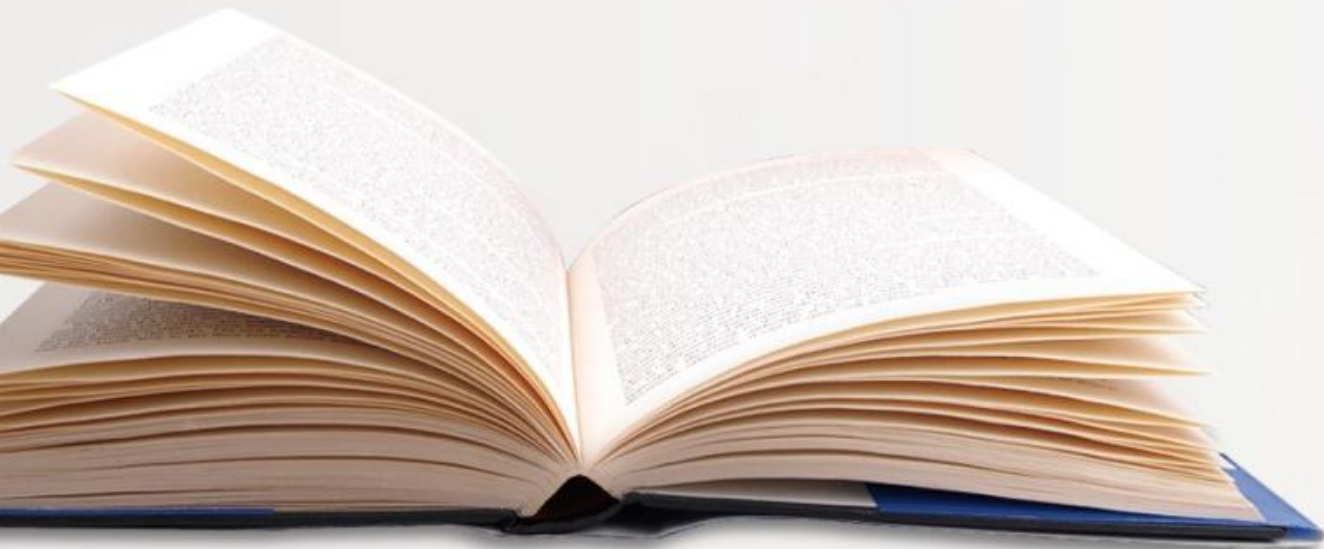


Strategy, Environment & Competitive Advantage – Week 3

Developing Strategic Capability

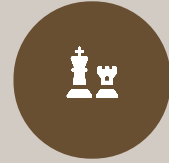


Learning Objectives



**Understand how
environment shapes
strategy**

**Learn how external
factors influence
business decisions**



**Discover
competitive
advantage**

**Understand Porter's
generic strategies**



**Apply concepts to
real companies**

**Analyse actual
business cases**



A composite image showing a human hand cupping the Earth from below. The Earth is shown from space, with the Americas visible. The background is a deep blue space filled with stars and a bright light source on the left.

Why Environment Matters

How External Forces Shape Strategy Organisations must pay attention to the world around them.

