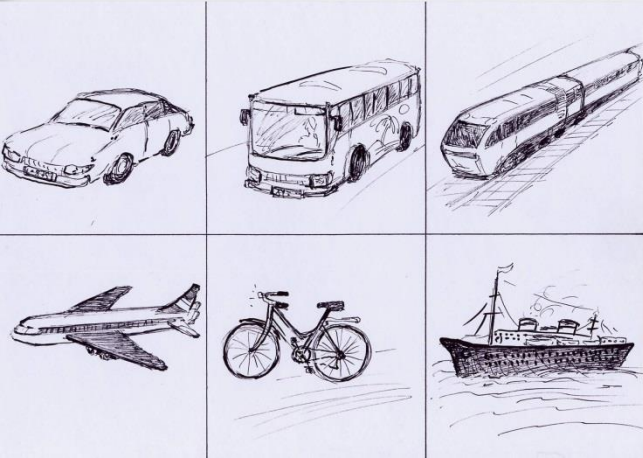




Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Strategic Travel and Tourism Management



6: Strategy & Key Strategic Models 2

Last time we

- Defined strategy, strategic management and strategic choices
- Began to explore strategic models for assignment 1

Today's objectives

- To explore the possible use of further strategic models for assignment 1
- VRIO analysis
- Value chain analysis
- Benchmarking

Assignment 1

Using **two strategic management models**, produce a report (2500 words maximum) which critically assesses the likely impact of **Crossrail** (when operational) on:

a) **travel and tourism in London**

b) a **large London based transport/tourism related business** of your choice (agree choice with tutor before commencing work)

Revised hand-in dates

A1 24 November

A2 (Test) 15 January 2018

20 November class

Mark Youngman, Great Western Railway



4 December (provisional)



Heart of Wales Line – Day Trip



London Trip 14-16 November



Transport
for London



London trip updated itinerary:

Wednesday 15 November - **preparation needed**

10-11.30am

Patrick Griffin, Crossrail Public Affairs Department

Canada Square, Canary Wharf



NB You must present valid ID to gain entry so bring along!

(Driver's Licence, Passport or Citizen card)

2.30-3.30pm

Steve Newsome,

TfL Head of International & European Affairs

Victoria Street, Westminster



Non-London trip students

- Research and prepare and deliver a future class on key issues in cycling and tourism



Update:

Tourism & Transport in the news this week?

To prepare collect one article, or another piece of information, per week on a passenger transport topic and build up a display of current issues in transport with commentary about the likely effects on the industry.

Pooled research, individual work.



- <http://www.bbc.co.uk/news/uk-wales-south-west-wales-41847557>
- <http://www.bbc.co.uk/news/uk-wales-politics-41809874>
- <http://www.bbc.co.uk/news/uk-wales-south-west-wales-41814935>
- <http://www.bbc.co.uk/news/uk-wales-41835252>

- <http://www.bbc.co.uk/news/uk-wales-politics-41833833>



Activity: Exercise 2

5 forces - analyse the hotel industry

Class or Online Exercise:

Select a hospitality company, analyze current developments in the general environment, and identify opportunities and threats

	Opportunities	Threats
Economic issues		
Political issues		
Sociocultural issues		
Technological issues		
Ecological issues		

Class or Online Exercise:

Select a hospitality company, analyze current developments in the task (industry) environment and identify opportunities and threats

	Opportunities	Threats
Competitive rivalry—competitors		
The threat of entry—new comers		
Buyer (customers) power—their bargaining power		
Suppliers' power—their bargaining power		
Threat of substitutes—any substitutes?		

Levels of strategy

- ***Corporate-level strategy*** is concerned with the overall scope of an organisation and how value is added to the constituent business units.
- ***Business-level strategy*** is concerned with the way a business seeks to compete successfully in its particular market.
- ***Functional strategy*** is concerned with how different parts of the organisation deliver the strategy effectively in terms of managing resources, processes and people.

The exploring strategy framework



The exploring strategy framework

The Exploring Strategy Framework includes understanding the ***strategic position*** of an organisation; assessing ***strategic choices*** for the future; and managing ***strategy in action***.

Strategic position (1 of 3)

The ***strategic position*** is concerned with the impact on strategy of the ***macro-environment***, ***the industry environment***, the organisation's ***strategic capability*** (resources and competences), the organisation's ***stakeholders*** and the organisation's ***culture***.

Strategic position (2 of 3)



Strategic position (3 of 3)

Fundamental questions for Strategic position:

- What are the macro-environmental ***opportunities and threats***?
- How can the organisation manage ***industry forces***?
- How are ***stakeholders*** aligned to the organisational purpose?
- What ***resources and capabilities*** support the strategy?
- How does ***culture*** fit the strategy?

Strategic choices (1 of 3)

Strategic choices involve the options for strategy in terms of both the ***directions*** in which strategy might move and the ***methods*** by which strategy might be pursued.

Strategic choices (2 of 3)



Strategic choices (3 of 3)

Fundamental questions for Strategic choice:

- How should individual business units ***compete?***
- Which businesses to include in the ***portfolio?***
- Where should the organisation ***compete internationally?***
- Is the organisation ***innovating*** appropriately?
- Should the organisation ***buy*** other companies, form ***alliances or go it alone?***

Strategy in action (1 of 3)

Strategy in action is about how strategies are *formed* and how they are *implemented*.

