

# MBA Essentials for Lawyers

## Module 3

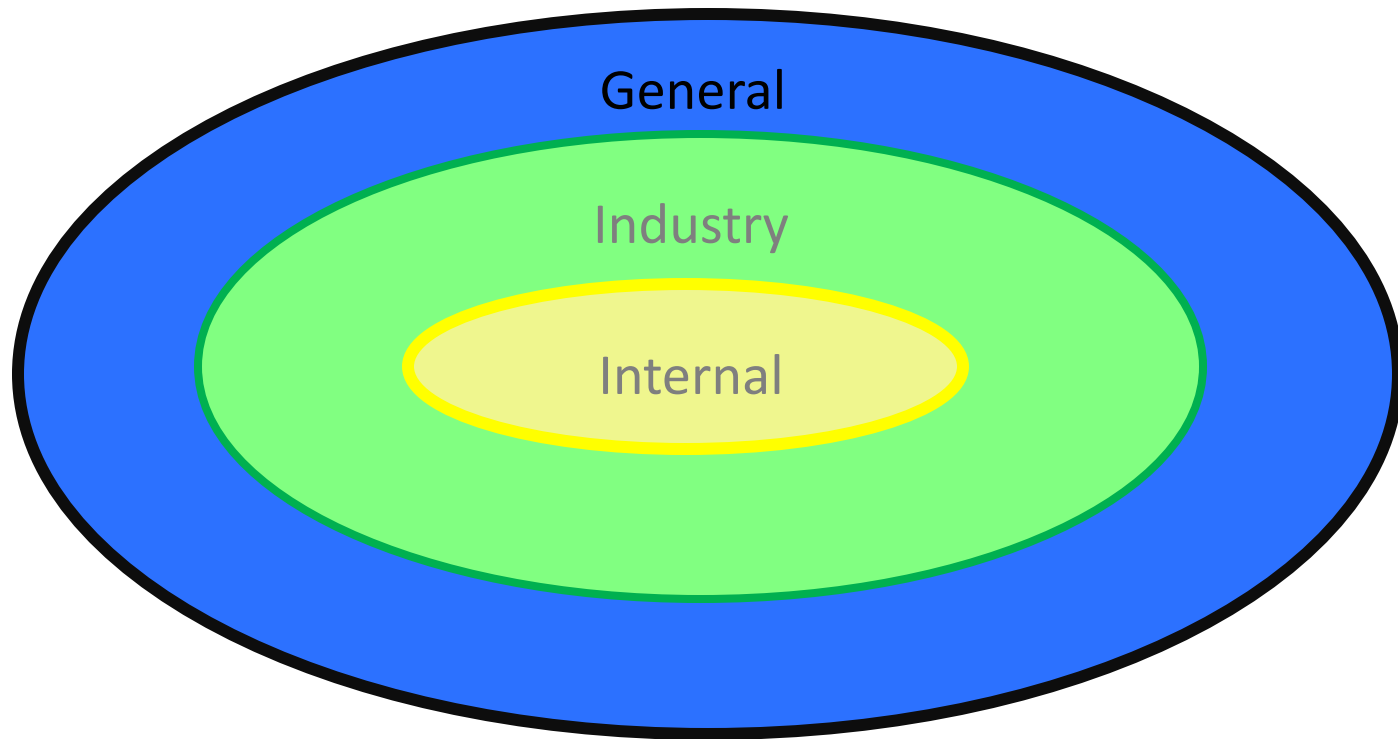


# Introduction

## 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

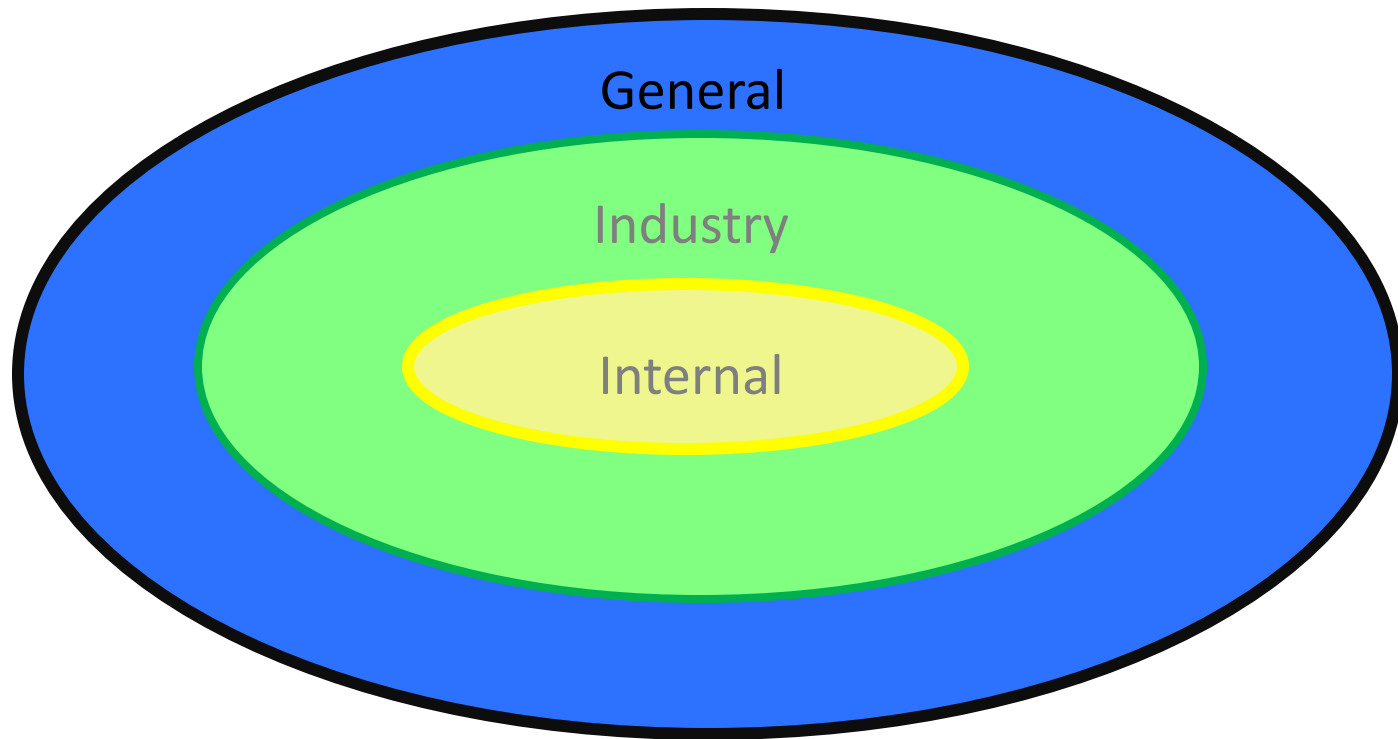
# Module 3 – The General Environment



# Module 3 Objectives

- Interpretation of the **General Environment** – Step 5
  - PEST through Porter's 5 Forces Model
  - The importance of constantly scanning the **General Environment** (The Sigmoid Curve)
- Building for the future – Step 6
  - The Resource Based View
- Corporate Strategy – Step 7
  - The Strategic Sweet Spot

# The General Environment



# The General Environment

- The General Environment is made up of a broad range of factors such as:

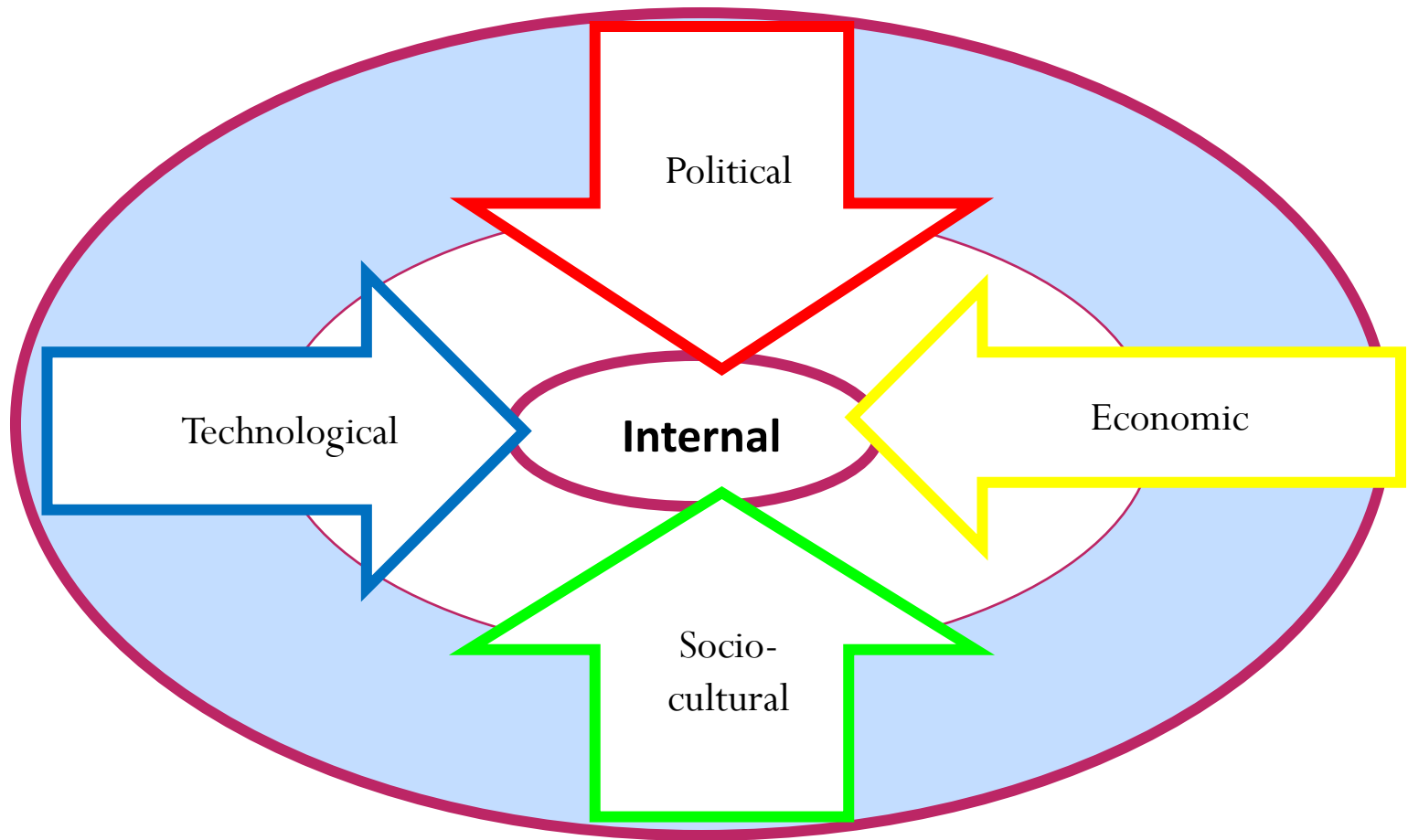
economic conditions, house prices, interest rates, levels of unemployment, fashions, tastes , trends, demographics, attitudes to work and free time, ethics, attitudes to the environment, politics, regulations and standards, levels of available technology...

# The General Environment

- PEST Framework
  - P – Political (laws and regulations)
  - E – Economic (economic health, infrastructure, natural resources)
  - S – Socio-Cultural (fashions, trends, demographics, environmental)
  - T – Technological (levels of technology)

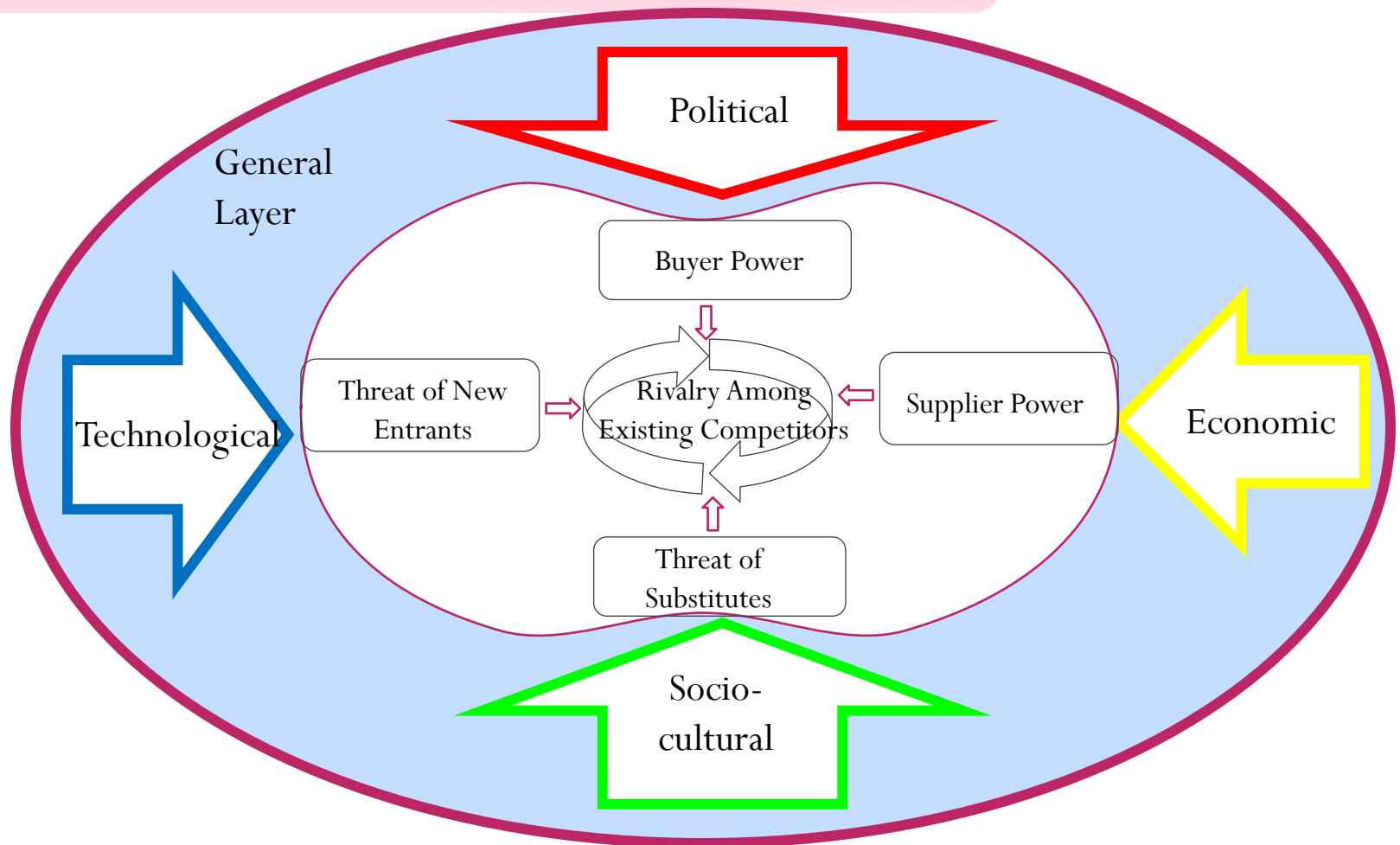
(Sometimes referred to as **STEP OR PESTLE**)

