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STRATEGIC MANAGEMENT FOR SMEs

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Abstract

The goal of this study is to examine objectively the current strategic direction of the company, Abbey Cars Ltd, part of the Abbey Cars UK Group, one of the largest minicabs and private hire contract operators in the UK. The study will also provide the Abbey Cars company with a comprehensive internal and external environmental scan. This report will be containing stakeholder analysis and the proposal for the new Abbey Cars strategy. This report's author is an independent consultant, an ex-employee of Abbey Cars.

Introduction

The author had to pick and classify small or medium-sized enterprises (SMEs) with which he is familiar to start carrying out his work in the current assignment. Ideally, this requirement suited his last place of work before moving to an independent trader. The company is called Heathrow Transfers Ltd, part of the UK business Abbey Cars UK Group. Abbey Cars UK Group started in 1968 as a family business. Today, it is one of London's largest private hire providers, covering the entire Greater London, including areas including Dulwich, Dagenham, Feltham, Hammersmith, Heathrow and London City. It currently employs nearly 4,000 full-time and part-time drivers. This business consists of 20 separate franchises which managed based on a licence for private hire operators. One such franchise is Heathrow Transfers Ltd. Heathrow Transfers providing excellent service efficiency in the following areas:

1. *Minicab* – providing access to their large 5-door fleet of vehicles located in Heathrow Airport area.
2. *Chauffeur Service* – It is the most exclusive of services and offers the choice of comfortable luxury vehicles with air conditioning, onboard entertainment and a choice of complimentary drinks.
3. *Airport Transfers* – arrange airport and ferry transfers all year round to any of London's major airports and docks.
4. *Tours* – allow you to see some of the famous landmarks in the UK, accompanied, if necessary, by professional multilingual guides.
5. For any occasion, *coaches and minibuses* – there is a wide range of air-conditioned minibuses and 49 + coaches.
6. *PCO Training and Testing* – support and topographical evaluation assistance.

The author began his job as a driver in Heathrow Transfers, later becoming a controller of shifts and finally performing the assistant branch manager duties.

Critical evaluation of Heathrow Transfers current strategic direction

The author chose Heathrow Transfers as a small business, as mentioned earlier. His argument was based on the definition given by Haines Watts (2017), which specified that, to be listed as a small business, the organisation must not exceed the following criteria of at least 2 out of 3 in the current and previous year:

1. Overall balance sheet: £ 5.1 m.
2. Small business income: £ 10.2 m.
3. Average small business staff capacity in the financial year: 50.

Heathrow Transfers was satisfying all of those criteria. That allows the author to start critical evaluation of the company's current strategic direction. First of all, the definition of the strategy, given by Johnson, Scholes and Whittington (2007): "Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders expectations". Likewise, Hammar (2017) states that strategic direction applies to your company's actions to accomplish the organisational strategic goals. Most businesses use a "vision statement" and "mission statement" to describe what company does and where the company wants to be, but in short, this declaration is a way the company can set the direction the company wants to go and decide what it wants to be in the future. The strategy also includes the stakeholders of a company and their expectations. The author of this report will start with Heathrow Transfers "Vision Statement" to describe a future state of what an organisation wants to achieve over time. It consists of 4 main keystones:

1. *We want to become* the best private hire operator in the Heathrow area in 5 years.
2. *We will take* people places they want to go on time, in comfort and security.
3. *We will never* fail our customers.
4. *We will outbid* Uber and Addison Lee in prices and level of customer service.

The next is the company's "Mission Statement", which as well contains 4 powerful declarations:

1. *We are* here to take people places.
2. *We value* our customers as our family.
3. *We offer* the best transportation service in the area.
4. *We are* environmentally friendly.

