MBA Essentials for Lawyers

Module 2

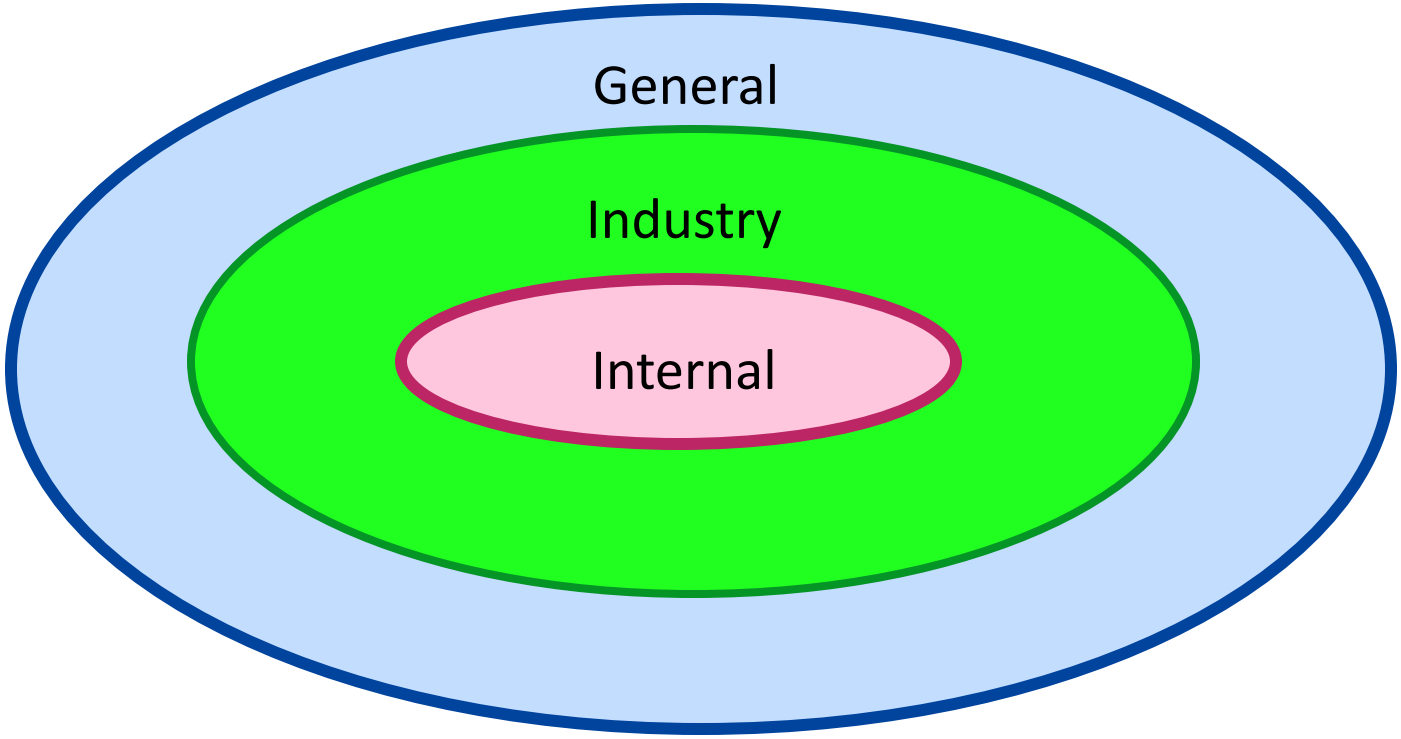
Stratology | BUILD YOUR OWN MBA

Introduction to Module 2

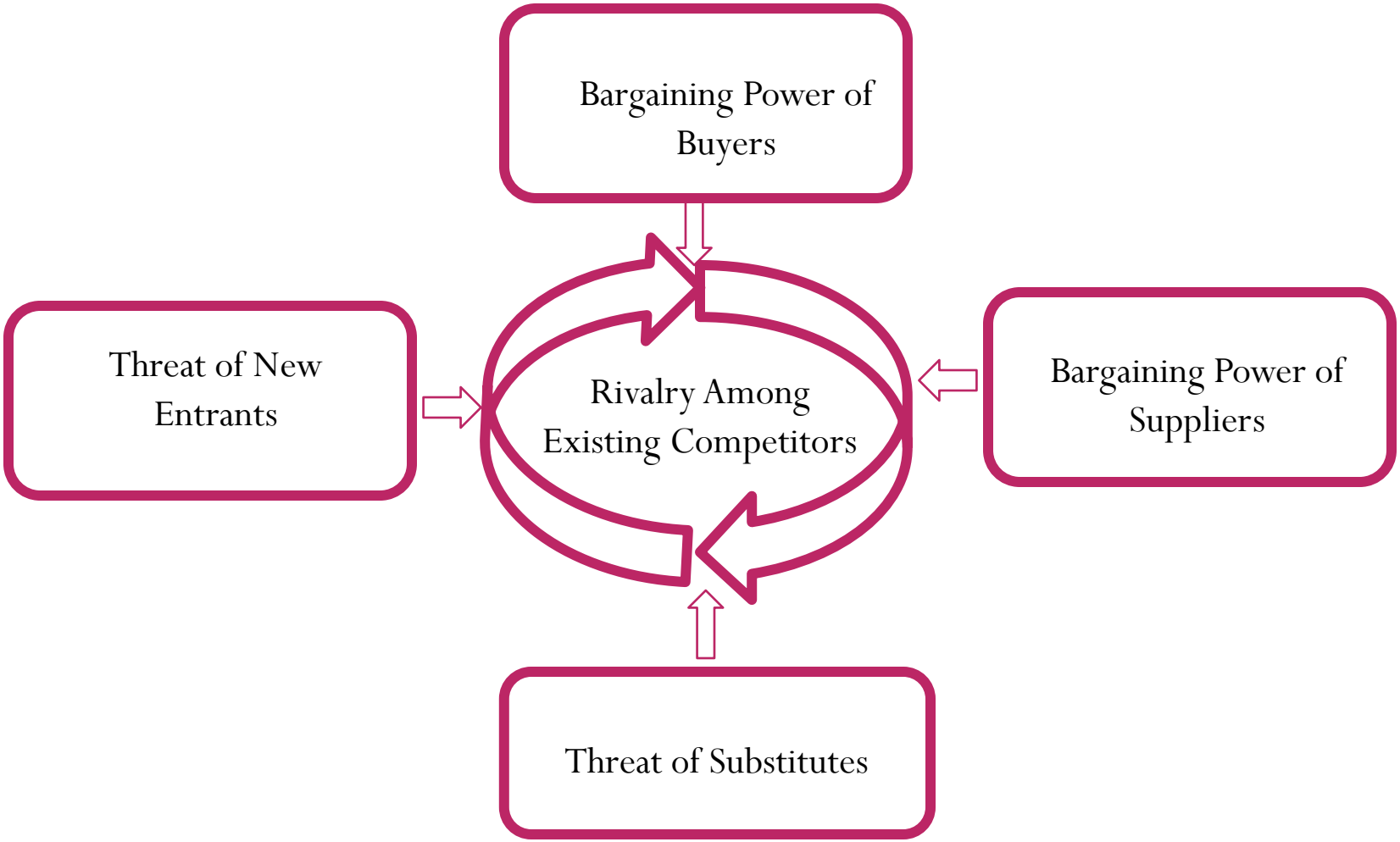
Course Objective:

To provide you with an understanding of the core strategic tools, skills, models and concepts that lie at the heart of all MBA courses

Introduction to Module 2



Introduction to Module 2



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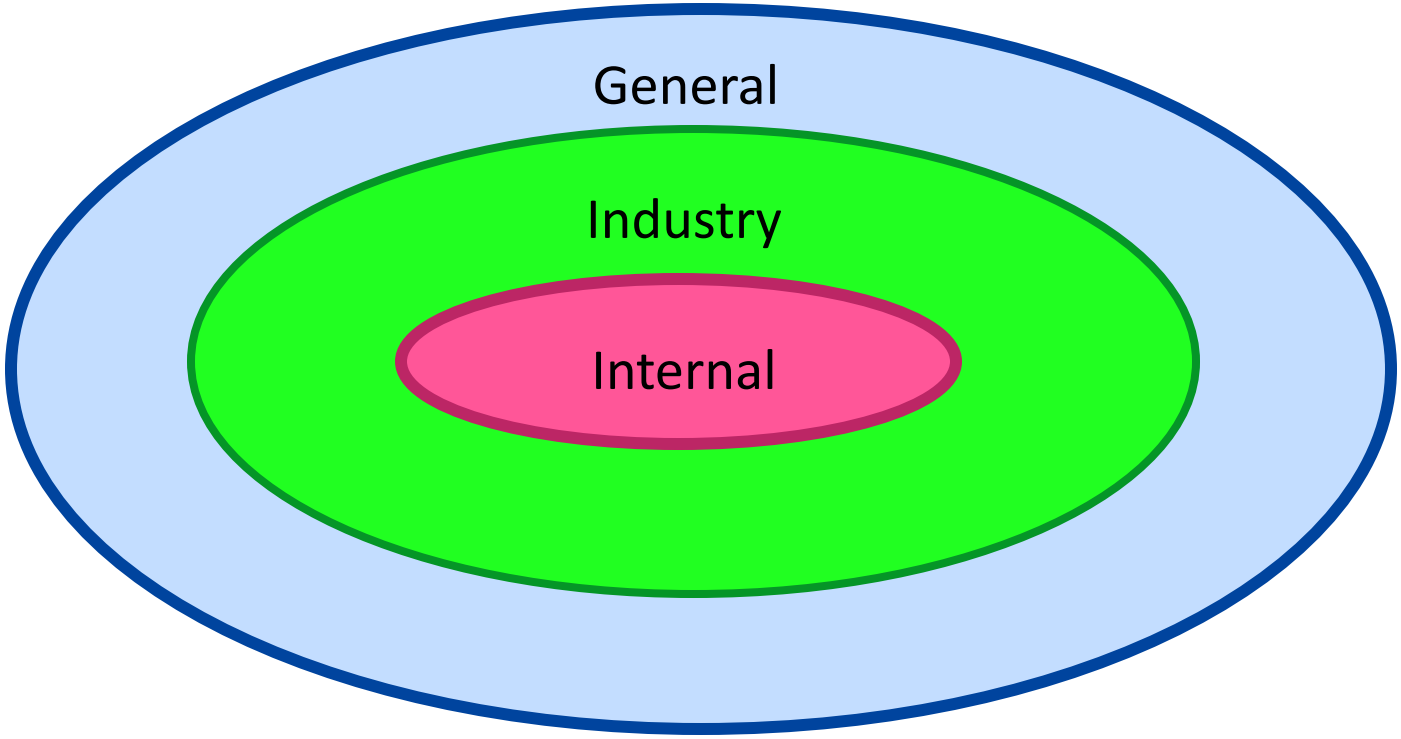
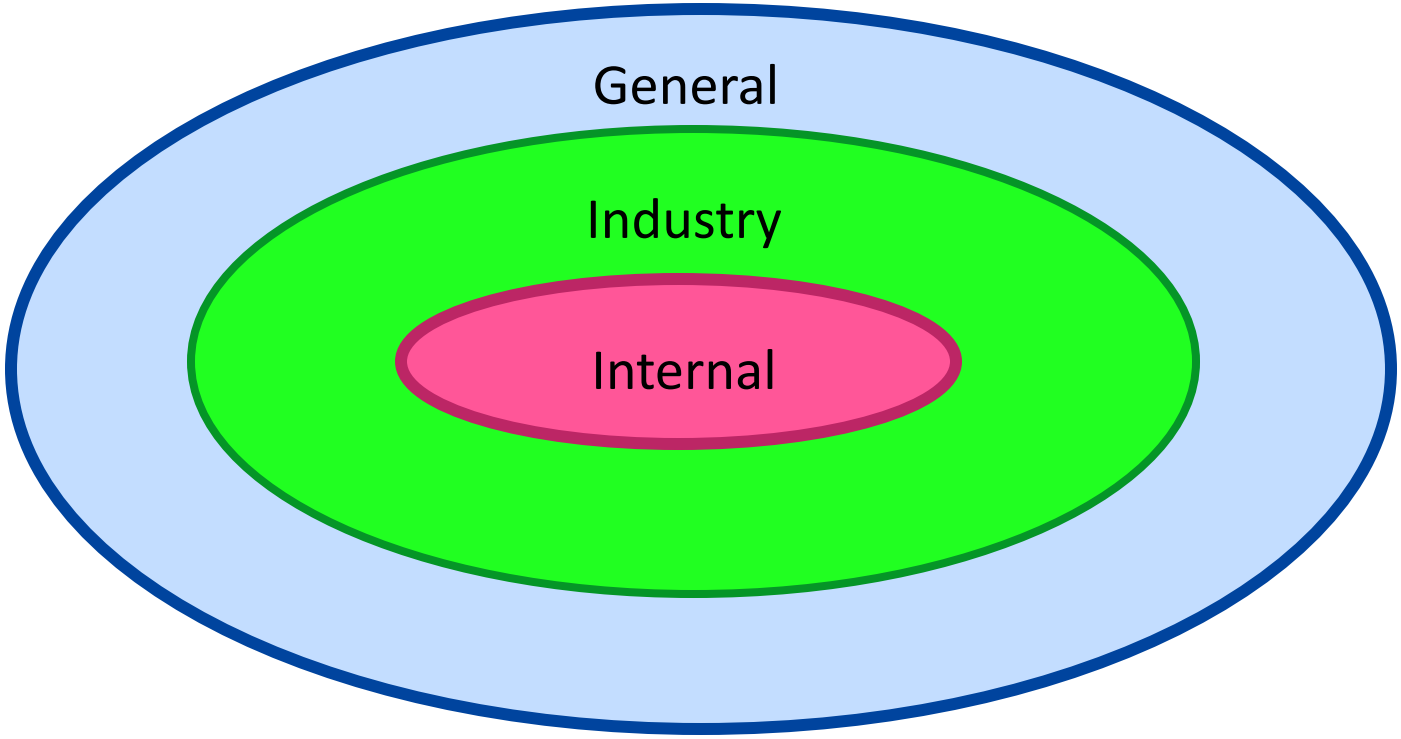


