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Strategic Management for SMEs

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Introduction

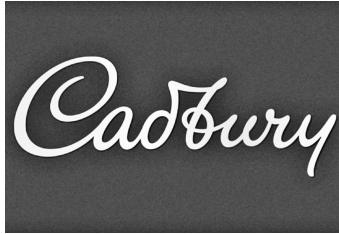
The following report is concentrated around the strategic management process and the aim is to get an understanding of how it provides a competitive advantage for an organisation. Strategy in terms of competitive advantage can be referred to a plan for an organisation's long term survival. Strategic management is a process that involves a systematic process for assuring continued success and achieving competitive advantage. Strategic management is a set of steps which include ;

- Analysis of the current strategy
- Environmental scanning of external factors
- Internal scanning of an organisation's strengths and weaknesses
- Formulating a new strategies
- Implementation of new strategies
- A set of evaluation and control measures (Lynch, 2018).

Strategic management is needed to ensure success of an organisation and to gain a competitive advantage, because it allows the organisation to take action where needed, make effective long term decisions and carry out the decisions efficiently which dictate how it improves its competitive advantage (Thompson and Strickland 1999).

The report is based on the case study of the company Cadburys. The report will start by firstly giving a brief overview of the organisation, and an analysis of its current strategic position using a technique called VMOST analysis. The report will highlight Cadburys value chain and its resources which are utilised for competitive advantage. The report will then analyse Cadburys external environment and internal environment using PESTLE analysis, SWOT analysis to understand strengths, weaknesses, and threats faced by Cadbury. Furthermore, Porter's Five Forces analysis will be carried out to get an understanding of its market competition. The report will then go on to carry out a stakeholder analysis of Cadburys to understand the power and influences of certain stakeholders. The final sections of the report will recommend new strategies and look at how these strategies can be implemented.

Company Overview



Cadbury is a British multinational confectionery company owned by Mondelez International (formally known as Kraft foods) since 2010. Cadbury was founded in 1824 Birmingham UK, by John Cadbury, and by 1914, chocolate was its best selling product (Wikipedia, 2020). Cadbury headquarters are in Uxbridge, London, and it operates in more than 50 countries. It is the second biggest confectionery company in the world after Mars (Newburgh, 2012). Because of its long and largely successful history, Cadbury products are very popular in the UK and are instantly recognisable. They have a variety of chocolate products in the UK confectionery market, most popular ones include Dairy Milk, Cadbury Wispa bars, Cadbury cream eggs and Cadbury roses. With over 3,000 employees and 8 UK factories, Cadbury pursues an economy of scale strategy to achieve cost leadership. It produces in mass which allows Cadbury to reduce production costs. One of the key elements is its distribution network which allows direct selling to buyers. One example of its distribution centres is the one in Milton Keynes, UK, which is a 300,000 sq ft facility which allows Cadbury efficient and effective distribution of its products (Cadbury-Milton Keynes, 2017). Another strategy Cadbury follows is market segmentation. It provides a wide range of products to cater to a wide range of people with different tastes and lifestyles. Its products are based on behavioural and social factors such as incomes and occasions. For example Bournville chocolate is a more richer tasting chocolate than Dairy Milk, and is aimed at people in the high end consumer group. Cadburys Rose's is aimed at people looking to enjoy chocolate at a time of celebration. One of the risk elements Cadbury faces is the rising number of obesity levels in adults and young children (NHS Digital, 2020). This is a risk because of the high sugar and fat contents of Cadbury products may lead to a drop in sales because of changing social factors.

1. Vision, Mission, Objectives, Strategy and Tactics (VMOST)

This section will look at the current strategic position of Cadbury by analysing its mission, vision and objectives. Also included is a value chain analysis to gain an understanding of how Cadbury adds value to its products and a VRIO Analysis to understand the role of its resources it uses to attain value.

Mission statements are usually aimed at customers and are unique to an organisation. A mission statement gives a summary to the basic purpose of an organisation.

The mission statement is important because a good mission statement is essential for formulating, implementing and evaluating business strategy (David 2001). The mission statement of Cadbury is :

'Cadbury means quality; this is our promise. Our reputation is built upon quality; our commitment to continuous improvement will ensure that our promise is delivered' (Mission Statement Academy, 2020).

This is a good strong mission statement that gives the reader an overview of what the organisation values the most, in this case it is the quality of its products. It tells the reader that they make quality products, their reputation is based on quality, they attain quality by continuous improvement and this is the value they are bringing to the product. Through its mission statement, Cadbury is making its name anonymous with quality. This shows that their strategy is to differentiate its products on the basis of quality. The mission statement of Cadbury is good because it answers four essential questions of what we do, how we do it, for whom and the value they bring (Forces, 2013).

The vision statement describes where the company wants to be in the future and what the company wants to achieve. Cadbury vision statement is:

'Working together to create brands people love' (Business and management, 2020).