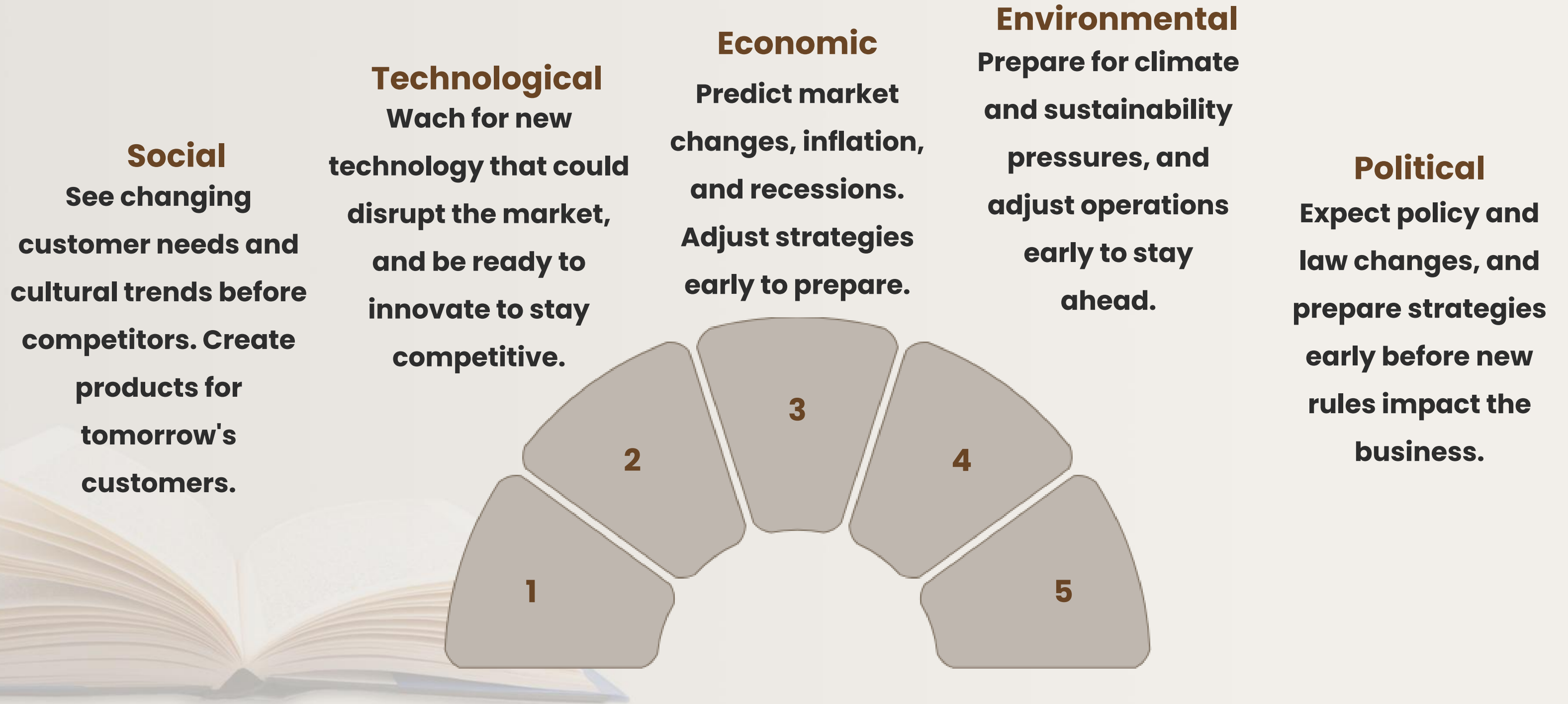
Changes in markets, technology, and society influence how business make decisions. By understanding these changes, companies can plan more effectively for the future.

Smart companies pay attention to what's happening around them. This helps them spot new opportunities and prepare for problems.

- **External changes create opportunities and risks**
- **Markets change fast – companies must adapt**
- **Environment analysis is important for strategy**

Tools for Environmental Analysis

How can STEEP help an organisation anticipate change?



Tools for Environmental Analysis

How can Scenario Planning help an organisation anticipate change?



What is Scenario Planning?

Imagine different futures that could happen. Create stories about what the world might look like in 5 or 10 years. Each scenario is different and possible.



Explore Possible Futures

Ask questions: What if technology changes? What if the economy crashes? What if laws change? Think about multiple futures, not just one.



Prepare Strategies for Each

For each scenario, develop different strategies. This way, your organisation is ready for change when it happens, no matter which future becomes real.



Be Ready for Change

Scenario planning helps organisations anticipate surprises and stay flexible, so they aren't caught off guard.

Tools for Environmental Analysis

How can Trends & Megatrends help an organisation anticipate change?

1

Identify Trends

Look for patterns in the world – what is changing, growing, or declining?... This helps understand the direction things are moving.

2

Understand Megatrends

Megatrends are big, long-term changes that will affect many industries.

Examples: aging population, climate change, digital transformation.

3

Connect to Business

Ask:

1. How will these trends affect our industry?
2. Which trends create opportunities for us?
3. Which ones are risks we must prepare for?