Module 2 Objectives

- The Strategy Canvas (Blue Ocean Strategy) – Step 2
- Strategy Selection – Step 3
- Key Asset Maps – Step 4

Module 2 – The Internal Environment



Internal Resources

<table>
<tr><td rowspan="2">Balance Sheet</td><td>Physical</td><td colspan="2">e.g. plant and equipment and stock etc.</td></tr>
<tr><td>Financial</td><td colspan="2">Available funds</td></tr>
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<tr><td rowspan="2">Organisational Resources</td><td>Organisational Assets
(e.g. IP (incl. Brand) & contracts)</td></tr>
<tr><td>Organisational Processes</td></tr>
</table>

Organisational Processes

- “Organisations create value as employees transform inputs of information, material, equipment, technology, labour and money into products and services of greater worth. The patterns of communication, interaction and co-ordination through which they accomplish these transformations [are] processes.” (Christensen)

Internal Resources

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Internal Resources

Internal Assets

- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes

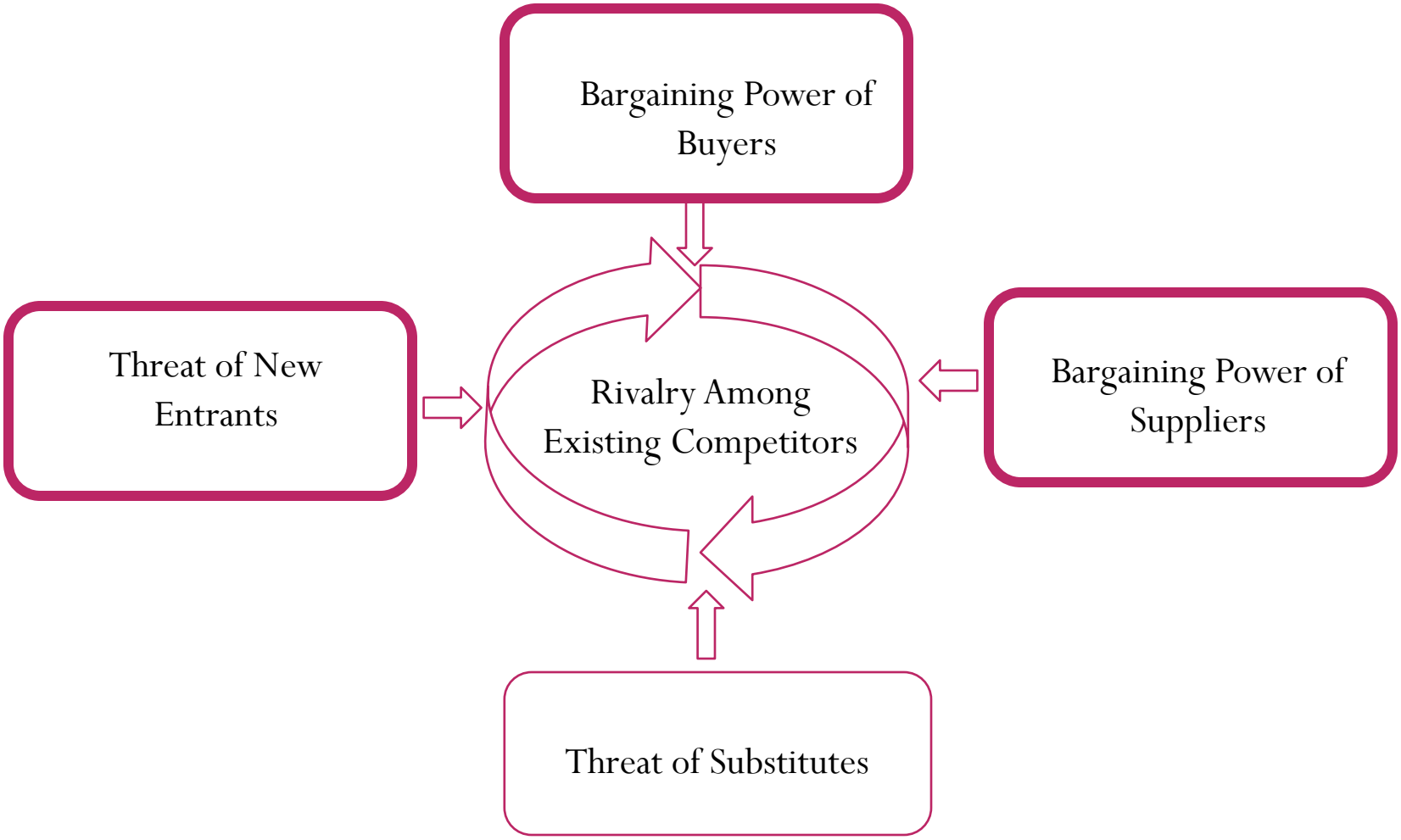
Internal Resources

Physical Assets	Financial Assets	Human Resources	Organisational Assets	Organisational Processes

Porter's 5 Forces

- Traditionally strategy had been formulated purely on the basis of competitive rivalry and market growth potential

Porter's 5 Forces



Porter's 5 Forces

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Internal Resources

Internal Assets

- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes

Internal Resources

"Resources cannot be evaluated in isolation because their value is determined by their interplay with market forces."

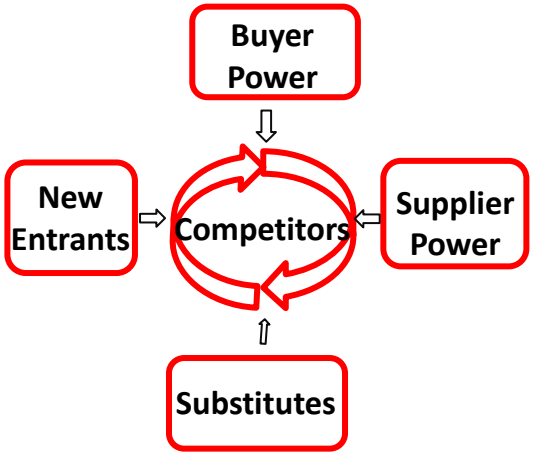
Collins and Montgomery(2008)