# Strategic Landscape

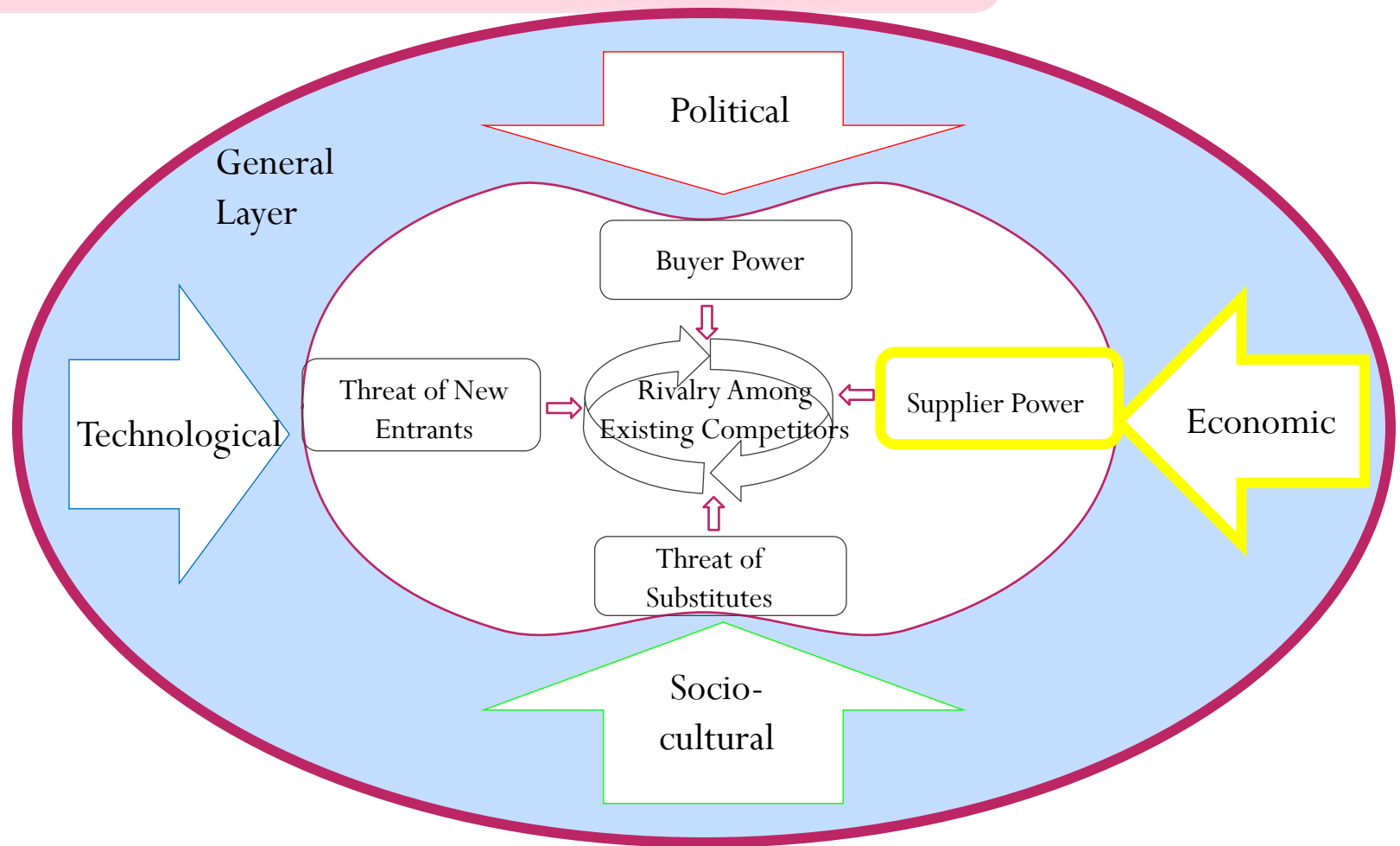




# The General Environment



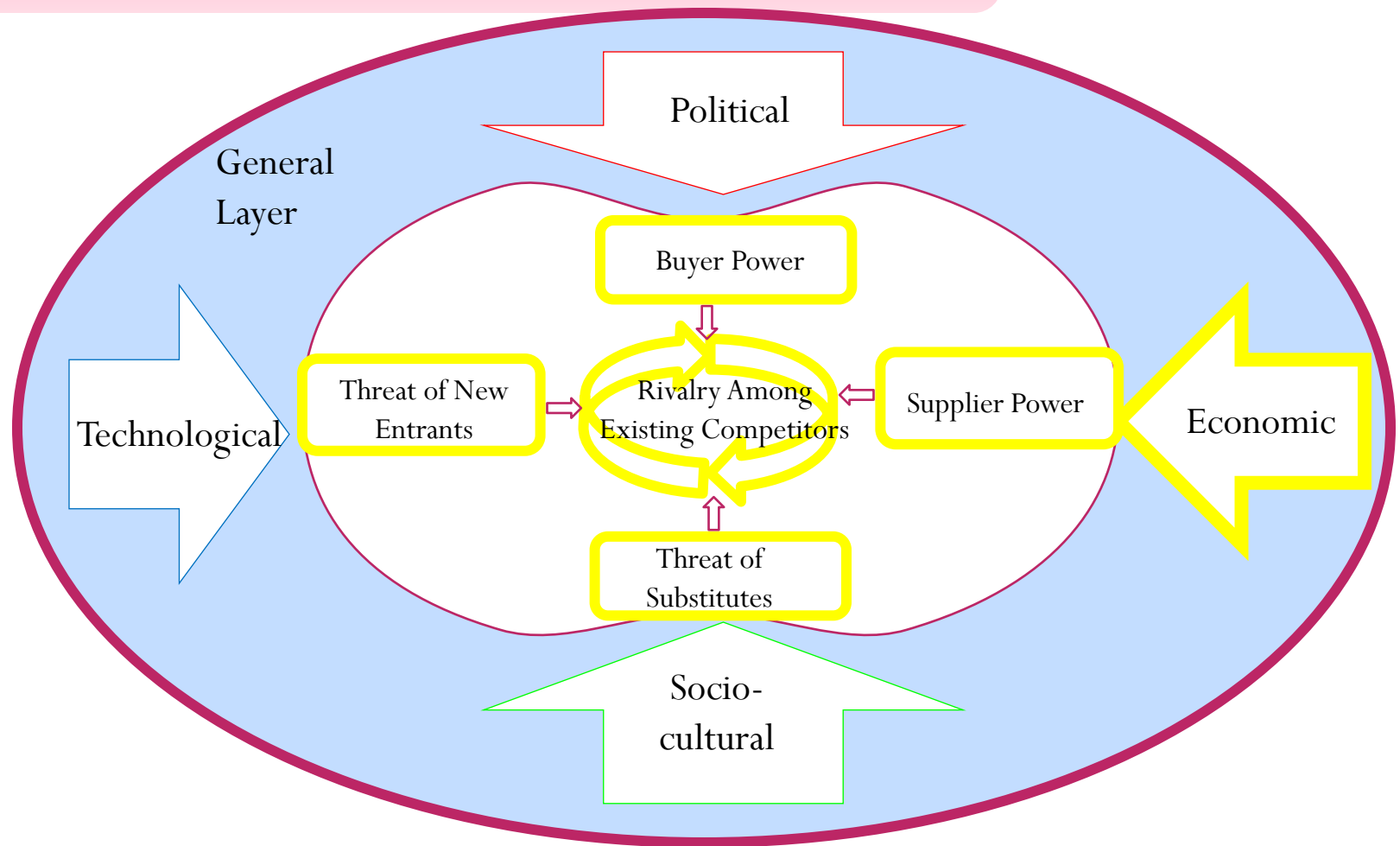
# The General Environment



# The General Environment

- “Counter Cyclical hiring [provides] a company with a competitive advantage. By engaging in bargain hunting during downturns and hiring individuals who would probably not be available during upturns, a company may gain a critical edge over its competitors.” (C.R. Greer and T.C. Ireland)

# The General Environment



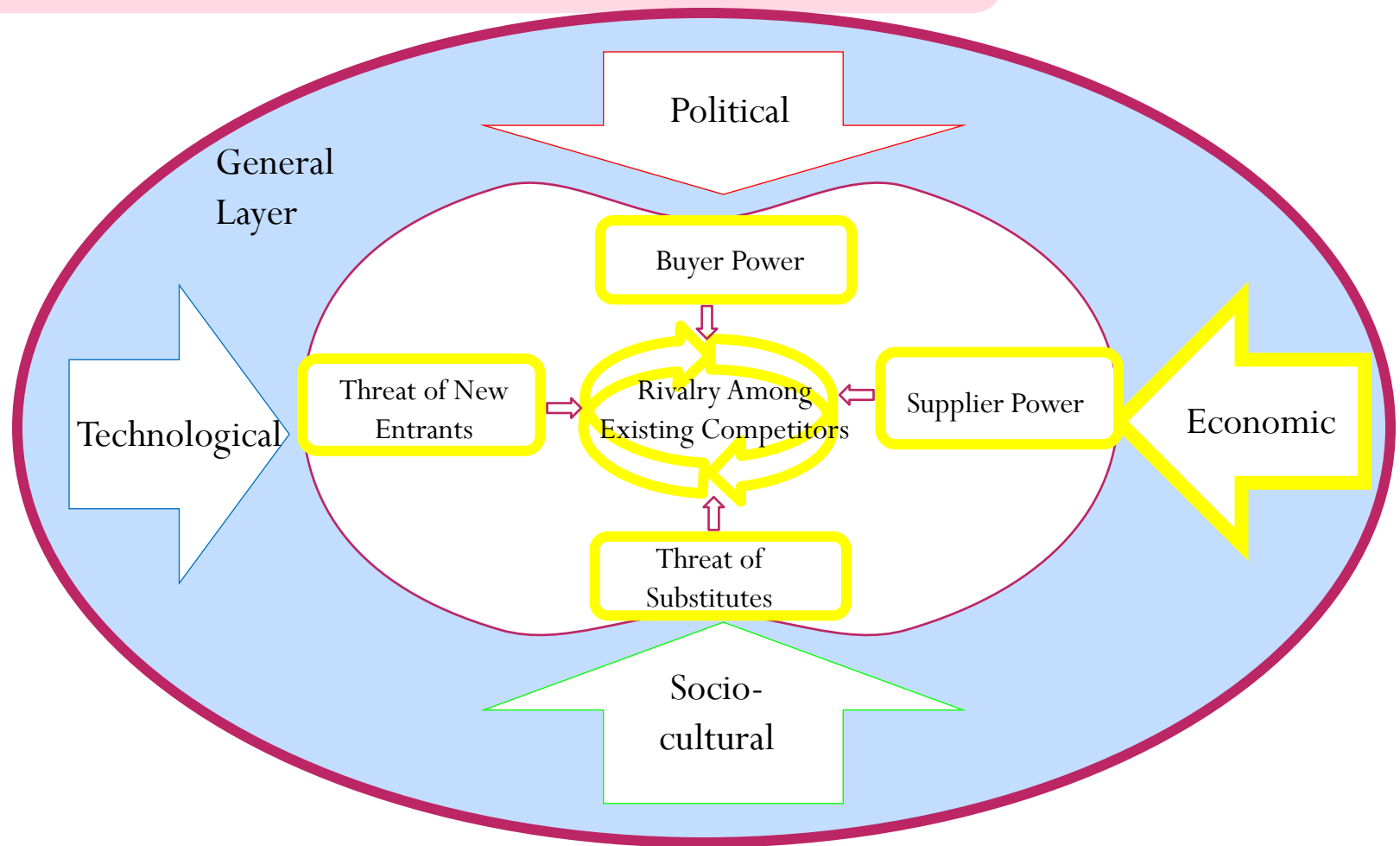
# The General Environment

Three rules of recessions:

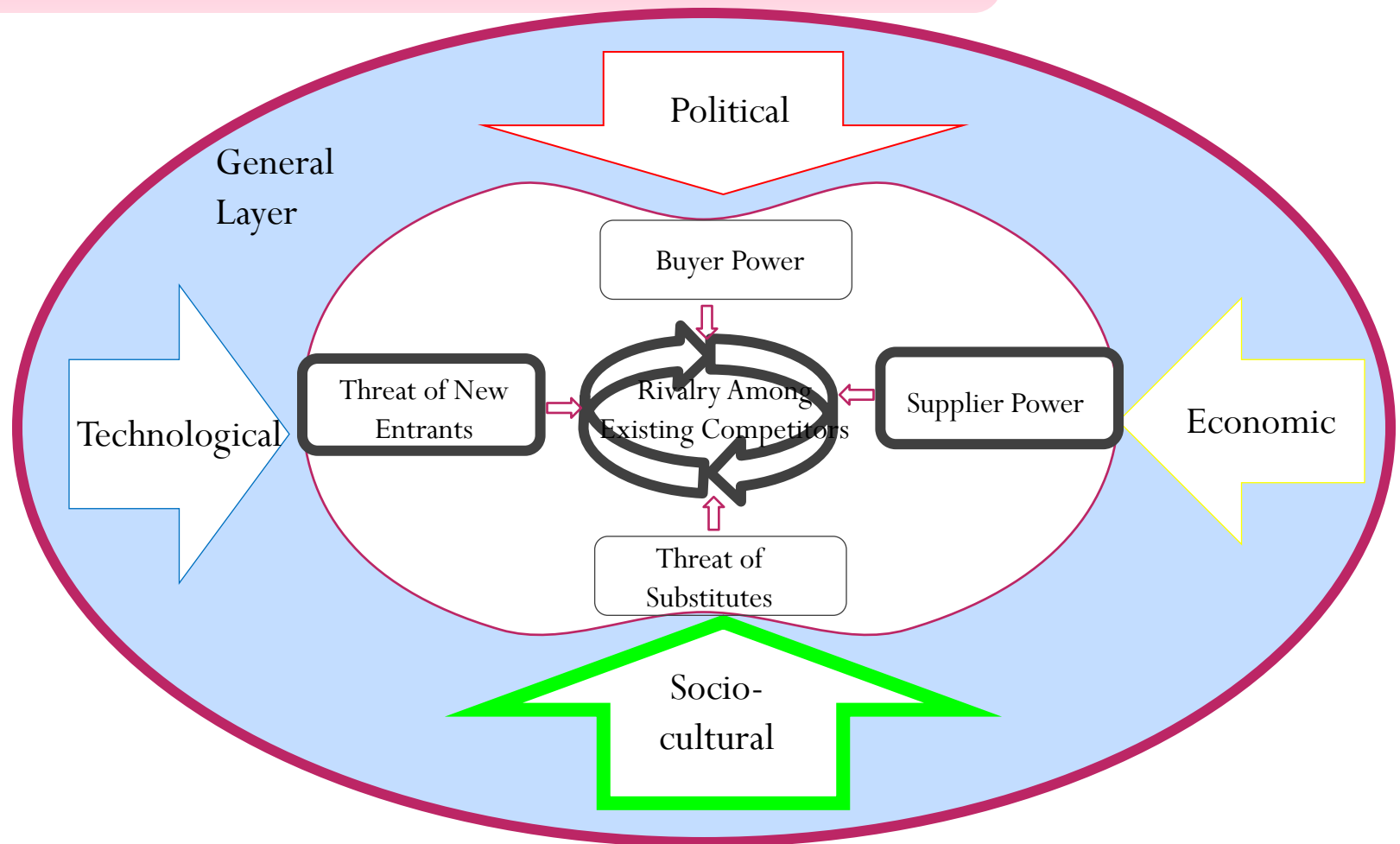
1. they always end;
2. you can't "save" your way out of them; and
3. some businesses emerge stronger than before.