The emphasis is on the practicalities of managing.

Strategy in action (2 of 3)



Strategy in action (3 of 3)

Fundamental questions for Strategy in action:

- Which strategies are ***suitable, acceptable and feasible***?
- What kind of ***strategy-making process*** is needed?
- What are the required ***organisation structures and systems***?
- How should the organisation ***manage necessary changes***?
- Who should do what in the strategy process? Which ***people*** and what ***activities***?

The strategy checklist

Sixteen fundamental questions in strategy

Strategic position

- What are the macro-environmental opportunities and threats?
- How can the organisation manage industry forces?
- How are stakeholders aligned to the organisational purpose?
- What is the basic purpose of the organisation?
- How does culture fit the strategy?

Strategic choices

- How should business units compete?
- Which businesses to include in a portfolio?
- Where should the organisation compete internationally?
- Is the organisation innovating appropriately?
- Should the organisation buy other companies, ally or go it alone?

Strategy in action

- Are strategies suitable, acceptable and feasible?
- What kind of strategy-making process is needed?
- What are the required organisation structures and systems?
- How should the organisation manage necessary changes?
- Who should do what in the strategy process?

Strategy's three branches (1 of 2)

- **CONTEXT** – *internal and external.*
- **CONTENT** – *strategic options.*
- **PROCESS** – *formation and implementation.*

Strategy's three branches (2 of 2)

Context

(internal and external)

Research:

Macro-environmental
Industry analysis
Cultural analysis
Resource-based
view

Content

(strategic options)

Research:

Choice
and
performance

Process

(formation and implementation)

Research:

Strategic planning
Choice and change
Strategy-as-practice

Two approaches

- Internal Analysis
- External Analysis

External Analysis

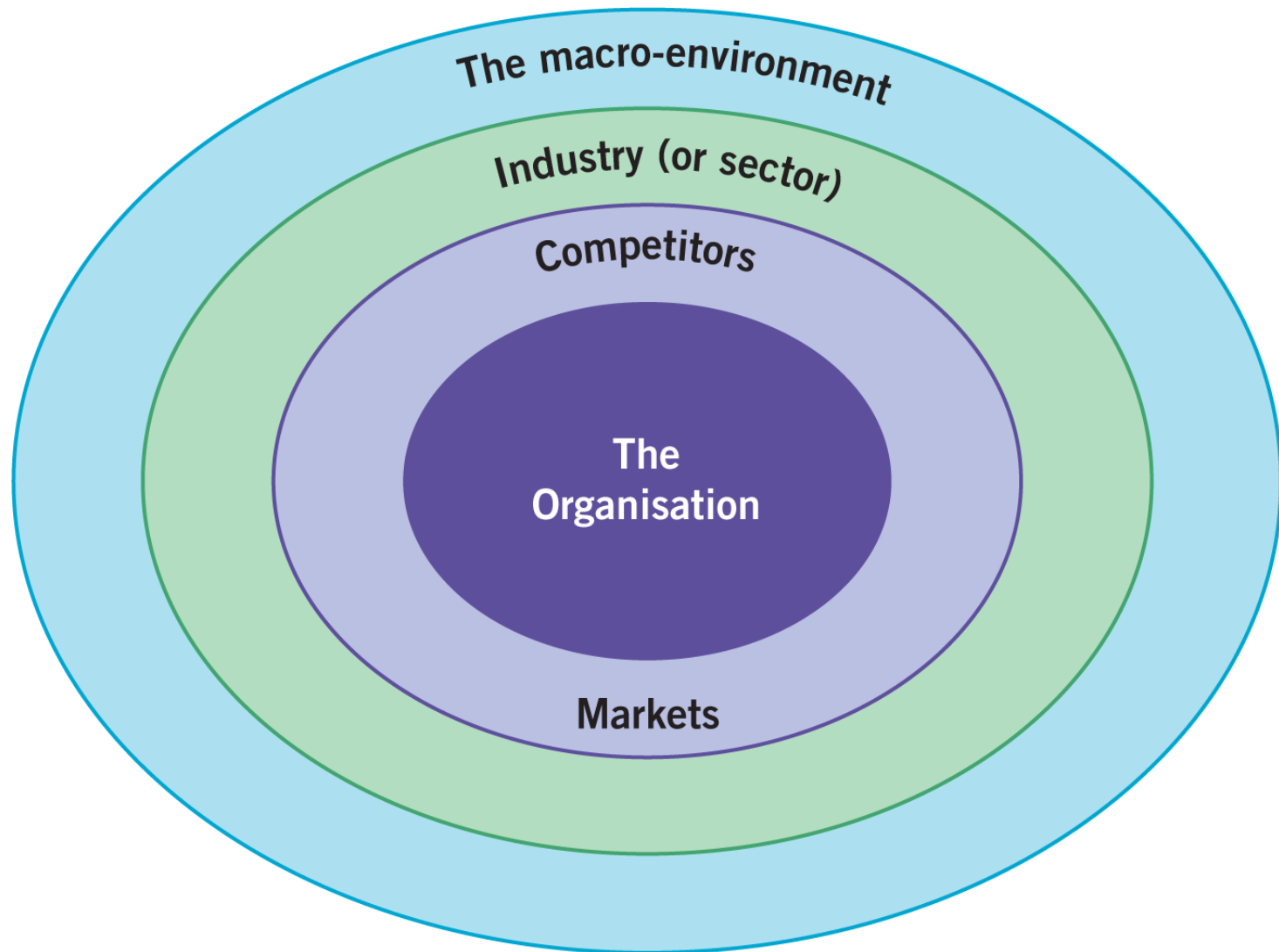
- PESTLE/PESTEL/STEEP
- You are experts!