Internal Resources

Internal Assets

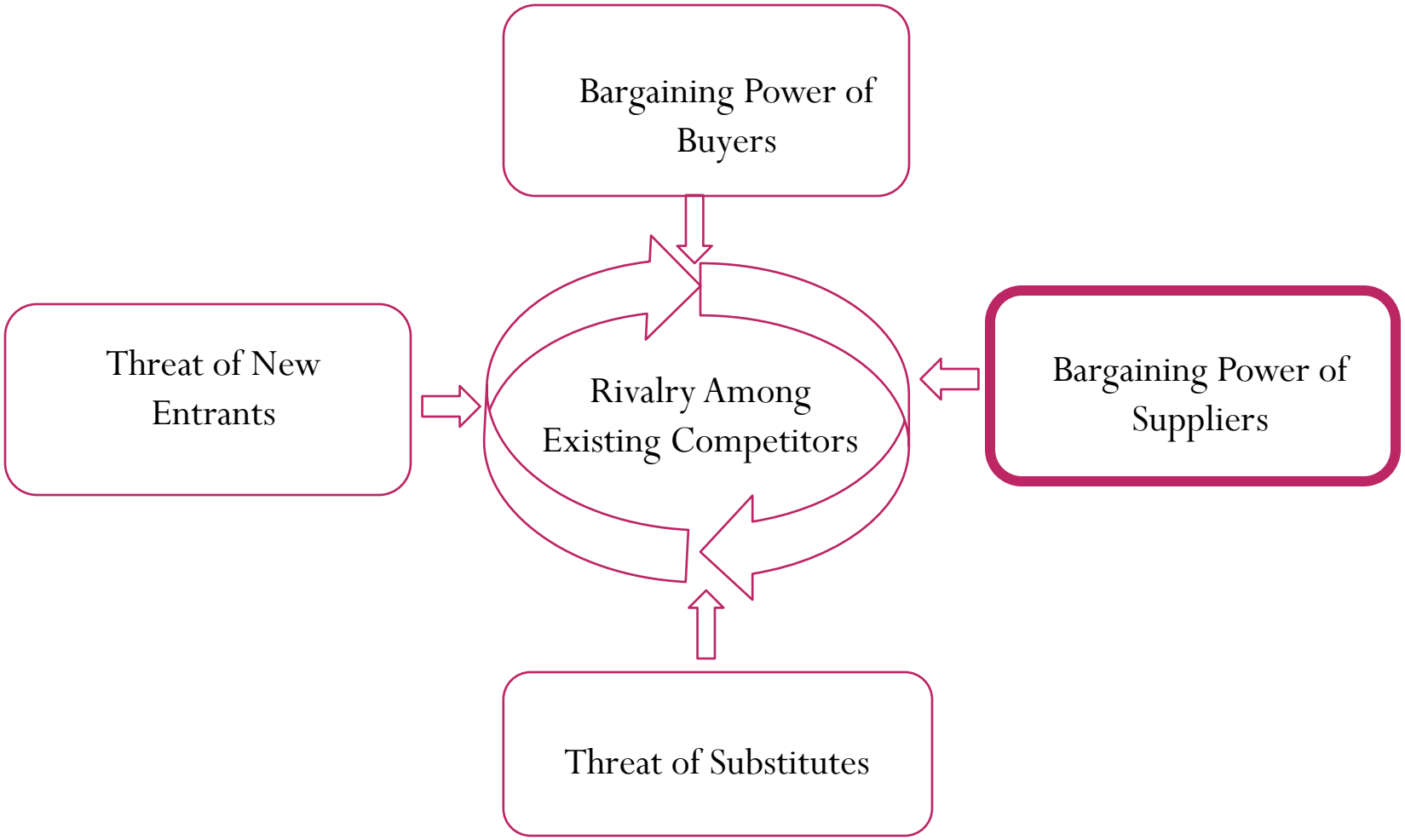
- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes

Strategy



Step 1 – Industry Structure
Tool: Porter's 5 Forces

Airline Industry



Southwest Airlines

Key Assets

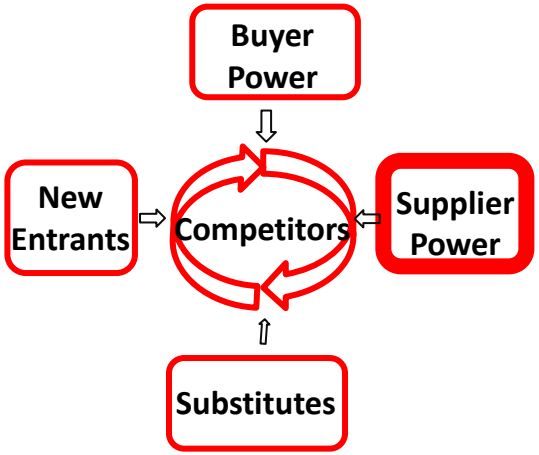
Agreements with Airports

Turnaround Processes

Maximise Resource Utilisation

KEY:

- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes



Step 1 – Industry Structure
Tool: Porter's 5 Forces

Southwest – 30 minute Turnaround

Start	Plane begins to pull into gate; crew moves to plane
30seconds	Plane stops; jetway telescopes out
1mins30	Refuelling; passengers leave plane; baggage unloaded
11 mins30	Passengers off plane; Baggage unloading complete;
12 mins30	Passengers board plane
23 mins30	Passengers complete boarding
24 mins30	Jetway retracts; ground crew leave
26 mins	Pushback from gate
28 mins	Pushback tractor disengages; plane leaves for runway

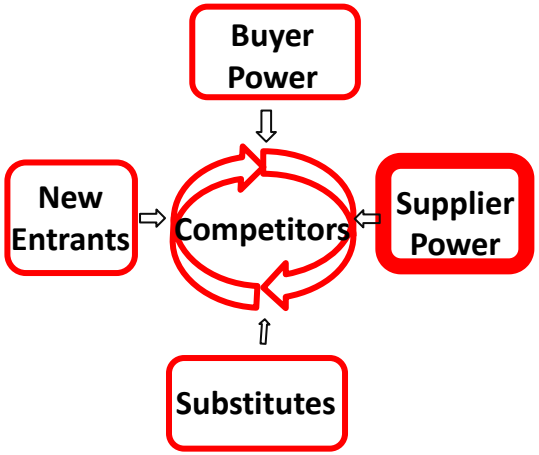
Southwest Airlines

Key Assets

- Standardised Aircraft
- Aircraft Technicians
- Pilots
- Agreements with Airports
- Turnaround Processes
- Frequent Flights

Maximise Resource Utilisation

KEY:
Physical Assets
Financial Assets
Human Resources
Organisational Assets
Organisational Processes



Step 1 – Industry Structure Tool: Porter's 5 Forces

Internal Resources

"Resources cannot be evaluated in isolation because their value is determined by their interplay with market forces."

Collins and Montgomery(2008)

Internal Resources

Internal Assets

- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes

Internal Resources

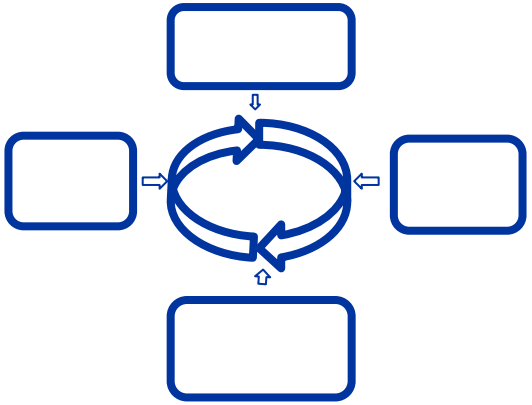
A survey carried out by Bain & Co. found that 50 % of the executives asked specified that their due diligence processes had failed to uncover major problems.

Internal Resources

Internal Assets

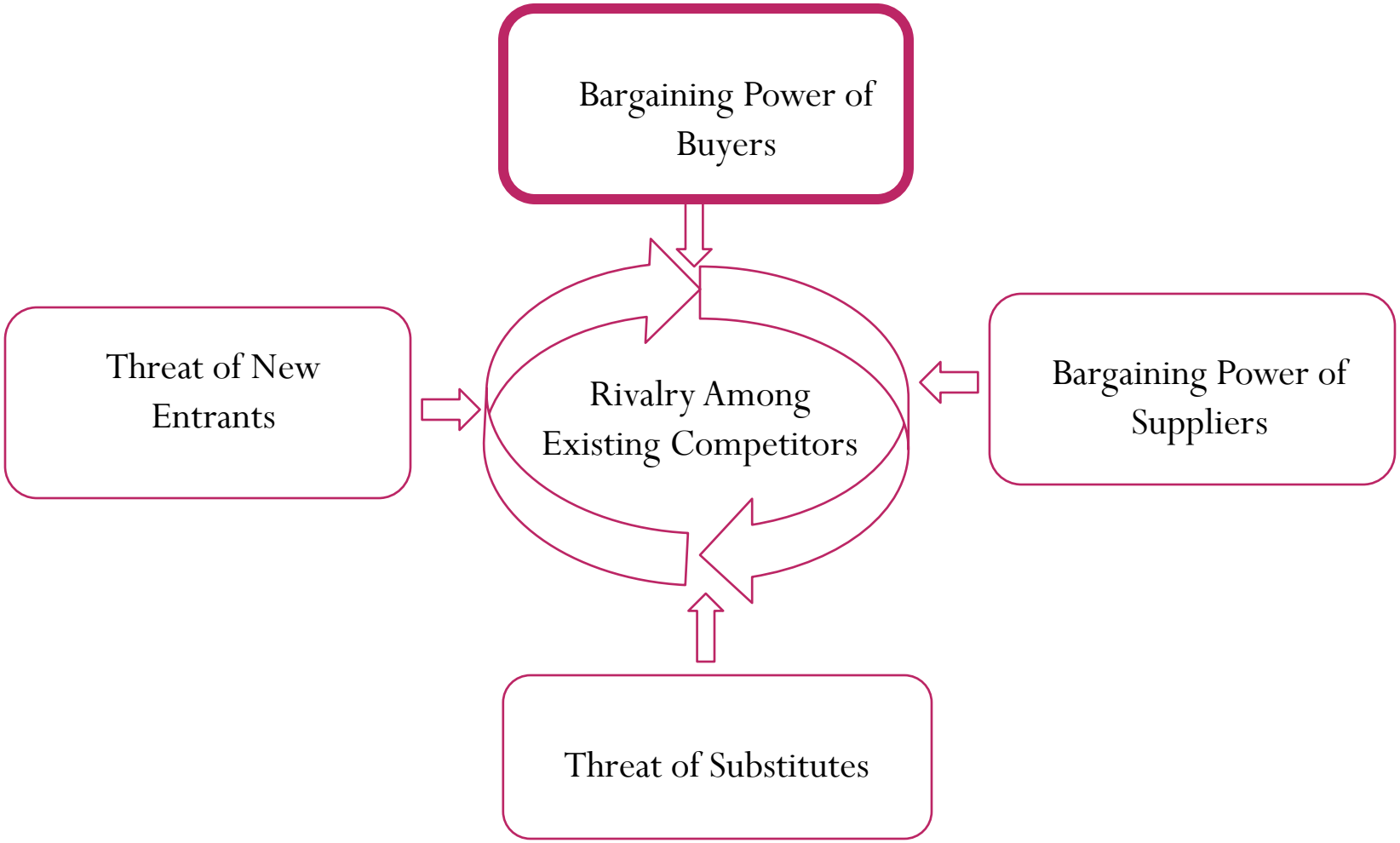
- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes

Strategy



Step 1 – Industry Structure
Tool: Porter's 5 Forces

Lidl / Waitrose



Lidl / Waitrose

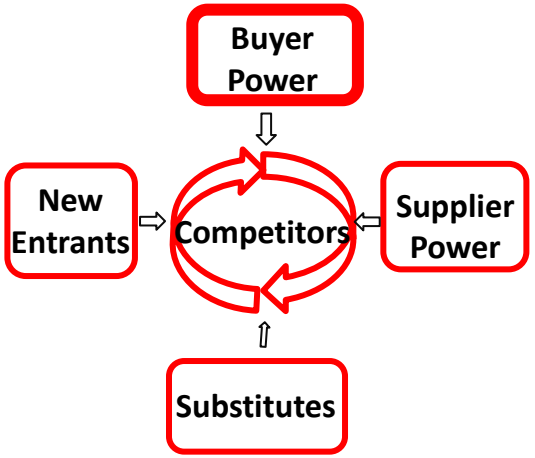
Key Assets

?