Gordon Moore (Intel Co-founder)

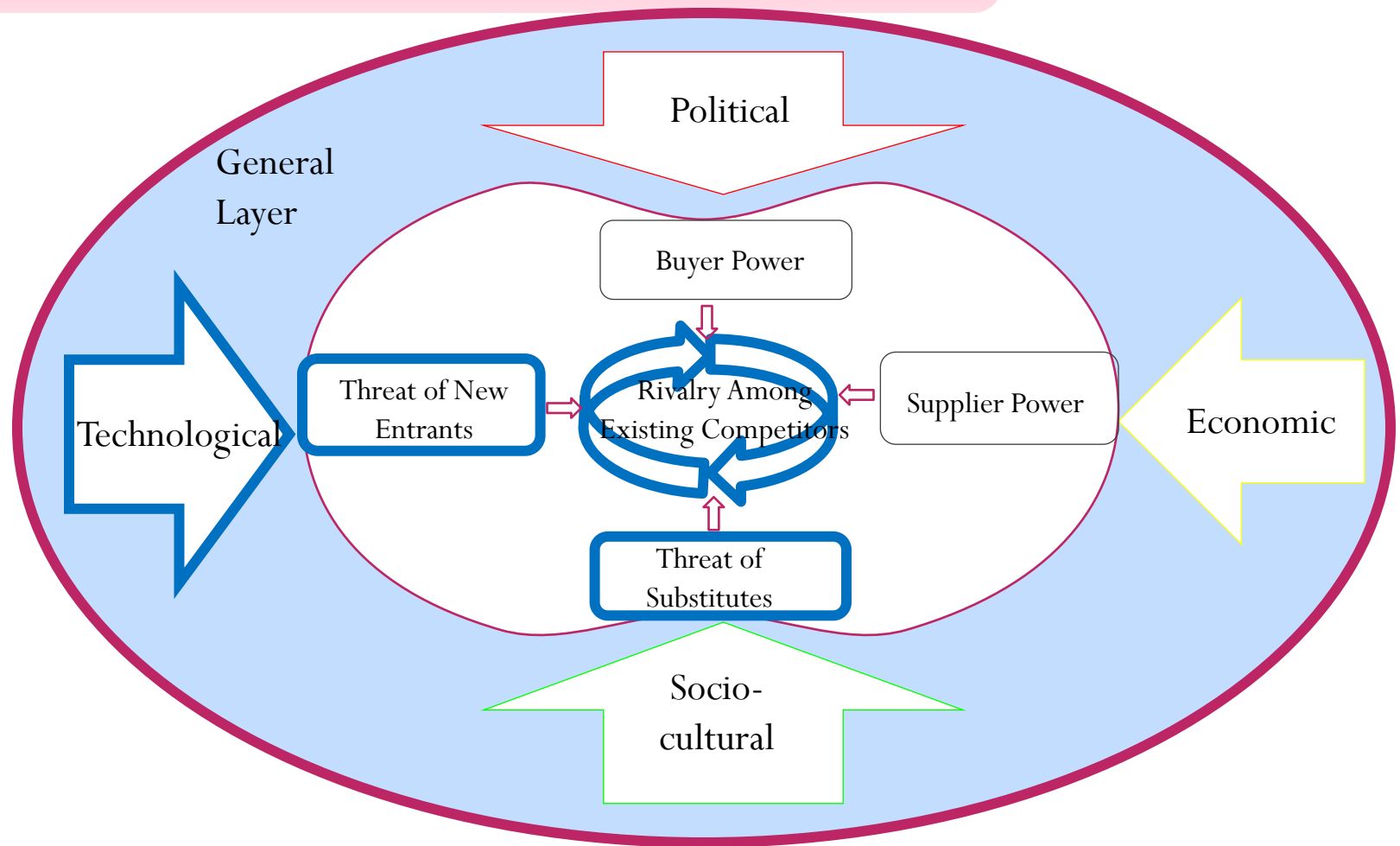
# The General Environment



# The General Environment

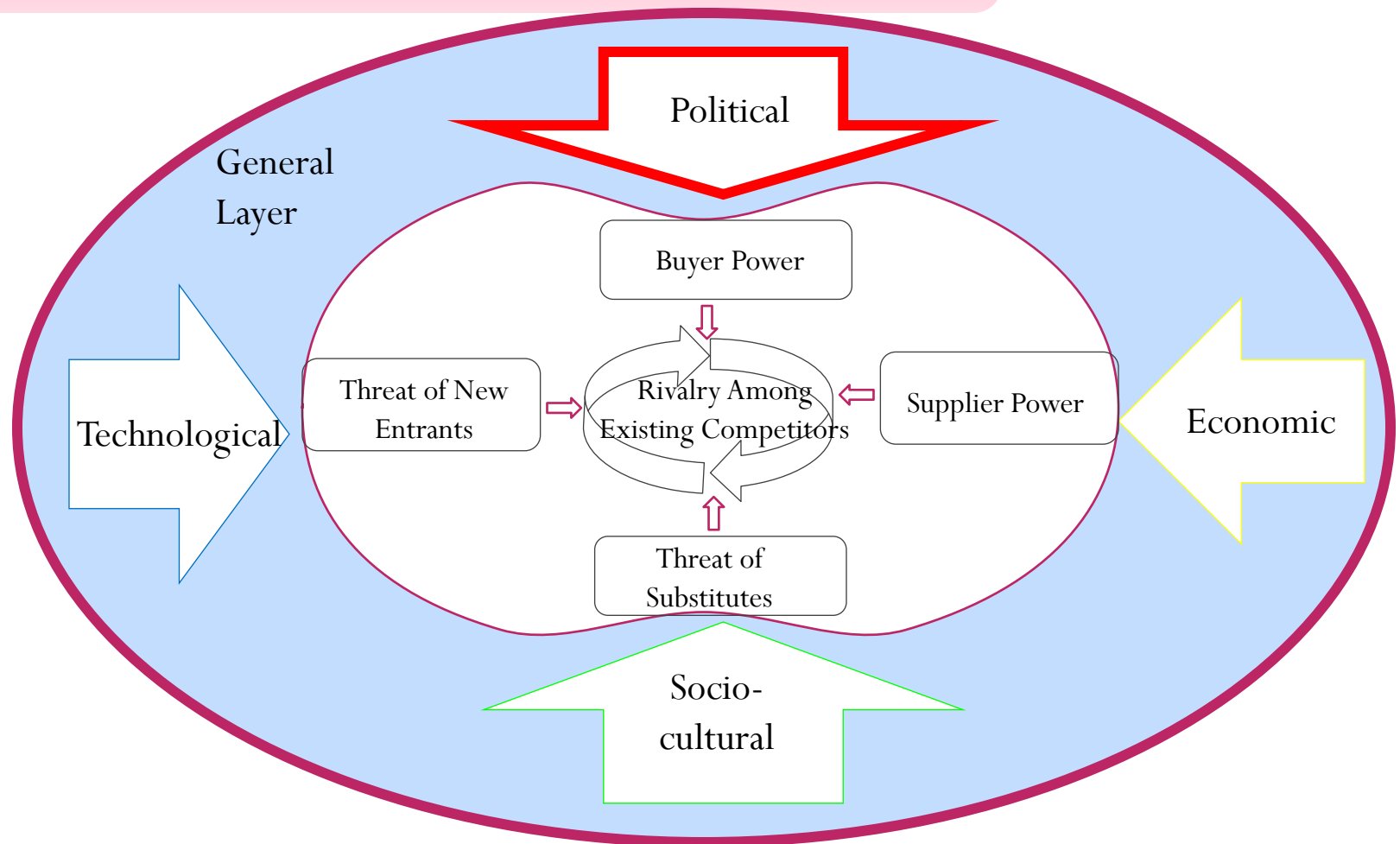


# The General Environment

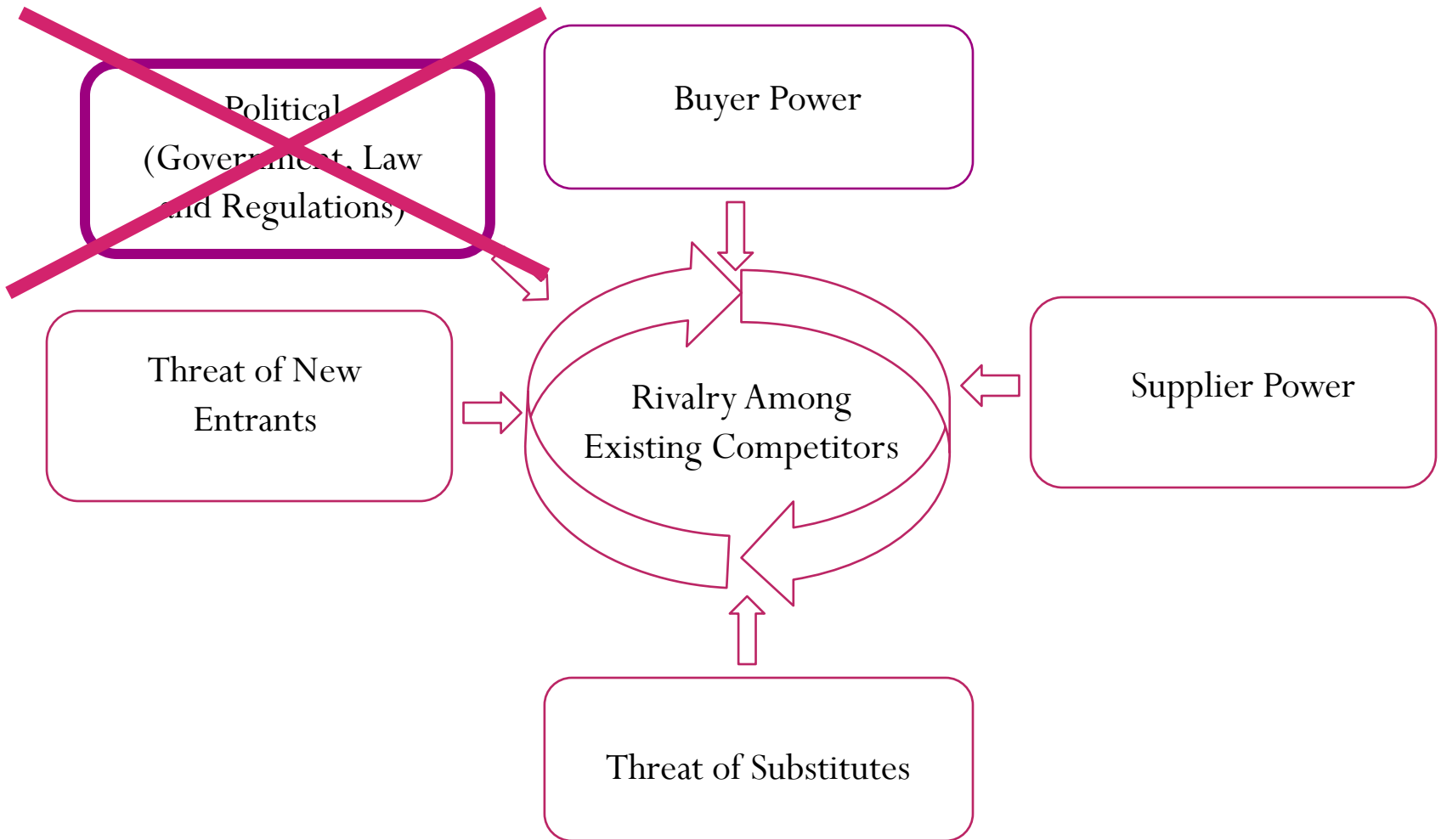




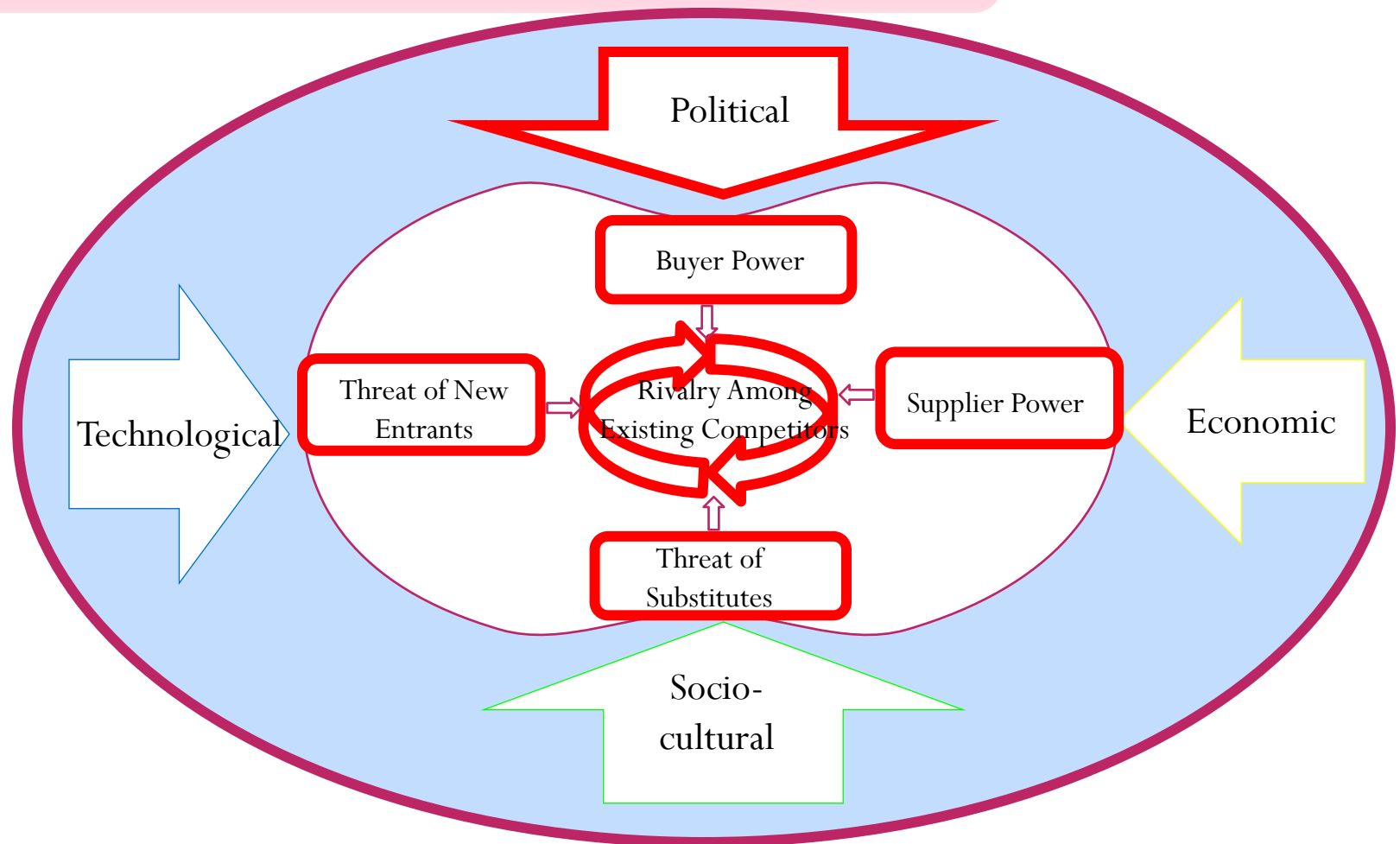
# The General Environment



# 6<sup>th</sup> Force?



# The General Environment



# The General Environment

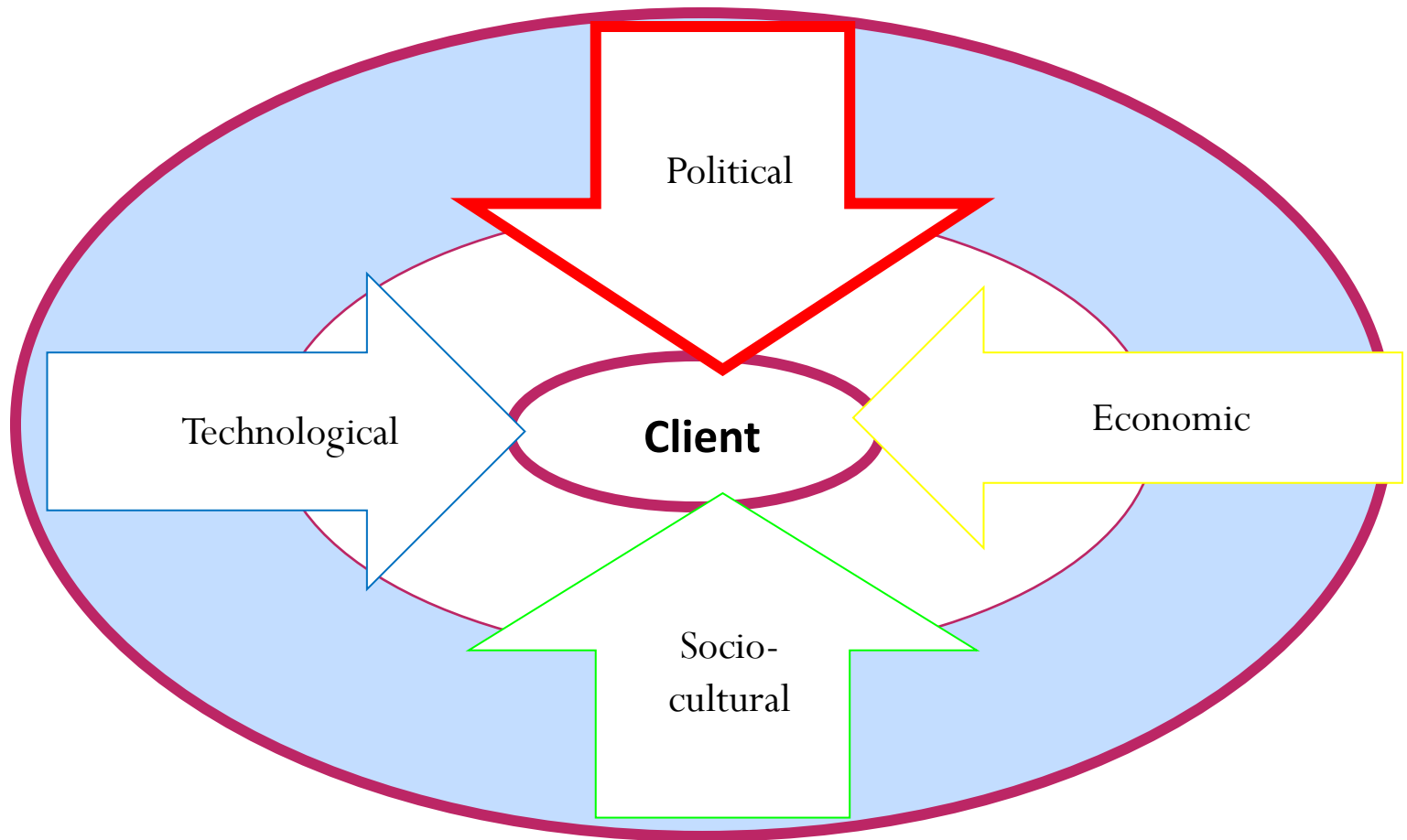
- “Government is not best understood as a sixth force because government involvement is neither inherently good nor bad for industry profitability. The best way to understand the influence of government on competition is to analyse how specific government policies affect the five forces. For instance, patents raise barriers to entry boosting industry profit potential...”