One of the main objectives of Cadbury is to develop differentiated products, while exploiting a smart variety, to achieve their profitable growth in confectionery and beverages. To meet its objectives they have initiatives and tactics which they utilise. To analyse the current strategy, the VMOST model can be used to highlight an organisation's overall strategy and tactic used to meet its objectives (Sondhi, 1919). VMOST is used often to analyse current strategy but it can also be used as a way to plan future strategies. And illustration of the VMOST model consists of five elements which are vision, mission, objectives, strategy and tactics which has been illustrated below in figure 1.1 :

Figure 1.1: VMOST Model



Source: <https://fourweekmba.com/vmost-analysis/>

VMOST analysis of Cadburys is as follows:

Table 1.1: VMOST analysis of Cadbury

Vision: Working together <i>to create brands people love.</i>
Mission: Cadbury means quality; this is our promise. Our reputation is built upon quality; our commitment to continuous improvement will ensure that our promise is delivered'
Objectives: To develop differentiated products. Exploiting a smart variety.

Achieve profitable growth in confectionery and beverages.
Strategies: Diversifying product range. High quality yet reasonably priced products. Improving product image. Expand into new markets.
Tactics: Producing in bulk and a range of products different in tastes and size. Using data to understand which products sell more and to which customers, then using this to better understand how to use promotional activities. Regularly changing packaging and images of chocolates. Working with other famous brands such as Oreo to make collaborative products such as Dairy milk Oreo chocolate bars. Using information leadership to discontinue products that don't sell as much. Producing different products such as Cadbury Ice-cream to expand into new markets.

What the analysis shows is that the strategies are aligned with the vision of Cadbury. For example, they use information leadership to find out products that are not selling, or not favourable with consumers. They then discontinue these products and concentrate on consumer favorites which is their vision to create brands people love. An example of this is when they discontinued the chocolate bar Cadburys Fuse (Wikipedia, 2020). Cadbury mission statement is concentrated around quality. They use tactics of changing product packing, and regularly updating packaging to make their products look superior to competitors. Another example of how Cadbury uses tactics to align with its vision is to collaborate with other famous products such as Oreo biscuits and make the chocolate bar 'Cadburys Dairy Milk Oreo'. By doing this they are meeting their vision of working together to create brands people love.

2. VRIO Analysis

According to Barney and Hesterly (2018) VRIO is a framework used to analyse an organisation's different resources or capabilities it possesses and the potential of these to generate a sustained competitive advantage. The framework is based on four questions that must be answered about each resource or capability to determine its competitive potential. These four questions are :

- **Value.** Is it valuable? Does it allow external opportunities to be exploited or neutralise external threats ?
- **Rarity.** Is it rare or only or only controlled by a limited number of competing organisations?
- **Imitability.** Can it be easily replicated? Do competitors face a cost disadvantage without it? Will it be costly for others to replicate?
- **Organised.** Is the organisation in position or organised to take advantage of the valuable, rare, and hard to replicate resource? (Barney & Hesterly, 2018).

If all questions of the matrix are answered yes then it means the resources or capability will lead the organisation to a sustained competitive advantage. Table 2.1 below is VRIO analysis for Cadburys:

Table 2.1: VRIO of Cadburys

Cadburys Resource or Capability	Is it Valuable?	Is it Rare?	Is it hard to Imitate?	Is Cadburys Organised?
<i>Distribution Network</i>	YES	YES	YES	YES
Marketing activities	YES	YES	NO	YES
<i>Large product range</i>	YES	YES	NO	YES
<i>Human resources</i>	YES	NO	YES	YES

<i>Operational infrastructure</i>	YES	YES	YES	YES
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The results of the questions and what it means in relation to competitive advantage is illustrated below in figure 2.1:

Figure 2.1: VRIO Results Matrix

Is valuable?	Is rare?	Is difficult to imitate?	Is organization organized around?	What is the result?
NO				COMPETITIVE DISADVANTAGE
YES	NO			COMPETITIVE EQUALITY / PARITY
YES	YES	NO		TEMPORARY COMPETITIVE ADVANTAGE
YES	YES	YES	NO	UNUSED COMPETITIVE ADVANTAGE
YES	YES	YES	YES	LONG-TERM COMPETITIVE ADVANTAGE

Source: <https://managementmania.com/en/vrio-analysis>

Cadburys distribution network gives them a long-term competitive advantage which helps the organisation maximise value. It is a valuable resource because it allows effective and efficient distribution of its products. It is a rare resource that only a few of its competitors have. It is hard to imitate and cannot be easily attained by others because of the high capital needed. If it was easy to imitate then the advantage would be only temporary (Lynch, 2018). Cadbury is highly organised and has the operations structure in place to take advantage of this resource.

Cadburys marketing activities give a temporary competitive advantage. This is because although it is a valuable resource which gives a perceived value to the customer of quality and prestige, it can be imitated. Although only a few organisations have the capital to use this resource, with the right amount of capital it can be replicated.

The **Large product range** of Cadbury gives it a temporary competitive advantage because it can be also imitated. It is a valuable capability which allows Cadbury to segment the market and target different consumers with different types of products, and it can continue to use this capability to further segment the market according to sugar or fat content, but this capability can be easily imitated by others so it is only a temporary competitive advantage.