Low Price

OR

High Quality



Step 1 – Industry Structure
Tool: Porter's 5 Forces

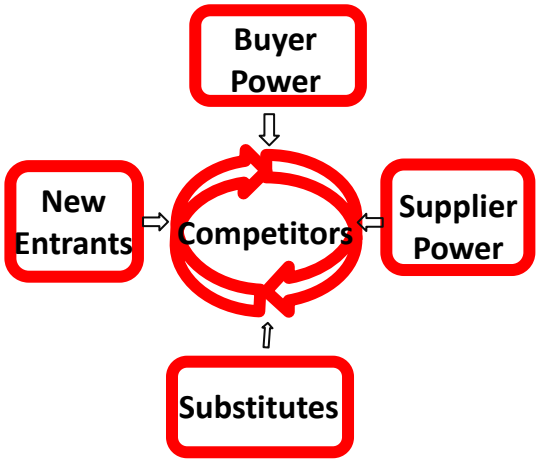
Internal Resources

Key Assets

?

Strategy ?

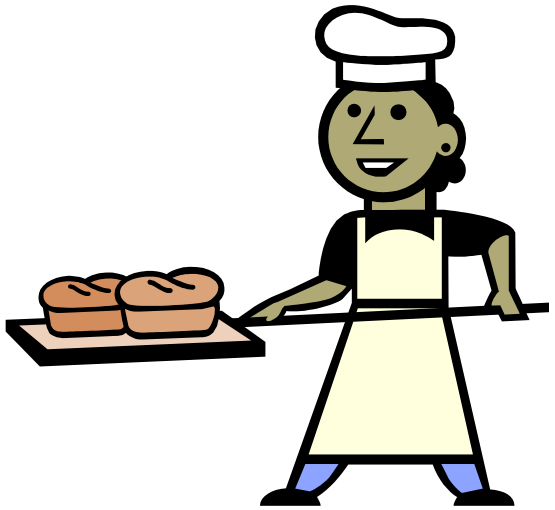
Step 2



Step 1 – Industry Structure
Tool: Porter's 5 Forces

Internal Resources

- You have inherited a large bakery that supplies supermarket chains with breads, pies, pastries etc.



Internal Resources

- What do you need to consider?
  - How many employees do you have?
  - Who supplies your ingredients?
  - Who are your customers?

Internal Resources

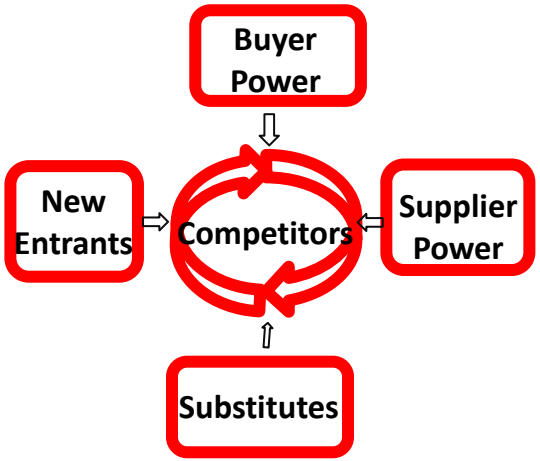
- Why are your customers buying from you and not your competitors?

Internal Resources

Key Assets

Strategy

Step 2 – Market Positioning



Step 1 – Industry Structure

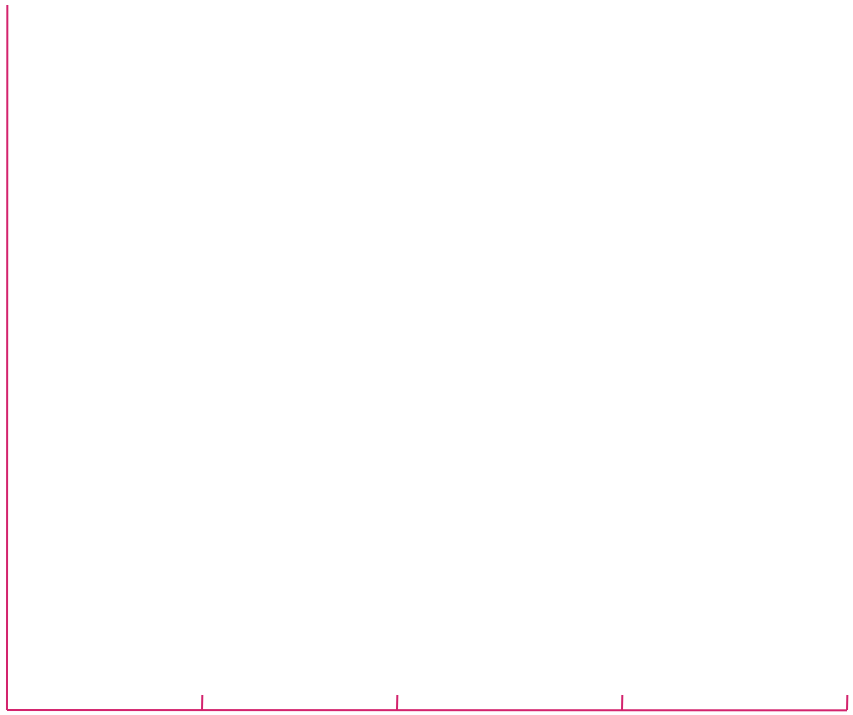
Blue Ocean Strategy

Blue Ocean Strategy

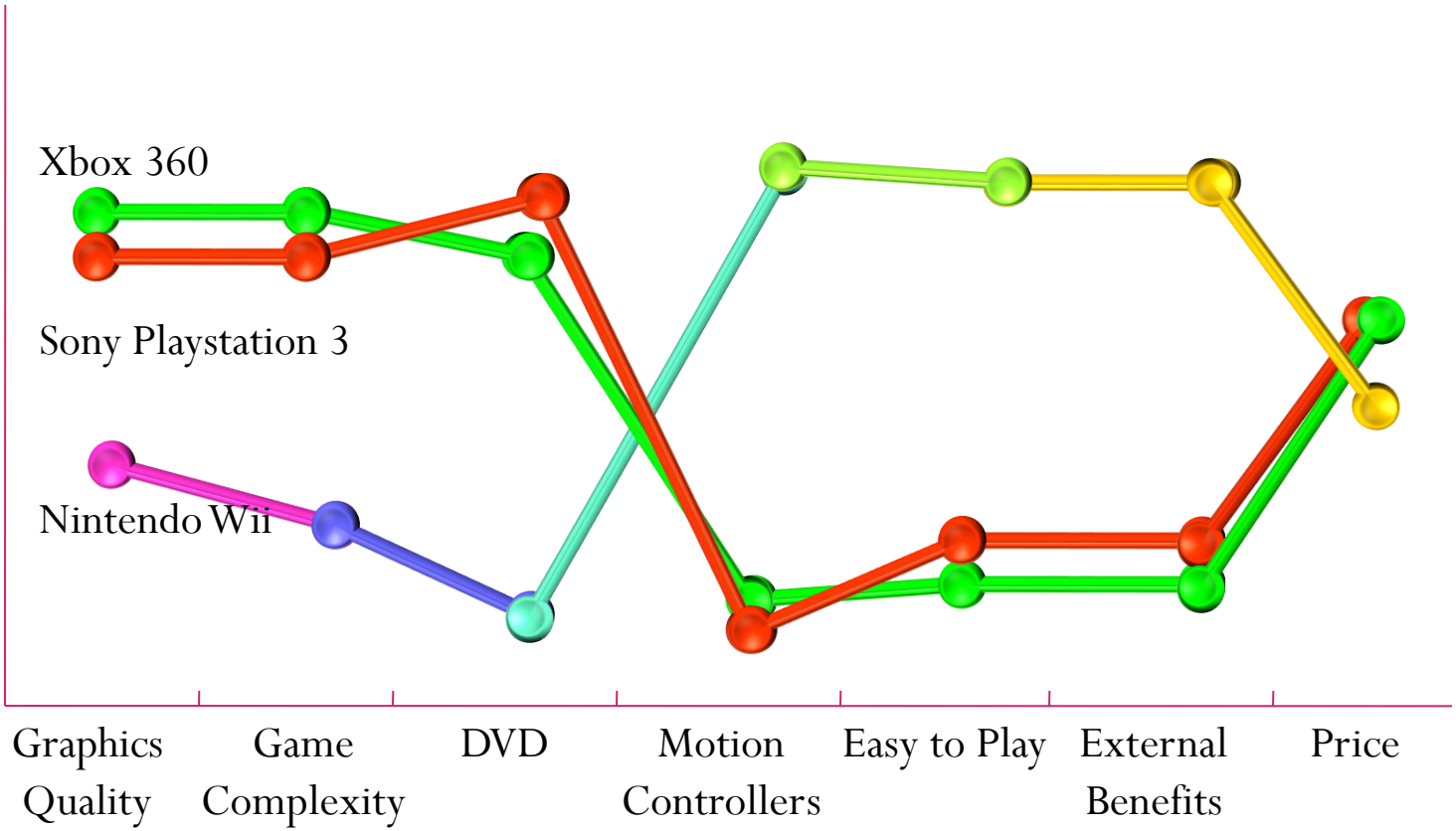
Blue Ocean Strategy

- “Seeing a Blue Ocean is the notion of creating a market where there initially was none--going out where nobody has yet gone. Red Ocean is what our competitors do--heated competition where sales are finite and the product is fairly predictable. We’re making games that are expanding our base of consumers in Japan and America.” (Perrin Kaplan, Nintendo)