# The General Environment

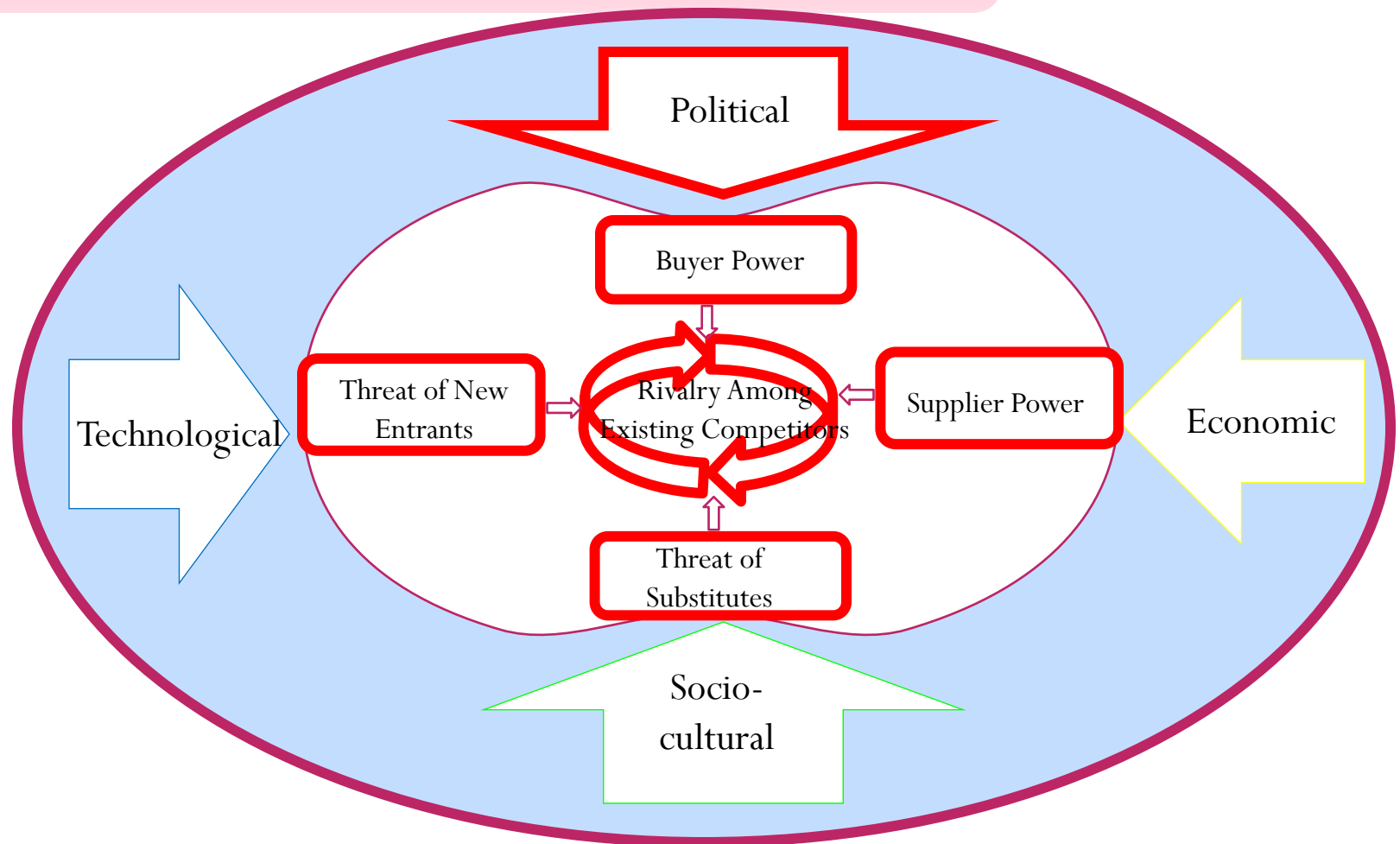
- “...Conversely, government policies favouring unions may raise supplier power and diminish profit potential.

Bankruptcy rules that allow failing companies to reorganize rather than exit can lead to excess capacity and intense rivalry. Government operates at multiple levels and through many different policies, each of which will affect structure in different ways.” (Michael Porter)

# The General Environment



# The General Environment



# The General Environment

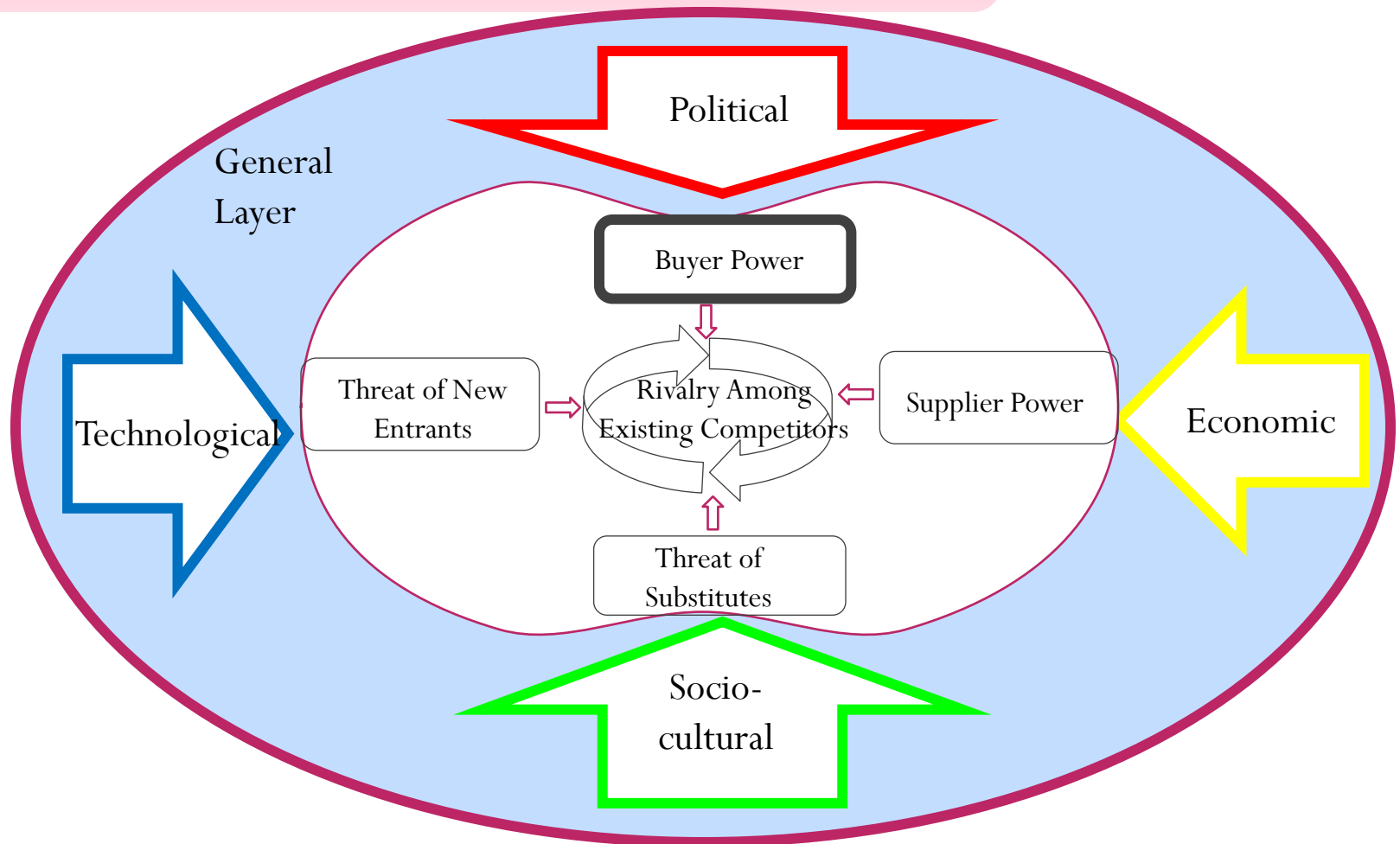
- “Because a regulatory change can affect an industry’s structure, a company must ask itself, ‘Are there any government actions on the horizon that may influence the structure of my industry?’”



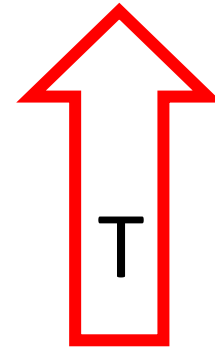
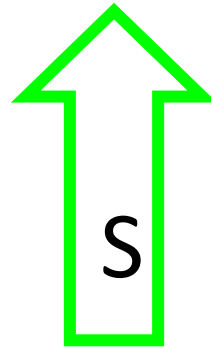
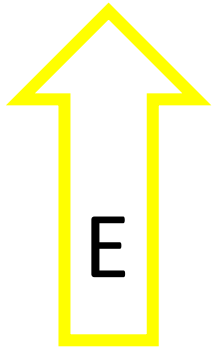
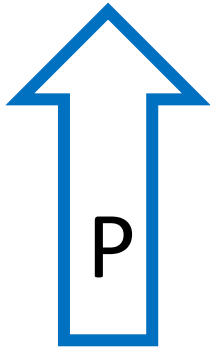
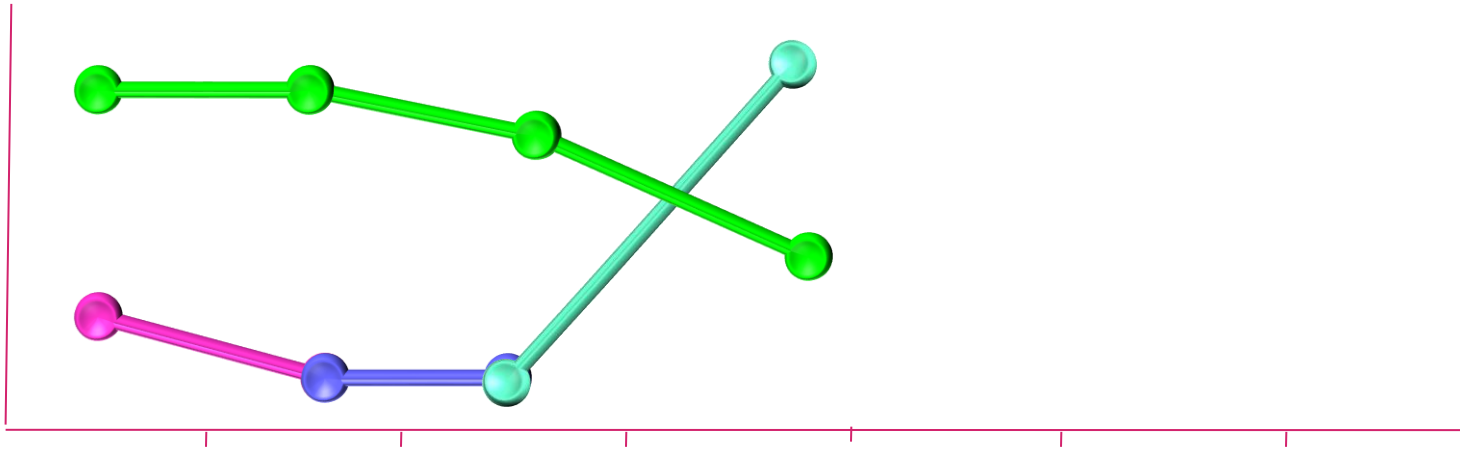
# The General Environment

- “...If so, what does the change do for my **relative** strategic position, and how can I prepare to deal with it effectively now?’...Managers who take a proactive approach to regulation are more likely to convert constraints into opportunities.” (Winning Legally)