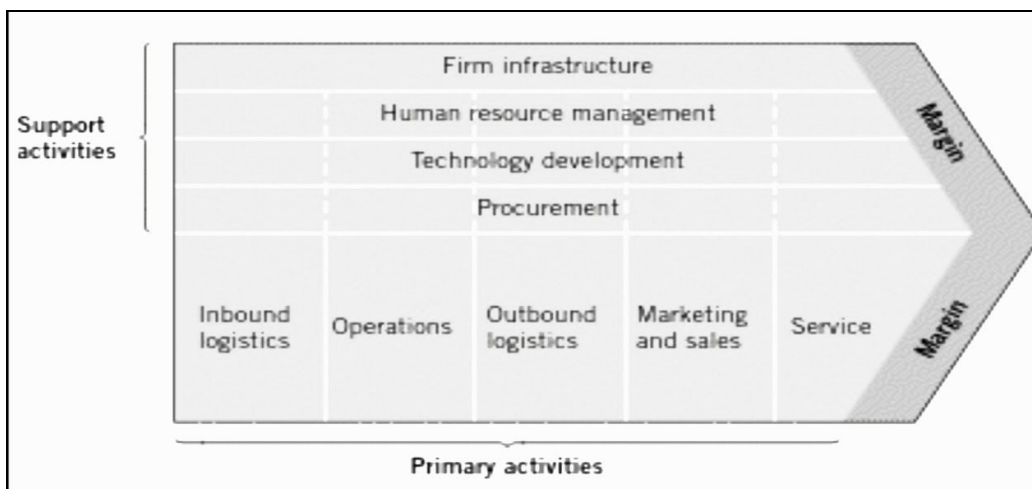
Cadburys Human Resources gives a partial competitive advantage. Although it is a highly valuable resource because it adds value to its operational and production activities, it is not rare. Cadburys can continue to use its human resources for adding value to its products, but other competitors also have human resources available or can get it easily.

Operational infrastructure which Cadburys has is highly valuable. The operational infrastructure allows Cadbury to exploit the opportunity of economies of scale and eliminate threats of new entrants to the marketplace. Cadburys have highly sophisticated machinery for effective and efficient production and packaging. This allows them to achieve economies of scale of producing in high numbers which in turn means they are able to achieve a cost leadership. Increasing productivity means that average costs of production are reduced (Jackson, 2020). Only a few competitors have access to these types of machinery and it is hard to imitate because of the high costs required. This resource gives Cadbury a sustained competitive advantage because it allows them to exploit an opportunity to achieve economies of scale, neutralise threats of new entrants, it is rare among current or potential competitors, and imperfectly imitable (Barney, 1991).

3. Value Chain Analysis

Company's need to have an understanding of what procedures provide value to their products or services, and which procedures have a negative effect on value so that they can achieve a competitive advantage. The value chain model consists of a number of activities that can be used to analyse the value generation of an organisation (Johnson *et al.* 2019). The value chain illustrated in figure 3.1 (The value chain) consists of primary activities in which organisations should concentrate most on because the majority of savings can occur there, and support activities which can be viewed as secondary activities which help to improve the effectiveness or efficiency of primary activities.

Figure 3.1: The Value Chain



Source: Johnson *et al.* (2019).

The primary activities of Cadbury are as follows:

- ❑ **Inbound logistics and suppliers:** For Cadbury this activity is about raw materials in this case cocoa beans and milk ingredients needed to make chocolate. To add value it is vital to have a good relationship with its suppliers of raw materials and the logistics must be cost effective. The main ingredient which is cocoa beans, is mainly obtained from Ghana, Africa. Cocoa beans are also obtained from Indonesia and the Caribbean where they are grown and harvested. Cadbury has a good relationship with its suppliers of cocoa beans through its sustainability commitments (Cadbury Annual Report and Accounts, 2008). Milk ingredients are sourced from European sources, majority of which comes from the Selkley Vale farmers. It is only delivered on a need basis similar to that of a just-in-time method adopted by Toyota car manufacturers. This helps to reduce costs associated with waste or storage. Just-In-Time (JIT) manufacturing is a Japanese management philosophy applied in manufacturing which involves having the right items of the right quality and quantity in the right place and the right time (Kootanaee *et al.* 2013).
- ❑ **Operations:** Cadbury uses the latest machinery which requires minimal supervision to process the raw materials. In addition to the highly sophisticated machinery and systems used by Cadbury, chocolate quality is ensured through a regime of frequent sampling and analysis which is regulated under a strict Quality Management System.

Cadbury adds value to its products by ensuring a quality product with the use of sophisticated machinery. Technology development is used by Cadbury for effective operations. Technology is used to improve operating efficiency and quality by regulatory machinery innovation.