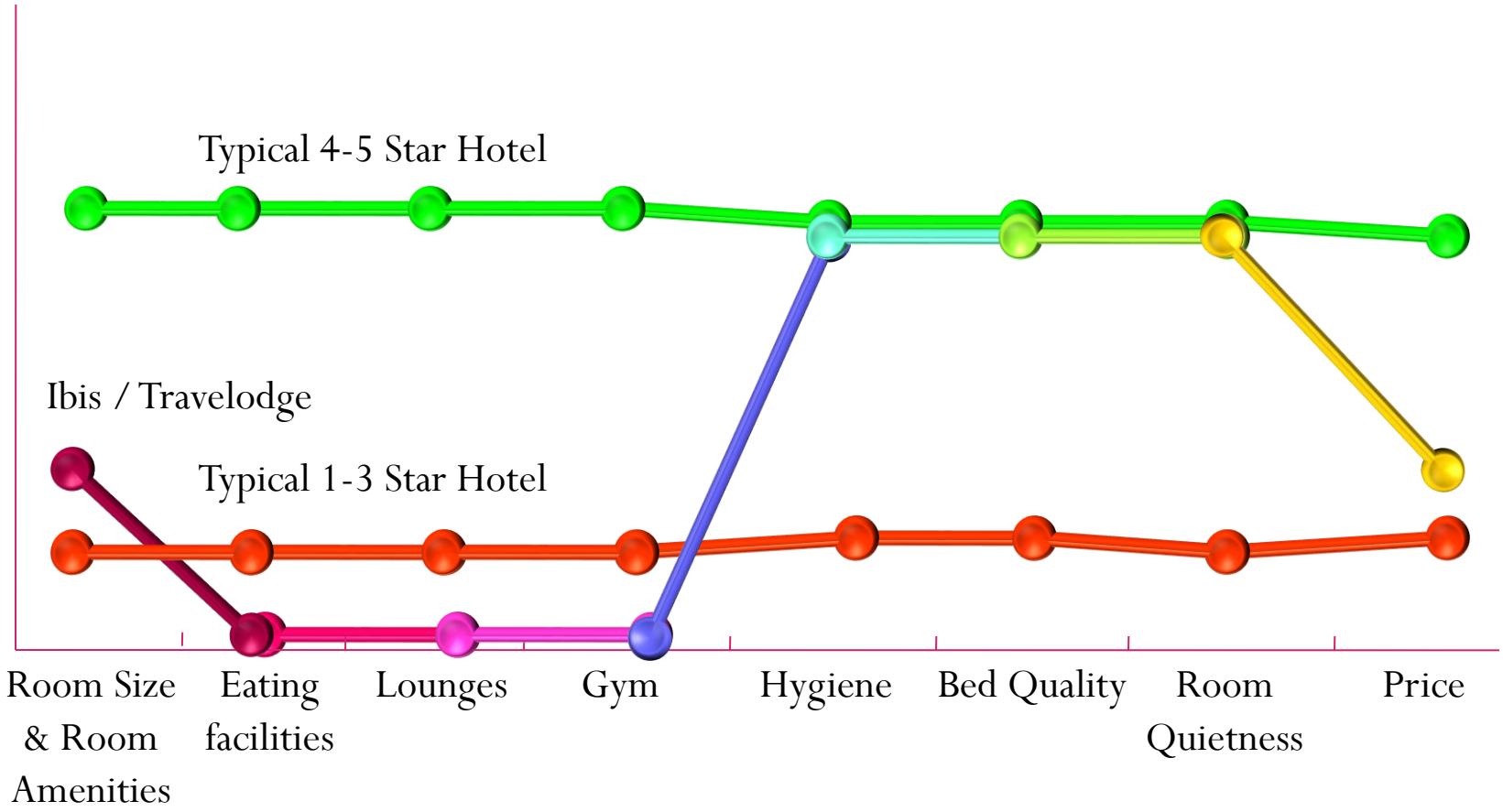
Strategy Canvas



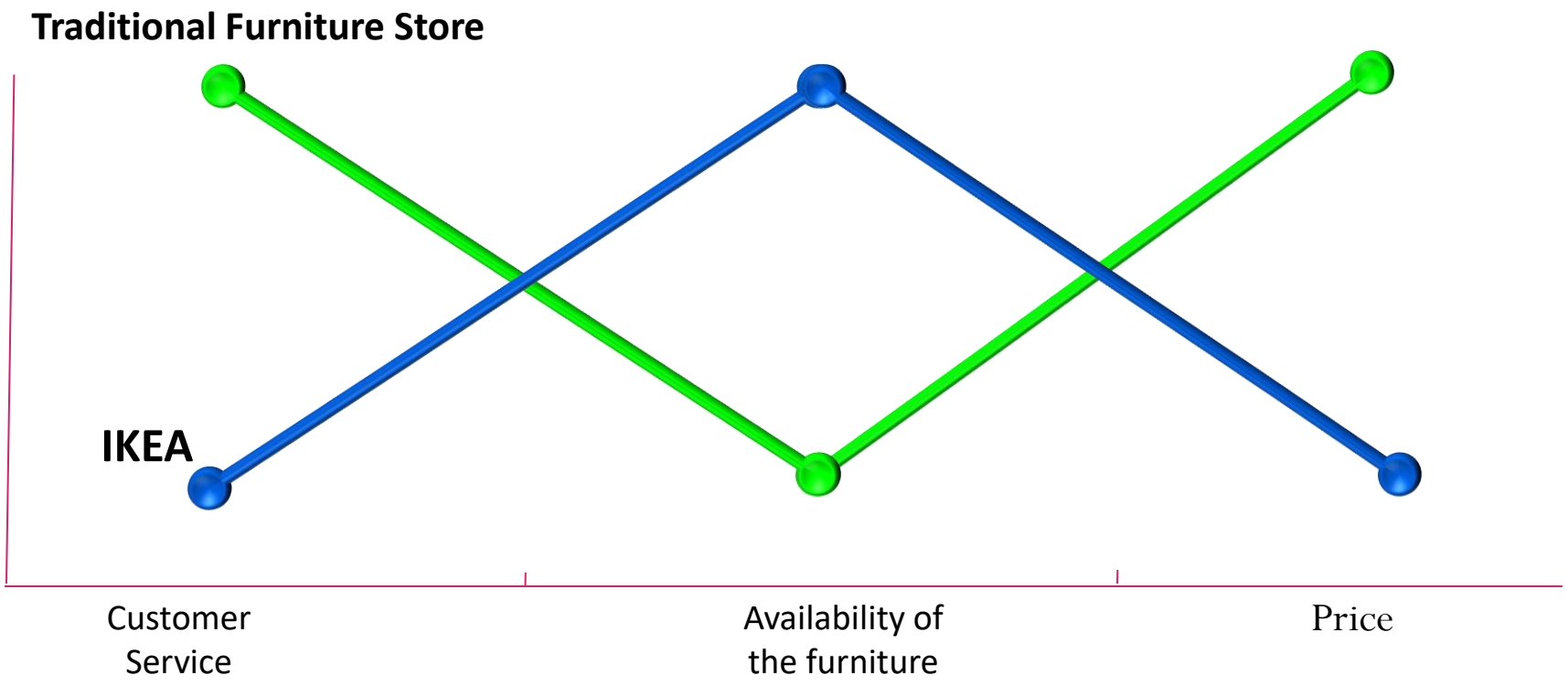
Strategy Canvas – Game Console



Strategy Canvas – Hotel Industry



Strategy Canvas – Furniture Store Industry



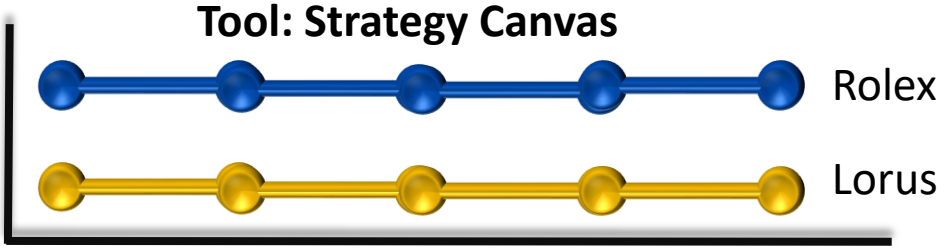
Strategy Canvas

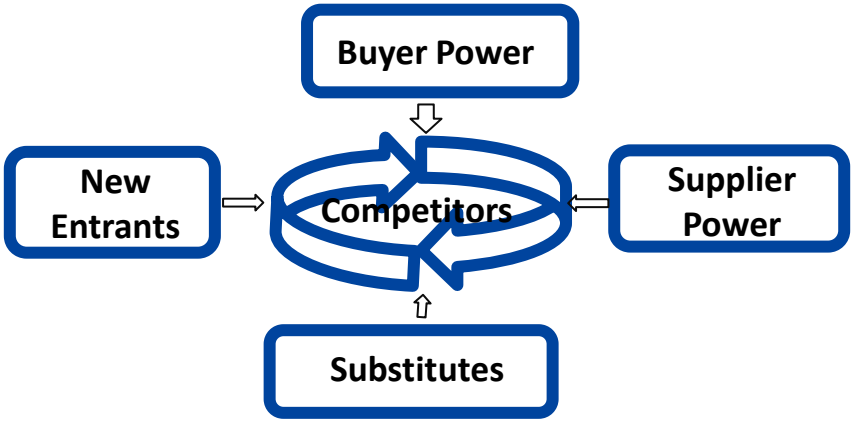
"When a brand identity and position are clear, they help all employees – from customer service representatives to new product developers – gauge their actions in terms of a central strategy."

(David Aaker, Strategic Lessons, 1998)

The Strategic Landscape

Step 2 – Market Positioning
Tool: Strategy Canvas

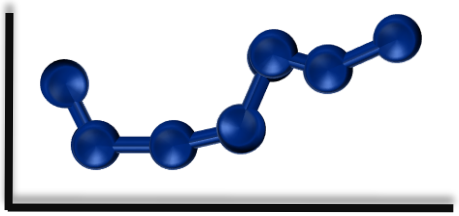




Step 1 – Industry Structure
Tool: Porter's 5 Forces

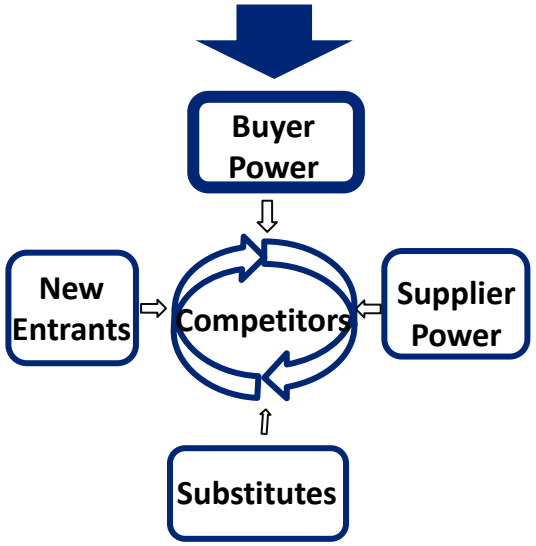
The Strategic Landscape

Step 2 – Market Positioning
Tool: Strategy Canvas



Step 3 – Business Strategies
Tool: Strategy Selection

- ❑ .....
- ❑ .....
- ❑ .....
- ❑ .....



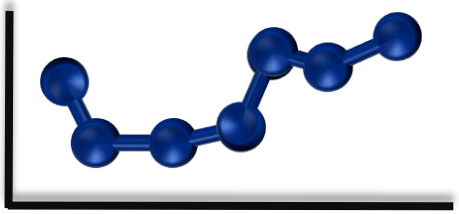
Step 1 – Industry Structure
Tool: Porter's 5 Forces

Strategy Selection: Buyer Power

- ✓ Differentiate from competitors: …….Convenience……
- ✓ Provide cheapest products / services
- Tie buyers in with long term agreements (e.g. Mobile, Gym)
- Purchase a competitor
- Market to end user in order to put pressure on buyers (e.g. Intel)
- Form a consortium with other competitors (e.g. dairy farmers)
- Make it difficult for buyers to compare prices (e.g. Utilities, Mobile)
- Increase buyer loyalty (Nectar Card, Boots Card, Air Miles)
- Generate demand side economies of scale (Facebook, Twitter)

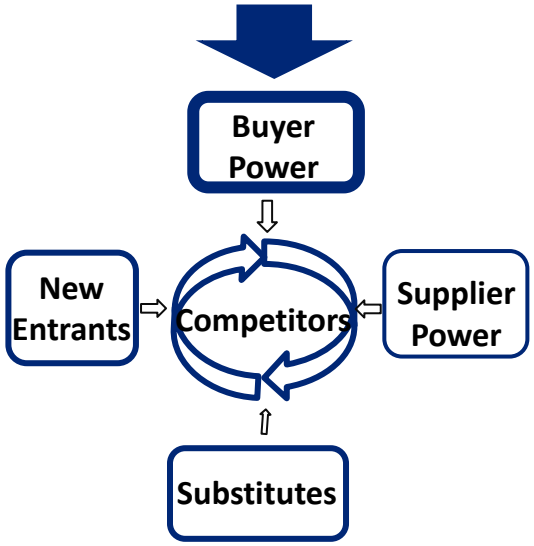
The Strategic Landscape

Step 2 – Market Positioning
Tool: Strategy Canvas



Step 3 – Business Strategies
Tool: Strategy Selection

- ☑ Provide cheapest products
- ☑ Convenience
- ☐ .....
- ☐ .....