Review MIP material from last year

The Strategic Position

- How to analyse an organisation's position in the ***external environment*** – both ***macro-environment*** and ***industry*** or ***sector environment***.
- How to analyse the determinants of ***strategic capability*** – resources, competences and the linkages between them.
- How to understand an ***organisation's purposes***, taking into account corporate ***governance***, ***stakeholder expectations*** and business ***ethics***.
- How to address the role of ***history and culture*** in determining an organisation's position.

Layers of the business environment



The PESTEL framework

The PESTEL framework categorises environmental factors into six key types:

Political

Social

Ecological

Economic

Technological

Legal

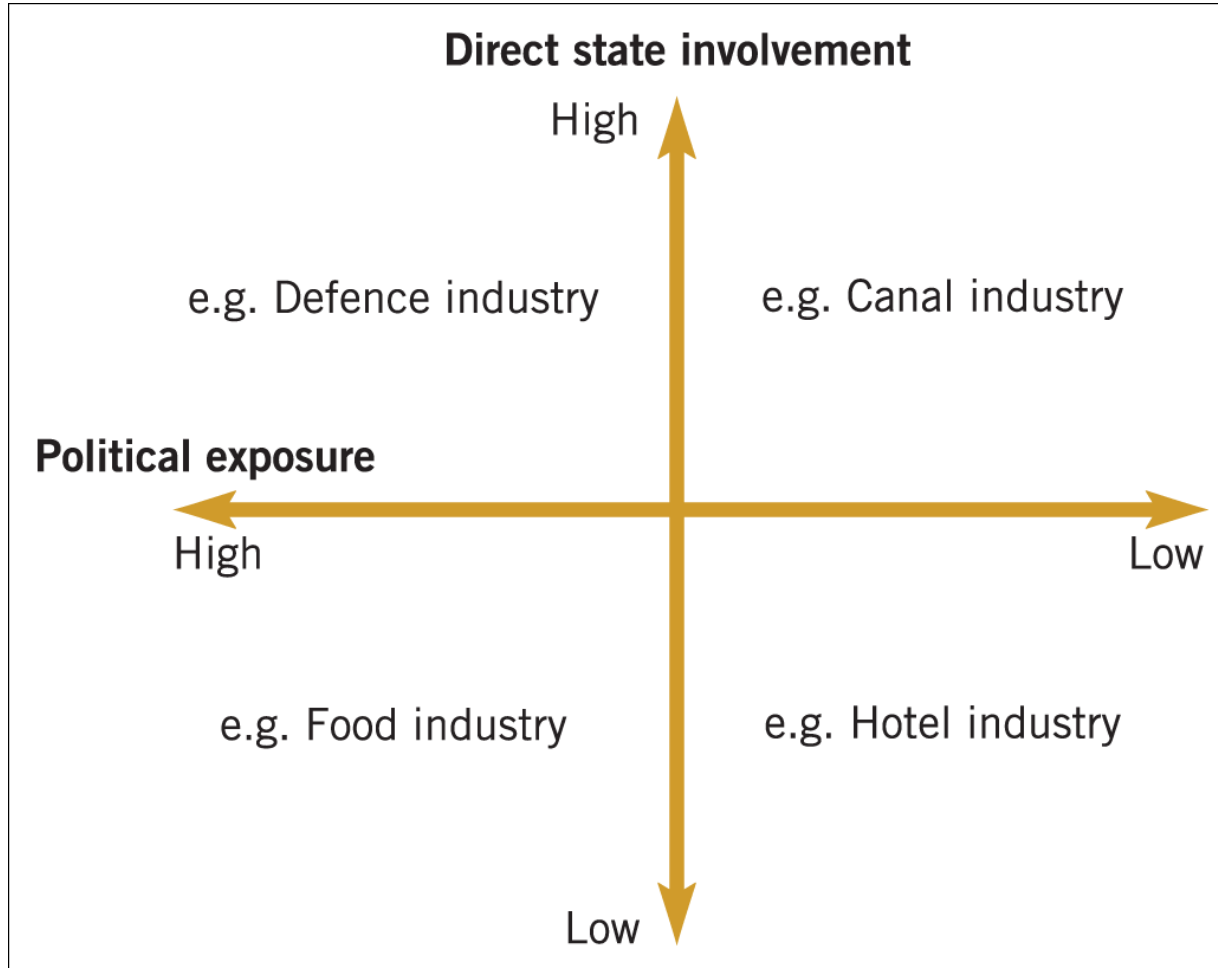
PESTEL helps to provide a list of potentially important issues influencing strategy. It is important to assess the impact of each factor.