Based on those statements the author can make an assumption that Heathrow Transfers is involved in the transportation business in Heathrow area and the company's ambitions are to become the best private hire operator in this area in 5 years by offering better customer service than the rivals such as Uber or Addison Lee. They (Heathrow Transfers) always pledge to pick up and deliver their customers on time, which ensures that they are 100% reliable. Transporting in comfort means the company will provide different types and grades of new or nearly new vehicles to meet the wishes and tastes of customers. Finally, security means that the drivers of the company will be professionals who know their responsibilities and strictly obey the code of conduct of the company. Never failing customers means doing a 100% job

requests unless it is cancelled from either the driver or the passenger side for a valid reason. Outbidding the rivals means that all of the above will be implemented in practice, while poorer results will be produced by the competitors. All that in summary allows an author to create 5 main points to assess Heathrow Transfers current strategic direction and to compare the company's vision and mission goals with the real situation. Those 5 main points are presented in the diagram shown below:

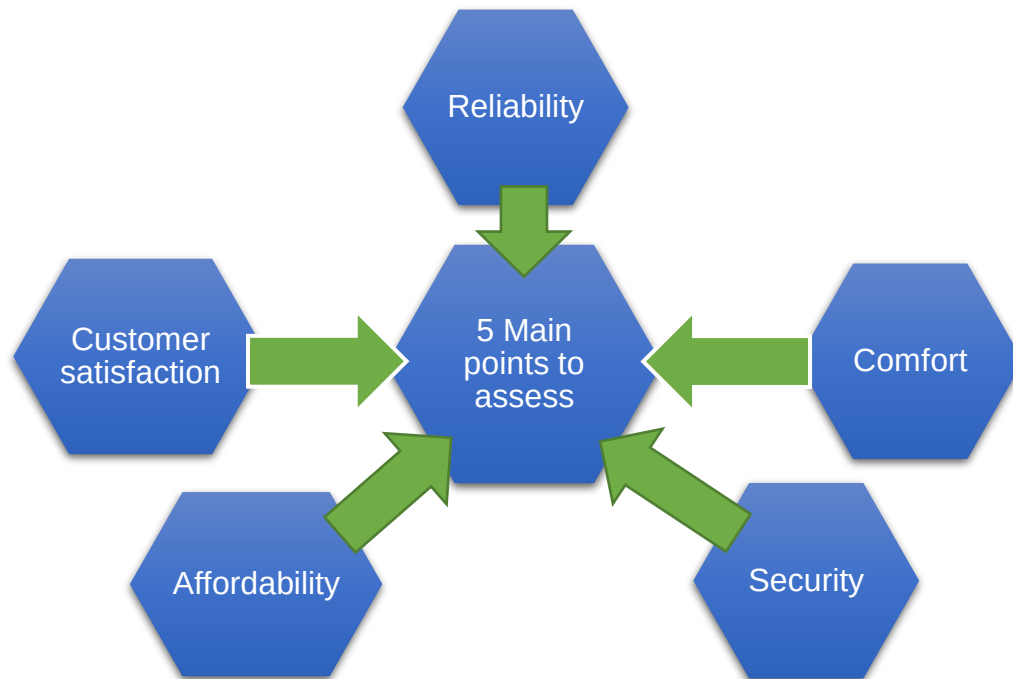


Diagram 1: 5 main points to assess current strategic direction of Heathrow Transfers, based on source: (Author's research)

The following questionnaire was compiled with and distributed among drivers of Heathrow Transfers to be given to passengers at the end of their journeys, according to the research completed by the author and some assistance from the management of Heathrow Transfers. This questionnaire aimed to develop the collection of data that would contribute to the value of the above listed 5 assessment points. Once the data collected from the questionnaire results are analysed, it will be matched with similar data from the closest rivals in Heathrow Transfers, meaning Uber and Addison Lee.

<i>Question</i>	<i>Answers range</i>
1. Where you picked on time and from the place you wanted to be picked up from?	Yes/No
2. Was your ride comfortable (music on request, air conditioning, drinking water, phone charger, free Wi-Fi)?	Yes/No/Not sure
3. Did you feel safe while being in our car (the driver's behaviour on the road, in the car)?	Yes/No/Not sure

4. Do you feel the price for your journey was just right?	Yes/No/Not sure
5. Are you satisfied with using our service and would you come back to us again?	Yes/No/Not sure

Table 1: 5 points customer questionnaire, prepared for Heathrow Transfers, based on source: (Author's research)