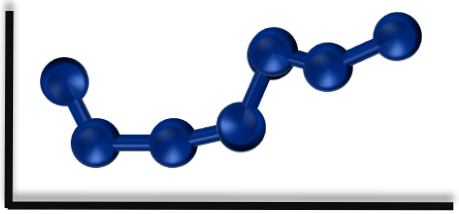
Step 1 – Industry Structure
Tool: Porter's 5 Forces

Strategy Selection: Supplier Power

- Outsource work to where it is cheaper
- Develop automated processes
- Search for lowest cost suppliers
- Maximise resource utilisation
- Purchase a supplier
- Grow the business (organically or through acquisition) and generate supply side economies of scale
- ✓ Get the end users to do some of the work for you

The Strategic Landscape

Step 2 – Market Positioning
Tool: Strategy Canvas



Step 3 – Business Strategies
Tool: Strategy Selection

- Provide cheapest products
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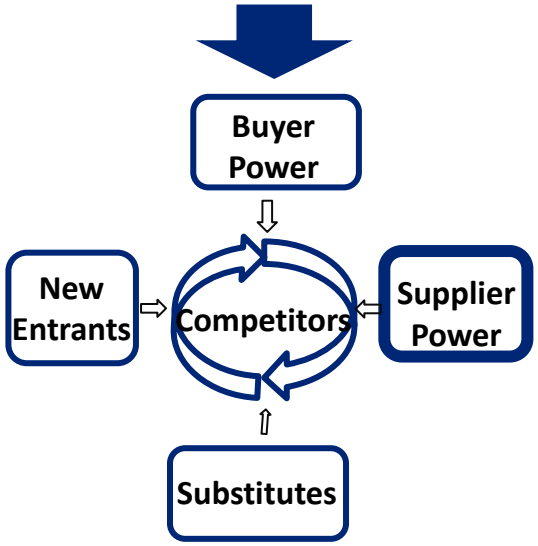


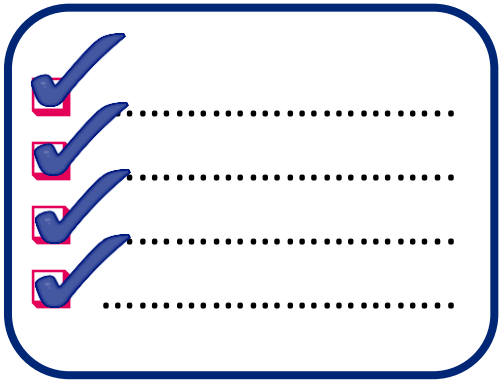
Step 1 – Industry Structure
Tool: Porter's 5 Forces

The Strategic Landscape

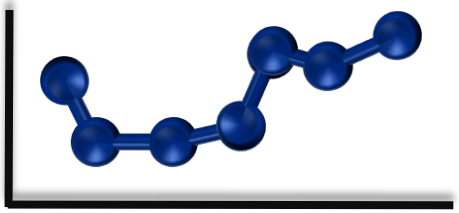
Key Assets

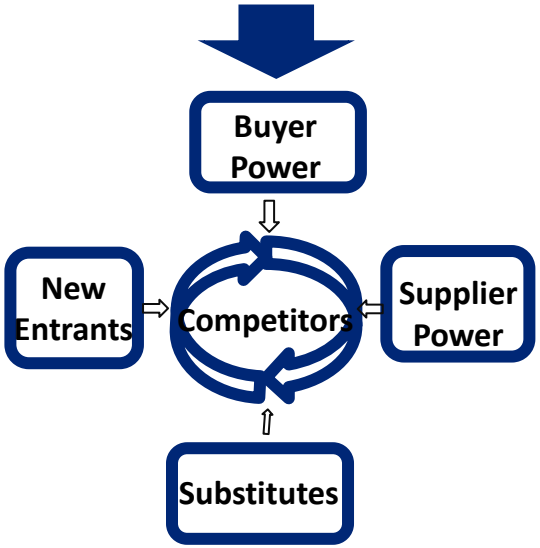
- Plant, Stock, Premises...
- Finances
- Human Resources
- Organisational Assets
- Processes

Step 3 – Business Strategies
Tool: Strategy Selection



Step 2 – Market Positioning
Tool: Strategy Canvas





Step 1 – Industry Structure
Tool: Porter's 5 Forces

IKEA

Key Assets

Design Processes

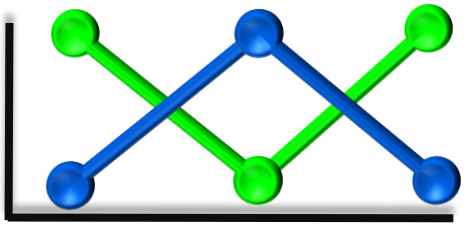
Step 3 – Business Strategies
Tool: Strategy Selection

- Provide cheapest products
- Convenience
- Get the end user to do some of the work for you

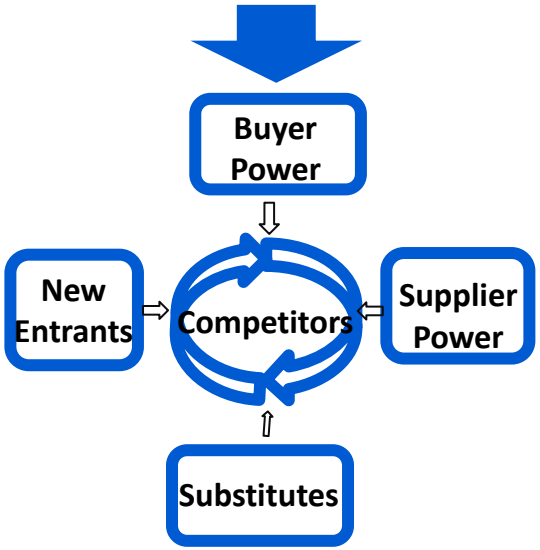
KEY:

- Physical Assets
- Financial Assets
- Human Resources
- Organisational Assets
- Organisational Processes

Step 2 – Market Positioning
Tool: Strategy Canvas



Step 1 – Industry Structure
Tool: Porter's 5 Forces



IKEA

Strict design processes ensure furniture is designed for:

(1) low cost manufacture;

(2) flat pack:

a) ease of transport (by customers and by IKEA);

b) ease of storage (to ensure stores are kept filled); and

(3) ease of assembly (modular design with instructions)

IKEA

Step 4 – Functional Strategies
Tool: Key Asset Map

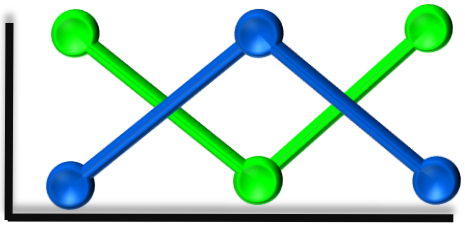
- Large Stores
- Explanatory Catalogues and labelling
- Ample space for parking
- Store Designers
- Furniture Designers
- HR Team
- HR Processes
- Design Processes

Step 3 – Business Strategies
Tool: Strategy Selection

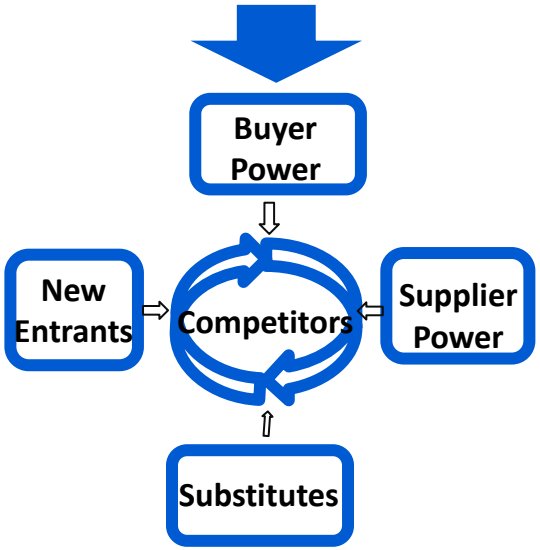
- ✓ Provide cheapest products
- ✓ Convenience
- ✓ Get the end user to do some of the work for you

KEY:
Physical Assets
Financial Assets
Human Resources
Organisational Assets
Organisational Processes

Step 2 – Market Positioning
Tool: Strategy Canvas

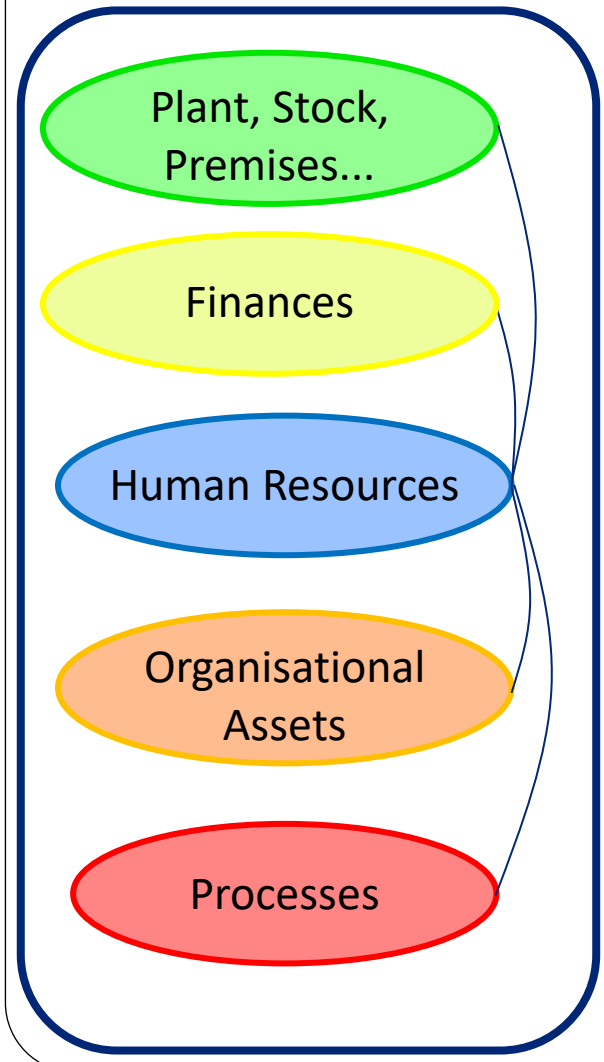


Step 1 – Industry Structure
Tool: Porter's 5 Forces

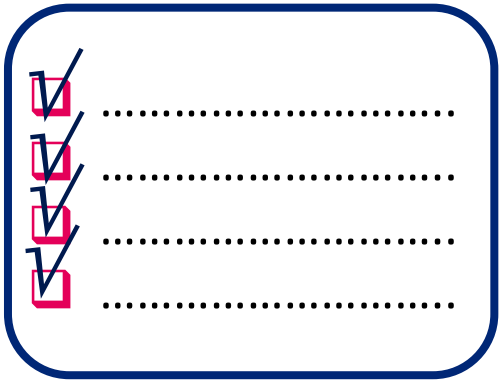


The Strategic Landscape

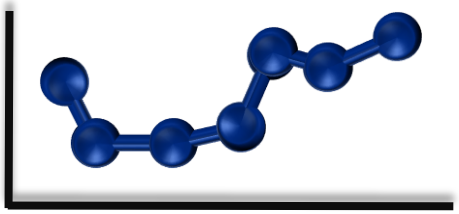
Step 4 – Functional Strategies
Tool: Key Asset Map

