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Strategies for Resilience and Prosperity
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Executive summary

This report will include an analysis of BMW's strategic management, with references to popular strategic management theorists such as Johnson et al and Michael Porter. In addition, the report will include a table of advantages and disadvantages of strategic management also an explanation of competitive advantage.

Factors that will shape the choice of a company's strategy would be external and internal. External factors involve social, political, regulatory, community factors, competitive conditions, industry attractiveness, company opportunities and threats to company's well-being. While internal factors include resource, strengths, capabilities, weaknesses, influences of key executives, shared values, and company culture. Organisations will determine the relevance of internal and external factors, identify, and evaluate alternatives, and craft a strategy.

SWOT, PESTEL, stakeholder analysis will also be included within this report to support BMW'S strategic management methods, and a brief overview of BMW's strategies and resilience, following a conclusion.

Introduction

BMW is one of the largest motor companies in the world, with three group brands sitting under its name as well as BMW itself, there is MINI, and the Rolls Royce Motor Cars. (BMW UK, 2021) BMW was born in 1916 when two engineers Karl Rapp and Gustav Otto merged their two companies Flugmaschinenfabrik Gustav Otto and Bayerische Flugzeug Werke under the governments command at the time. In 1917 Karl Rapp company became Bayerische Motoren Werke (BMW) and was transformed into a public limited company in the year 1918. (BMW Groups, 2021)

In 2007 BMW had proposed Strategy Number One, that includes four pillars which are growth, shaping the future, profitability and access to technology and customers. Strategy Number One coordinates BMW with their targets which are to be profitable and enhance long-term value in times of change. BMW's mission statement in 2007 was to be the world's leading provider of premium products and services for individual mobility. (BMW Groups, 2021) Skipping six years ahead from 2007 to 2013 BMW launched their first electric series production model with the BMW i3 the electric car. (BMW Group, 2021)

This demonstrates BMW's understanding of the current global crisis, that is damaging the planet that is greenhouse gas emission. BMW proves to meet their strategy number one four pillars by providing solutions to the global crisis.

The Objective of this assignment is to analyse the internal of and external environment of the motor company BMW and demonstrating the aspects of sustainability and resilience. Within the following assignment there will be an improved understanding on strategy management and the use of different strategy tools and the different theorists who support it.

What Is strategy?

Strategy is a direction an organisation will choose to fulfil its desired position in the future. Businesses will create a strategy to use and follow as a step-by-step guide that will eventually lead their business to success.

“Strategy defines the direction and scope of an organisation over the long term.”
(Johnson et al, 2008)

What is strategic management?

Strategic Management is a strategy used by managers within organisations to learn why their organisation performance might be successful or failing. Managers for example will make decisions to act on which leads to formulating and implementing plans that are created to reach the organisations main objective. Strategic Management consists of planning, which is partly planned and partly reactive.

“It consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages”

(Dess, Lumpkin & Taylor, 2005)

The advantages and disadvantages of strategic management:

ADVANTAGES	DISADVANTAGES
• By formulating and implementing plans it reduces an organisations risk of future problems that may occur.	• Whilst managers are spending time on creating strategic plans, it can't interfere with their other responsibilities, and this may have a negative impact on the company.
• While strategic decision-making is being made amongst a group, the decisions are most likely to be the best alternative made by the members.	• If the formulator of strategy isn't involved within its implementation, they may abandon the responsibility for the decision made.
• Motivation will rise through employees when management involve them within the strategy formulation, which gives workers a better understanding and relationship with the strategic plan.	• It's important for strategic managers to be trained to anticipate unexpected failure of participating subordinates and to respond.
• Through adapting to change, management will be less likely to resist to future risks or changes.	

Competitive strategy

The concept of competitive strategy was developed by Harvard professor also popular strategy management theorist, Michael Porter. Competitive strategy is a scheme, managers within companies will follow to gain competitive advantage over other competitors within the market. Managers will set out a SWOT analysis on their own organization to discover their personal strengths, weaknesses, opportunities, and themes.

“Combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there”

(Michael Porter,1980)

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3a. Cost Focus	3b. Differentiation

According to Michael Porter there are two types of competitive advantage an organisation can claim which is low cost or differentiation. With the two types of competitive advantage merged with the scope of ideas an organisation will search to achieve, leads to three other strategies to achieve an above average performance amongst their industry which is cost leadership, differentiation, and focus.

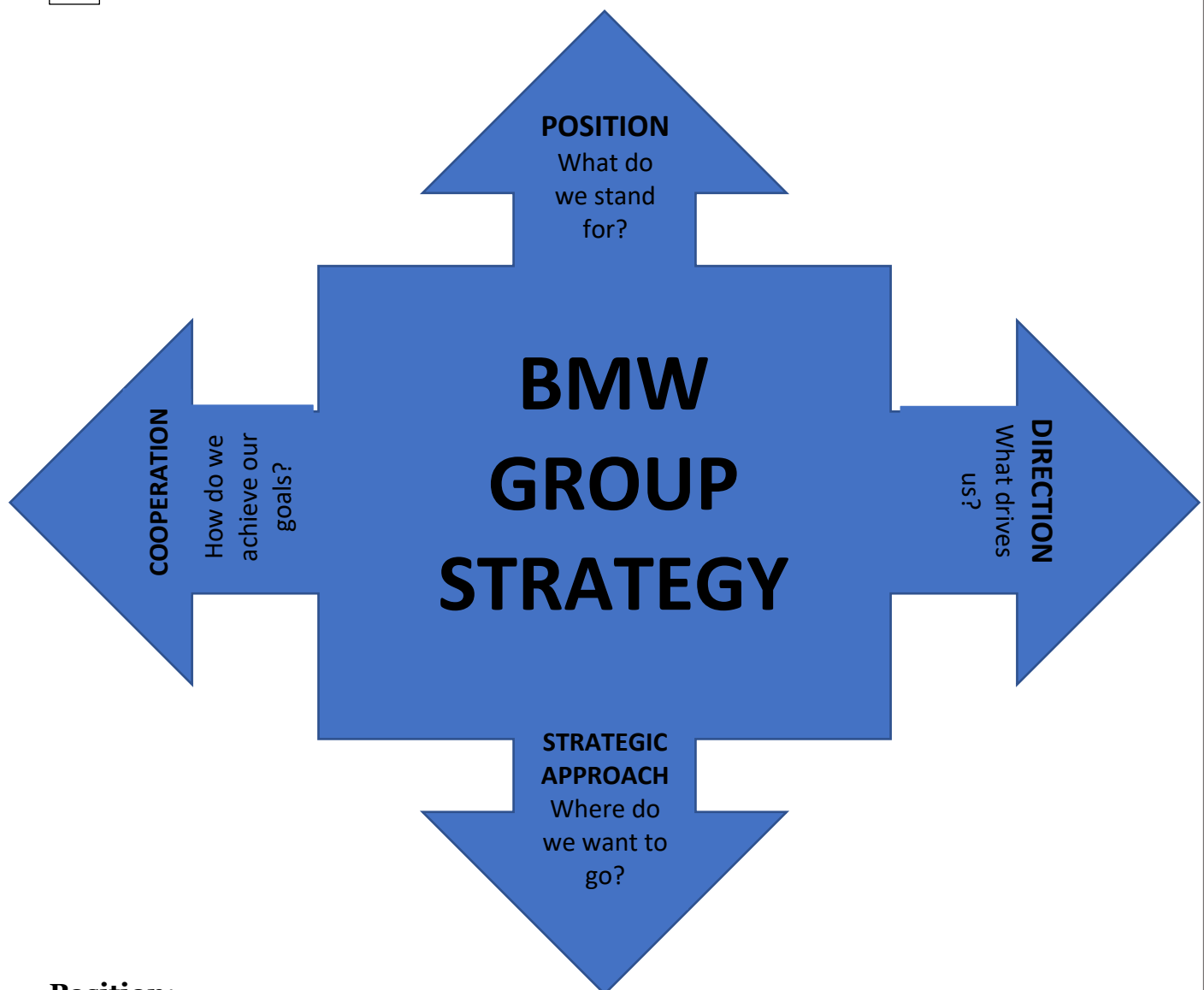
Cost leadership is when an organisation decides to be a low-cost producer within its industry, Dacia for example is a low-cost manufacturer within the automotive industry. There is a variety of cost advantage that is dependent on the structure of the industry. It's vital for low-cost producers to search and exploit any sources of cost advantage, for an organisation to achieve and sustain cost leadership. If an organisation can direct prices near or at the industries average, they can then achieve and sustain cost leadership.

