether the instructor wishes students to draw on other information sources)
- At a higher level of judgement:
  - are there any important factors missing?
  - are the factors identified really important enough for inclusion?
  - are there too many, or too few factors listed?

Based on the data supplied:

The *Strengths* listed are accurate and important. It could be surprising that Elon Musk is not listed as he has been the driving force behind Tesla, but see the discussion of weaknesses below. Students might also believe the business strategy to be a strength, where high-priced, top-end cars generate sufficient income to drive research and development into lower-end, high-volume cars required to dominate the market. This seems to be a strategy that will work for some time to come, and also fits with Musk's wish to increase consumer use of electric cars. More advanced students might comment on the scale of the 'giga' battery factory enabling Tesla to produce cheaper and superior batteries at scale, relative to the competition.

The *Weaknesses* listed are arguably less accurate than the strengths. Little car making experience is inferred rather than stated in the case. However, the case does mention that there are significant production problems which should be included in weaknesses. It is worth noting that Elon Musk could be both a strength and a weakness. As a weakness, he is liable to make significant mistakes, such as talking about taking the company private (or, at the time of writing, apparently the acquisition of Twitter). He is highly outspoken which can enrage stakeholders, although it is difficult to determine the extent to which this is deliberate to keep him and his products in the public eye. As Oscar Wilde remarked, 'it is better to be talked about than not talked about'. He may also be relatively weak at managing the routine operations of a big car company, as Tesla is becoming, rather than the new ventures he has had most experience of.

The *Opportunities* listed seem reasonable. Here students may come up with ideas which are not specifically in the case. One possibility not in the list provided is to form an alliance with another car company. Another, if trends towards the convergence of mobile computing and communications continue, is to sell to a large tech giant such as Alphabet that has not yet produced a competitive car.

The *Threats* listed are reasonable. Some do not come directly from the case but are plausible. Perhaps there could be a further threat from new technology such as hydrogen fuel cell which has many advantages over battery power.

In terms of the factors identified in the SWOT analysis, the list is somewhere between reasonable and good.

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The conclusion of the SWOT is that the strengths of Tesla will allow the company to seize the opportunities presented and be able to overcome the weaknesses and threats identified due to its huge capitalisation and innovative strengths. This answer reflects a TOWS emphasis on relating strengths to opportunities, threats and weaknesses (see Figure 2.3), but this is partial for two reasons. The first is that the student believes the data they have listed in the SWOT framework speaks for itself. However just listing points is not sufficient. At a minimum an instructor should expect a more detailed and thoughtful conclusion, perhaps hinting at uncertainties and weighing up the strengths of factors, although the degree of sophistication will depend on the level of the class. Secondly, from a TOWS perspective, threats should also be related to external threats and opportunities as they can compound the company's problems. Ideally there will be several paragraphs of discussion before a conclusion is reached. Bearing in mind that the SWOT list of factors is probably between reasonable and good, the poor conclusion, would drag down any assessment to below reasonable.

2. In what ways do you think the SWOT analysis above could be improved or extended to assess the competitive position of Tesla Motors?

Apart from identifying the missing elements suggested above, students could look beyond the Illustration 1.1 for further information about the company, the markets, competitors and global and national trends. This additional data would help them gain a more comprehensive picture of Tesla's position. Later in the book there are many other techniques that can also help inform the SWOT analysis (see next answer).

Once the list of elements is complete, there could be a process of whittling them down to those that are most important to avoid potential information overload. The main way the SWOT analysis could be improved though is through a detailed interrogation of how the various elements and categories relate to each other, to enable a balanced and sensible conclusion to be drawn. This sort of analysis could be formalised in a TOWS analysis. One element that is not captured in the SWOT is time, and so it is not clear when certain elements will be more or less important.

The best way to use a SWOT is when a great deal of other analysis has been concluded that can then be fed into the framework. Indeed SWOT can be a good presentation technique to summarise a very substantial amount of analysis. Although sometimes necessary (especially at the start of a course), *Exploring Strategy* therefore generally does not recommend using SWOT as a starting point for developing a robust view of a company's strategic position, as it can be open to partial insights.