4

Prepare Early

Seeing trends early allows organisations to plan ahead and adapt before competitors or customers force them to change.

Environmental Turbulence

Environmental turbulence shows how quickly the outside world changes. Some industries are stable, others unpredictable. Recognising this helps choose the right strategy. There are 3 main environments:

1. Turbulent Environments

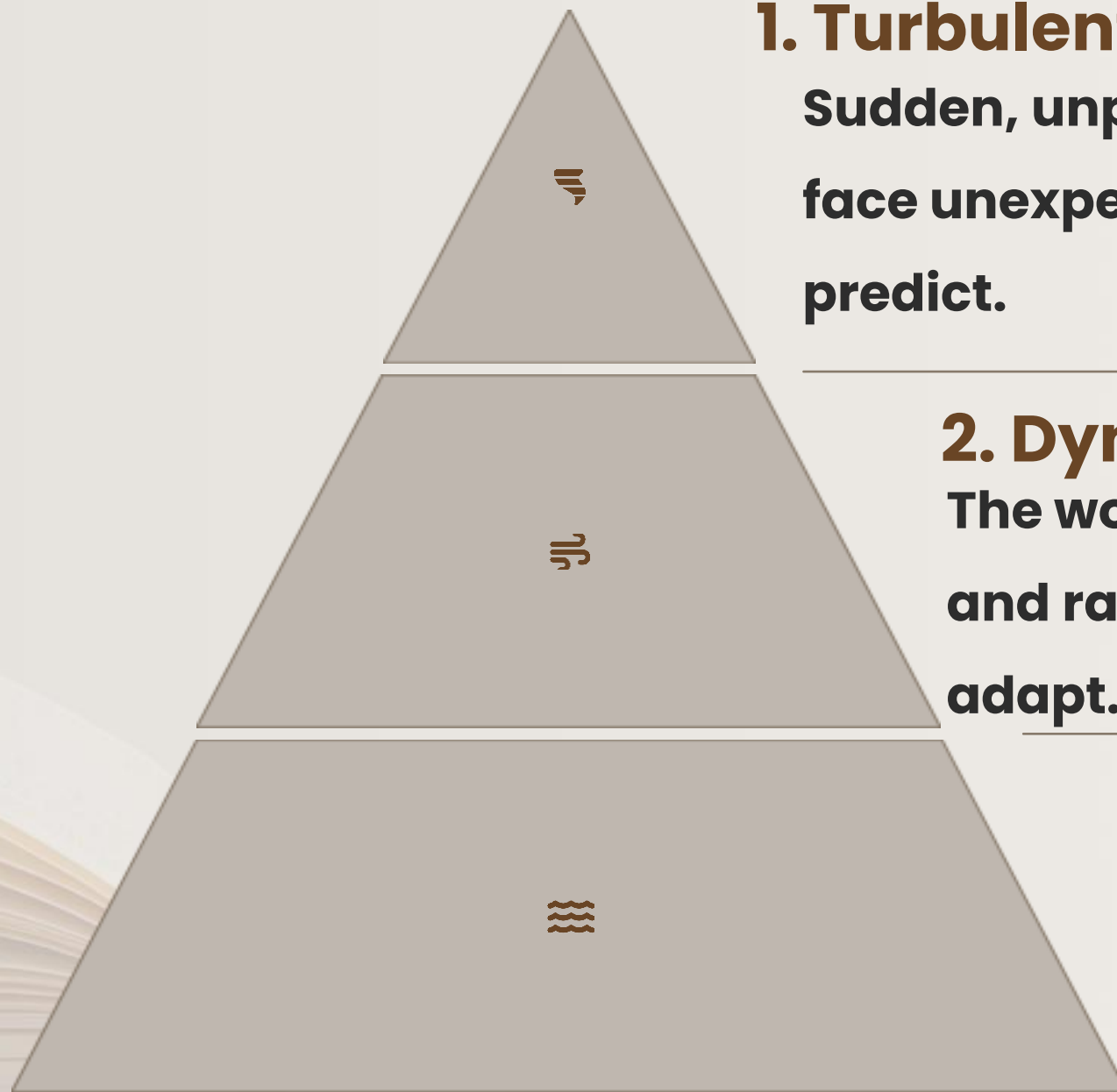
Sudden, unpredictable changes can happen at any time. Companies face unexpected risk and opportunities, and the future is hard to predict.