Political factors

Political factors include:

- The role of the state e.g. as an owner, customer or supplier of businesses.
- Government policies.
- Taxation changes.
- Foreign trade regulations.
- Political risk in foreign markets.
- Changes in trade blocks (e.g. BREXIT).
- Exposure to civil society organisations (e.g. lobbyists, campaign groups, social media).

Political factors



Economic factors

include:

- Business cycles.
- Interest rates.
- Personal disposable income.
- Exchange rates.
- Unemployment rates.
- Differential growth rates around the world.
- ***Kuznets*** or 'infrastructure' cycle is the longest (15–25 years) and follows the life-spans of infrastructure investments (e.g. housing, transport).

Social factors

Social factors include:

- Changing cultures and demographics (e.g. ageing population in Western societies).
- Income distribution.
- Lifestyle changes.
- Consumerism.
- Changes in culture and fashion.
- Social networks within an organisational field (e.g. with regulators, campaign groups, trade unions).

Technological factors

Technological factors include:

New discoveries and technology developments.

Examples include developments on the internet, nano-technology or the rise of new composite materials.

Ecological factors

Ecological factors: This refers to 'green' or environmental issues, such as pollution, waste and climate change.

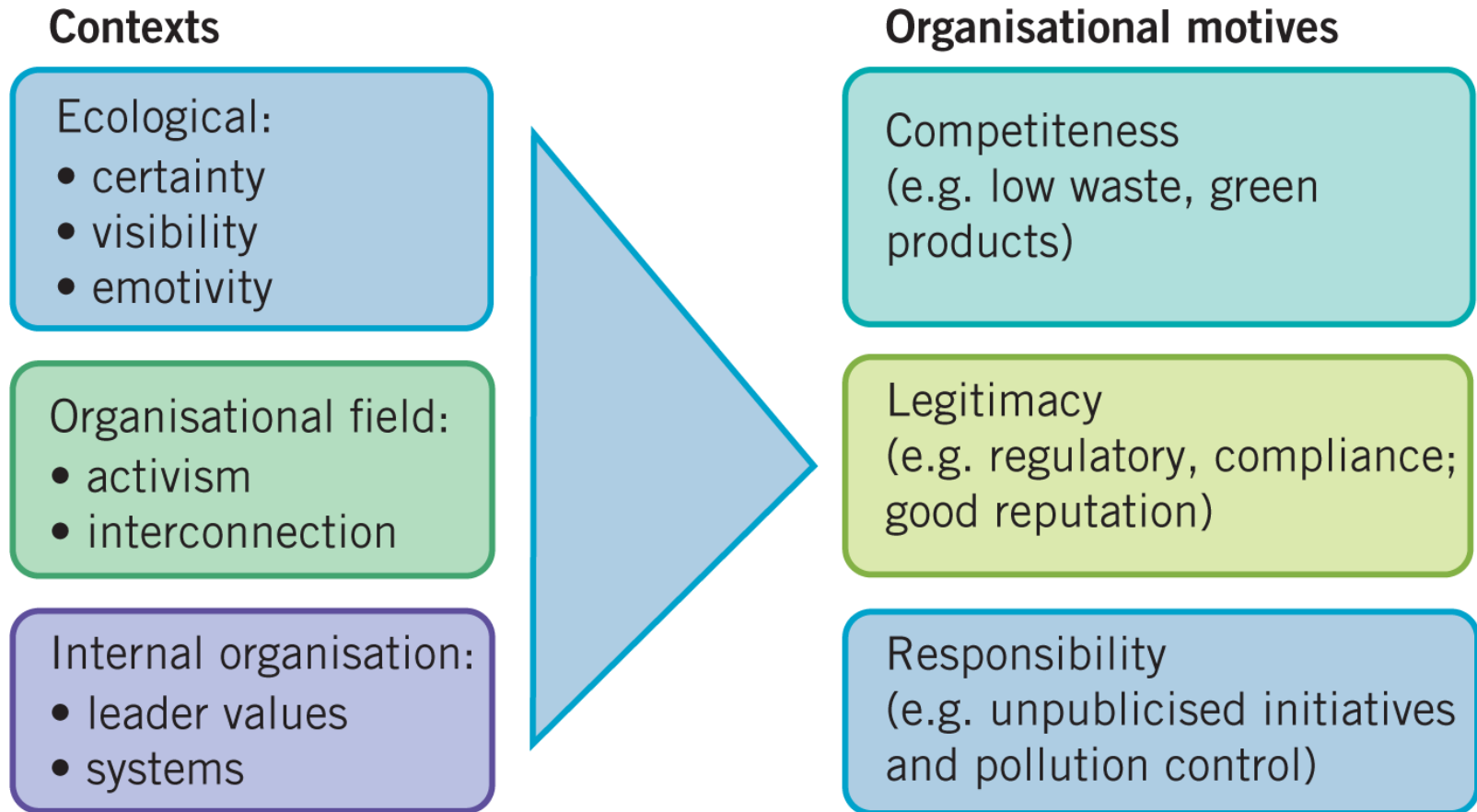
Examples are environmental protection regulations, energy problems, global warming, waste disposal and recycling.