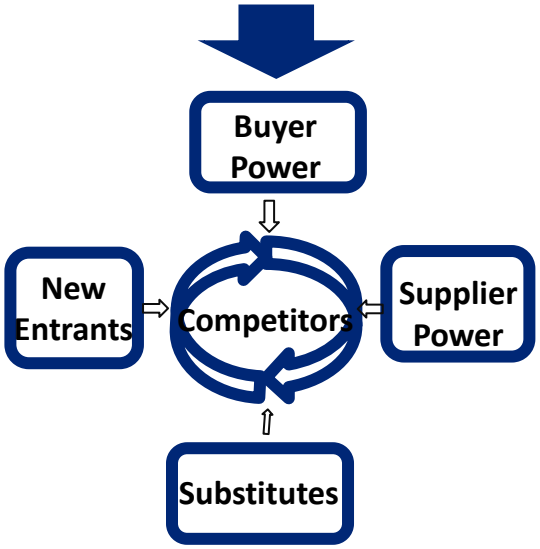


Step 3 – Business Strategies
Tool: Strategy Selection



Step 2 – Market Positioning
Tool: Strategy Canvas





Step 1 – Industry Structure
Tool: Porter's 5 Forces

Finances

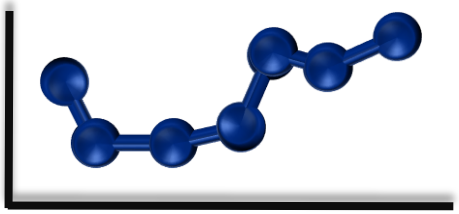
Step 4 – Functional Strategies
Tool: Key Asset Map

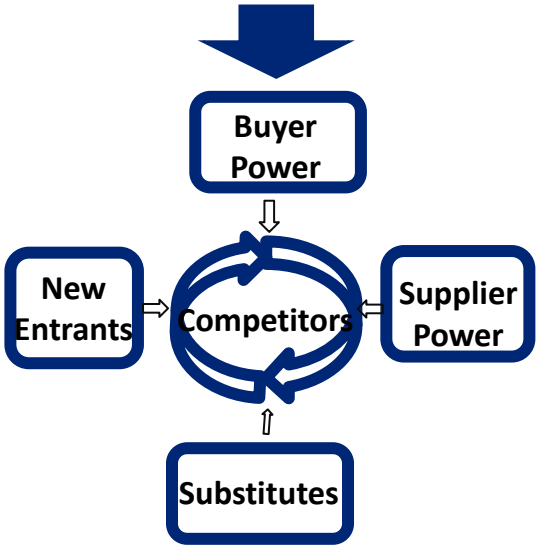
Finances

Step 3 – Business Strategies
Tool: Strategy Selection

☑ Purchase competitors

Step 2 – Market Positioning
Tool: Strategy Canvas

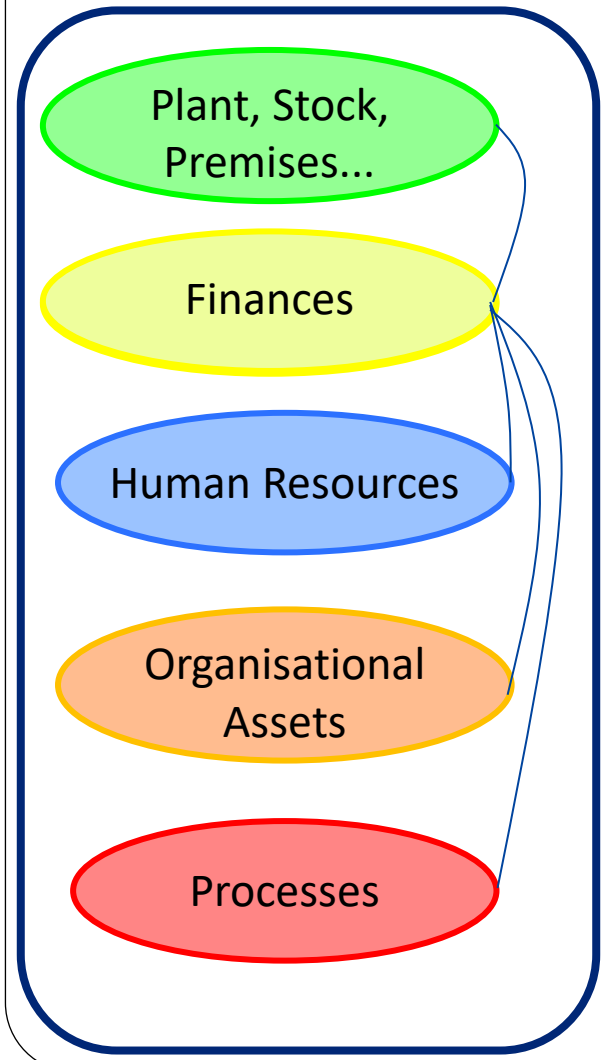




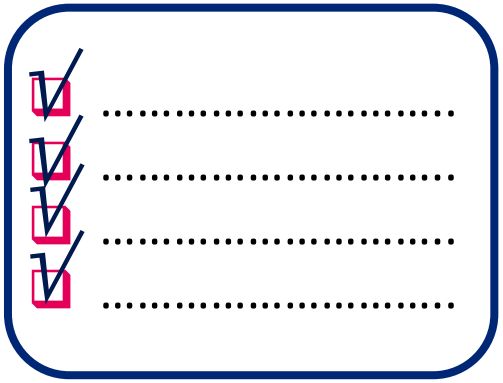
Step 1 – Industry Structure
Tool: Porter's 5 Forces

Finances

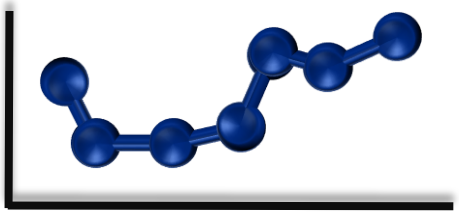
Step 4 – Functional Strategies
Tool: Key Asset Map

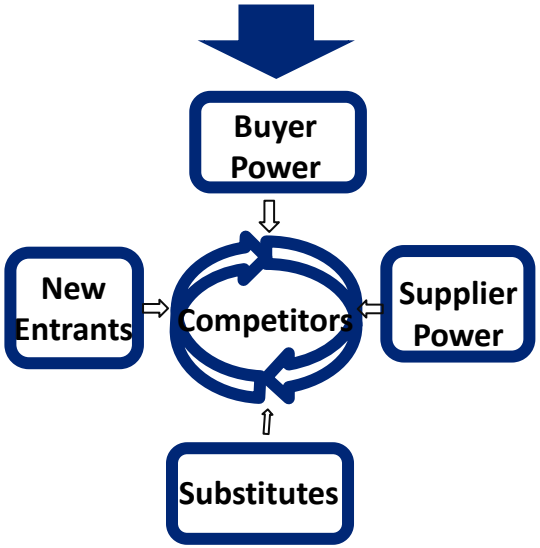


Step 3 – Business Strategies
Tool: Strategy Selection



Step 2 – Market Positioning
Tool: Strategy Canvas

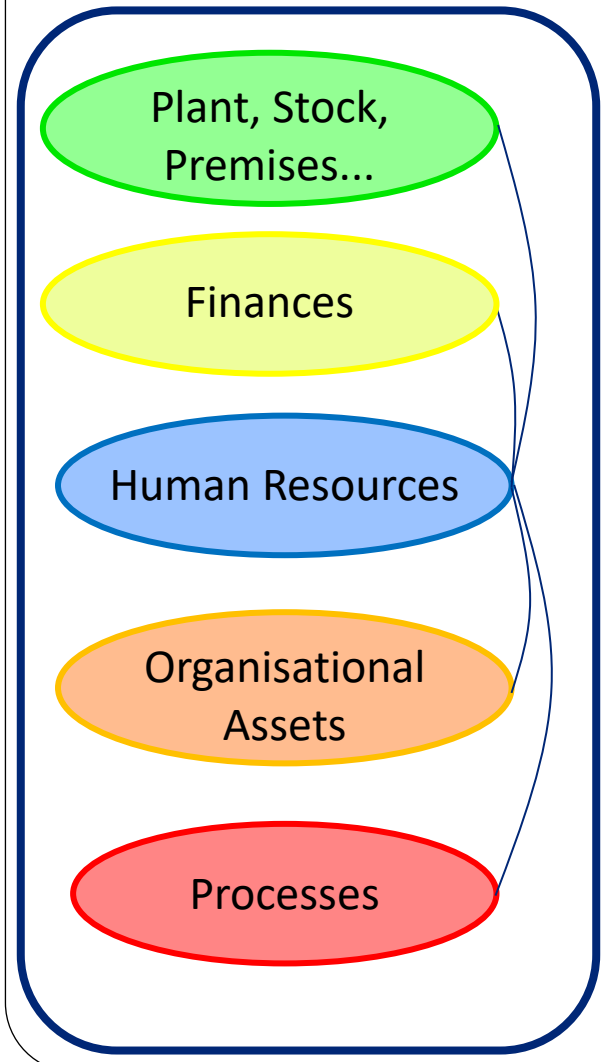




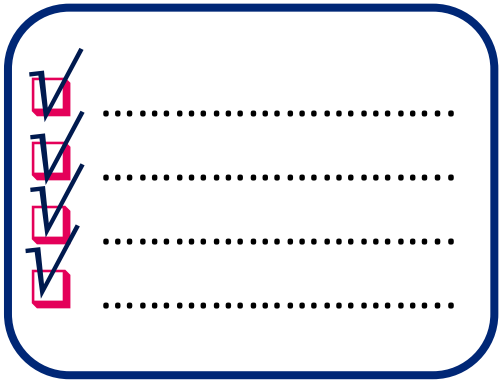
Step 1 – Industry Structure
Tool: Porter's 5 Forces