Specific analyses that are recommended for supporting a SWOT include the following:

PESTEL analysis (see Chapter 3) is particularly useful in order to identify external opportunities and threats as it helps to make sense of major contextual forces generally beyond the control of the company. *Porter's five forces* (Chapter 4) is also very helpful for determining opportunities and threats within the industry as well as threats from outside the industry, substitutes and also for detailed consideration of the supply chain and customer demand. Within industry analysis such as strategic group analysis may also help to identify opportunities and threats in terms of the firm's position in relation to current and potential

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competitors. *Ansoff matrix* (Chapter 9) can be a good way to determine opportunities for growth for the firm, or for retrenchment.

VRIO analysis (Chapter 5) is a very good way to determine which capabilities and resources are truly distinctive to the firm and can lead to a competitive advantage. These are real strengths. The framework has the advantage also of revealing which capabilities and resources, which may appear as strengths, are in fact, just the same as competitors. Innovation frameworks might provide insight into the firm's capability for coming up with new products and services. *Gap analysis* might be used to determine how well the firm is doing in terms of meeting its future aspirations and also in comparison with its competitors. A specific tool to show relative performance of the component parts of ROCE is *DuPont model* (Chapter 13). Another framework that may give insight are the *Cultural web* (Chapter 7*)*, which can determine both the culture of the firm (which may be a strength or a weakness) and also identify blockers to change, which could be a weakness.

Illustration 2.2

Mapping the urban indigenous food system in Canada

This illustration is intended to help students recognise the importance of whole-system thinking, with complex inter-linkages between different parts of the complete system. The takeaway is that strategic challenges – whether in the social or the business sphere – are typically complex and unlikely to be overcome by single 'magic bullets'.

1. **The Figure 2.5 provides just a partial map of the system elements and links underpinning urban indigenous food insecurity. What other elements and links could you expect to be important?**

   One other element to consider would be housing, in the social systems segment. Where this was deficient, housing would be linked to: i. land-displacement in the environmental sector (leading to poor housing); ii. the economic sector in both directions (distant locations would inhibit access to good work and training, while low incomes would link back to housing affordability); iii. the health sector (poor housing tends to lead to health complaints). Another element might be political representation in the government sector. Inadequate representation of indigenous peoples in the political system could be linked historically to poor education in the social system and land displacement in the environmental sector, while also linking currently to inappropriately designed welfare support in the social system and poor medical support in the health sector.

2. **On the basis of this map and any other elements and links you could add, what strategic interventions would you prioritise and how would they be coordinated across the six subsystems and sectors?**

   The implication of this system map is that a multi-agency approach will be necessary whatever the priorities chosen. Health, education, housing, land authorities, political bodies and economic actors all need to work together. It is hard to set priorities, but one approach might be to work on two temporal dimensions. First, there is an immediate health crisis

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bringing many premature deaths: actors within the food system, the environmental sector and the health sector are likely leaders of various multi-agency initiatives required to address this pressing problem. Second, there is the longer-term challenge of the underlying causes of food insecurity. On the one hand, actors within the environmental sector might repair the damage from pollution and help those indigenous peoples who so wish to return to their land, with necessary additional support from the educational, economic and health sectors. On the other hand, government sector actors could help those choosing to remain in urban environments to access the educational, housing and work opportunities required to flourish there, led and guided by indigenous representatives in the political system.

This multi-agency approach is a particular manifestation of the general insight that comes from system mapping. In almost all kinds of organisations, effective strategies typically require actions across multiple dimensions.

Illustration 2.3

Case preparation steps

This illustration is intended to give students the confidence to identify key issues and problems for themselves, as well as pointing to issues that may be covered later in the book. It differs from most Illustrations in the book by drawing on other Illustrations, rather than being a case in itself.

1. **Ignoring the specific questions set by *Exploring Strategy*, examine either the Case example for Chapter 1 (Airbnb) or the Case example for this chapter (Canal+) and go through step 1 above. What are the main issues or problems in this case, going beyond the specific questions?**

   a) **Airbnb** The title of the case questions the viability of the Unicorn after its meteoric growth and so the main issues are both how to recover from the COVID-19 pandemic and how to evolve and sustain growth in an increasingly competitive and regulated world. In particular consumer stay-over preferences are changing, there are many more online direct competitors and traditional accommodation providers are reacting effectively to the online letting companies. The case therefore raises the question whether Airbnb might wish to change its business model.

   b) **Canal+** The specific questions based on the SWOT analysis tend to disaggregate the overall situation and introduce a range of varyingly important issues that may distract students from Canal+'s big underlying problem of scale. This at least is how Vincent Bolloré, President of Canal+'s owner Vivendi, sees the fundamental problem: 'The giant Vivendi is a little dwarf'. Canal+ is basically a French player that was once powerful in its home market but is now challenged by much larger and wealthier multinationals.