Ecological factors

Three sorts of ecological challenges that organisations may need to meet:

- ***Direct pollution obligations***– minimising the production of pollutants; cleaning up and disposing of waste.
- ***Product stewardship*** – managing ecological issues throughout the organisation's entire value chain and the whole life cycle of the firm's products.
- ***Sustainable development*** – whether the product or service can be produced indefinitely into the future.

Contexts and motives for ecological issues



Source: Substantially adapted from P. Bansal and K. Roth, 'Why companies go green: a model of ecological responsiveness', *Academy of Management Journal*, vol. 43, no. 4 (2000), pp. 717–36 (Figure 2, p. 729).

Legal factors

Legal factors include:

- Labour, environmental and consumer regulations.
- Taxation and reporting requirements.
- Rules on ownership.
- Competition regulations.
- Regulation of corporate governance.

Key drivers for change

Key drivers for change:

- Key drivers for change are environmental factors that are likely to have a high impact on industries and sectors, and impact on the success or failure of strategies within them.
- Typically key drivers vary by industry or market.
- For example, retailers are concerned with social changes and customer behaviour which have driven a move to 'out-of-town' shopping. Personal disposable income also drives demand for retailers.

Using the PESTEL framework

- ***Apply selectively*** – identify specific factors which impact on the industry, market and organisation in question.
- Identify factors which are ***important currently*** but also consider which will become ***more important in the next few years***.
- ***Use data*** to support the points and analyse trends using up-to-date information.
- Identify ***opportunities and threats*** – the main point of the exercise.



Summary

- The environment influence closest to an organisation includes the **industry or sector**
- Industries and sectors can be analysed in terms of **Porter's five forces** – barriers to entry, substitutes, buyer power, supplier power and rivalry. Together with ***complementors and network effects***, these determine industry or sector attractiveness and possible ways of managing strategy.
- Industries and sectors are dynamic, and their changes can be analysed in terms of the ***industry life cycle*** and ***comparative five forces radar plots***.
- Within industries ***strategic group*** analysis and ***market segment*** analysis can help identify strategic gaps or opportunities

Learning outcomes

- Identify organisational ***resources and capabilities*** and how these relate to the strategies of organisations.
- Analyse how resources and capabilities might provide sustainable competitive advantage on the basis of their ***Value, Rarity, Inimitability and Organisational support (VRIO)***.
- Diagnose resources and capabilities by means of ***benchmarking, VRIO analysis, value chain analysis, activity systems mapping and SWOT analysis***.
- Consider how resources and capabilities can be developed based on ***dynamic capabilities***.

Resources and capabilities: the key issues

What are resources and capabilities?



What type of resources and capabilities can contribute to competitive advantage and superior performance?



How can resources and capabilities be evaluated?



How can resources and capabilities be developed and managed?

Resource-based strategy

The resource-based view (RBV) of strategy asserts that the competitive advantage and superior performance of an organisation are explained by the distinctiveness of its capabilities.

It is sometimes also called the '***capabilities view***'.

Foundations of resources and capabilities

The *resources and capabilities* of an organisation contribute to its long-term *survival* and potentially to *competitive advantage*.

- ***Resources*** are the assets that organisations have or can call upon (e.g. from partners or suppliers), that is '*what we have*'.
- ***Capabilities*** (sometimes referred to as competences) are the ways those assets are used or deployed, that is '*what we do well*'.

Table 4.1 Resources and capabilities

Resources: what we have (nouns), e.g.		Capabilities: what we do well (verbs), e.g.
Machines, buildings, raw materials, patents, databases, computer systems	Physical	Ways of achieving utilisation of plant, efficiency, productivity, flexibility, marketing
Balance sheet, cash flow, suppliers of funds	Financial	Ability to raise funds and manage cash flows, debtors, creditors, etc.
Managers, employees, partners, suppliers, customers	Human	How people gain and use experience, skills, knowledge, build relationships, motivate others and innovate

Redundant capabilities

- Capabilities, however effective in the past, can become less relevant as industries evolve and change.
- Such 'capabilities' can become '***rigidities***' that inhibit change and become a weakness.

Threshold and distinctive capabilities

- ***Threshold capabilities*** are those needed for an organisation to meet the necessary requirements to compete in a given market and achieve parity with competitors in that market – ***‘qualifiers’***.
- ***Distinctive capabilities*** are those that are required to achieve competitive advantage. Distinctive or unique capabilities that are of value to customers and which competitors find difficult to imitate – ***‘winners’***.

Core competences

Core competences¹ are the *linked set* of skills, activities and resources that, together:

- deliver customer value
- differentiate a business from its competitors
- potentially, can be extended and developed as markets change or new opportunities arise.

¹G. Hamel and C.K. Prahalad, 'The core competence of the corporation', *Harvard Business Review*, vol. 68, no. 3 (1990), pp. 79–91.

Competitive Advantage

What is it?

- It is often seen as the overall purpose of strategy.
- In commercial settings it is usually viewed as returning higher profits than competitors.
 - Higher profits allow more to be retained to reinvest in its strategy, thus maintaining a lead over competitors .
 - When the superiority is maintained over time, sustainable competitive advantage is achieved.
 - To be sustainable the advantage must be able to resist the actions of rivals.

Sources of Competitive Advantage

Why are some organisations more successful?

- In strategy this is usually associated with achieving **competitive advantage** and faster **growth** than competitors.
- Previously we stressed the importance of **context**, but other factors have to be considered in any context.