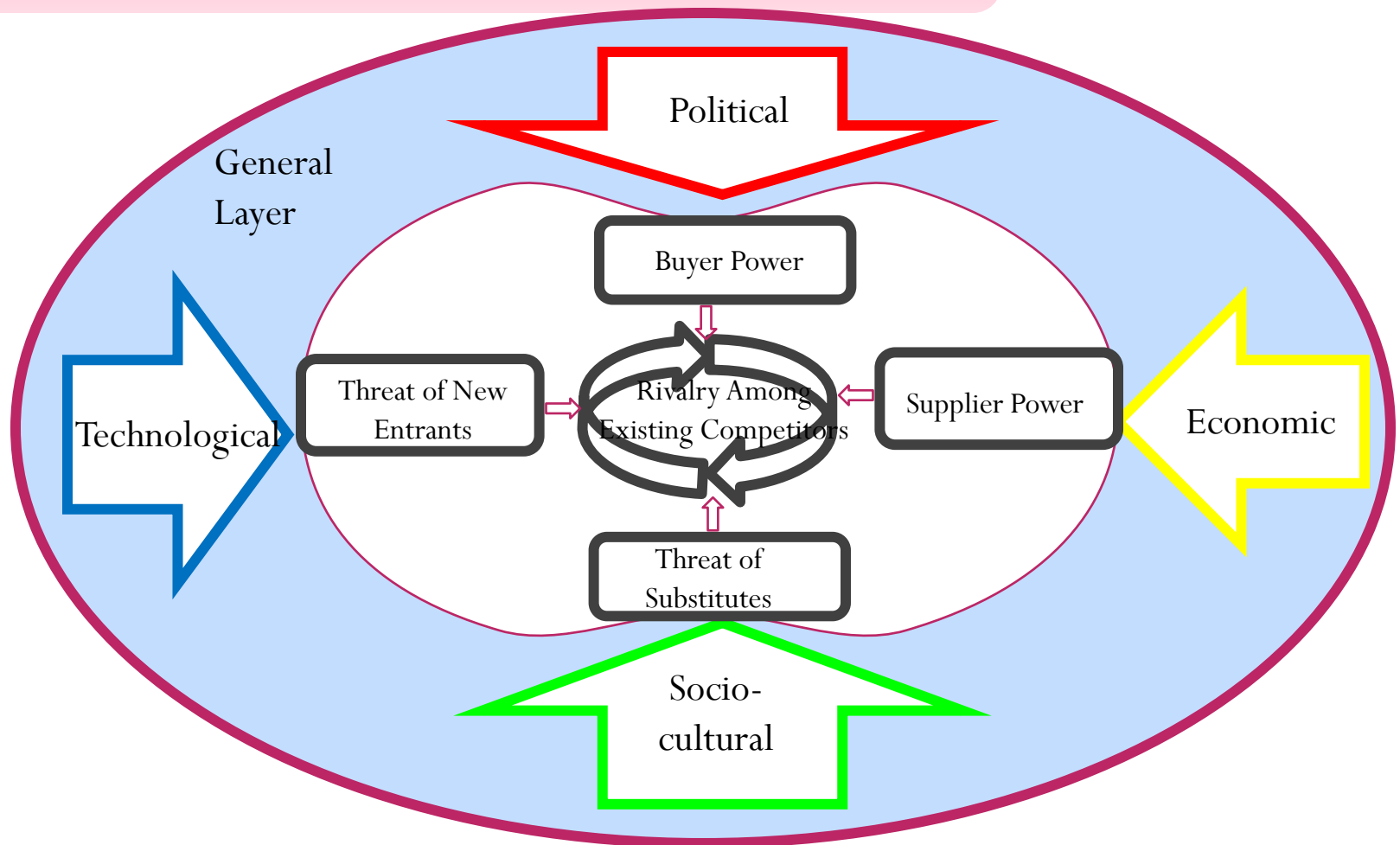
# The General Environment



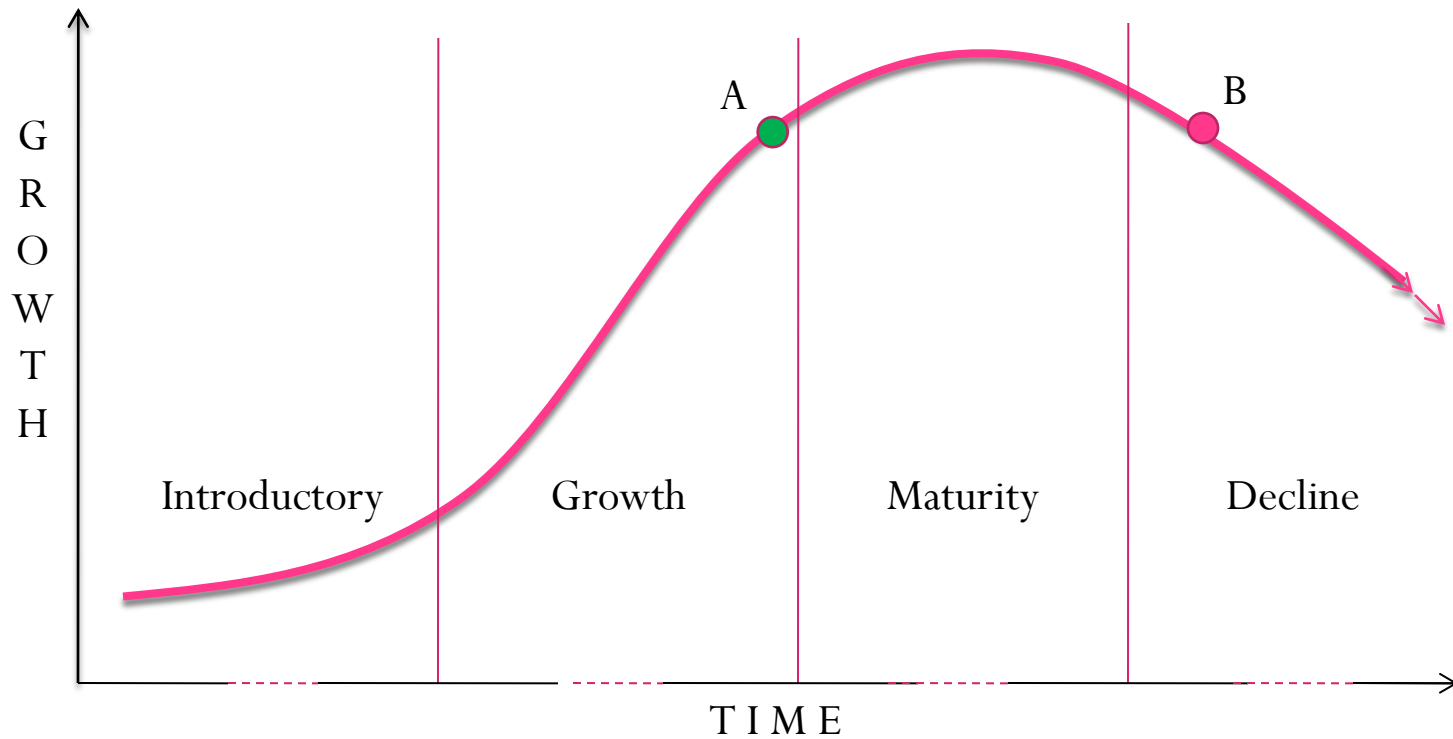
# Strategy Canvas



# The General Environment



# Sigmoid Curve



# Sigmoid Curve

- “The world keeps changing. It is one of the paradoxes of success that the things that got you where you are, are seldom the things that keep you there... The sigmoid curve sums up the story of life itself. We start slowly, experimentally and falteringly, we wax then we wane.

# Sigmoid Curve

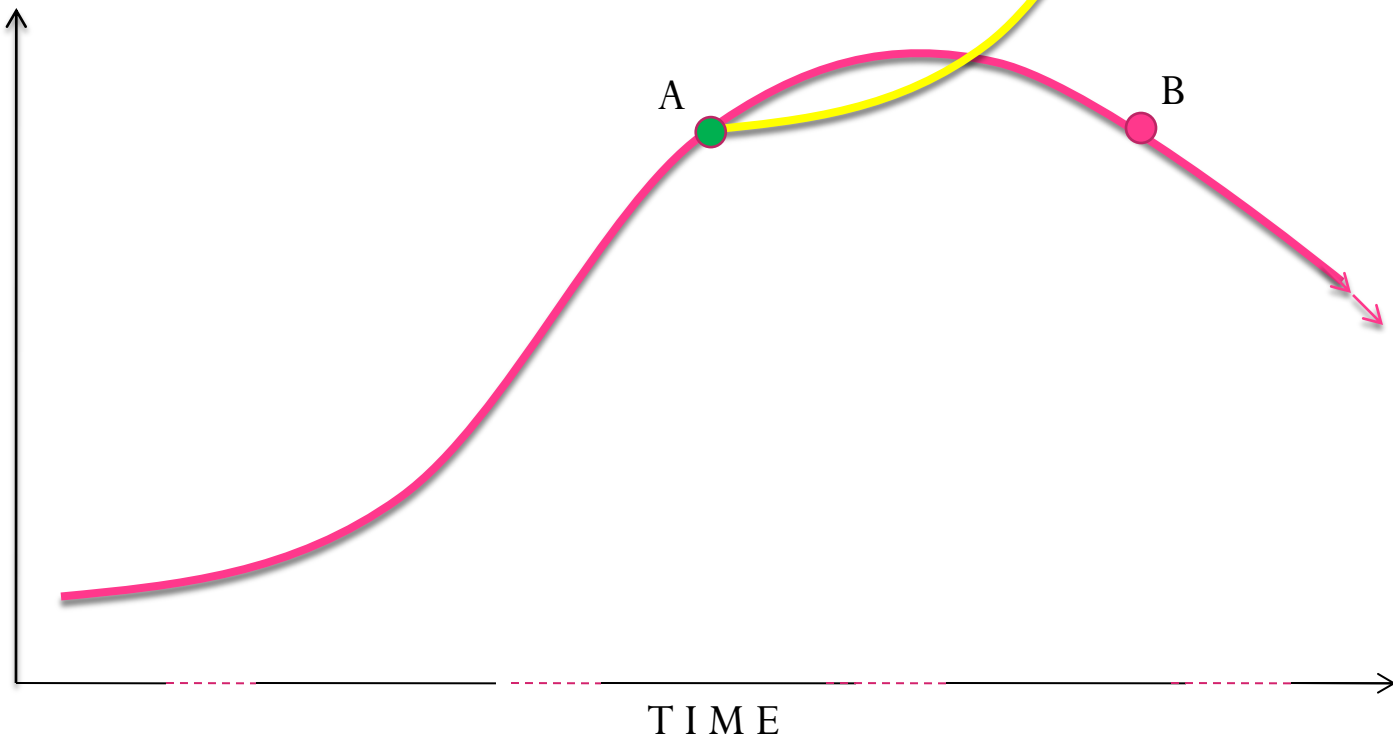
- It is the story of a product's lifecycle and of many corporation's rise and fall. It even describes the course of love and relationships. If that were all it would be a depressing image. The secret to constant growth is to start a new curve before the first one peters out. The place to start that new curve is point A, where there is the time, as well as the resources and the energy."

# Sigmoid Curve

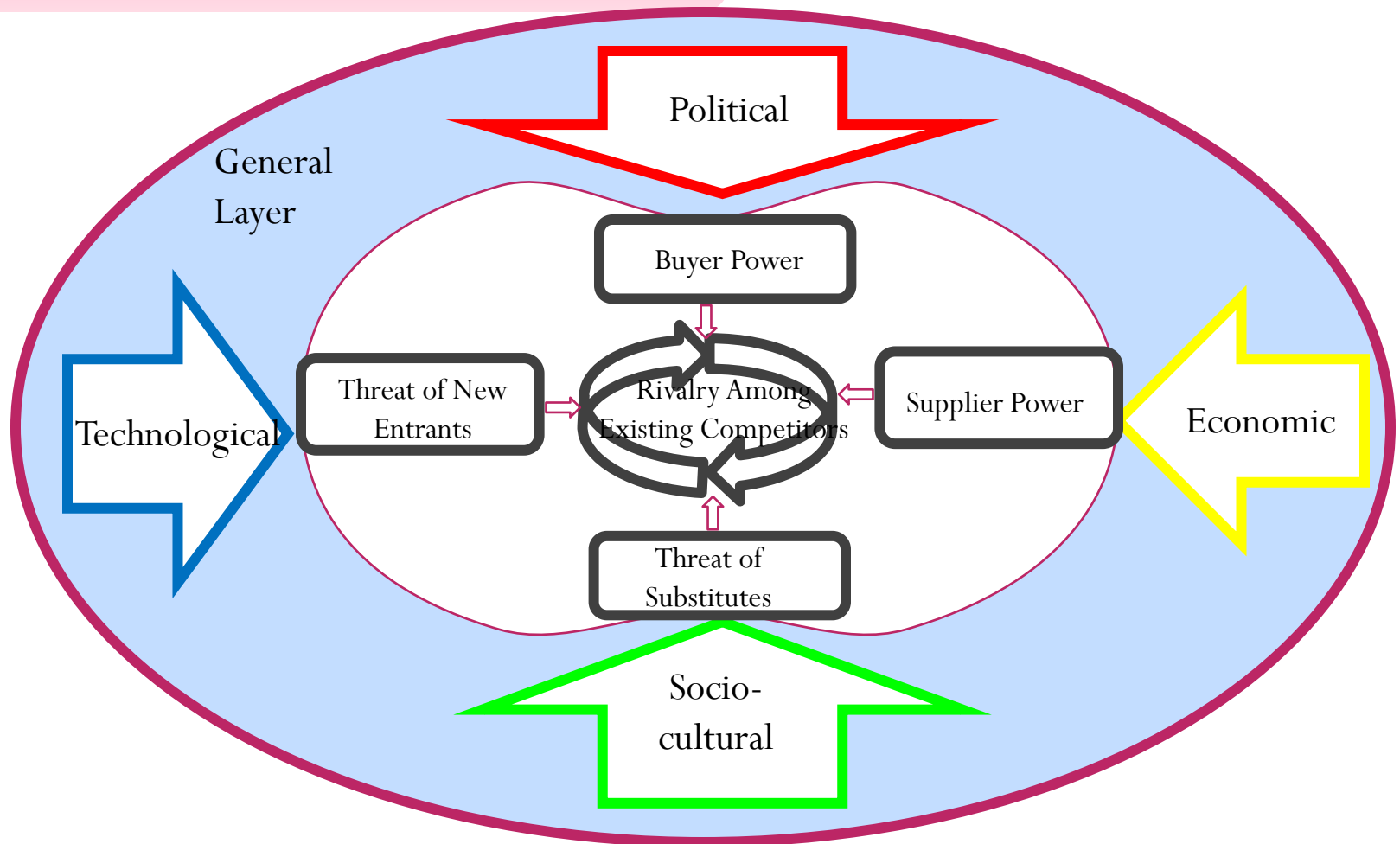
- That would seem obvious; were it not for the fact that at point A all the messages coming through to the individual or institution are that everything is going fine, that it would be folly to change when everything is going so well. All that we know of change, be it personal change or change in organizations, tells us that the real energy for change only comes when you are looking disaster in the face at point B on the first curve.” (Charles Handy)