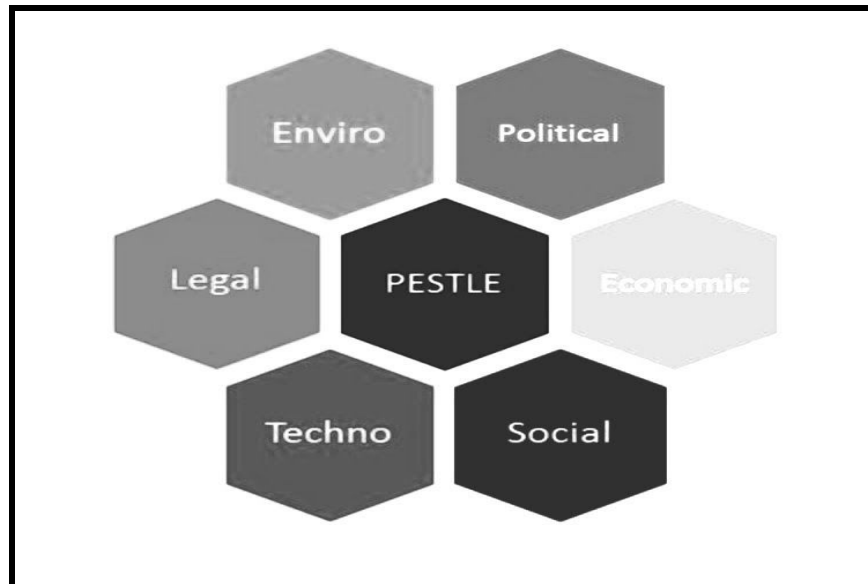
- ❑ **Outbound logistics:** once the chocolate products are wrapped and checked for quality, they are taken to the distribution centres such as the one in Milton Keynes from which they are sold directly to retail outlets and wholesalers.
- ❑ **Marketing and sales:** Cadburys uses a comprehensive range of marketing and promotional activities to promote its products. It uses digital marketing such as television advertising through terrestrial media such as ITV and other broadcasters such as Sky. It also uses traditional advertising of billboards, newspapers and magazines to reach potential customers and build a strong image based on quality.

4. Environmental Scanning

PESTEL Analysis

This section will be concerned with environmental scanning and the external environment of Cadburys for which a PESTEL analysis will be carried out. Environmental scanning provides an analysis of an organisation's external environment, with the aim being to identify any opportunities or threats posed. To maintain or to gain a competitive advantage, organisations need to adapt to a changing macro environment. According to Gupta (2013) PESTLE analysis is a framework that can be used as an estimation of the external business environment. PESTLE is an acronym for the six core categories of Political, Economic, Social, Technological, Legal, and Environmental. The advantages of a PESTLE analysis is that it gives an understanding of how and what external factors can affect an organisation or visa versa.

Figure 4.1: PESTLE Analysis Categories



Source: <https://www.murphymarketing.ie/what-is-a-pestle-analysis/>

- ❖ **Political:** There are different ways in which political decisions made by newly elected or current government can affect Cadbury. For example the sugar tax being proposed by the government to reduce obesity levels and pressure on organisations to reduce their sugar content in their products (Butler, 2015). This will have a high impact because it will mean that Cadbury will need to increase its prices which will affect sales. Sugar tax has already affected soft drink prices. Reducing sugar level in Cadburys chocolate may reduce quality or taste levels which will also have a high negative impact on sales. Government tax increases for example VAT increases can also have a negative impact on sales of Cadbury chocolates. Government policies on employee PAYE taxes can also affect Cadbury because it means that Cadbury may face higher costs for employing people in the UK. This may force Cadbury to outsource its workforce to other countries because of increased operational costs which will mean higher unemployment in the west Midlands area of the UK. Government policies surrounding movement of people post brexit will also affect Cadburys employment processes.

- ❖ **Economic:** The economic climate can affect sales of Cadbury products. This is especially true in times of austerity or recession. People have a lower disposable income which means that they are less likely to spend money on chocolate.
- ❖ **Social:** In the UK and other western countries there is a high concern with the rising cases of obesity and diabetes, with obesity concerns around children even more concerning (NHS Digital, 2020). High sugar content foods are being targeted by governments with higher taxation. Leading nutrition experts are also recommending that people reduce eating sugary products including chocolate. This will inevitably have a downturn effect on Cadburys future sales figures.
- ❖ **Technological:** Technological advances in machinery has led to better quality products and lower employment costs for Cadbury. To maintain a competitive advantage, technology will need to be updated regularly including research and development .
- ❖ **Legal:** There are many legal issues which affect Cadbury such as displaying sugar, calorie and fat content on chocolate products to assist consumers when making purchases. Displaying the high sugar and fat content will discourage people from buying. The legislative framework around the sugar tax may also affect Cadburys sales revenues in the future.
- ❖ **Environmental:** Reducing carbon footprint, plastic packaging, waste and buying raw materials from sustainable sources are issues which affect Cadburys future aspirations. Cadbury has faced criticism for its high amount of packaging used for some products for which it has made long term commitments to address. Cadbury has also acted on sustainability and ethical issues by buying cocoa beans from Fairtrade certified sources (Fair-trade.org, 2009). Failure to address these environmental issues will lead to negative brand image and a consumer backlash which will affect sales.

SWOT Analysis

SWOT analysis is an analysis tool used for strategic planning and strategic management in organisations. The main advantage of SWOT analysis is its simplicity to undertake in identifying strengths, weaknesses and future threats the organisation may face (Ghazinoory et al., 2011). SWOT is an acronym for strengths, weaknesses, opportunities and threats. Strengths and weaknesses are concerned with internal organisational factors, while opportunities and threats cover a wider context or environment in which the organisation operates (Collins-Kreiner & Wall, 2007).