Differentiation is a strategy organisation will search to be unique and different from all the other competitors within its industry. Organizations will use a differentiation strategy to meet their customer needs and assign what many of their customers in

the industry perceive as important. BMW for example is unique for the brands under the BMW group and the products and service they offer to their customers.

The focus strategy relies on the choice of the narrow competitive scope within any industry. A focuser will choose a segment or segments within the industry and customize its strategy to serve themselves instead of others. Within an organisation that strategy is cost focus they will search a cost advantage that's in its target segment, while organisations that a differentiation focus strategy will search for differentiation within its target segment.

☐ Overview of BMW strategy



Position:

On BMW's website they state that what they stand for is developing first class individual mobility and to contribute to sustainable development. The customers of BMW tend to enjoy the organisations products and their position as it proves the responsibility BMW, and its managers holds as an organisation.

Direction:

What drives BMW is to create sustainable mobility for future generations to come. Figures from 2019 state that transport is the largest emitting sector of greenhouse gas emissions, which is 27% of UK's total emissions. (Transport and environment statistics:2021 annual report,2021)

Strategic Approach:

BMW's strategic approach is to meet their customers wants and needs by combining their pioneering technology, emotional products, personalised customer support to create a unique overall experience for customers. An emotional product is what gives customers a good feeling when buying a product which builds a customer's emotional connection with the product and company.

Cooperation:

It is believed by BMW that they will achieve their goals by cooperating with their external partners.

BMW strategic course for the future

Within BMW's management their strategic plan is to improve their sustainable performance. BMW's focus for the future is to work on faster processes and a leaner structure for greater efficiency.

BMW strategy SWOT analysis

Strengths	Weaknesses
• Adapting to the changes facing the automotive sector. • Worlds top provider for e-mobility. • Having a small portfolio of three car brands, BMW, MINI and Rolls Royce, the organisation can run efficiently and effectively by relying on strategies that are highly effective.	• BMW have attracted negative publicity through requesting a grant from the German government to reduce any impact from the recent pandemic. by requesting a grant from the government during a trying time can make BMW greedy and can repulse loyal customers away. • Through being engaged within several lawsuits, and having a collusion in Europe over emissions, gives BMW consumers a reason not to trust the organisation. • By having a small portfolio BMW lacks product differentiation, which makes the organisation weak within their industry.
Opportunities	Threats
• BMW will gain new customers from being adaptive and shaping	• The rise in alternative modes of transportation and combustion engines no longer being in

individual premium mobility moving into the next decade. • Consumers are beginning to become aware of the rise of emissions, leading them to want to purchase greener mobility. BMW is one of the best in the electric car market, making it easier for them to take advantage of the demand.	demand, with electric vehicles being the replacement by law. • The pandemic has sent economies into a recession, meaning consumers have reduced their purchases of BMW. • BMW can get into trouble easily with the government as laws to combat emissions are being created. For example, BMW faces a fine for conspiring with Volkswagen and Daimler to block the development of clean emission technology.
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PESTLE analysis on BMW strategy:

Political Factors:

BMW have the power to influence policies for the company's growth, mainly because of the amount of funds, profits, and brand image they possess. Especially when there are political influences impacting the BMW group such as the introduction of new policies and political corruption. With BMW group being powered in many production companies worldwide it proves that the company's manufacturing is well organized, however it can be impacted by government policies and regulations, such as the end-of-life vehicle recycling system.