2. **What issues or problems are there in these cases that are not wholly covered by the frameworks or concepts that you have been specifically asked to apply to these cases?**

   a) **Airbnb** The questions to the case ask for a strategy statement, a three horizons model, key positioning issues, alternative strategy options and evidence of turning its strategy into action. These questions do not focus specifically on the competitors that threaten

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Airbnb, and Chapter 8 provides insight into how competitor bases for competitive advantage, and their business models, can challenge Airbnb now and in the future. Whilst it is clear from the case that Airbnb has internationalised extensively, the questions do not focus on the benefits and disadvantages of internationalisation and Chapter 10's discussion of locational advantages and techniques for country selection may prove useful. Although the case is focused on whether Airbnb should change its business model, the questions do not consider the question of strategic change. This is where Chapter 6 on Purpose and stakeholders, and Chapter 7 on Culture and strategy may be useful to understand the extent to which change may be achievable**.**

b) **Canal+** Chapter 8's discussion of business models is highly relevant because of the emerging range of business models (advertising based, subscription based and so on) in Canal+'s market. Chapter 8 also contains a discussion of platform strategy, relevant to Canal+'s choice of being a convenient one-stop shop. Chapter 9's discussion of corporate strategy might also be helpful, raising the question of the potential benefits (or otherwise) of membership of a diverse portfolio of publishing businesses. Given the importance of the French state in the national media market, non-market strategy might also be worth introducing, as in Chapter 3 following.

Case example

Canal+: Competing with Giants

This case provides an opportunity to apply SWOT analysis in an industry whose products students will be very familiar with. It is of course very fast-moving, so it would be sensible either to insist that students should work with the facts of the case as it stands (pedagogically correct, but sometimes frustrating) or to encourage students (especially French) to bring to the class any more recent developments.

An important caveat is that *Exploring Strategy* generally does not recommend SWOT as the starting point for analysis, but rather as a summarising framework. However, at this stage of the course, SWOT can be used to convey a sense of the holistic approach involved in strategy. You might want to use this case discussion to signal some of the other techniques in the book which might usefully feed into a more robust SWOT analysis (e.g. Porterian views on relative bargaining power and competitive rivalry will be useful; so too will be VRIO notions of competitive advantage).

1. Identify the main strengths and weaknesses of Canal+.

Students will provide many alternative SWOT elements. As in the chapter, it would be wise to encourage focus: the notion of BWOT (Better/Worse/Opportunities/Threats) may be a useful filter (see Section 2.3.1). As a starting point for discussion, we highlight the following:

Key strengths:

- Leadership and recognition in French market
- Production (e.g. StudioCanal Original)

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- Deep links with French film industry
- Historical cultural traditions to draw on

Key weaknesses:

- Vivendi's small scale (relative to Apple or Amazon)
- Smaller universal (rather than national) back catalogue (relative to Disney or Amazon /MGM)
- Limited services to bundle (relative to Amazon or Apple, with substantial alternative products and services to bundle and derive cross-subsidies from)

2. Identify the main threats and opportunities for Canal+.

As a starting point for discussion, we highlight the following:

Key Opportunities:

- Develop its 'one-stop shop' strategy in other national markets
- Apply its skill in harnessing national cultural traditions for production in other markets (e.g. Europe), vis-à-vis the still more global approach of some competitors
- Develop, integrate or sell its Games business, Gameloft

Key Threats:

- Consistently out-bid for content (e.g. sports)
- Out-spent in production (with rising costs)
- Switching between different platforms
- Piracy
- Substitutes (TikTok, YouTube, games, etc.)

3. Using the findings of the first two questions, construct a SWOT diagram.

Drawing on the answers above, we propose the following basic SWOT as a starting point for discussion.