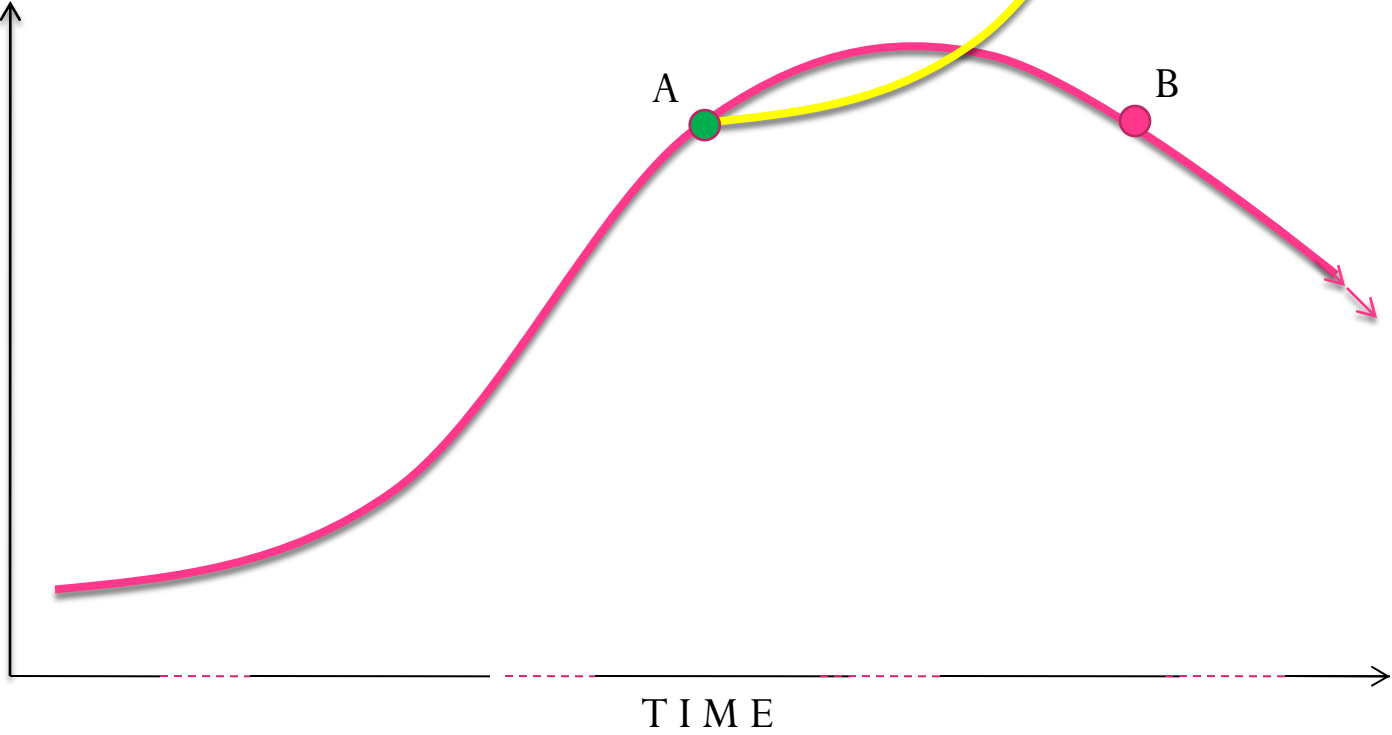
# Sigmoid Curve



# Scenario Planning



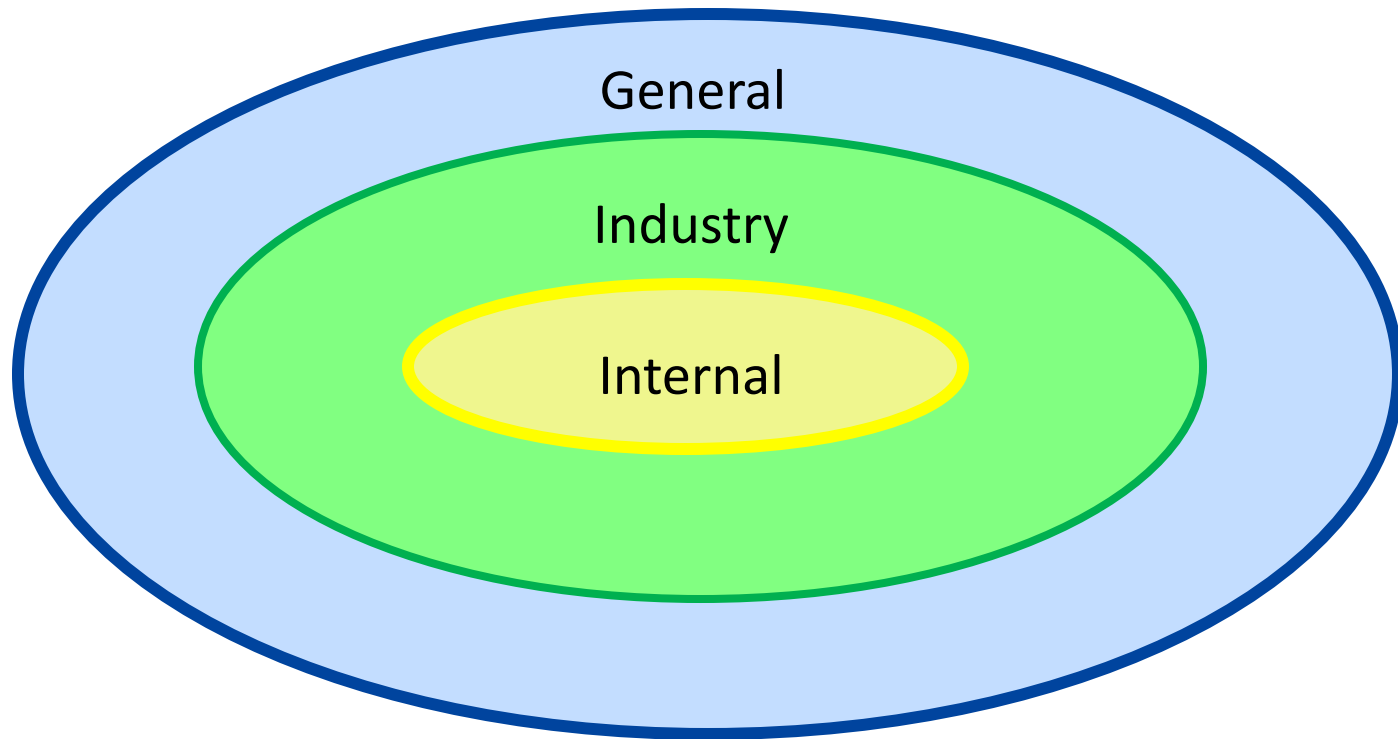
# Sigmoid Curve



# Module 3 Objectives

- Interpretation of the **General Environment** – Step 5
  - PEST through Porter's 5 Forces Model
  - The importance of constantly scanning the **General Environment** (The Sigmoid Curve)
- Building for the future – Step 6
  - The Resource Based View
- Corporate Strategy – Step 7
  - The Strategic Sweet Spot

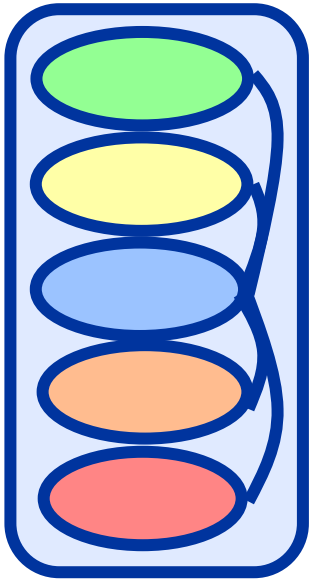
# The Strategic Landscape



# The Strategic Landscape

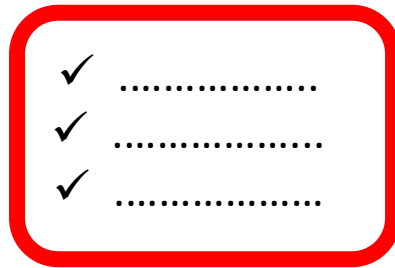
**Step 4 – Functional Strategies**

Tool: Key Asset Map



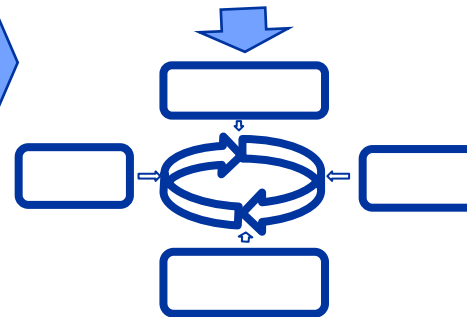
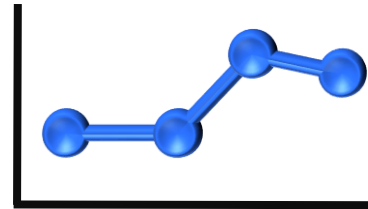
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

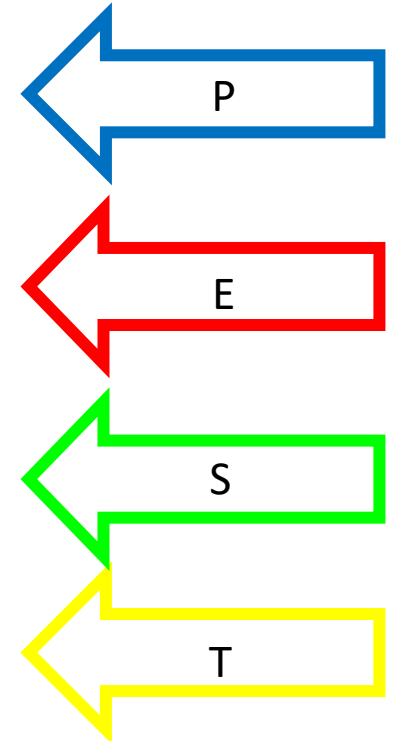
Tool: Strategy Canvas



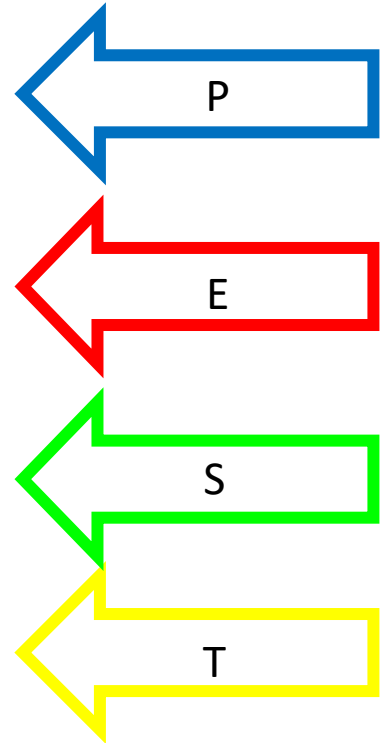
**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces



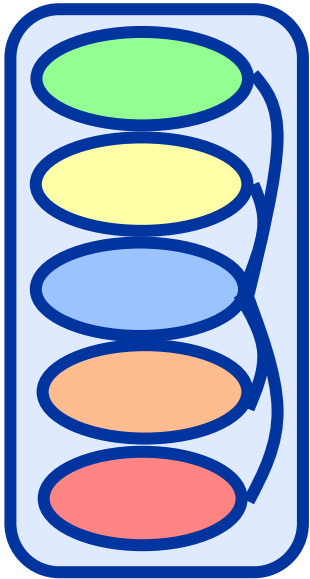
# The Strategic Landscape



# The Strategic Landscape

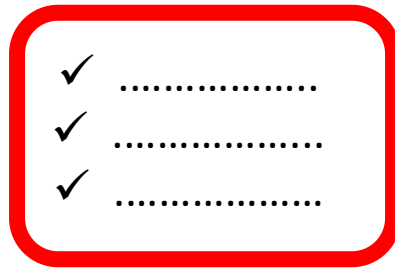
**Step 4 – Functional Strategies**

Tool: Key Asset Map



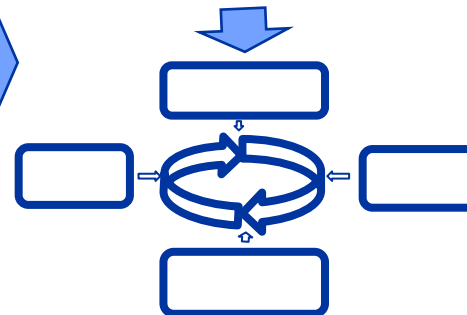
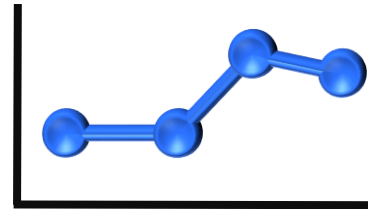
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

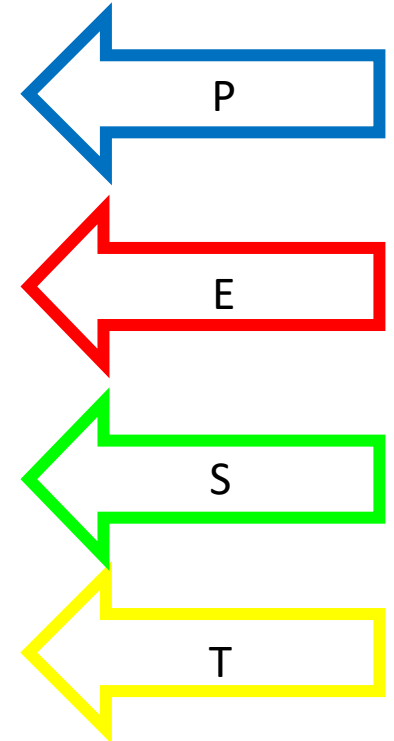
Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces





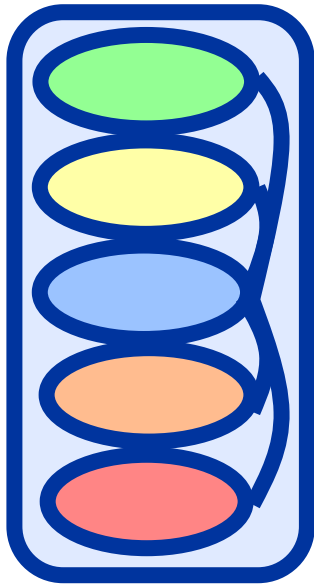
# The Strategic Landscape

1. Do not destroy the source of our competitive advantage (e.g. Kodak)
2. Can we respond to this new world in a superior, more feasible or less costly manner than the competition based upon the existing assets and capabilities of the business?

# The Strategic Landscape

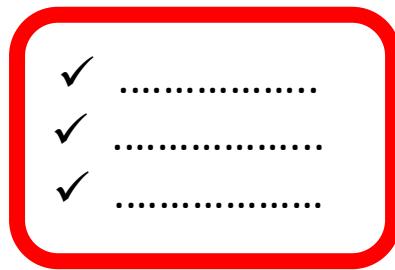
**Step 4 – Functional Strategies**

Tool: Key Asset Map



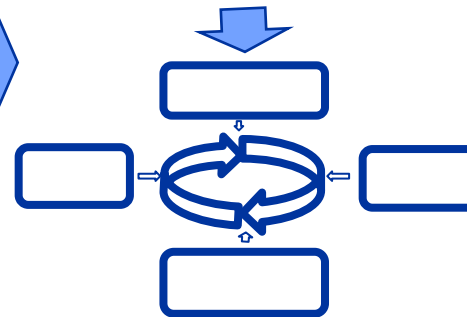
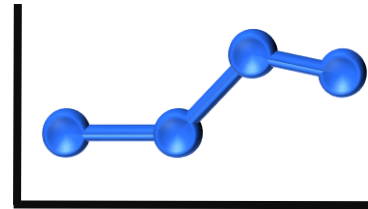
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

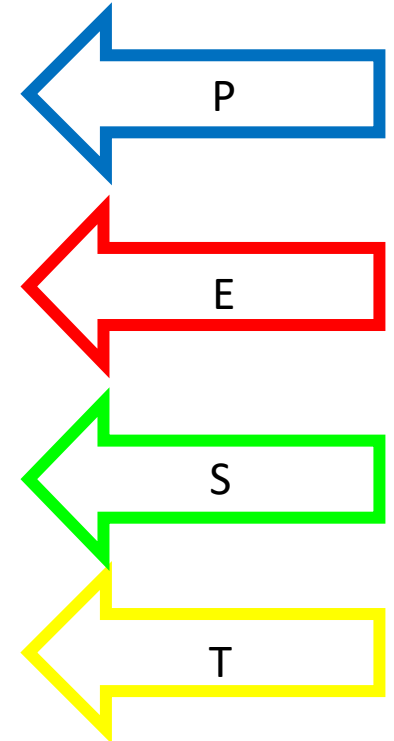
Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces



**Step 6 – Building For The Future**

Tool: Revisit Steps 3 & 4



# Building For The Future

“In essence, long-term winners sustain their growth by edging out from their core, with natural extensions of their resources.” (Professor Day of Wharton Business School)

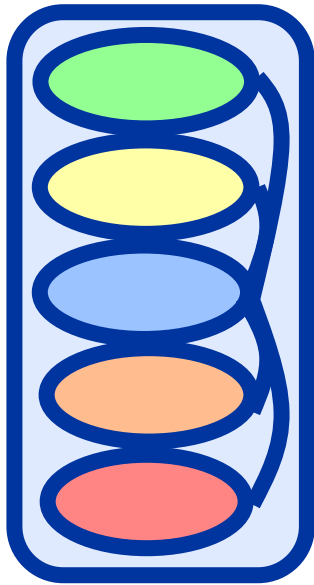
# Building For The Future

“The prescription [for growth] is to deepen strategic position rather than broadening it and compromising it.”  
(Professor Michael Porter of Harvard Business School)

# The Strategic Landscape

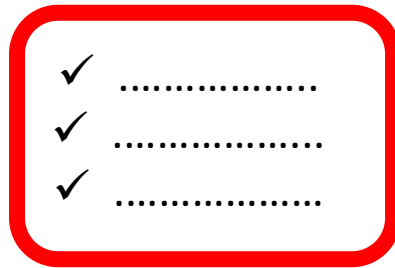
**Step 4 – Functional Strategies**

Tool: Key Asset Map



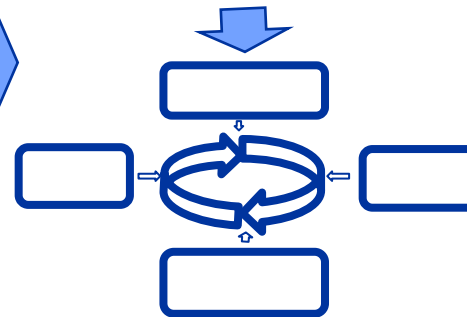
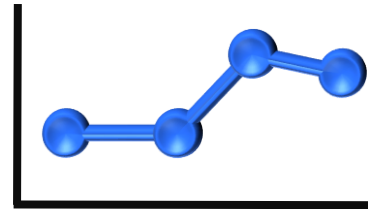
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

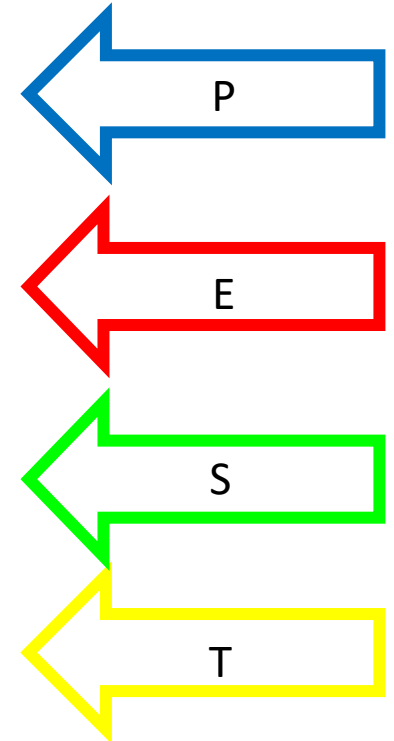
Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces



**Step 6 – Building For The Future**

Tool: Revisit Steps 3 & 4



# The Resource Based View

“An externally focused orientation does not provide a secure foundation for formulating long-term strategy. When the external environment is in a state of flux, the firm’s own resources and capabilities may be a much more stable basis on which to define its identity...”