Sources of Competitive Advantage

How is competitive advantage achieved

- The sources of achieving competitive advantage in any industry lie in:
 - the superior application of competencies (skills);
 - the deployment of superior resources (assets);
 - creating value for consumers.

Resource Analysis

Some resources are easier to analyse than others

- Resources can be **tangible** or **intangible**.
- tangible
 - obtained from outside organisations in **resource markets** in competition with others;
- intangible
 - often developed within an organisation;
 - have a value (often difficult to quantify or even identify) which can be bought and sold in markets;
- Relationships with resource suppliers can be a part of the organisation's **core competence**.

Analysing Resources

There are different ways

- analysis by **category**;
 - physical, operational, human, financial and intangible resources;
- analysis by **specificity**;
 - Resources can be specific or non-specific.
- analysis by **performance**;
 - How do they contribute to internal and external measures of performance?
 - Organisations can internally and externally **benchmark** performance as to stimulate improvements.

Competencies and Core Competencies

What are you good at?

- **Competencies;**
 - Attributes such as skills, knowledge, technology and relationships that are common among competitors in an industry;
- **Core competencies** are attributes distinguished from competencies.
 - Performance is superior to industry average.
 - unique to the company;
 - more complex;
 - difficult to emulate (copy);
 - relate to fulfilling specific customer needs;
 - add greater value than competencies;
 - distinctive relationships with customers, distributors and suppliers;
 - superior organisational skills and knowledge.

Analysis Outcomes

What does resource and competency analysis add to our understanding?

- The aim of an analysis of resources, competencies and core competencies is to understand the:
 - nature of the resources on which the organisation depends;
 - nature and sources of particular core competencies;
 - need for adaptation of existing core competencies;
 - need for new core competence building;
 - potential sources of core competence based on resources and competencies;
 - need for core competencies to remain focused on customer needs.

Outsourcing

Used by many THE organisations

- **outsourcing** – entrusting some of an organisation's activities to an external entity;
- Organisations concentrate on **core activities** associated with core competencies.
- Activities which are not regarded as core are outsourced.
 - Combined complementary core competencies add to competitive advantage for all collaborators.
 - Value chain analysis can identify where outsourcing might add greater value.

- THE organisations have try to configure and coordinate their operational resources and processes in such a way that they add value.
- In so doing they achieve an advantage over competitors – competitive advantage.
- It is very important in the strategy to have a good understanding of the resources they have available to them and how these are used to create value.
- Analysis indicates where strategy needs to focus.
- It is also necessary to consider the potential for collaboration with suppliers, distributors and customers

Strategic capabilities and competitive advantage

The four key criteria by which capabilities can be assessed in terms of providing a basis for achieving ***sustainable*** competitive advantage are:

- ***value***
- ***rarity***
- ***inimitability and***
- ***organisational support***

} VRIO¹

¹Jay Barney: 'Firm resources and sustained competitive advantage', *Journal of Management*, vol. 17, no. 1 (1991), pp. 99–120.

VRIO (1 of 5)

V

Value: Do resources and capabilities exist that are valued by customers and enable the organisation to respond to environmental opportunities or threats?

R

Rarity: Do resources and capabilities exist that no (or few) competitors possess?

I

Inimitability: Are resources and capabilities difficult and costly for competitors to obtain and imitate?

O

Organisational support: Is the organisation appropriately organised to exploit the resources and capabilities?

VRIO (2 of 5)

V – Value of resources and capabilities

Strategic capabilities are of value when they:

- take advantage of ***opportunities*** and neutralise ***threats***;
- provide ***value to customers***;
- are provided at a ***cost*** that still allows an organisation to make an acceptable return.

VRIO (3 of 5)

R – Rarity

- ***Rare capabilities are those possessed uniquely by one organisation*** or only by a few others.
(e.g. a company may have patented products, have supremely talented people or a powerful brand.)
- ***Rarity could be temporary.***
(e.g. Patents expire, key individuals can leave or brands can be de-valued by adverse publicity.)