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	Positive	Negative
Internal forces	**Strengths:** Leadership and recognition in French market Production Links with French film industry Historical cultural traditions	**Weaknesses:** Vivendi's small scale Smaller universal back catalogue Limited services for bundling
External forces	**Opportunities:** Extend one-stop shop strategy internationally Develop or sell Gameloft Replicate local production capabilities in more countries	**Threats:** Consistently out-bid for content Out-spent in production Switching Piracy Substitutes (TikTok etc)

4. In the light of this SWOT, what do you think of Canal+'s strategy?

Students will of course take a variety of views – the point is not to adjudicate definitively on what is the best strategy, but rather to encourage students to back their arguments by sound reasoning and case evidence. If there are French students in the class, it would be a good teaching opportunity to draw on their direct and contemporary knowledge right at the start (this may also save you from being ambushed by too many 'helpful' contributions on recent events as you develop the discussion, with the risk that your own argument gets upended).

Although you should be fairly open to any well-argued evaluation, it will be useful for you to have a view to fall back on. The following offers one starting point.

The strategy of aggregation (one-stop shop) and investment does play to at least one of Canal+'s strengths, while also responding to one of its threats (as in a TOWS analysis: Figure 2.3). Its strong market position in France makes it an attractive distribution partner for HBO and Disney+, and even for Netflix (for the time-being): This is where ideas of Porterian bargaining power could be signalled (see Chapter 4): Canal+ offers them a route to market for which they would have to bargain hard. At the same time, the aggregated offering of several major streaming services offers Canal+ some protection from the rising trend towards switching between streaming companies. This is a proposition that could be extended in other countries, perhaps via partnerships with local players.

On the other hand, the investment strategy is more problematic – not because Canal+ should not invest but because it is liable to be heavily outspent. Arguably, the most credible route for Canal+ is not to go head-to-head with the big spenders, but to invest in its unique strength: that is, its relationship with a distinctive and successful French film industry. Despite the predations of Amazon in France, it is likely that Canal+ will have superior understanding of the French

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industry and can thus produce more attractive films playing on a unique cultural tradition that is appreciated worldwide. This is where ideas around VRIO resources could be foreshadowed (see Chapter 5): Canal+ has valuable, rare and hard to imitate advantages and it is on these that the resource-based view argues that strategies should be built upon.

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CHAPTER 3

Macro-environment analysis

Introduction

This chapter focuses on the macro-environment. As such, it introduces Part I of the book and is the first chapter to explore the 'strategic position', one of the three elements of the *Exploring Strategy* tripartite framework (Figure 1.6). This chapter goes beyond the industry level and raising issues of nonmarket strategy, operating in the political and the social context. Many of the issues here will help students immediately grasp the longer-term and broad horizons of strategy as a subject. PESTEL analysis is very accessible and scenario exercises can be stimulating and reasonably doable, at least for more advanced students (see Assignment 3.4).

Chapter 4 focuses more specifically on industries and sectors, including of course Porter's five forces analysis. Instructors should recognise that results of the industry and sector analysis can be fed back into the initial PESTEL analyses that students may have undertaken as part of any work related to this chapter. In other words, PESTEL is relevant to both Chapters 3 and 4. The same applies to scenario analysis.

Illustration 3.1

A PESTEL for DiDi

This illustration introduces a tool, as in the Figure 3.1, that helps in assessing the overall balance of threats and opportunities in a PESTEL analysis. The purpose is to go beyond the descriptive summary of PESTEL factors to an assessment of how rich or threatening the overall environment is. The focus is on Didi, a Chinese ride-hailing company operating in a complex market and nonmarket environment. For DiDi, the overall balance appears towards threats, as reflected by the larger red bars. However, as just about always, there are opportunities too, particularly on the economic side. The illustration might provide an opportunity to invite Chinese students in your classroom to offer insights from their direct experience, a good way of involving them in classroom discussion.

1. **In the light of this PESTEL analysis, what strategic actions would you prioritise as a leader of DiDi?**

   This question could be addressed by using part of the TOWS analysis introduced in Chapter 2, focusing on opportunities and threats. The question of what to prioritise demands judgement of the scale of the opportunities and threats and also DiDi's capacity to match them (here a complete SWOT analysis might help, as in Chapter 2). For example, there are major political and legal threats, but it is not clear from the case how much DiDi can actually do to mitigate these. Thus, from 2020 to 2022, DiDi faced consistent regulatory pressure directed by the Chinese state, eventually leading to its delisting in the

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United States. Embarrassingly, for domestic political reasons, DiDi also had to reverse a decision to exit the Russian market after the invasion of Ukraine. In terms of priorities, students will have a range of views and there are many reasonable options for action: the point is that students should make credible arguments for whatever they prioritise. One possible priority for DiDi might be new growth regions, which could potentially diversify both economic and political/regulatory risks. DiDi has been exploring this option. However, although DiDi has become active in a range of international markets such as Africa and Japan, it has also suffered reversals, for example having to exit Kazakhstan and South Africa. It is worth noting to students that opportunities are rarely easy to exploit and carry their own risks too.