2. Dynamic Environments

The world changes fast – new competitors, new customer needs, and rapid technology shifts. Organisations must stay flexible and adapt.

3. Stable Environments

The world changes slowly. Customers needs stay the same, plans remain stable, and change is predicable.



Understanding Disruption and Uncertainty

What is Disruption?

- Disruption happens when unexpected change occurs suddenly.
- This includes new technologies, new competitors, or market changes that companies by surprise.

What is Uncertainty?

- Uncertainty means organisations cannot predict the future clearly.
- They don't know what will happen next week or next year. This makes planning difficult and risky.

How to Respond?

- Organisations must be flexible and ready to adapt quickly.
- They need to monitor change constantly, make decisions fast, and adjust strategies as new information arrives.
- Continuous learning is essential.

Navigating Environmental Complexity



Simple Industry

A simple industry is where there is few competitors, and stable demand that make the market easy to understand and predict.



Moderate Complexity

There are more competitors and rising regulations that mean organisations need better analysis and quicker decisions.



High Complexity

Many competitors, complex global supply chains, and changing regulations create a closely linked market where small changes impact the entire industry.



Very High Complexity

Extreme complexity from fast technology change, many regulations, and global competition means strategies must stay very flexible and updated often.

Adapting to Rapid Change



Speed of Change

- When change happens quickly, organisations must make decisions faster.
- Traditional planning that takes months or years becomes too slow.
- Companies need agile strategies that can adapt in weeks or days.



Strategy Acceleration

- Fast change requires organisations to think and act faster.
- Strategic planning cycles must be shorter.
- Decisions are made with incomplete information because waiting for all data takes too long.



Continuous Revision

- In fast-changing environments, strategies are not fixed.
- Organisations must review and adjust strategies constantly.
- What worked yesterday may not work tomorrow.
- Strategy is a continuous process, not a one-time plan.

Who are Stakeholders?

Internal Stakeholders

People inside the organisation who are affected by business decisions.

Examples:



- Employees work for the company.
- Managers lead teams and make decisions.
- Owners or shareholders invest money and expect returns.

External Stakeholders

People and organisations outside the company who have an interest in it.

Examples:



- Customers buy products and services.
- Suppliers provide materials and services. Regulators enforce rules and laws.
- Community members live near the company and are affected by its actions.

Mendelow's Matrix – Understanding Stakeholder Power

High Power/High Interest

Manage Closely

These stakeholders have power and interest.

They can greatly affect the organisation.

Examples: Shareholders, key customers,
partners.

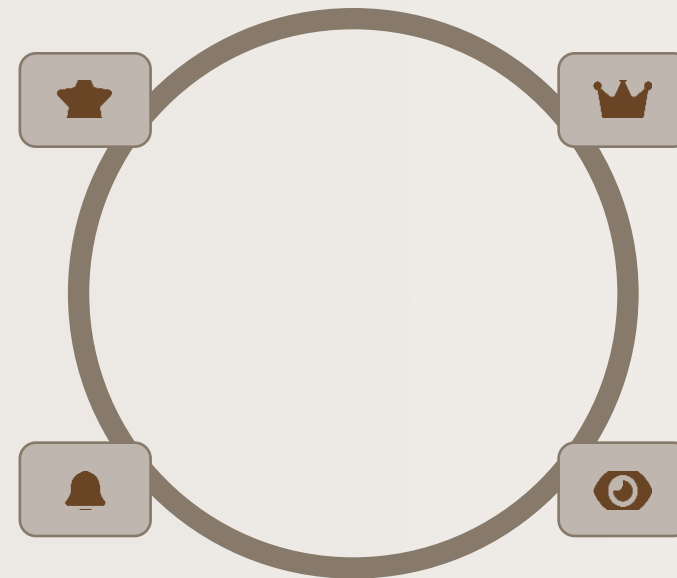
Keep them informed and involved.

Low Power/Low Interest

Monitor

These stakeholders have both low power and low interest. They have minimal impact.