The following is a SWOT analysis of Cadburys:

Table 4.1: SWOT analysis of Cadbury

<u>STRENGTHS</u>	<u>WEAKNESS</u>
Reputable brand name and brand equity	Competition is high
Market share leader in the UK	Numerous substitute products are available
Wide range of products	Dependent on sale of its products which are considered social unhealthy
Strong manufacturing and operational infrastructure	Susceptible to new laws and regulations regarding sugar and fat contents of its products
Strong distribution network	Lack of understanding of emerging markets
Strong, successful and effective advertising	
Strong financial position	
<u>OPPORTUNITIES</u>	<u>THREATS</u>
Innovation of new products	Sugar tax because of high sugar content
Changing demands for healthier confectionery based on calories	Increase cost in supply chains and raw materials
Low fat organic confectionery markets	Obesity levels affect sales of chocolate
Opportunities at niche markets	Rising levels of diabetes affects sales because of high sugar content
	Competitors introducing healthier products
	High availability of substitute products
	Negative publicity regarding high sugar content
	Social changes of healthy lifestyles

What the SWOT analysis shows is that the main strengths of Cadburys is that of its reputable brand name and infrastructure. It also has a strong distribution network and its advertising is successful. Its products are instantly recognisable because of this.

Its key weakness is the high availability of substitute products and its threats are of a changing social habits of healthier eating. High sugar content means Cadburys is susceptible to higher taxes such as the sugar tax.

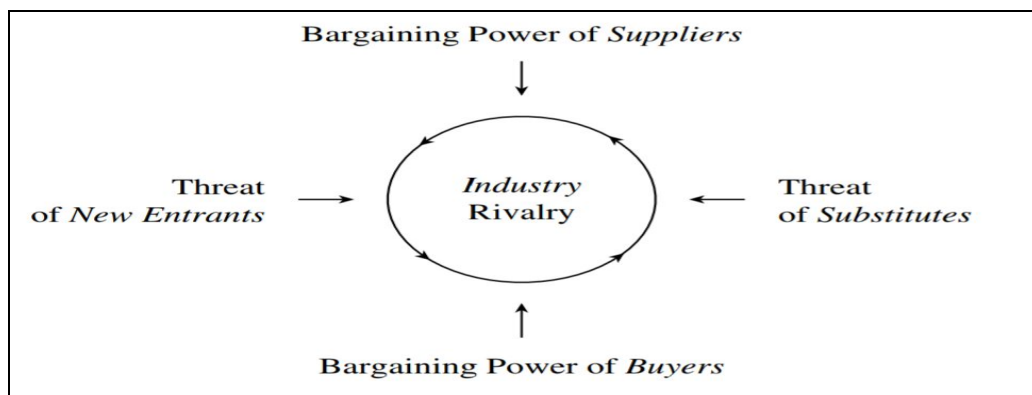
The opportunities are innovation in new products and entering new markets based on healthier confectionery. High obesity rates are a threat to Cadbury because of its products with high fat content means people may look for alternative products which are lower in fat content.

Competitive Environment Analysis

This section of the report looks at the competitive level or attractiveness the market is for Cadburys using the Porter's Five Forces model.

The Porter's model can be influential in identifying where power lies in certain business situations. It highlights outside threat levels and determines the attractiveness or profitability of an organisation. The Porter's model can assist to evaluate the bargaining power of suppliers, industry rivalry, power of buyers, threat posed by new entrants to the market, and the threat of substitutes products. As explained by Porter (1985) the five forces model can help to evaluate an organisation's environment by underpinning its competitive rivalry, and the theory can also help in strategic analysis and strategic management to improve competitive advantage. An illustration of the categories of the Porter's Five Forces model are shown below in figure 4.2:

Figure 4.2: Porter's five forces model.



Source: Porter, 1985, p.22

Bargaining power of suppliers.

This is a high to moderate force because of the limited suppliers available to Cadbury. The prices of raw materials can fluctuate because of reasons such as climate change or disease which can affect the supply chain of Cadbury (Cadbury, 2012). Any changes in raw materials prices will directly affect product price. Price of cocoa beans is increasing yearly which will mean Cadburys increasing its prices (BBC, 2013). Cadbury relies on quality cocoa beans and can't switch suppliers easily.

Bargaining power of buyers.

This is a moderate to low force because although Cadburys is a large and well established company, there are many competitors offering similar products in the same price range to Cadbury products. Customer loyalty may be altered because of price or incentives by competitors. To reduce this for Cadbury must analyse prices and incentives there are by competitors. One of Cadburys barriers to reduce this threat is segmentation, by offering a wide range of products with a wide range of prices to cater to different people with differing disposable incomes. Another reason why this is a moderate to low threat is because the costs of products sold by Cadbury is relatively low. According to Porter (2008) buyers are less price sensitive where the product costs is a small fraction of the buyers expenditure.

Industry Rivalry

This is a high force because of the fierce rivalry from competitors in the market. Some of Cadburys competitors include Nestle, Ferrero Rocher, Mars, and Hershey, who are established companies offering similar products. Because of this force, Cadburys prices are competitive to rivals which means profit lower margins. To limit this threat Cadburys runs a substantial marketing campaign to differentiate its products based on quality and brand name.