In total 100 customers were questioned during the period of 2 weeks. The results of the survey are presented in the table shown below:

<i>Question</i>	<i>Yes</i>	<i>No</i>	<i>Not sure</i>
1. Where you picked on time and from the place you wanted to be picked up from?	97(97%)	3(3%)	N/A
2. Was your ride comfortable (music on request, air conditioning, drinking water, phone charger, free Wi-Fi)?	80(80%)	10(10%)	10(10%)
3. Did you feel safe while being in our car (the driver's behaviour on the road, in the car)?	80(80%)	15(15%)	5(5%)
4. Do you feel the price for your journey was just right?	85(85%)	10(10%)	5(5%)
5. Are you satisfied with using our service and would you come back to us again?	70(70%)	13(13%)	17(17%)

Table 2: The results of 5 points customer questionnaire, prepared for Heathrow Transfers, based on source: (Author's research)

As we can see from the results of the questionnaire, most customers have been satisfied with the level of service provided by Heathrow Transfers, but it is still far from the desired 100 percent mark. Question 3 is the biggest area of concern, especially with only 80% of customers feeling safe in the vehicle. Questions 2 and 4 must also be further explored. Being on time and in the right place is a very good result for Heathrow Transfers drivers showing good reliability and timekeeping. It also shows that the satellite navigation application installed on the PDAs of the driver works well and that the drivers can operate it without problems. The table below shows the results of a similar questionnaire regarding customer satisfaction of Uber and Addison Lee services provided by YouGov (2018):

<i>Subject</i>	<i>Addison Lee</i>	<i>Uber</i>
Positive opinion	10%	34%
Negative opinion	6%	27%
Neutral opinion	21%	35%
Have heard of the company	37%	96%

Table 3: The results of customer questionnaires prepared for Addison Lee and Uber, based on source: (YouGov, 2018)

As we can see from this table, Uber's view of customers is almost equally divided between positive and negative, leaving the neutral segment with a big part. According to the author's research, Addison Lee is less famous among customers, especially in

the Heathrow area. Their results in positive and negative sections make them less dangerous than Uber, and they won't be considered a serious threat for the future. Therefore, to reach 4 keystones from the "Vision Statement," Heathrow Transfers needs to keep an eye on the success of Uber. Also, new growing start-ups such as Bolt, Ola, Kaptain, and Viavan must be considered as a potential threat in one year from now during the completion of the external environmental scan. To be able to comply with all that, the new strategy model would need to be introduced within the Heathrow Transfers ' business environment. According to Arora (2014), the plan will tackle five key strategic issues:

1. *Does the corporate strategy of your company fit the quality of your existing resources?* There aren't enough funds for that at the moment.
2. *How often do you evaluate the organization's strengths, vulnerabilities, opportunities and risks to understand the current business environment?* Due to the constant change of opportunities and risks, for example, the internal environmental scans should be carried out more often.
3. *How often does your organisation evaluate the impact on its business environment by the external world?* The external environmental scans should also be carried out more frequently, especially given the continuing uncertainty about the Brexit issue.
4. *How well does the company use its employees as an asset to help it grow, remain competitive, and achieve goals strategically? Because of the lack of an effective plan, are people used efficiently or are resources wasted?* This is a very important point. As it stands at the moment, this question is not given sufficient attention.
5. *How efficient from an operational point of view is your organisation?* Comprehensive analysis in identifying key inefficiency points within the Heathrow Transfers company will help remove obstacles in achieving desired goals.

The author will begin answering these questions in the next part of the report by conducting Heathrow Transfers ' internal environmental scan.

Conducting Heathrow Transfers internal environmental scan

The author will use a SWOT scanning tool to conduct an internal Heathrow Transfers environment scan. According to MindTools (2018), it is currently one of the simplest but still useful tools. SWOT stands for strengths, weaknesses, opportunities, and threats, so a SWOT analysis is a method for analysing the four aspects of the business. You can use SWOT Analysis to make the most of what you have to the best advantage of your business. And by knowing what you are missing, you can reduce the chances of failure by avoiding the hazards you would otherwise be unaware of. Better yet, you can begin to develop a strategy that separates you from your rivals and is therefore successful in your market.