Examples: General public, temporary vendors. Monitor occasionally.



High Power/Low Interest

Keep Satisfied

These stakeholders have power but low interest. They can affect the organisation but may not pay close attention.

Examples: Government, regulators.

Keep them satisfied.

Low Power/High Interest

Keep Informed

These stakeholders have interest but low power. They care about the organisation but cannot greatly affect it.

Examples: Local community, employees.

Listen to them and communicate.

Stakeholder Mapping

1

Identify All Stakeholders

Make a list of everyone who has an interest in your organisation. Include internal and external stakeholders.

2

Analyse Their Power & Interest

For each stakeholder, ask: How much power do they have? How much do they care about your organisation?

3

Plot on Matrix

Place each stakeholder on Mendelow's Matrix based on their power and interest levels.

4

Plan Your Strategy

Decide how to manage each stakeholder group based on where they appear on the matrix.

5

Communicate & Engage

Keep stakeholders informed and engaged according to their position. Review regularly as situations change.

Stakeholder Expectations and Conflicts

Different stakeholders have different expectations and goals.

- Shareholders want high profits.
- Employees want good salaries and job security.
- Customers want affordable, quality products.
- The community wants environmental responsibility.

How can we manage conflicts?

- Understand what each stakeholder wants
- Find common interests when possible
- Communicate clearly and honestly
- Make compromises and balance interests
- Create a strategic plan



What is Strategic Planning?

Set Long-Term Direction

Decide where you want to go in 3, 5, or 10 years. Create a clear vision of the future. Make sure everyone in the organisation understands the plan and works toward the same goals.

Analyse Your Situation

Look at your environment using PESTEL or STEEP. Understand who your competitors are and what they do. Assess your own strengths and weaknesses. This analysis helps you understand what strategies will work.

Make Difficult Choices

Decide what is most important. Prioritise actions because organisations have limited time, money, and people. Choose which opportunities to pursue and which to ignore. Focus your resources on what matters most.

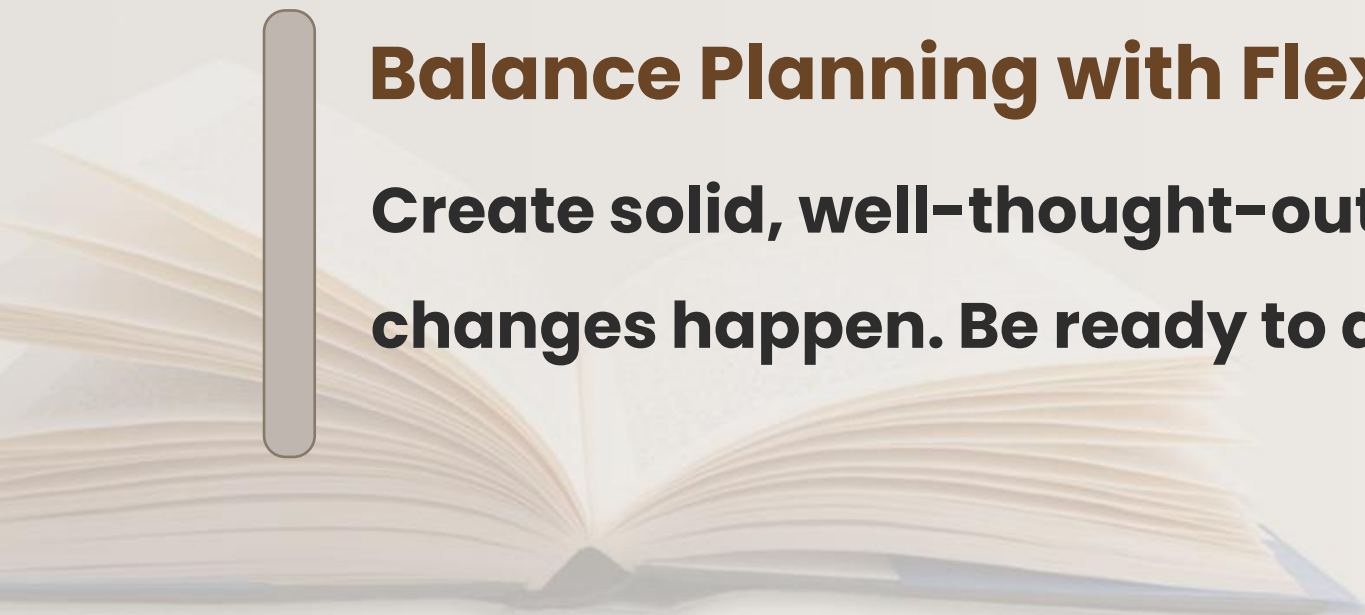
What is Strategic Planning? Continued ...