2. **This illustration is just a partial analysis undertaken at one point in time. What other macro-environmental threats or opportunities might DiDi face and how have these changed since 2022, the time this illustration was written?**

   Writing the manual before publication of the book, the question is hard to answer here. But it does encourage students to do some of the research work described in Chapter 2. A place to start would be https://ir.didiglobal.com: the corporate website has a 'News' section. Free English language Chinese business newspapers would be good for students to know about: for example, https://u.caixinglobal.com. Searches in Western free sources such as Google, Bloomberg, the BBC and *the Guardian* will go a long way too.

Students often worry about spill-overs between categories: for instance, political and legal issues. This kind of spill-over is common and students should not be too concerned. PESTEL is a check-list: the important thing is to have checked all possible kinds of opportunities and threats, under one category or another.

Illustration 3.2

COVID's covert connections

This illustration is intended to help students recognise the importance of organisational fields and networks.

1. **Identify four ways in which consulting companies such as McKinsey develop close relationships with government.**

   There are many ways in which McKinsey enhanced its relationships with the French government institutions, most notably:

   - Pro bono work (e.g. under Eric Labaye)
   - Alumni taking jobs in crucial positions (e.g. liaison officer, Chief of Staff at the Finance Ministry, head of the Ecole Polytechnique)
   - Building long-term relationships and knowledge of the French government (from Sarkozy to Macron)

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- Political support roles (e.g. party director for Macron's campaign)
- Thinktank and policy work in order to build its credibility and networks (e.g. the economic policy book).

All these could be described as part of McKinsey's non-market strategy (Section 3.2). In terms of Figure 3.5, McKinsey is a hub, probably more like hub C than hub A, but none the less very influential as it has many (non-exclusive) connections into the French state. It might be well to stress that, at least as declared, these elements of non-market strategy are not illegal.

2. **What are the pros and cons of relying on consulting companies for public-sector work?**

   The case points to the pros of access to expertise (e.g. Tadjeddine's Excel skill) and extra capacity (when nearly half of the health ministry's officials were suffering burn-out). However, there are cons as well. As the question in the French senate implies, there is a risk of hollowing out in-house expertise. There is also the risk of 'capture' or institutionalising an excessive dependency upon external consultants, clearly something else that the senate is concerned about. Consultants also tend to be more expensive than in-house experts.

Illustration 3.3

Grupo Argos: sustainability made concrete

Grupo Argos is in a dirty business, but the issues are not simple, both at the corporate level and the individual level.

1. **How should Grupo Argos rank its four United Nations SDGs in order of importance?**

   Grupo Argos emphasises SDG 9, building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation; SDG 11, making cities and human settlements inclusive, safe, resilient and sustainable; SDG 13, combating climate change by regulating emissions and promoting renewable energy; and SDG 17, building partnerships for implementing sustainable development. At the same time, its President (Jorge Mario Valasquez) insists: 'We define our strategy as a balance between economic, social, and environmental performance. As a company, we want to act in a responsible way with society and the environment producing superior returns to our investors. Today, I cannot conceive of a business that only focuses on making money; a company must be responsible in the way that it conducts business, treats people, interacts with society, and creates value for the community where it operates'. However, strategy is about choices – time, enthusiasm and funds need allocating to their best effect – so it would be important to challenge students advocating a simple balance in which all four SDGs got equal attention. One strategic approach would be to prioritise those goals which might also support the business's finances, generating still more financial resources that could fund further work on the SDGs. This would be consistent with the 'Purpose as virtuous circle' model in Figure 6.5 later in the book. The key takeaways for

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students would be recognition of strategy as involving hard choices amongst limited resources and understanding that sometimes synergy can be found between seemingly incompatible objectives.

2. **Given your own personal ethical position, would you work for a cement company like Grupo Argos?**

   This is a tricky question for students as individuals preparing to enter the labour market. The company does both harm and good. Even its environmentally harmful core business of cement serves the societal good in the sense of helping to provide housing and infrastructure in an impoverished region. The company also appears to be working to mitigate its harmful effects. Some students may dismiss the mitigations as 'greenwashing', but something is better than nothing.