The end-of-life vehicle recycling system is simply a regulation to reduce the amount of waste that is produced from vehicles for when they are discarded, this encourages producers to design and manufacture vehicles that can be recycled at the end of its life. (Chartered Institution of Wastes Management, 2021)

Policies and regulations can impact BMW group by making consumers customize to change which may make them reluctant to purchase if they are not comfortable with change, it may also have an impact on countries that BMW have invested into that has political instability meaning investments that have been made may be at risk.

Economic Factors:

BMW's performance, valuation, and profits may be impacted by global economy fluctuations, such as the GDP fluctuation. GDP fluctuates because of the business cycle. When the economy is booming, and GDP is rising, there comes a point when inflationary pressures build up rapidly as labour and productive capacity near full utilization. As interest rates rise, companies and consumers cut back spending, and the economy slows down. (Investopedia, Elvis Picardo, 2021)

Fluctuation makes it difficult for the BMW group to theorize its profits and losses within the next year.

Tariffs can also impact BMW by increasing the costs for vehicle parts, such as steel and aluminium. If BMW was to open a company in the United States for example

and decide to sell into Europe BMW will suffer a ten percent tariff, tariffs will impact BMW by taking out of their profits.

Social Factors:

BMW will have to take on a substantial amount of research to adapt and adjust their products to fit cultural differences between different countries around the world. BMW can understand their consumers further using social media, from having social media sites on every platform BMW have improved their engagement with their consumers through social media. BMW also can offer customer service through social media as some consumers feel more comfortable to ask over media platforms. In addition, BMW can use Instagram as free advertisement from posting lavish photos of their cars on the platform with nearly 20 million followers watching out for their posts.

Technological Factors:

It's vital for BMW to not only be innovative but also adaptive to be able to stand out amongst other competitors within the industry, such as Mercedes, Volkswagen, Audi and much more. With the need and want for technology rising, it's important for BMW to adapt new technology into their cars.

Tesla has been a brand that's been having a lot of attention for being hybrid which consumers seem to be interested in, however BMW flaunts themselves on innovation and mobility, by adapting their cars to have automatic car parking, hybrid vehicles and pilot driving.

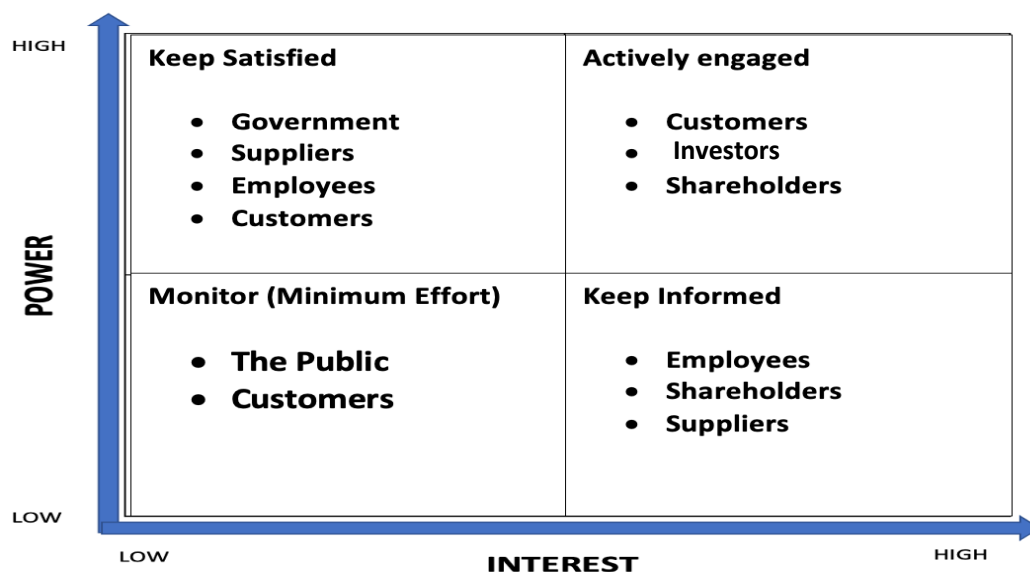
Legal Factors:

The BMW group must abide all laws and regulations in each country they manufacture and sell in, if any country decides to change their law or policy this can impacts BMW's performance and process of creating new technologies.

Ecological Factors:

With the rise of CO2 emissions and fuel-usage from cars, consumers are beginning to be aware of the health of the planet and would prefer to go greener. BMW has adapted to the demand from developing and selling electric cars that consume no fuel but only electric.

Stakeholder analysis:



“The Mendelow Stakeholder matrix (also known as the Stakeholder Analysis matrix and the Power-Interest matrix) is a simple framework to help manage your stakeholders.”

(Mendelow, 1991)

The diagram below includes a stakeholder analysis including the power and interest of stakeholders within BMW. Within the diagram there is four sections:

- **Keep satisfied** – These are the stakeholders who have high power but low interest such as the government, suppliers, employees, and customers.
- **Actively engaged** – Stakeholders have a high power and high interest, meaning the stakeholders within this chart wants to be kept in the loop and want to apart of every decision making. The stakeholders who want to be actively engaged in BMW is customers, shareholders, and investors.
- **Monitor (Minimum effort)** – The monitor is the stakeholders with low power and interest. The stakeholders within this department usually will be monitored but will require minimal effort ant attention. In BMW’s case the stakeholders in this department are the public and customers.
- **Keep informed** – This category has low power and high interest stakeholders who need to be updated regularly such as employees, shareholders, and suppliers.

Sustainability and Resilience

Sustainability and resource efficiency is becoming top priority to the BMW Group strategy plan, by even creating targets to work up to 2030. The reasoning for BMW to become sustainable is to reduce CO2 emissions and increase resource efficiency.

“I firmly believe the fight against climate change and how we use resources will decide the future of our society – and of the BMW Group. That is why we are taking responsibility here and now and making these issues central to our strategic direction. This new strategic direction will be anchored in all divisions – from administration and purchasing to development and production, all the way to sales. We are taking sustainability to the next level”.

(Oliver Zipse (Chairman of the Board of Management of BMW AG), 2021)

BMW Group aspires to be the most successful and sustainable premium manufacturer for individual mobility. BMW Groups goals towards 2030 is to:

- Reduce CO2 emissions of over 40 percent.
- To produce around 10 million electric vehicles to be on the road.
- Designing their products to be recyclable by avoiding consumption of primary materials.

“Because for the BMW Group, one thing is certain: We aspire to lead the way in sustainability. That is why we are taking responsibility here and now and putting these issues at the centre of our future strategic direction.”

(BMW Group, 2021)

Conclusion

To conclude this, report its comfortable to agree that BMW strategy is not only effective but also useful. Its most important for BMW to be able to adapt to change and prepare its strategies for the future which they have succeeded to accomplish. BMW's strategic approach is to reward their customers of their wants and needs, which recently has been wanting to drive greener to reduce CO₂ emissions and keep the overall health of the planet satisfied. In addition, BMW has been able to start answering to their customer wants and needs by creating the electric car in 2013 and is now working on manufacturing recyclable materials by avoiding the consumption of primary materials.

BMW's strategic plan is to improve their sustainable performance, and the focus for the future is to work on faster processes and a leaner structure for greater efficiency, which is what they are succeeding in now and will continue working hard to reach their goals for 2030.

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