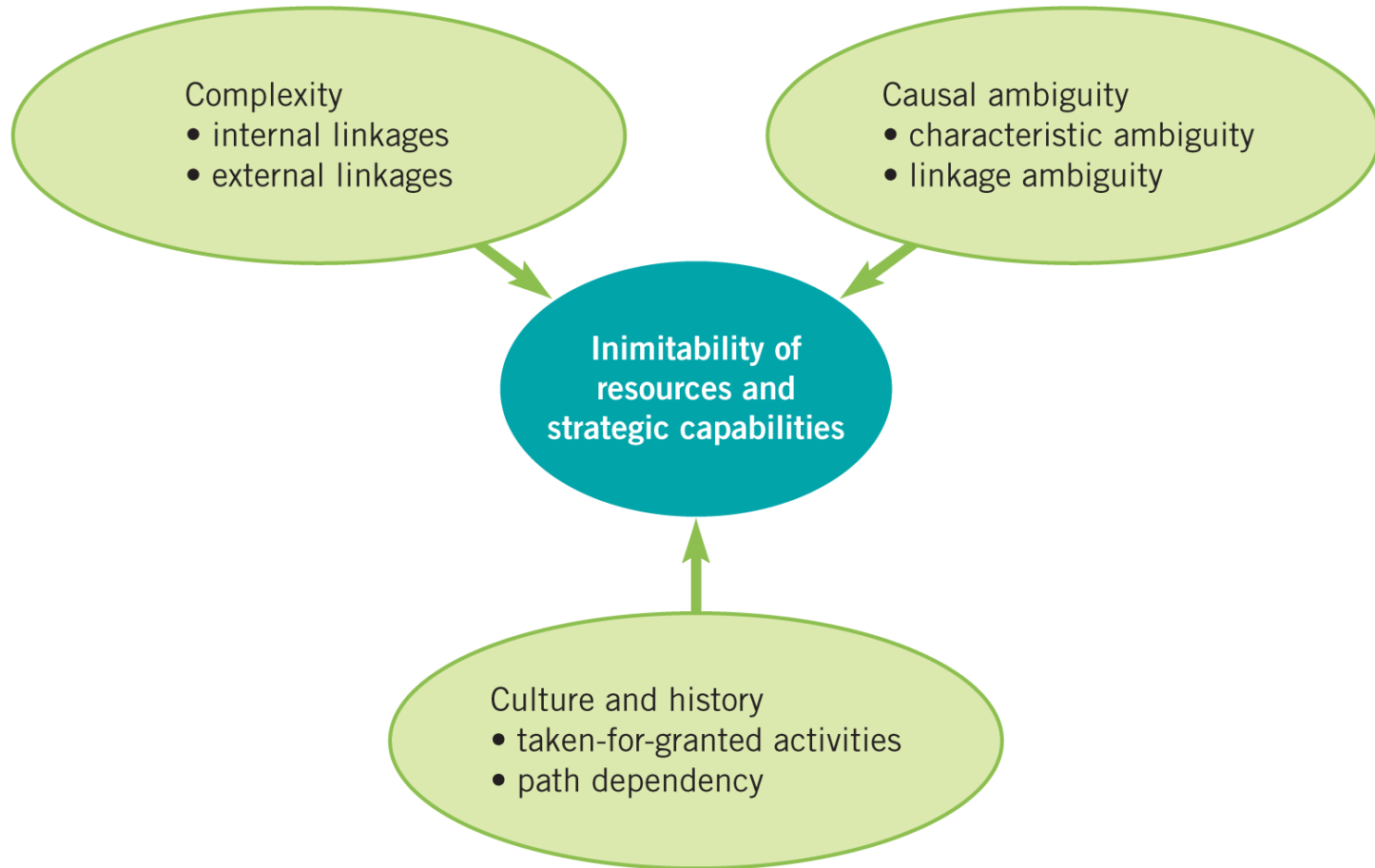
VRIO (4 of 5)

I – Inimitability

Inimitable capabilities are those that competitors find ***difficult and costly to imitate, to obtain or to substitute.***

- Competitive advantage can be built on unique resources (a key individual or IT system) but these may not always be sustainable (key people leave or others acquire the same systems).
- Sustainable advantage is more often found in competences (the way resources are managed, developed and deployed) and the way competences are linked together and integrated.

Criteria for the inimitability of resources and capabilities



VRIO (5 of 5)

O – Organisational support

The organisation must be suitably organised to support the valuable, rare and inimitable capabilities that it has. This includes appropriate processes and systems.

VRIO analysis

A VRIO analysis helps to evaluate if, how and to what extent an organisation or company has resources and capabilities that are :

(i) valuable;

(ii) rare;

(iii) inimitable;

(iv) supported by the organisation.