1. *Strengths:* Strengths are things your company is doing particularly well or in a way that separates you from your competitors. Think about the advantages of

your organisation over other organisations. These may be the inspiration of the staff, access to some resources, or an efficient production process collection.

2. **Weaknesses:** Weaknesses, like strengths, are inherent in your organisation, so put more emphasis on your people, resources, systems, and procedures. Think about what you could enhance and what you should eliminate forms of activities.
3. **Opportunities:** We usually work outside the business and need to look at what will happen in the future. In the market you serve, or in the technologies you use, they that arise. Your organisation's ability to compete and take the lead in your market can make a huge difference in being able to see and take advantage of opportunities.
4. **Threats:** Include anything that could have an adverse effect on the company from outside, such as problems with the distribution chain, industry movements or lack of recruits. It is important to foresee threats and act against them before they become a target for you and your growth stops.

The table presented below shows the SWOT analysis performed by the author for the case study of Heathrow Transfers:

Strengths	Weaknesses
• A well-known brand, particularly in the area around Heathrow. • Good level of service to customers. • A broad range of spacious and comfortable vehicles. • Compared to other taxi or minicab operators, prices are the same or even lower. • The company's high value. • Attractive to investors. • Loyal and lifelong consumer discount programme.	• Big pressure from rivals, Uber and Addison Lee in particular. • There is no communication about the relationship between management and drivers. • Not enough training for the recruits and managers of the branch • The new or nearly new vehicles operate at very high costs due to environmental requirements. • Drivers are not satisfied with their salaries, as a result large staff turnover. • Not enough funds to refresh the fleet at all times.
Opportunities	Threats
• Clients will be drawn in by lowering prices and reducing waiting time. • Operating in suburban areas would fill the geographic void that other operators do not reach. • By using cheaper electric and hybrid cars, operating costs are reduced, and driver profits are increased.	• Many drivers aren't pleased with low wages, they're stopping other drivers from joining. • Family ties within the business that causes the company to be compromised by fraud and corruption. • Local authorities issues, unpaid parking fines, legal battles in rural areas.

• To increase revenue, additional services such as food delivery, school and hospital transportation can be arranged. • Further work to be done by providing loyalty bonus accounts to encourage local hotels. • Applying to Heathrow airport for your waiting area will minimise the pick-up time and speed up the queue waiting.	• Competitors like Uber, Addison Lee, are increasing pressure. • New start-ups such as Bolt, Ola, Kapten and ViaVan are increasing market tensions.
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Table 4: SWOT analysis performed for Heathrow Transfers, based on source: (MindTools, 2018 & Author's research)

As we can see from the analysis there are lots of threats and weaknesses that are going on within the company of Heathrow Transfers. All of them will have to be addressed and dealt with properly to maintain the company's strategic direction in the future.

Performing an external environmental scan of Heathrow Transfers

The author will carry out another environmental analysis in this part of the report, this time it will be an external environmental scan. According to MindTools (2018), it will be done using the PESTLE technique, a quite simple and commonly used method. The following diagram shows the PESTLE technique's usual structure with more explanation to follow:

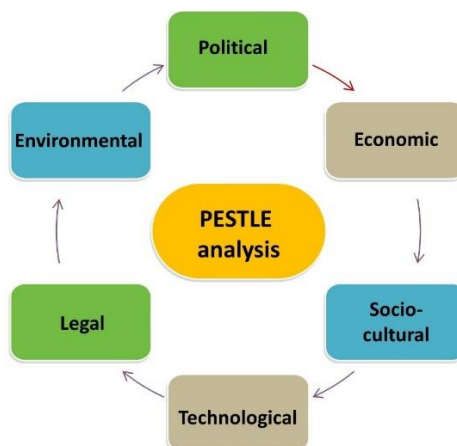


Diagram 2: PESTLE analysis, based on source: (YourFreeTemplates, 2018)

Now let's see how all those factors will be affecting the business environment of Heathrow Transfers:

1. **Political factors:**

- ❖ Upcoming Brexit and its consequences.
- ❖ Votes to lead the Labour Party.