   The framework in Table 6.1 may be helpful here, particularly the contrast between 'Laissez-faire' and 'Enlightened Self-Interest'. Both Laissez-faire and Enlightened Self-Interest approaches would certainly endorse working for Grupo Argos – apparently it is following the law (Laissez-faire) and it may even be doing some good, both for itself and for others (Enlightened Self-interest). Dividing lines might become clearer if one asked students whether they would work for tobacco, arms or oil companies: followers of the Laissez-faire approach would probably have no problem with this, while Enlightened Self-interest advocates might refuse (unless very impressed by these companies' typically small social and environmental initiatives).

   You could also ask the class for a collective view via a poll (using Mentimeter or similar): if you found that a large proportion of the class would refuse to work for Grupo Argos (or an arms, tobacco or oil company), then you could pose this as a strategic problem and ask what the businesses should do to manage it. They might even argue for more greenwashing.

Illustration 3.4

Scenarios for 'wind-tunnelling'

The European Union's scenarios appear very relevant in 2022, the time of writing: the globalism of the last few decades is challenged by the rise of economic sanctions between nations, while the commitment to energy change is questioned by the return to coal and nuclear power under the pressures of war in Ukraine. Brexit also raises challenges for earlier confidence in power blocs such as the European Union. By the time that students approach this exercise, there may well be other events that reinforce or reduce the relevance of these scenarios. Of course, as Section 3.4 insists, scenarios are not forecasts: they are tools for thinking and learning; in that sense, their final accuracy does not matter all that much.

1. **What do you think the implications for research programmes might be of the willow and redwood scenarios?**

   The willow scenario implies heavy investments in research, but typically directed at the level of national units rather than larger power blocs (such as the EU).

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The redwood scenario implies less investment – being less orientated to change – but research programmes would typically be directed by power blocs rather than individual nations.

It might be speculated that from a self-centred perspective, the European Union might even prefer the redwood scenario over the willow scenario, because it would have a more important role.

2. **Could this basic two-axes scenario framework be transferred from research policy to business strategy? What, for example, might be the implications of the four scenarios for a company like DiDi (Illustration 3.1)?**

   Almost certainly the basics of these scenarios could be transferred to business strategy – change and globalism are as critical to many businesses as to policy-makers in the public sector. For DiDi the implications are various:

   - the redwood scenario is less favourable to a tech company like DiDi, keen on innovation and change. However, it would at least offer opportunities in terms of global economic transactions. DiDi's international strategy could continue but it would have to moderate expectations for innovation-driven growth.

   - the oak scenario similarly militates against change and innovation and offers a discouraging prospect for international economic transactions. An international strategy would not work well in this wind-tunnel scenario, nor would heavy investment in innovation.

   - the bamboo scenario is attractive to DiDi, with the demand for change and the sympathetic global environment offering ideal conditions for an innovation-driven international expansion.

   - the willow strategy would also offer opportunities for technological innovation, but in a difficult international environment. In this scenario, it might be best for DiDi to concentrate its efforts at home in China.

Thinking Differently

The crowdsourced forecast

Why might experts make bad forecasters in the case of (i) presidential elections; (ii) new product developments?

Expert judgement is liable to both excessive detachment and excessive attachment. In Presidential elections, experts (middle class, highly educated and based in Washington or similar cosmopolitan cities) become too remote from ordinary voters to understand their true feelings. Voters may even hide their true feelings when asked or polled because they believe that the experts will disapprove of them. Experts are, therefore, liable to underestimate feelings that are different to those familiar to themselves. It was for this kind of reason that, in 2016,

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many experts were surprised both by the outcome of the United Kingdom's European Union referendum, which opted for Brexit, and the victory of outsider Donald Trump as President of the United States over the professional politician Hilary Clinton.

In the same way, detachment from the lives of many people may also encourage elitist experts to underestimate the markets for new products that are not appealing to their own tastes. Mencken's warning may be disagreeably expressed but is still apt: 'No one in this world … has ever lost money by underestimating the intelligence of the great masses of the plain people'. But another problem for experts in particular technologies or products is that their expertise may be too closely attached to the success (or failure) of those technologies or products. Experts are more likely to have vested interests than people who have not yet made any connection with the matter in hand.