# The Resource Based View

“...Hence, a definition of a business in terms of what it is capable of doing may offer a more durable basis for strategy than a definition based upon the needs which the business seeks to satisfy.” (Professor Robert Grant of Georgetown University)

# The Resource Based View

Could our core strengths be exported into new **Products / Services?**

- Pepsi – Aquafina, Tropicana, Gatorade, Doritos, Walkers, Quavers
- Honda – Motorbikes, Cars, Lawnmowers, Power Generators
- 3M – Sticky tape, Post-it notes, Magnetic Tape, Photographic Film
- Sony – Transistor radios, Walkman, Playstation, Laptops
- Apple – Macbook, ipod, itunes, iphone, ipad, Apple Watch

Could the core strengths be exported into new **Geographical Locations?**

e.g. Local customer needs can anticipate those elsewhere.

e.g. Local laws can foreshadow those elsewhere



# Spotting Trends?

- Financial Regulation / Banking laws
- Corporate Governance
- Manufacturing Regulations / Environmental Laws
- Tax (e.g. Green Investment Incentives)
- IP (e.g. Digital Rights Management)
- Consumer Protection / Trading Standards (e.g. distance selling)
- Corporate Social Responsibility (e.g. supply chain labour standards)
- Employment Regulation
- Pharmaceuticals (e.g. Clinical trials / Stem cell regulations )
- Data Protection / Privacy

## Spotting Trends?

“Tough regulatory standards are not a hindrance but an opportunity to move early to upgrade products and processes. Some regions will typically lead others in terms of their concern with social problems such as safety, environmental quality and the like. Instead of avoiding such areas, as some companies do, they should be sought out.

# Spotting Trends?

“An advantage will result as other regions and ultimately other nations modify regulations to follow suit. Firms like governments are often prone to see the short term cost of dealing with tough standards and not their long term benefits in terms of innovation. Firms point to foreign rivals without such standards having a cost advantage. Such thinking is based on an incomplete view of how competitive advantage is created and sustained.” (The competitive advantage of Nations)

# The Resource Based View

Could our core strengths be exported into new **Products / Services?**

- Pepsi – Aquafina, Tropicana, Gatorade, Doritos, Walkers, Quavers
- Honda – Motorbikes, Cars, Lawnmowers, Power Generators
- 3M – Sticky tape, Post-it notes, Magnetic Tape, Photographic Film
- Sony – Transistor radios, Walkman, Playstation, Laptops
- Apple – Macbook, ipod, itunes, iphone, ipad, Apple Watch

Could the core strengths be exported into new **Geographical Locations?**

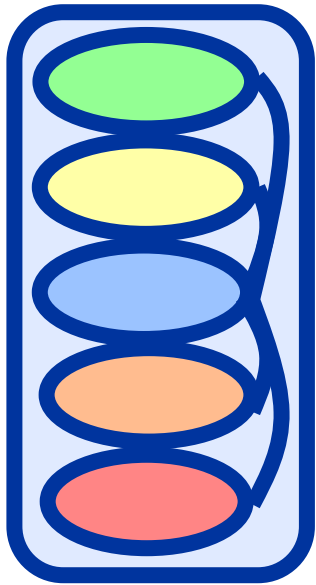
e.g. Local customer needs can anticipate those elsewhere.

e.g. Local laws can foreshadow those elsewhere

# The Strategic Landscape

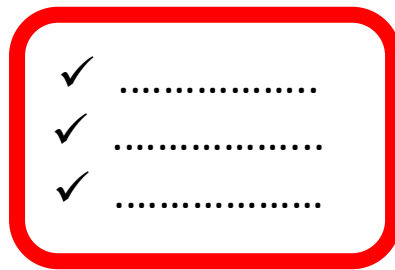
**Step 4 – Functional Strategies**

Tool: Key Asset Map



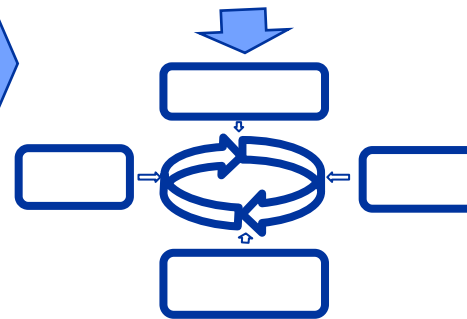
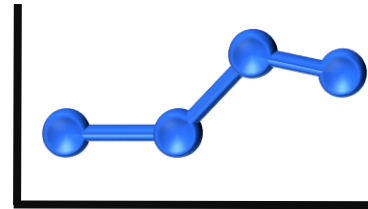
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

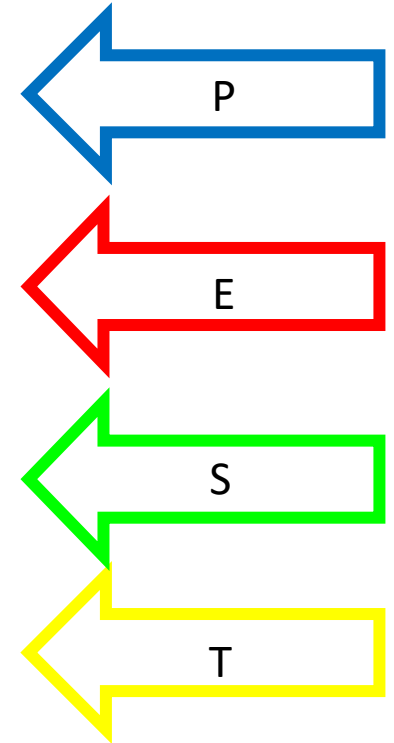
Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces

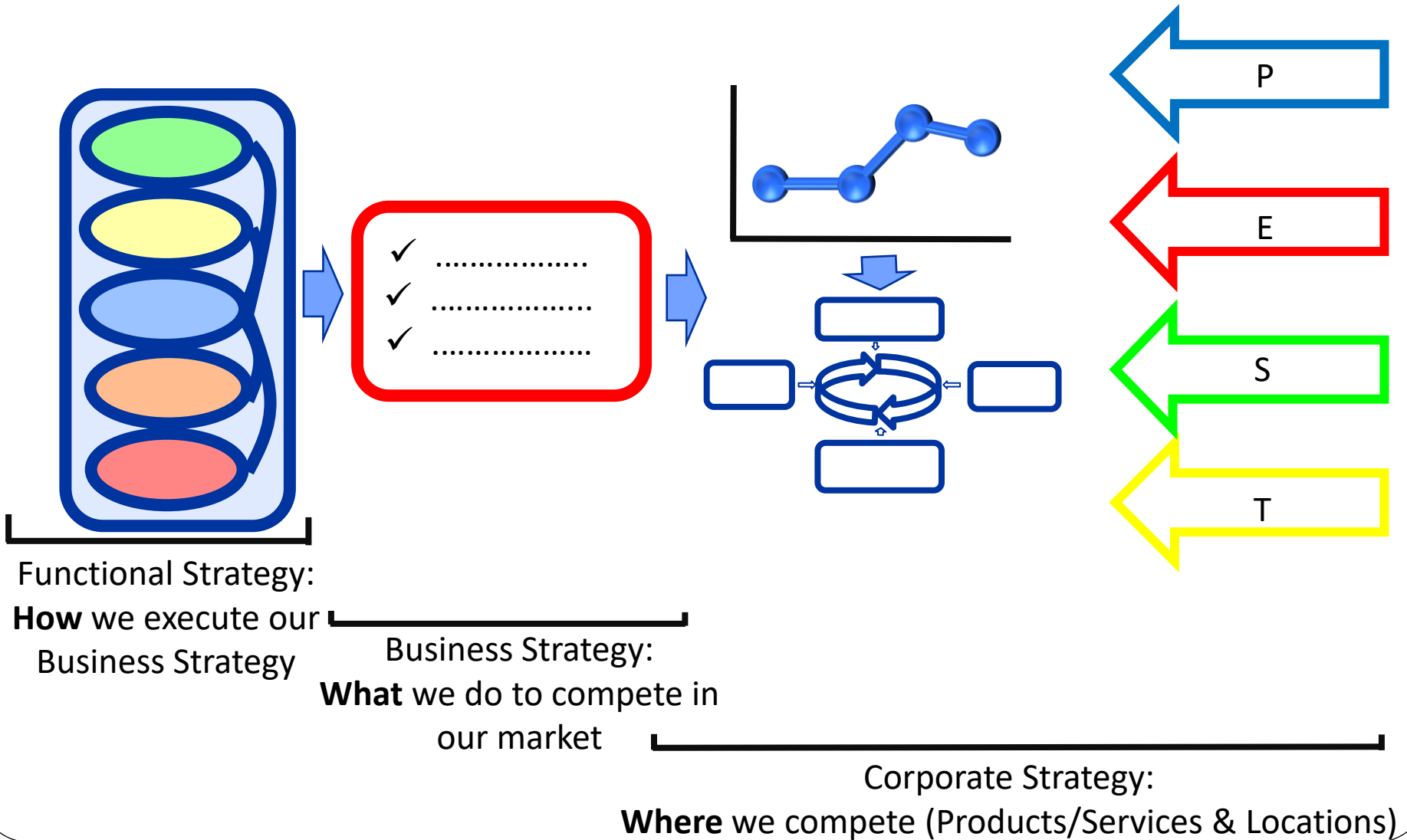


**Step 6 – Building For The Future**

Tool: Revisit Steps 3 & 4  
(The Resource Based View)

**Step 7 – Corporate Strategy**

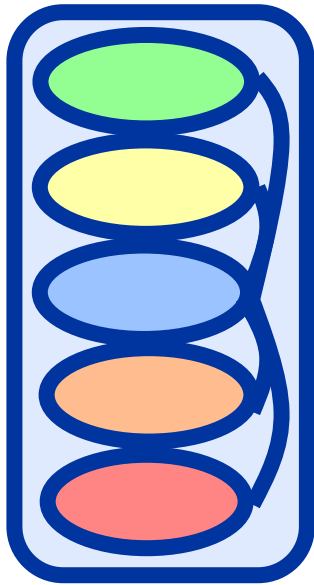
# The Strategic Landscape



# The Strategic Landscape

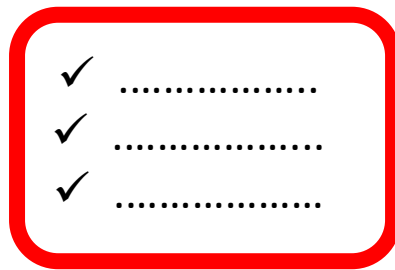
**Step 4 – Functional Strategies**

Tool: Key Asset Map



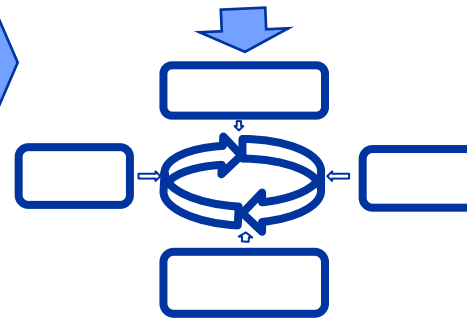
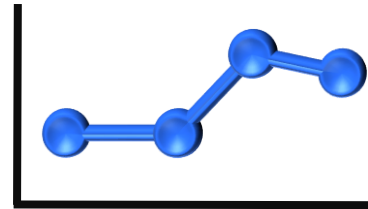
**Step 3 – Business Strategies**

Tool: Strategy Selection



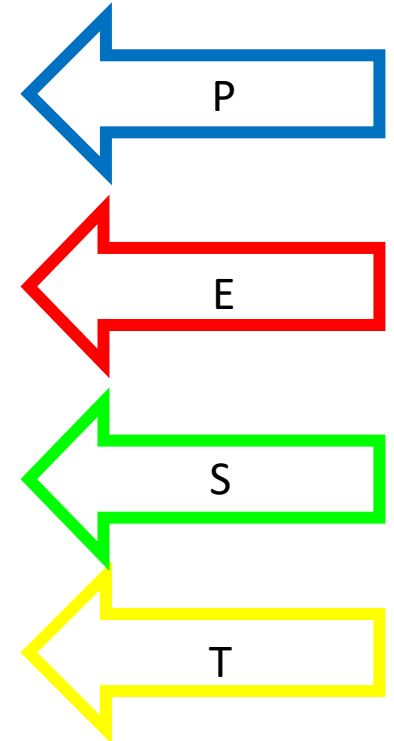
**Step 2 – Market Positioning**

Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces



**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces

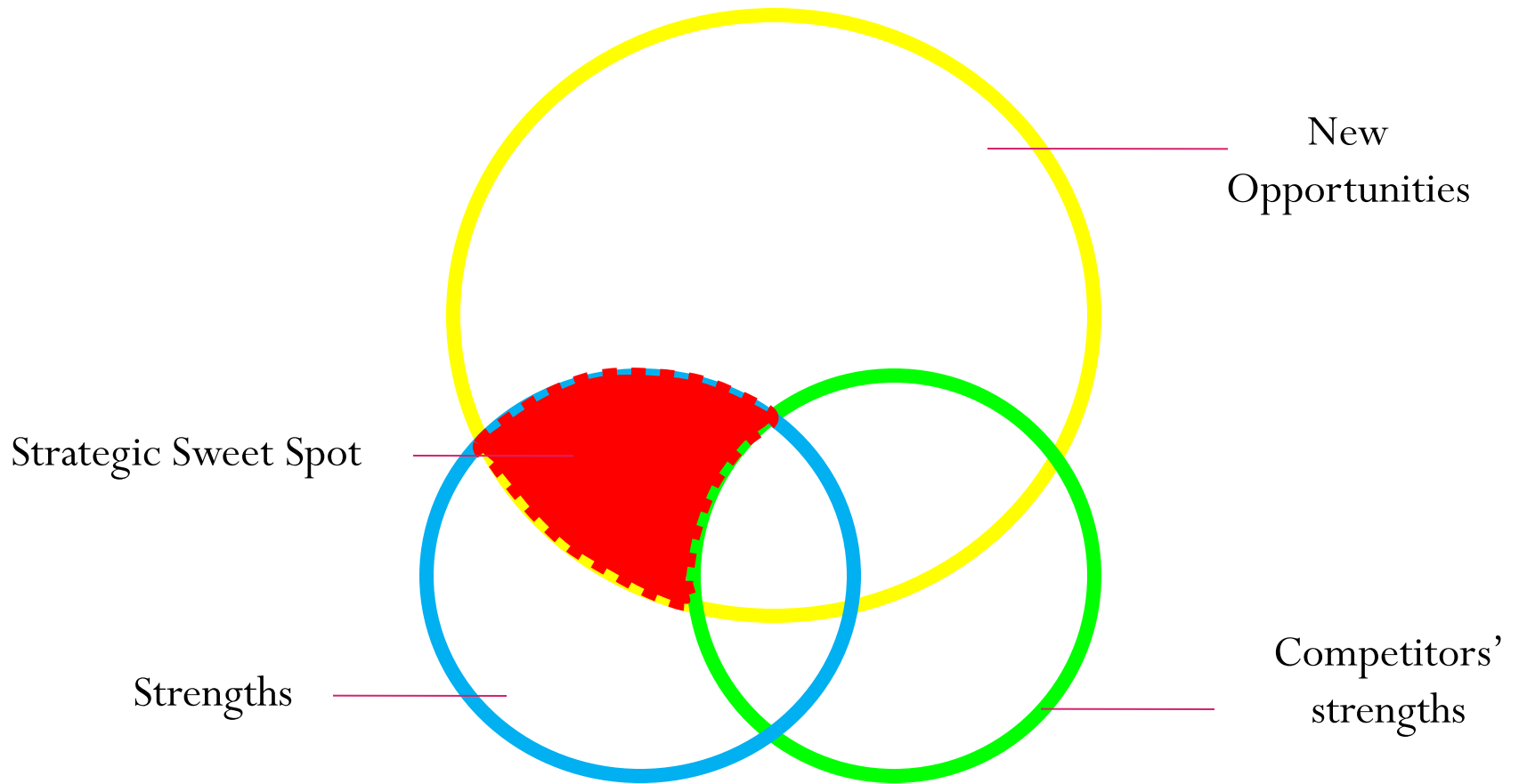
**Step 6 – Building For The Future**

Tool: Revisit Steps 3 & 4  
(The Resource Based View)