- ❖ EU Trade Agreement negotiations.
- ❖ Elections to the London Assembly.
- ❖ London's election to the mayor.
- ❖ Taxi and minicab industry regulations of the government.

2. **Economic factors:**

- ❖ The current economy's instability.
- ❖ Key changes in exchange rates.
- ❖ Falls the amount of disposable income of the client.
- ❖ Rising rates of unemployment.
- ❖ It's difficult to get credit.
- ❖ The rising globalisation of the Heathrow Transfers operating industry.
- ❖ Increasing rates of taxes on water, coal, electricity, and government.

3. **Socio-cultural factors:**

- ❖ Increases in the growth of the population.
- ❖ The mindset of generations is changing.
- ❖ Changes in the job market, changing attitudes towards jobs.
- ❖ Heathrow's vibrant ethnic community and its surroundings.
- ❖ Religious beliefs and preferences in the lifestyle.

4. **Technological factors:**

- ❖ Adaptation problems with the use of new technologies.
- ❖ It's coming up with new driverless cars.
- ❖ Using electric cars allows shift patterns to be broken.
- ❖ It is expensive to update and maintain the new PDAs.

5. **Legal factors:**

- ❖ Compliance with existing laws and regulations applicable to Heathrow Transfers business environment.
- ❖ Possibility of disgruntled customers ' legal claims or even litigation.
- ❖ Parking fines and tickets of the local council.

6. **Environmental factors:**

- ❖ Increasing fuel usage due to increasing congestion in traffic.
- ❖ It's expensive to switch to electric or hybrid cars due to high prices for new or nearly new vehicles.
- ❖ It is costly and time-consuming to get rid of old cars.
- ❖ The rise in congestion charge fare impacting the price of travel to Central London.

An appraisal of Heathrow Transfers company's stakeholders

Before we begin an assessment of existing stakeholders in Heathrow Transfers, let's see the stakeholder definition. CFI (2020) defines a stakeholder as "In business, a stakeholder is any individual, group or party with an interest in an organisation and the

results of its actions." The following diagram presents 6 types of key stakeholders with a more detailed explanation to follow:



Diagram 3: 6 types of main stakeholders, based on source: (CFI, 2020)

Here is a more detailed description of each stakeholder and their role in the Heathrow Transfers business environment:

1. *Customers. Stake: quality and value of service.* Customers are business stakeholders because the quality and value of service affects them. In a case study of Heathrow Transfers, passengers travelling with Heathrow Transfers have their lives in the company's hands while riding in the company's vehicles.
2. *Employees. Stake: income from jobs and security.* Staff are directly involved in earning income for the business as well as other incentives (both monetary and non-monetary) to sustain themselves. Depending on the nature of the company, staff may also have an interest in health and safety in the case of Heathrow Transfers.
3. *Investors. Stake: Returns from finances.* All capital providers, such as lenders and various classes of shareholders. In Heathrow's case, its Abbey Cars Group and Barclays Bank are involved.
4. *Vendors and suppliers. Stake: revenue and security.* Suppliers and vendors are selling and relying on goods or services to the business for revenue generation and ongoing business. In the case of Heathrow Transfers it is Abbey Cars Group, authorised car dealers and local garages.
5. *Communities. Stake: Health, safety, development of the economy.* For small businesses, communities are key stakeholders. A wide range of things affects them, including job creation, economic development, health, and safety. When a small community enters or exits even the company with the size of Heathrow Transfers, they will immediately feel the impact on employment, income, and spending in the area. In our case, the area where the Heathrow Transfers are based is, of course, residents.

6. *Governments. Stake: taxes and income.* Governments can also be considered a major stakeholder in an enterprise as they collect taxes from the businesses (corporate income) as well as from all the people they employ (payroll taxes). In the case of Heathrow Transfers, all taxes are paid through the head office, but in terms of paying the rent, all relevant taxes, parking permits, and fees, they still deal with the local council.