Assignment 3.1

PESTEL analysis

PESTEL is a useful starting point for environmental analysis. Illustration 3.1 provides some initial guidance for students. In particular, the Figure is designed to encourage students to *take a view* (on the balance of positives and negatives) based on their analysis, rather than simply list forces and influences. A good follow-up question is to assess which of the forces are likely to be *most significant* in driving industry change. Students should justify their views in terms of the evidence from the past and the likely impact in the future of any particular influence.

For simplicity, it is sensible to guide students to do a PESTEL of a relatively undiversified business (like BP, BMW, Airbnb or Uber) rather than of a diversified conglomerate (like Alphabet or General Electric).

Assignment 3.2

Political risk analysis

This could be very valuable for students as they will be forced often to challenge their unexamined assumptions about their countries of origin, and engage with the judgement of expert analysts about issues that they may take for granted. As in Thinking Differently, these experts can of course be wrong, but students will be obliged to assemble their own evidence to support their beliefs. Also, expert political risk analyses may be suddenly outdated, for example by a change in energy prices or the imposition of external economic sanctions.

It might be wise to anticipate that some students may be reluctant to engage in objective political risk analysis of their own country (for example, of China, Egypt or Russia). It is, therefore, sensible to offer students a choice. It might also be sensible to set out marking criteria that explicitly give more weight to the evidence provided than the final view about political risk.

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Assignment 3.3

Forecasts

This assignment will help familiarise students with the key sources of economic forecasts, at the same time as cultivating a cautiously critical view of them. The circumstances of 2020–22 have undermined most earlier forecasts. The last few years have affirmed the value of more open-ended scenario techniques, but forecasts of some sort are ultimately valuable as a basis for most strategic investment decisions.

Note, while this may helpfully integrate any economics courses that students may have taken, it does not really require a formal training in macroeconomics. Everybody, regardless of training, should be able to have a stab at this assignment. Indeed, instructors might want to specifically warn students from being too technical in their economics.

Students should be able to tell differences between forecasts and outcomes from widely available statistical and media sources. Media sources – especially the *Economist*, the *Financial Times*, the *Wall Street Journal* or local equivalents – should be able to give some views on reasons for lower or higher growth than originally forecast. The question assumes a focus on world economic growth, but one could equally specify growth for a particular country or region (the suggested sources typically forecast for important countries and regions as well). Again, it might be wise to discourage a technical discussion of which reasons were most important for any difference between forecast and outcome: the point is to encourage awareness of the impact of economic cycles along with a critical approach to forecasts, not to train students to be macroeconomic forecasters themselves.

Assignment 3.4

Building scenarios

Guidelines for the construction of scenarios are given in Section 3.4. It is recommended that students follow these, building either two or four scenarios for a given industry. The work done in Assignment 3.1 on PESTEL should provide the bases of identifying the key forces or influences which will enable them to do this. Some of the problems of scenario building should be emphasised to students:

- Students may try to build in *too many factors* and, therefore, not be able to limit the number of scenarios. Identifying 'megatrends' may help here.

- They may find difficulty in generating scenarios with a *coherent* and compatible set of factors.

- Some may be wary of having to exercise *judgement*; and others will confuse judgement with hunch. Try to encourage a realistic debate that tests out assumptions and projections against known facts and trends.

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A particularly useful exercise is to ask students to build scenarios for an industry for which the Text and Cases edition has an organisation or sector case (or for their own sector/organisation if possible) and then to assess the organisation's strategic position in the light of the different scenarios (e.g. see the notes below on the Gasunie and the energy industry).

One of the issues that might surface is the ease or difficulty with which scenarios can be constructed. It usually emerges that scenarios are much easier to construct where the number of key forces at work in a sector is relatively few. They are less easy to construct if the number of important forces is high because the number of variables the student is trying to handle becomes too great. Thus there may be a limited number of reasonably simple forces at work in national healthcare, education, retailing or utility sectors; however, there will be many more complex forces in other sectors, for example automotive or contemporary digital businesses that work with high technology and deal with many international political and legal regimes. It might therefore be wise to nudge students to consider lower-tech and nationally orientated sectors.

Integrative assignment 3.5

Full analysis of an industry or a sector

This assignment would be a demanding research project over a significant part of the course. It is, however, a very good test of students' ability to apply tools to real data appropriately, as well as developing their research skills. Students will see it as practical and, if allowed a choice of sectors, relevant to their own interests.