The Strategic Landscape

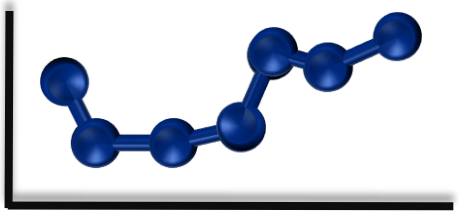
Step 4 – Functional Strategies
Tool: Key Asset Map

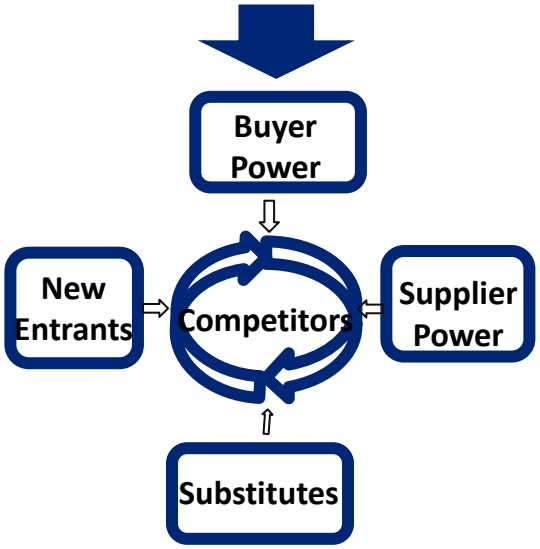


Step 3 – Business Strategies
Tool: Strategy Selection



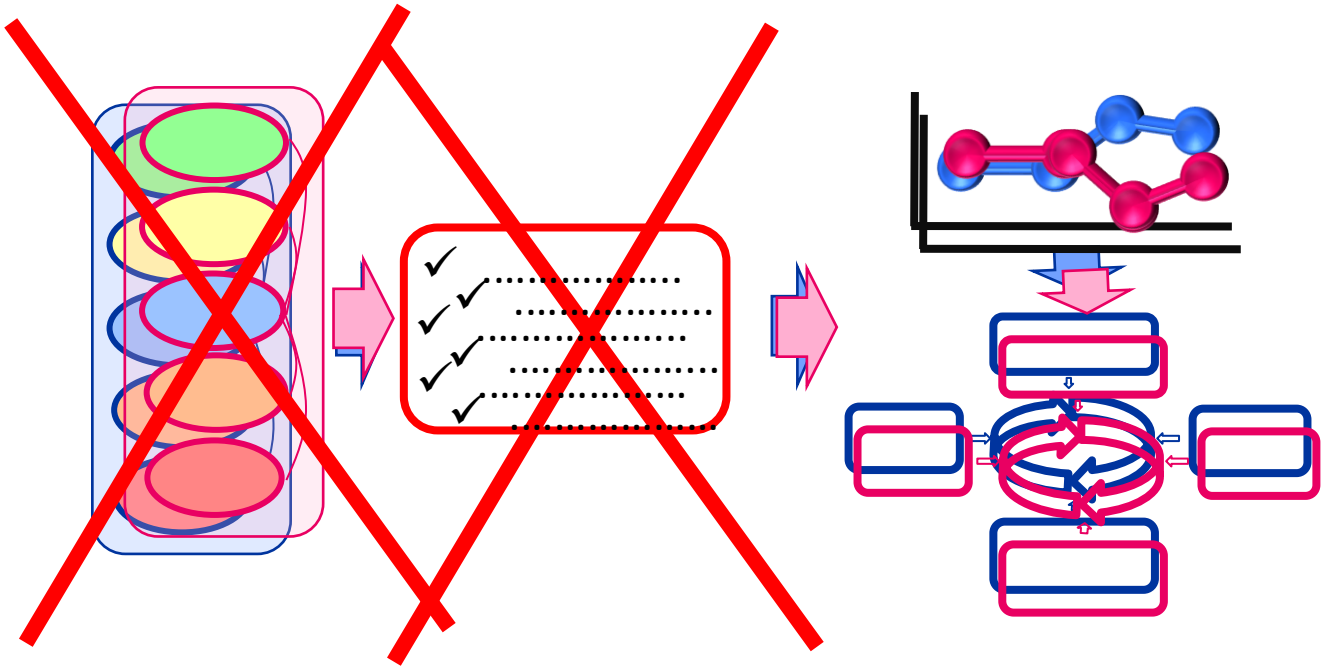
Step 2 – Market Positioning
Tool: Strategy Canvas





Step 1 – Industry Structure
Tool: Porter's 5 Forces

Business A & B



M&A

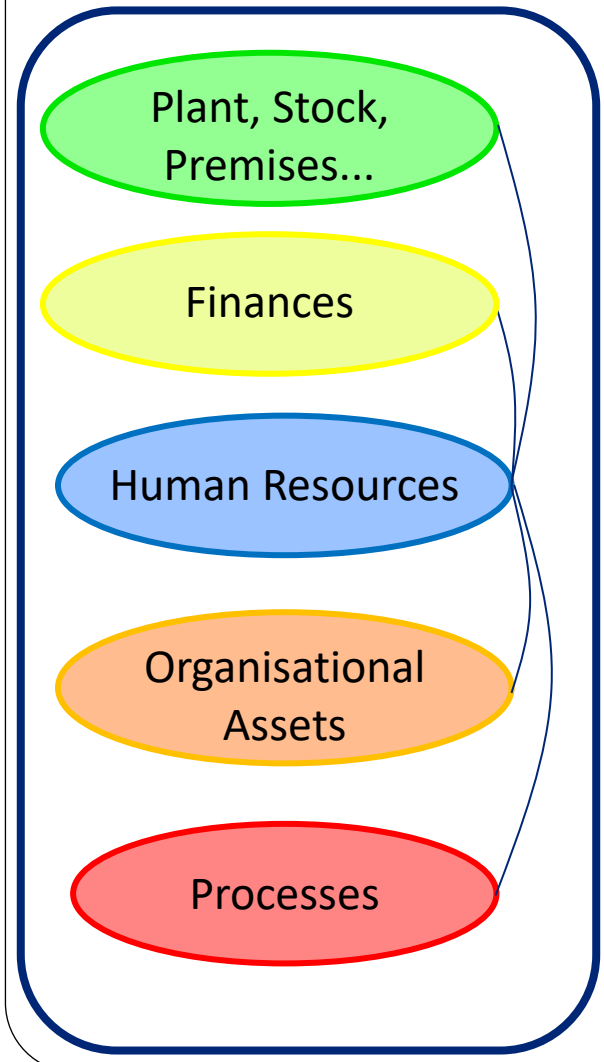
Source	Percentage Failed	Basis for Measurement
Economist Intelligence Unit	70%	Would not make the same acquisition again
McKinsey	65 – 70%	Judged unsuccessful when measured against industry benchmarks
PwC	66%	Revenue/cash flow/profitability following deal
Accenture	63%	Negative impacts on the business and management difficulties
BCG	61%	Share price relative to S&P 500
Journal of Finance	On average acquiring firms experience a wealth loss of 10% over the 5 years following the completion of M&A.	

Module 2 Objectives

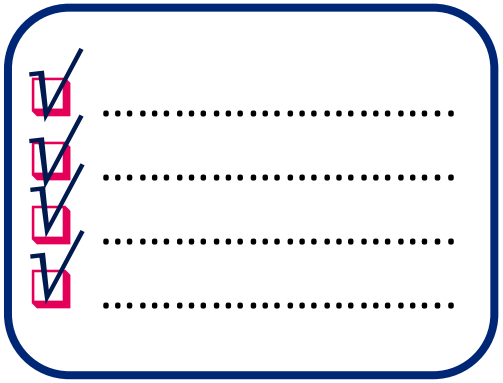
- The Strategy Canvas (Blue Ocean Strategy) – Step 2
- Strategy Selection – Step 3
- Key Asset Maps – Step 4

The Strategic Landscape

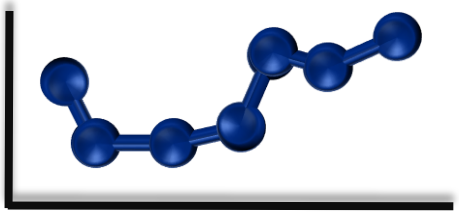
Step 4 – Functional Strategies
Tool: Key Asset Map

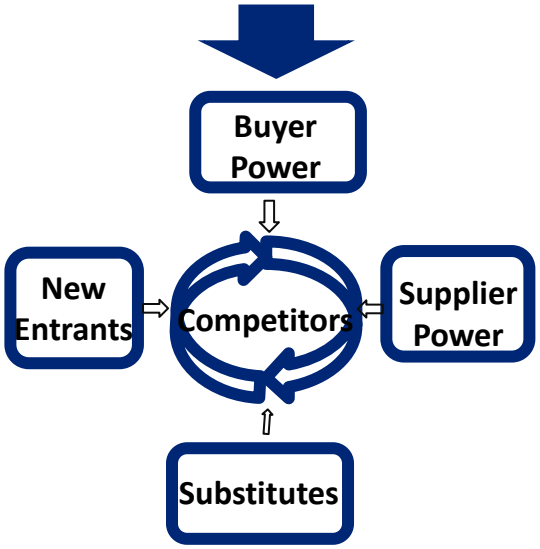


Step 3 – Business Strategies
Tool: Strategy Selection



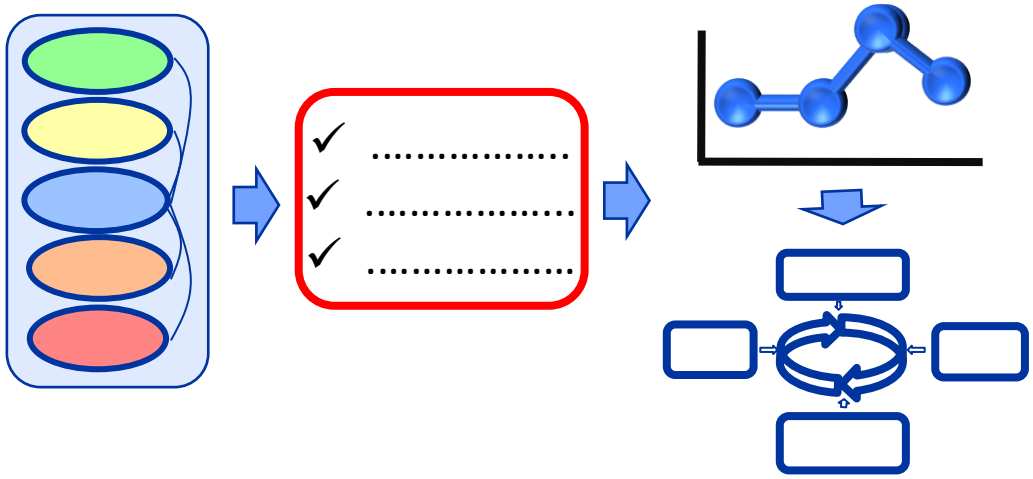
Step 2 – Market Positioning
Tool: Strategy Canvas





Step 1 – Industry Structure
Tool: Porter's 5 Forces

Why?



Gain an understanding of:

- why a particular asset is being acquired
- why finance is being raised
- why protecting an asset so important
- the strategic logic behind M&A