Recommended by CMI (2015), after collecting and identifying information about potential stakeholders, it would be a good idea to map them. On a Power / Interest Grid, you can map your stakeholders and identify them based on their power over your work and interest in it. The position you assign to a grid stakeholder shows you the actions you need to take with them:

1. *High power, high interest:* such people must be fully engaged, and you must make every effort to please them.
2. *High power, less interested people:* put enough effort into keeping these people happy, but not so much that they get bored with your post.
3. *Low power, high interest:* educate these people properly and speak to them to ensure that no major issues occur. With the specifics of your project, people in this group can often be very helpful.
4. *Low power, less interest:* track these people again, but don't annoy them with unnecessary contact.

Diagram presented below shows the map of stakeholders of Heathrow Transfers:



Diagram 4: Map of stakeholders of Heathrow Transfers, based on source:
(Thompson, 2018 & Author's research)

Critical evaluation of the expectations of various Heathrow Transfers stakeholders

Another crucial step would be to manage the expectations of stakeholders after evaluating and mapping potential Heathrow Transfers stakeholders regarding power and involvement in the business environment of the company. KnowledgeHut (2013)

offers eight useful tips to manage stakeholder expectations. Five of them may be presented to stakeholders in Heathrow Transfers:

1. Discover the preferred communication method of stakeholders: You will help ensure that the satisfaction of stakeholders remains by using the most effective communication process. If you make the mistake of using the wrong method (or non-preferred method), it will cause frustration and lack of confidence. It will demonstrate that your initial approach has not been listened to.
2. Keep stakeholders engaged: timely updates can be done throughout the entire strategy change process. Ask the right questions at the start and throughout the process, the right people.
3. A precise map of expectations be crystal-clear from the stakeholder's point of view on expectations. Ask them how the project's success will be measured. You will inevitably find contradictory interpretations of performance. Some will find their number one goal meeting the final deadline.
4. Classify each stakeholder's level of communication: understand who needs handholding and insist on receiving all the details. Identify who prefers a basic overview from time to time or who wants communication on a daily or weekly basis.
5. Engage chosen decision-making stakeholders: you may have already set the best course of action, but you are presenting your conclusions so that stakeholders can feel involved in the process.

Proposal for the new Heathrow Transfers strategy

In this part of the report, the author will be making his proposal regarding the new strategy of Heathrow Transfers. It doesn't necessarily mean that it would be accepted by the management of the company, but if it would the author will be the happiest person in the world. Based on all the information gathered so far, the author proposing a six-step change model for the business environment of Heathrow Transfers:

1. **Passion:** be passionate about what you are doing and keep going in the direction you have chosen in your vision statement. This concerns not only the management of the company but also drivers and shift controllers. Becoming passionate is a long-term process, but the rewards at the end will be fantastic.
2. **Focus:** to keep people focused on what they do and doing well a few things needs to be implemented within the company. First of all, mentoring and coaching about a company's culture, values, and beliefs. Secondly, motivation and recognition of successful workers through different bonus schemes.
3. **Investing in marketing:** use all the available resources to keep investing in marketing. This will bring more customers and more profit, of course.
4. **Use social media:** promote your company through all the available websites and keep that process monitored.
5. **Look after current customers:** building a solid base of loyal customers will keep the business running smoothly and also motivate the workforce to work harder.

6. **Be innovative and creative:** another important step towards planned goals. It will bring the company ahead of competitors for sure. It could be costly, but the rewards will pay for that later threefold.

From the author's point of view, this strategy is sustainable and could bring great results in the long-term future of the company.

Conclusion

At the end of this report, the author can confirm that he tried his best to critically appraise the current strategic direction of Heathrow Transfers. He also performed internal and external environmental scans of the chosen organisation using PESTLE and SWOT techniques. He attempted to analyse current stakeholders of the company and researched the management of the stakeholder's expectations and the relative power. The author supplied his suggestions regarding the problems existing within Heathrow Transfers and the ways to overcome them. His new strategy model maybe not the best on the market but every word in that report was coming from his heart. The author certainly hopes that this report would make some good changes or at least will give good ideas which can be useful somewhere.

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Web links

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<https://www.9lenses.com/>

<https://www.mindtools.com/>