Threat of Substitutes

This is a high force because of the many competitors that offer similar products. There are also chocolate products offered by major supermarkets that are often cheaper. The growing market for healthier products such as cereal bars or fruit bars can also be seen as substitutes (Research and Markets, 2020). This can be a greater threat to other substitutes because of the social changes of people wanting to eat healthier.

Cadburys reduces this force by product differentiation in packaging, quality and extensive advertising. The threat from healthier products such as cereal bars or fruit bars remains high.

Threat of New Entrants

This is a low threat because the chocolate industry is dominated by well established brands such as Cadbury, Mars and Nestle. There are many barriers for new entrants such as high costs. Huge amounts of capital will be needed for operational, distribution and marketing costs. Another barrier to new entrants is economies of scale and experience of major operations of production and distribution (Johnson, *et al* 2008). What this means is new entrants must come into the market on a large scale or suffer a cost disadvantage.

5. Stakeholder Analysis

Stakeholders are individuals or groups of people that can either be affected or affect an organisation (Freeman, 1984). According to the latest definitions given by Freeman (2004) these individuals or groups of people are vital for the success of the organisation, because of the influence and power they have. Stakeholder analysis is a process of firstly identifying the stakeholders and then to group them in accordance to the influence and power they hold so that an understanding can be gained on how to interact with these stakeholders. The first part of the analysis involves identifying who these stakeholders are. According to Friedman and Miles (2006) the main groups of stakeholders are:

- ★ Employees
- ★ Customers
- ★ Shareholders
- ★ Suppliers and Distributors.

In addition to these, other stakeholders that are seen to be vital are:

- ★ The general public
- ★ The media
- ★ Competitors
- ★ Business partners
- ★ Government regulators and policy makers
- ★ Financial Services (Friedman & Miles, 2006).

The next step in the stakeholder analysis is to group these stakeholders in a power interest matrix to give a visualisation of which groups hold more power and influence than others.

The matrix also gives an understanding of how to treat these stakeholders. By combining the power/interest matrix and stakeholder engagement and participation strategies, a firm can identify stakeholders and implement a management strategy appropriate for that specific stakeholder group. Figure 5.1: The power/interest matrix below gives an understanding of the power and influence each stakeholder has and the actions needed by the organisation depending on that power and interest.

Figure 5.1: Power/Interest Matrix

Power	High	Maintain these stakeholders in a happy state	Manage these stakeholders closely
	Low	Keep an eye on these stakeholders and act when prompted	Keep these stakeholder happy and informed
		Low	High
		Interest	

Source: Martirosyan & Vashakmadze (2014).

Figure 5.2: Power/Interest Matrix of Cadburys

Power	High	H	D
	Low	F	B
		G	A C
		Low	High
		Interest	

A	Employees
B	Customers
C	Shareholders
D	Suppliers
E	General Public
F	Media
G	Competitors
H	Government

The Power/Interest Matrix of Cadburys (figure 5.2) shows the stakeholders in the upper most of the matrix hold high interest and power is variable. These enjoy the most power and can affect the organisations strategies but may not be particularly concerned with the business activities. Lower left corner of the matrix are stakeholders who have low interest and low influence in organisational strategies and need to be engaged when prompted.

Upper left corner of the matrix are stakeholders who have high influence but are not particularly interested in strategies (Ackerman & Eden, 2010). The matrix indicates that customers, suppliers and government are among the most influential stakeholders for Cadburys. These can affect sales, profitability and promotional activities of the organisation. Any new strategies should be based on how to keep these stakeholders satisfied and managed closely. The PESTLE analysis has identified how government policies such as the sugar tax can affect profit margins of Cadburys. Social aspect of the PESTLE analysis has identified how rising numbers of obesity levels and diabetes levels can affect Cadbury products. Strategies such as product differentiation, creating unique products based on healthier options of confectionery will reduce these threats. New strategies of having new products which are lower in fat and sugar content will benefit customers who are looking for healthier confectionery. It will also elevate threats posed by new government policies on high sugar and fat content foods.

6. New Strategy Proposals

The environmental analysis has highlighted the threat faced by Cadbury, which are predominantly concentrated around the issues with health. Because Cadbury products contain high sugar and fat content there is a social consensus that they are unhealthy. Cadbury also faces a risk from government interventions in the form of sugar tax which will inevitably mean Cadburys will have to raise prices which may affect sales. Because of these issues the following strategies have been proposed for Cadbury:

Option 1

Reduced sugar and fat content: This option entails all of Cadburys products will have a reduced level of sugar and fat content throughout its range. This means Cadburys will have to change all its products and develop new products which are healthier. It will promote the healthier features of its new products through marketing activities to differentiate its products on the basis of being more healthier than its competitors. Adopting this strategy will benefit key stakeholders such as customers, governments, and it will be a long term commitment for long term sustainable growth. This strategy is a new product development strategy. This type of strategy seeks to increase sales by improving or modifying present products or services. This type of strategy may be an effective strategy to pursue for organisations such as Cadbury who have successful products that are in the maturity stage of the product life cycle and the strategy idea is to attract satisfied customers to try new or improved products as a result of their positive experience with the organization's present products (David & David, 2015).