In the previous chapter, Sections 2.5.2 and 2.6.1 provided a good deal of relevant advice. Good research resources are essential. As well as free web-based resources such as company reports, trade association statistics and some government or supra-governmental (EU, UN) reports and statistics, students would likely need limited-access resources such as the business press and journals available through Business Source Premier, Factiva or Proquest and reports from organisations such as Euromonitor and Mintel. Your institution's librarian will advise you on what is available to students and how proficient they are likely to be in using such sources.

You would also want to guide students on which industries or sectors to choose. Very broad industries – for example, the world airline industry – are likely to overwhelm students with data. It might be helpful to encourage focus – for example, the airline industry in India, or similar.

Industry focus also reduces the risk of plagiarism. There are many student assignments of a similar nature available for a fee on the web, and it would definitely be wise to avoid allowing students to research the same industries in successive years. Requiring a specific focus on particular themes (e.g. internationalisation) or some less common concepts (e.g. the strategy canvas, cycles of competition, etc.) can also reduce plagiarism. Insisting on precisely citing sources for key data and points (through an end-note system or similar) makes simple plagiarism harder too, as well as being good practice: lots of out-of-date references might indicate plagiarism.

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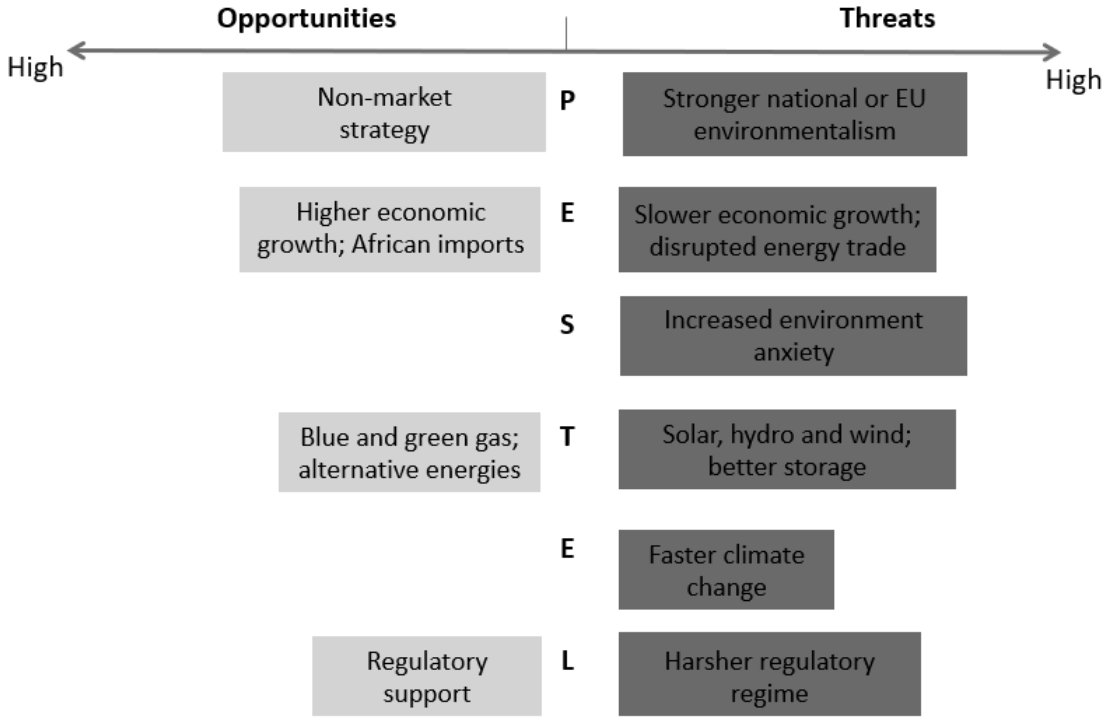
If allowed, students will find very helpful a couple of example assignments from previous years to guide them roughly on what they are supposed to do. A report length limit of around 2,000–2,500 words would encourage students to focus on what is really important. Requiring an 'executive summary' would also force students to determine the most important issues.

Over a two semester course, this assignment could be stage one of a two-part assessment regime; the second semester could have as an assignment asking students to consider implications of the first part for the strategy of a particular company in the original industry or sector.

Case example

Gasunie: hydrogen pipedreams

1. **Assess the PESTEL opportunities and threats facing Gasunie at the beginning of the case, summarising using the graphic in Illustration 3.1. A PESTEL for DiDi.**



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