**Step 7 – Corporate Strategy**



# Corporate Strategy

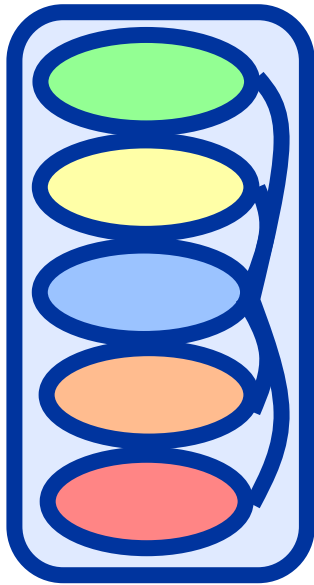




# The Strategic Landscape

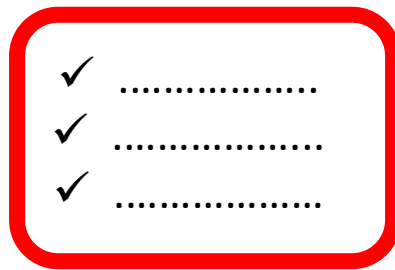
**Step 4 – Functional Strategies**

Tool: Key Asset Map



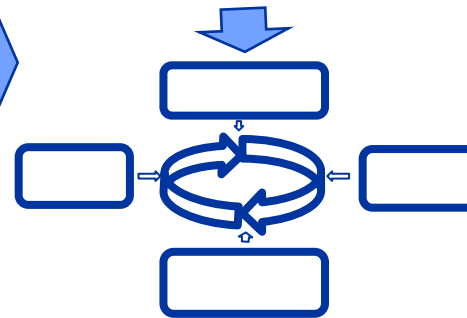
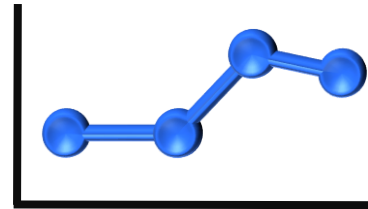
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

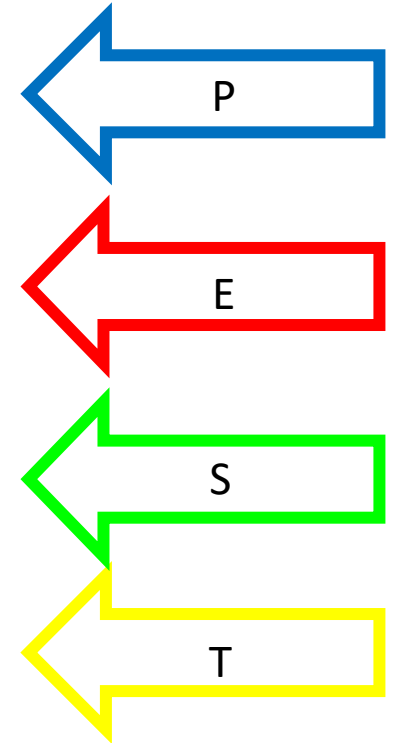
Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces



**Step 6 – Building For The Future**

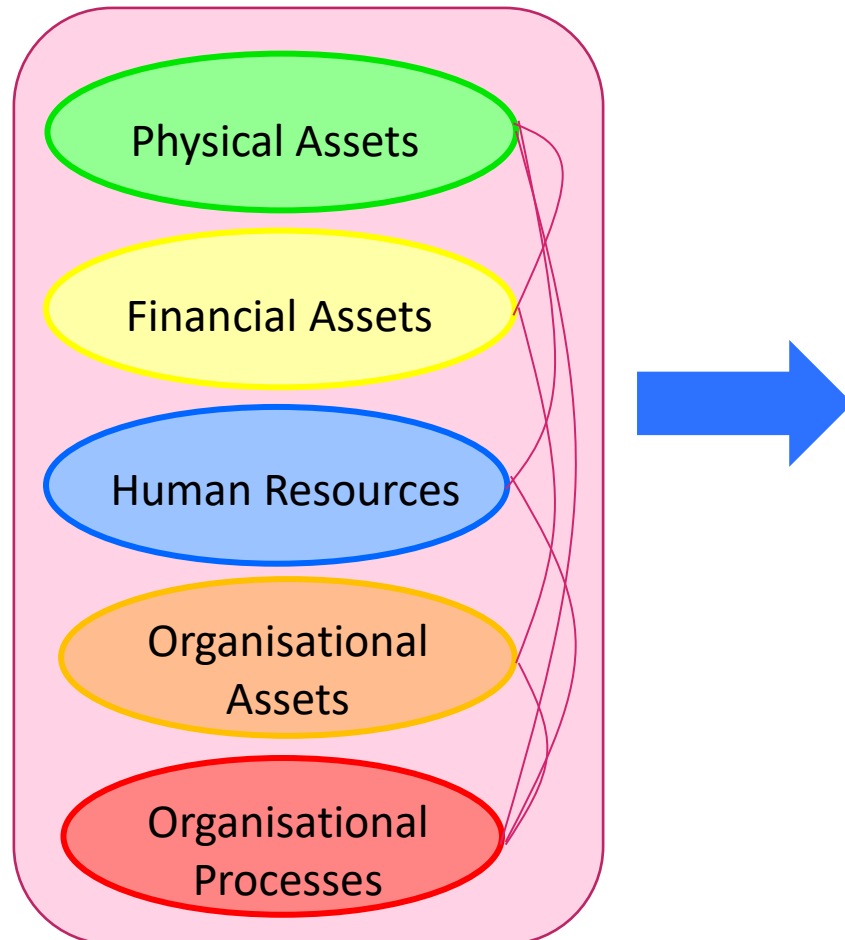
Tool: Revisit Steps 3 & 4  
(The Resource Based View)

**Step 7 – Corporate Strategy**

Tool: Strategic Sweet Spot

# The Strategic Landscape

## Tool: Key Asset Map

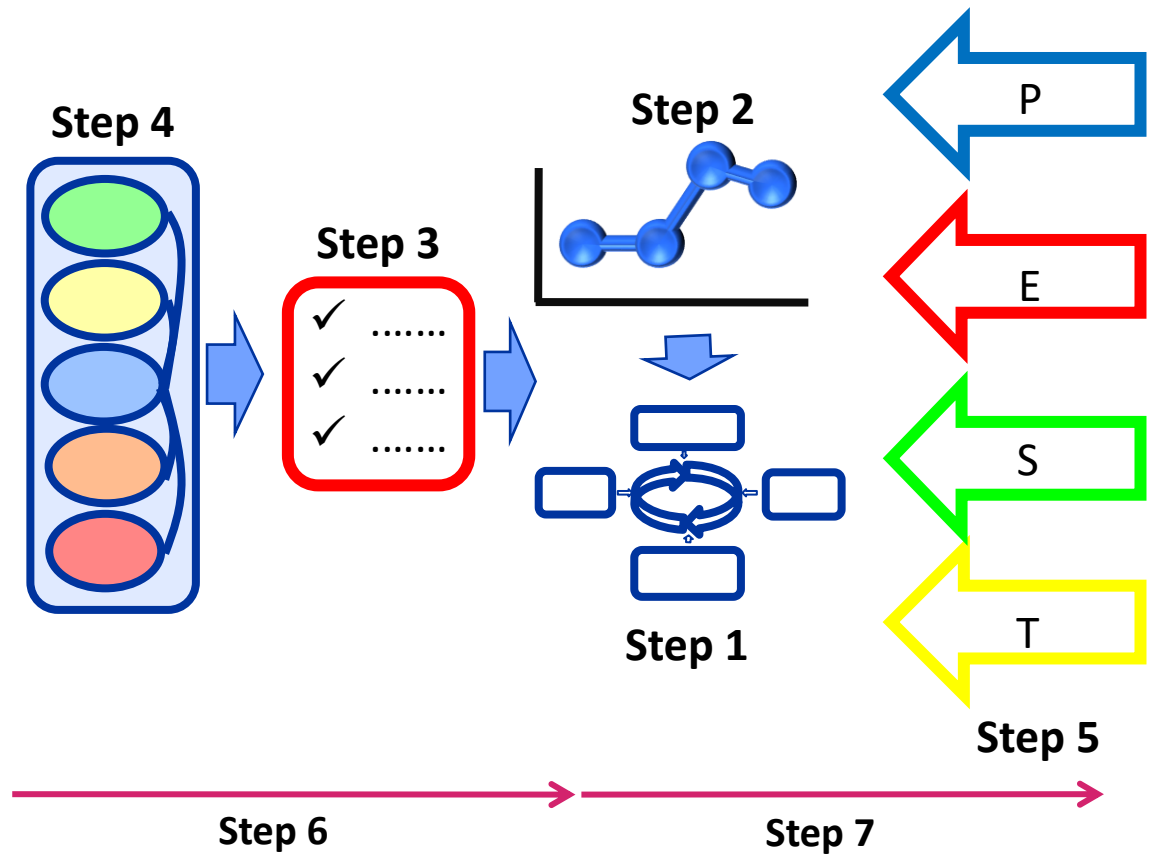


# The Strategic Landscape

“Working together, lawyers and their clients can craft strategies and solutions that are superior to what either of them would have devised acting alone.” **(Achieving the Advice Advantage)**

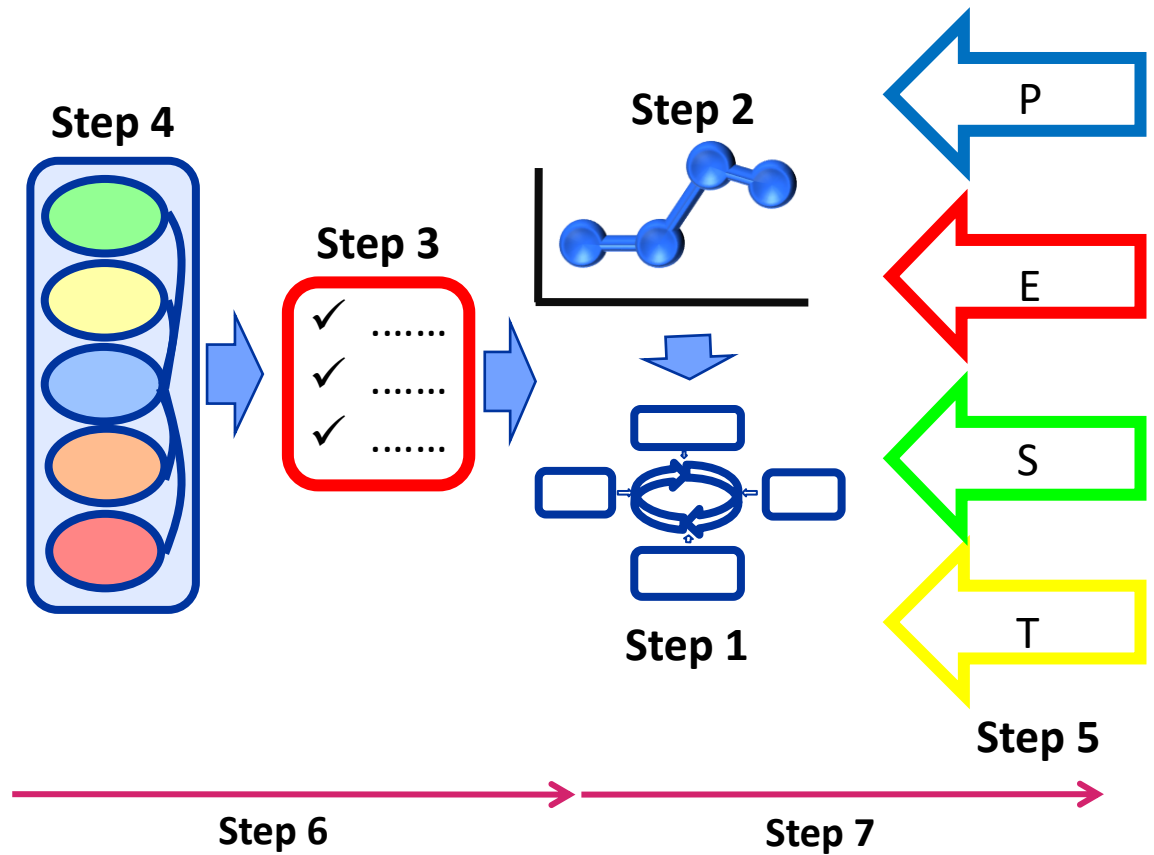
# The Strategic Landscape

- Raising Finance
- Licensing IP
- Litigation
- Real Estate
- Employment
- Regulatory Advice
- M&A
- Negotiating deals
- Corporate Strategy



# The Strategic Landscape

- Have more engaging conversations
- Ask more substantive questions
- Home in on the Key issues
- Align legal advice to client strategy



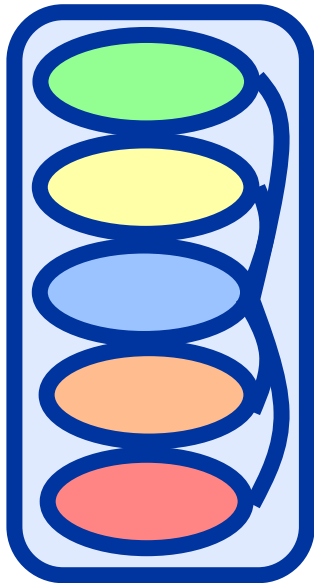
# Module 3 Objectives

- Interpretation of the **General Environment** – Step 5
  - PEST through Porter's 5 Forces Model
  - The importance of constantly scanning the **General Environment** (The Sigmoid Curve)
- Building for the future – Step 6
  - The Resource Based View
- Corporate Strategy – Step 7
  - The Strategic Sweet Spot

# The Strategic Landscape

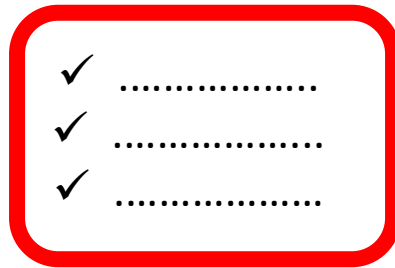
**Step 4 – Functional Strategies**

Tool: Key Asset Map



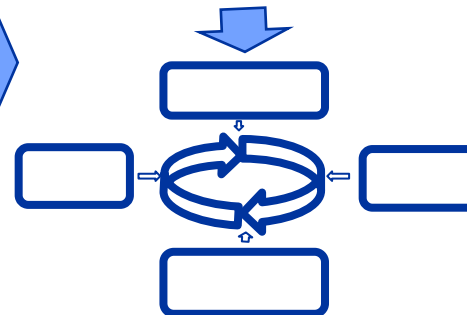
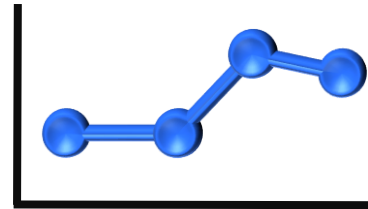
**Step 3 – Business Strategies**

Tool: Strategy Selection



**Step 2 – Market Positioning**

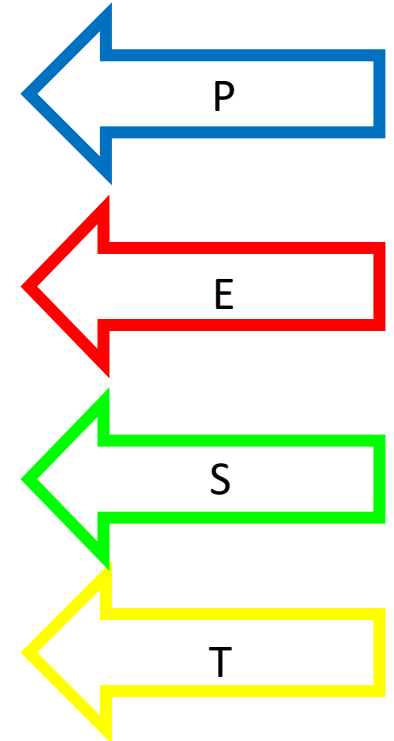
Tool: Strategy Canvas



**Step 1 – Industry Structure**

Tool: Porter's 5 Forces

**Step 5 – General Environment**  
Tool: PEST Through Porter's 5 Forces



**Step 6 – Building For The Future**

Tool: Revisit Steps 3 & 4  
(The Resource Based View)

**Step 7 – Corporate Strategy**

Tool: Strategic Sweet Spot

# Contact

Rupert Vernalls

Email: [rupert.vernalls@stratology.com](mailto:rupert.vernalls@stratology.com)

Tel: +44 (0) 117 905 5077

Online resources: [www.BuildYourOwnMBA.com](http://www.BuildYourOwnMBA.com)