Option 2

New Related Products: This strategy involves introducing a new product range, to be promoted alongside existing products, which will be a healthier option with low fat and low sugar levels. This will be a long term strategy which will need extensive research and development. This strategy will use Cadburys existing operational infrastructure and its marketing activities to achieve sustainable growth. This strategy will be in place to satisfy stakeholders that are concerned with the health issues of Cadbury products. This strategy can be referred to as a related diversification strategy, which entails adding new but related products or services. By adopting this strategy Cadburys would achieve sustainable growth by capitalising on its synergies by exploiting common use of its well known brand name and transferring competitive value expertise from one element of the business to another (David & David, 2015).

7. SAFe Analysis

After strategy analysis, it is not unusual for organisations to have multiple strategy options identified to implement. These options can be evaluated and a strategic choice can be made based on the following three questions:

1. Suitability: Does the option capitalise on the organisations strengths and strategic capability. Does it exploit opportunities in the environment and avoid the threats.
2. Acceptability: Is the level of risk and return acceptable. Does it meet stakeholder expectations.
3. Feasibility: Can the organisation finance these strategies. Does the organisation have the people skills for this strategy. Does the organisation have the resources or can resources be obtained (Johnson *et al.* 2009).

The options identified for Cadburys can be evaluated using the SAFe analysis using a scoring matrix ranging from 1 -10 . The option with the highest score will be considered as a better option than the other.

Table 7.1: SAFe Analysis for Cadburys

<u>SAFe Analysis</u>	<u>OPTION 1</u>	<u>OPTION 2</u>
<i>Suitability Score:</i>	7	7
<i>Acceptability Score:</i>	4	8
<i>Feasibility Score:</i>	7	7
Total Score:	18	22

Findings and Recommendation

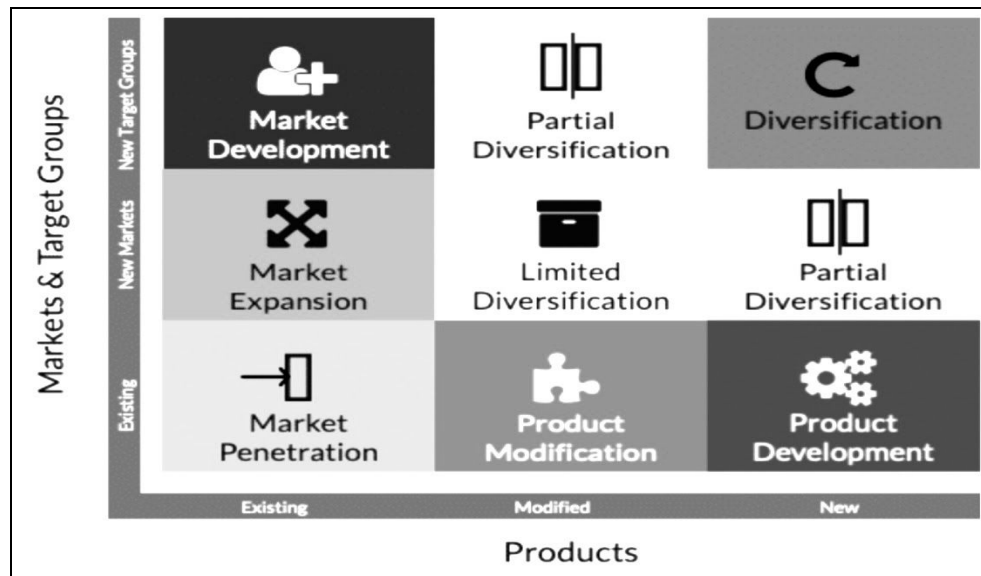
The findings of the SAFe analysis show that option 2 would be a better strategy to adopt by Cadbury. On the aspect of sustainability, both options are the same. Both options would allow Cadbury to capitalise on its strengths which are strong brand name, strong distribution network, strong operations and manufacturing infrastructure. At the same time both options would mean Cadburys avoiding its external threats identified by analysis which include sugar tax, social changes concerned around healthy eating which may mean lower sales of chocolate.

The acceptability aspect of the analysis shows that option 2 would be a better option. This is because with option 1, which entails changing all the products to a low level of sugar and fat content, may not be accepted by key stakeholders, which in this case are customers. Ingredient changes may mean that the chocolate tastes different, which will not be acceptable to the loyal customer base Cadbury has built through the years. Option 2 would keep the existing brands of chocolate and introduce a new but related brand of chocolate which would be lower in sugar and fat content. By diversification of its product range Cadbury would have a better chance at meeting the needs of key stakeholders. Key stakeholders who are wanting a more healthier confectionery would have these products available.

Both options scored even in the feasibility aspect. This is because Cadbury is a well established company with the resources available such as capital, supply chains, distribution network and operational infrastructure to make these options a reality.