Understand the Planning Cycle

Strategic planning is not a one-time activity, it is continuous. You plan, act on the plan, review and adjust – because the environment keeps changing.

Balance Planning with Flexibility

Create solid, well-thought-out strategies, but stay ready to adapt when unexpected changes happen. Be ready to adjust when new information or surprises arise.



Critiques of Traditional Planning

Mintzberg's criticisms



Too Rigid

Traditional planning creates fixed plans. When organisations stick to them even as the environment changes, the lack of flexibility can cause failure.



Assumes the Future is Predictable

Traditional planning assumes the future is predictable, but it isn't. Plan based wrong predictions may fail.



Takes Too Long

Traditional planning is slow (months, even years). By the time a plan is finishes, the environment has changes, so organisations need quicker decision-making.

What is Competitive Advantage?

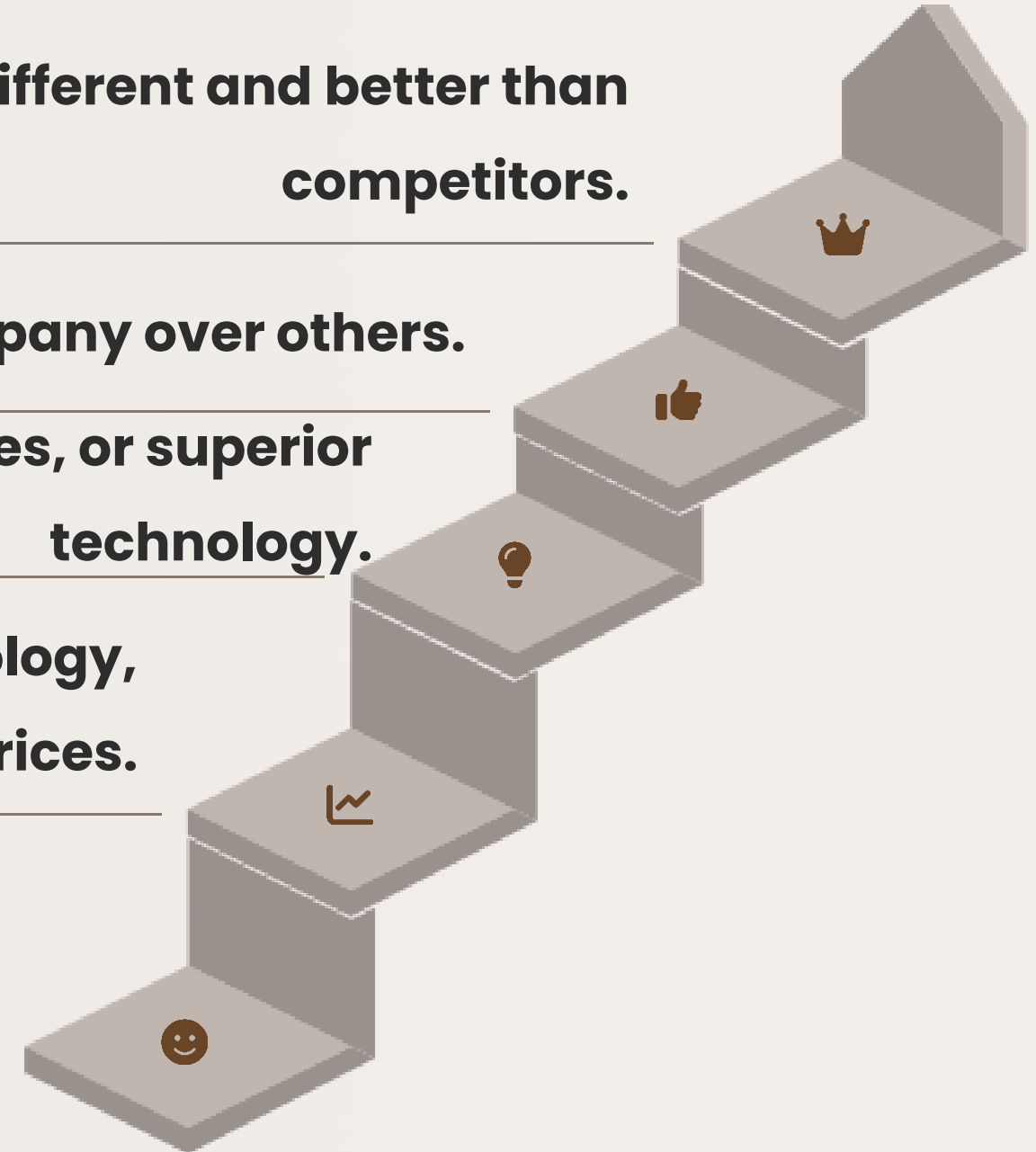
Competitive advantage is what makes your company different and better than competitors.

It is why customers choose your company over others.

It can be a unique product, better service, lower prices, or superior technology.

Examples: Apple's design, Netflix's streaming technology, Aldi's low prices.

Successful organisations protect and improve their competitive advantage constantly.



Porter's Generic Strategies – How to Win

Cost Leadership

Broad Target + Low Cost.

Compete by offering the lowest prices. Serve many customers with affordable products by keeping costs low through efficient operations.

Examples: Aldi, Ryanair, Walmart.

Differentiation Focus

Narrow Target + Unique Difference.

Compete by serving a specific group with special, premium products. Focus on one market segment and offer unique features..

Examples: Luxury brands, specialised boutiques, exclusive services.

Differentiation

Broad Target + Unique Difference.

Compete by offering something unique and valuable. Serve many customers with special features, high quality, or a strong brand.

Customers willing to pay more for this.

Examples: Apple, Dyson, Tesla.

Cost Focus

Narrow Target + Low Cost.

Compete by serving a specific group with the lowest prices. Focus on one market segment and win by keeping costs very low.

Examples: Budget gyms, discount airlines, budget hotels.



Don't get stuck in the middle! Choose one clear strategy and do it well.

Choosing the Right Strategy

Industry Characteristics

Understand your industry. Is it price-sensitive or do customers value uniqueness? What do customers care about most?

Available Resources

Consider money, people, and time. Choose a strategy you can actually implement with what you have.



Competitor Strategies

Know what competitors are doing. Don't copy them. Find a gap or area where you can be better.

Organisation Capabilities

Be honest about what your company does well. Choose a strategy that matches your strengths and resources.

Customer Needs

Listen to what customers want. Do they want low prices or special features? Align your strategy with customer preferences.

Activity – Applying Strategy

Step 1: Choose a Company

Pick a real company you know.

Step 2: Analyse the Environment

Use STEEP to understand the company's environment. What challenges and opportunities exist?

Step 3: Identify Stakeholders

List who matters to this company. Use Mendelow's Matrix to understand their power and interest.

Step 4: Identify Competitive Advantage

What makes this company different? Which of Porter's strategies does it use: Cost Leadership, Differentiation, Cost Focus, or Differentiation Focus?

Step 5: Evaluate Strategy

Is the strategy working? What changes might help the company adapt to environmental challenges?

Key Takeaways



Environment Shapes Strategy

Organisations must understand their environment using tools like PESTEL, STEEP, and Scenario Planning. This helps them anticipate changes and shape strategies that match their world.



Stakeholders Matter

Stakeholders have different interests and power. Use Mendelow's Matrix to understand them and manage them carefully, as they can help or harm the organisation.



Competitive Advantage Wins

Success comes from doing something better, faster, or cheaper than competitors than competitors. Porter's four strategies – Cost Leadership, Differentiation, Cost Focus and Differentiation Focus – show how to compete. Choose one and do it well.

Week 4

The Importance of Strategy



Further Reading

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***If you have any questions, then please
do not hesitate to get in touch.***

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