The risk elements of adopting this strategy of related diversification can be assessed using the Ansoff matrix. This is a well known matrix used by marketers for deciding on strategies for expansion or growth. The Ansoff matrix suggests four basic directions for organisational growth which are market penetration, market development, product development and diversification (Lynch, 2018). An expanded version of the Ansoff matrix is illustrated below;

Figure 7.1: Expanded Ansoff Matrix



Source: <https://www.tractionwise.com/en/magazine/ansoff-matrix-growth/>

The matrix indicates that option 2 for Cadburys is to either have limited diversification and enter new markets or to have partial diversification and target new groups. Diversification includes brand extensions or new brands, and through product modification it sometimes can create a new market by introducing new uses for the product. According to Hussain *et al.* (2014) this type of strategy involves the most risks compared to the other strategies because it involves entering into new unknown markets. Effectiveness of the strategy depends on key factors of synergies that Cadbury has. The recommendation is for Cadburys to pursue are related diversification strategy, because it will allow Cadbury to reap the competitive advantage benefits of :

- Transferring valuable expertise, technology, marketing capabilities,
- Exploiting common use of a well – known brand name.
- Combining the related activities of separate businesses into a single operation to achieve lower costs (Kannan & Saravanan, (2012).

8. Strategy Implementation

The best formulated strategy in the world will amount to nothing if it is poorly communicated throughout the organisation and incorrectly implemented. Organisations need the structure and flexibility for effective implementation of a new strategy. Any new strategies need to be communicated, coordinated, and understood by stakeholders, both inside stakeholders such as employees and external stakeholders such as suppliers. The factors that determine successful implementation of strategies include:

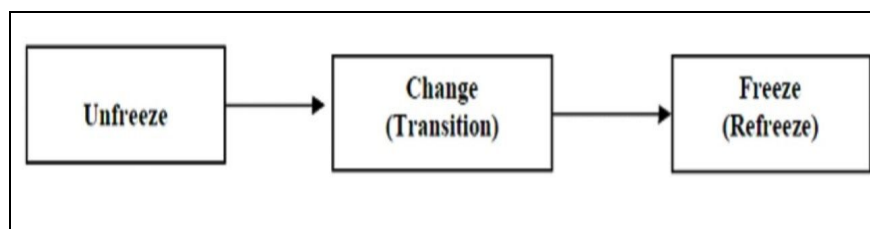
- Human resources
- Resources such as operational infrastructure
- Systems of evaluation
- Culture of the organisation (Palinkas *et al.* 2015).

According to Rani and Mishra (2014) employees and the quality of teams within the organisation are the most important factor in implementing any plan or strategy. This is because they are the ones who execute and stipulate the objectives of the strategy. Some of the factors that may affect Cadbury employees during implementation are :

- Low morale
- Fear of role or job changes
- Fear of having to change working shifts
- Distribution to the status quo
- Distrust in management.

To adjust employees to a change in strategic direction Cadbury management can follow the Kurt Lewin's change management model illustrated below:

Figure 8.1: kurt Lewin's Model



Source: Sarayreh (2013).

Unfreeze: Cadbury will need to use effective communication to gain support and involvement of employees and make them aware of the need to change. Employees that are not willing to change or are complacent will need to be motivated, management must understand and evaluate their concerns, determine what behaviours need changing (Allport, 1948).

Change: Cadbury can hold meetings or one to one appointment with employees who are not willing to change. The advantages of change should be communicated and incentives may also be adequately used as a supportive measure. Employees should be coached and taught new concepts and processes.

Freeze: At this stage Cadbury will need to consolidate and reinforce new ways, removing old ways of doing things. Incentives such as rewards can be used to reinforce new ways, or negative reinforcement can take place such as sanction. The acceptance of new ways of working will mean a stability of production and efficiency.

Conclusion

Cadbury is a well established, reputable UK company, which produces a wide variety of chocolate products to cater for a wide range of people with differing tastes and habits. It uses a strategy of product segmentation to widen the market. It does this by producing chocolates with different appearances and taste to target customers from different social backgrounds. It also produces chocolates to cater for people looking to eat chocolate only during a time of celebrations. Another of Cadburys strategies is to produce in high volumes so that average production costs are reduced. This is a strategy of economy of scale that large organisations use to deter new competitors entering the market, by producing quality products with low production costs. Cadburys has a strong distribution network that it uses effectively and efficiently to get its products into shops or supermarkets. This distribution network is not available to smaller companies which gives Cadbury a competitive advantage over other companies. All these factors mentioned are strengths of Cadburys. What this report has highlighted using SWOT, PESTLE and Porter's Five Forces analysis is that Cadbury faces a number of outside threats which could affect future sales and its competitive advantage. The report has highlighted how changing social habits around healthier eating, and the rising number of obesity rates reported by NHS Digital (2020) may affect sales of Cadbury chocolates because of the high sugar and fat content.

The new strategy recommended by this report is to diversify the range of products by offering a range of healthier chocolates. By adopting this related diversification strategy, Cadbury will be able to reach potential customers who are health conscious but still wanting to enjoy chocolate. By adopting this strategy, Cadbury will continue to have a competitive advantage because of its strong resources and capabilities highlighted by the VRIO analysis. By further segmentation around healthier products, Cadbury will differentiate its products from rivals. Even if rivals follow suit and adopt a strategy of healthier products, Cadbury can use its leverage of strong brand name, strong distribution network and strong marketing activities to achieve sustainable growth. The report has also highlighted risks Cadburys may face when implementing any new strategies because of factors of change which may affect employees. Cadburys will need to use effective communication to demonstrate the advantages the new strategy or plan will bring. Old habits and procedures will need to be unfrozen, changes will need to be undertaken, and new policies will need to be frozen (Sarayreh, 2013).

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