VRIO example

- <https://youtu.be/LfS5D51dlwQ>

Value

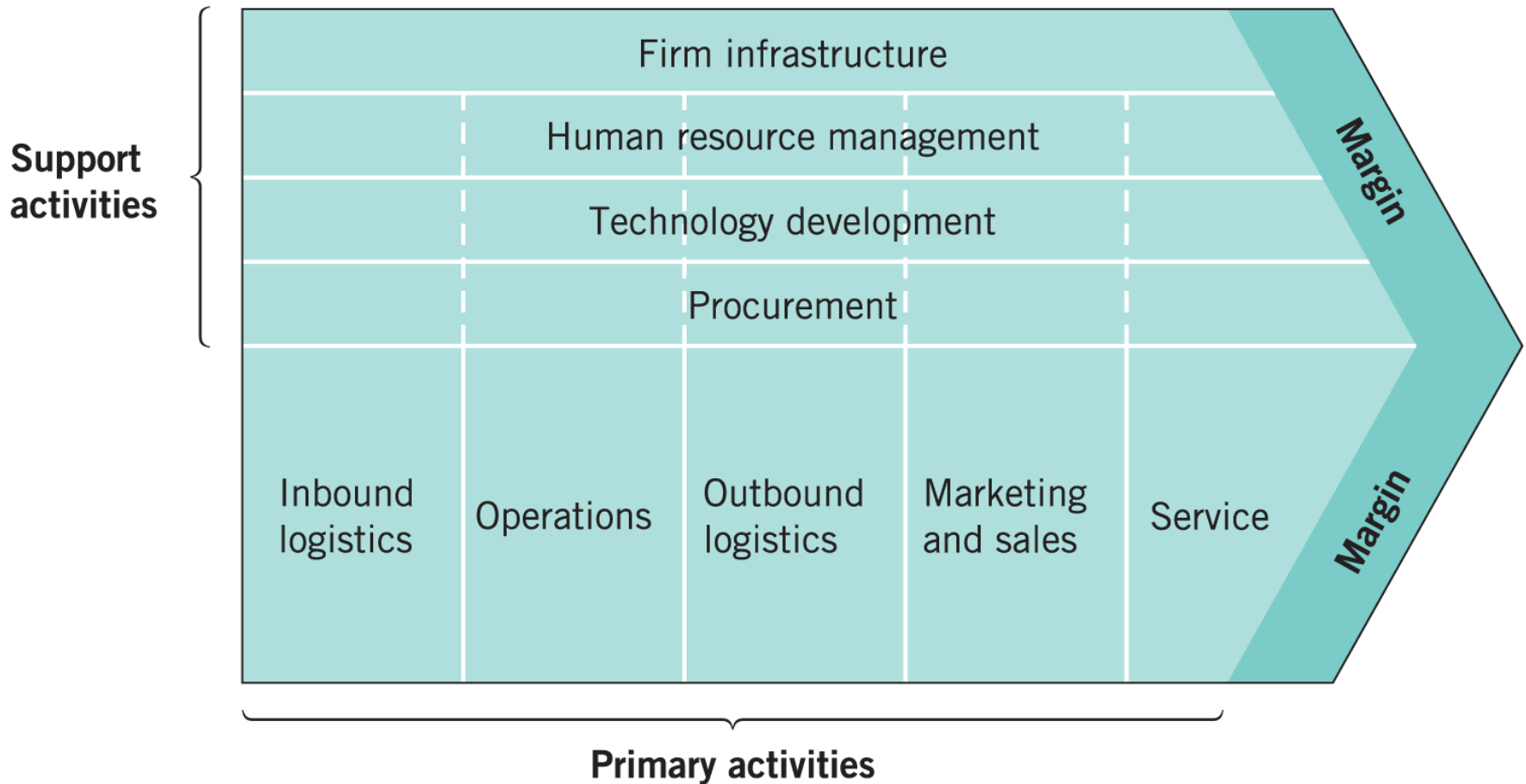
What is it and how can we add to it?

- **value** – the difference in value of the product compared to the value of the inputs. It can be increased by:
 - charging customers a higher rate;
 - reducing costs below those of competitors;
- clear links between value-adding activities, core competencies, competencies and resources;
 - resources form inputs to the value-adding activities;
 - Competencies and core competencies provide the attributes to carry out the value-adding activities.
 - Greater value will be added the more that core competencies can be added to activities.

The value chain

- ***The value chain*** describes the categories of activities within an organisation, which, together, create a product or service.
- The value chain consists of:
- ***five primary activities*** (which are directly concerned with the creation or delivery of a product or service – the things that ***directly add value to the final product/service***) and
- ***four support activities*** (which help to improve the effectiveness or efficiency of primary activities – they don't add value directly but indirectly).
- Competitive advantage can be analysed in any of these activities.

The value chain



Source: Adapted with the permission of The Free Press, a Division of Simon & Schuster, Inc., from *Competitive Advantage: Creating and Sustaining Superior Performance* by Michael E. Porter. Copyright © 1985, 1998 by Michael E. Porter. All rights reserved.

Value Chain Analysis

Widely used analytical tool

- value chain analysis associated with Michael Porter;
- activities classified into **primary** activities and **support** activities:
 - primary activities – directly add value;
 - support activities – indirectly add value by supporting primary activities;
- value chain links into those of other organisations:
 - suppliers, customers and distributors;
 - sometimes called the **value system** or **total supply chain**;
 - Links with suppliers are **upstream**.
 - Links with distributors and customers are **downstream**.

Value Chain

- <https://youtu.be/aERoUQwvQyk>

Crossrail?

- These primary and support activities vary by organisation/sector/market context
- Was applied to services by Poon (1993)
- See handouts for details

Example: Thomas Cook Value Chain

Vertically integrated UK provider

- Own airline/holidays/retail

Transportation of clients

Retail & Internet distribution

Sunvil

- Smaller tour operator
- Air holidays to Greece/Cyprus/elsewhere
- Outsources retail distribution and transportation (uses other airlines) on commercially agreed basis = not part of the value chain but are part of the value system
- Internet distribution is part of the chain

So.....

- Not all aspects of an organisation's activities are equally important in adding value to its products.
- Core activities = those of greatest importance, associated with core competencies

Example: Hotels

4 star hotel:

- High standard customer service = higher charges customers will pay
- This is the key thing to add value so core competencies focus here

Hotels

Budget hotel:

- Value for money proposition
- Consistent standard
- Good locations

= of greatest importance in adding value

Look out for linkages

- The way functions link could add value

e.g. tour operator

Co-ordinate all aspects/functions to ensure demand and supply are in line

Value chain analysis

- Breakdown of all activities
- Identification of core activities and how they relate to core competencies and current strategies
- Identification of the effectiveness and efficiency of the individual activities
- Examination of linkages between activities for added additional value
- Identification of blockages which reduce the organisation's competitive advantage

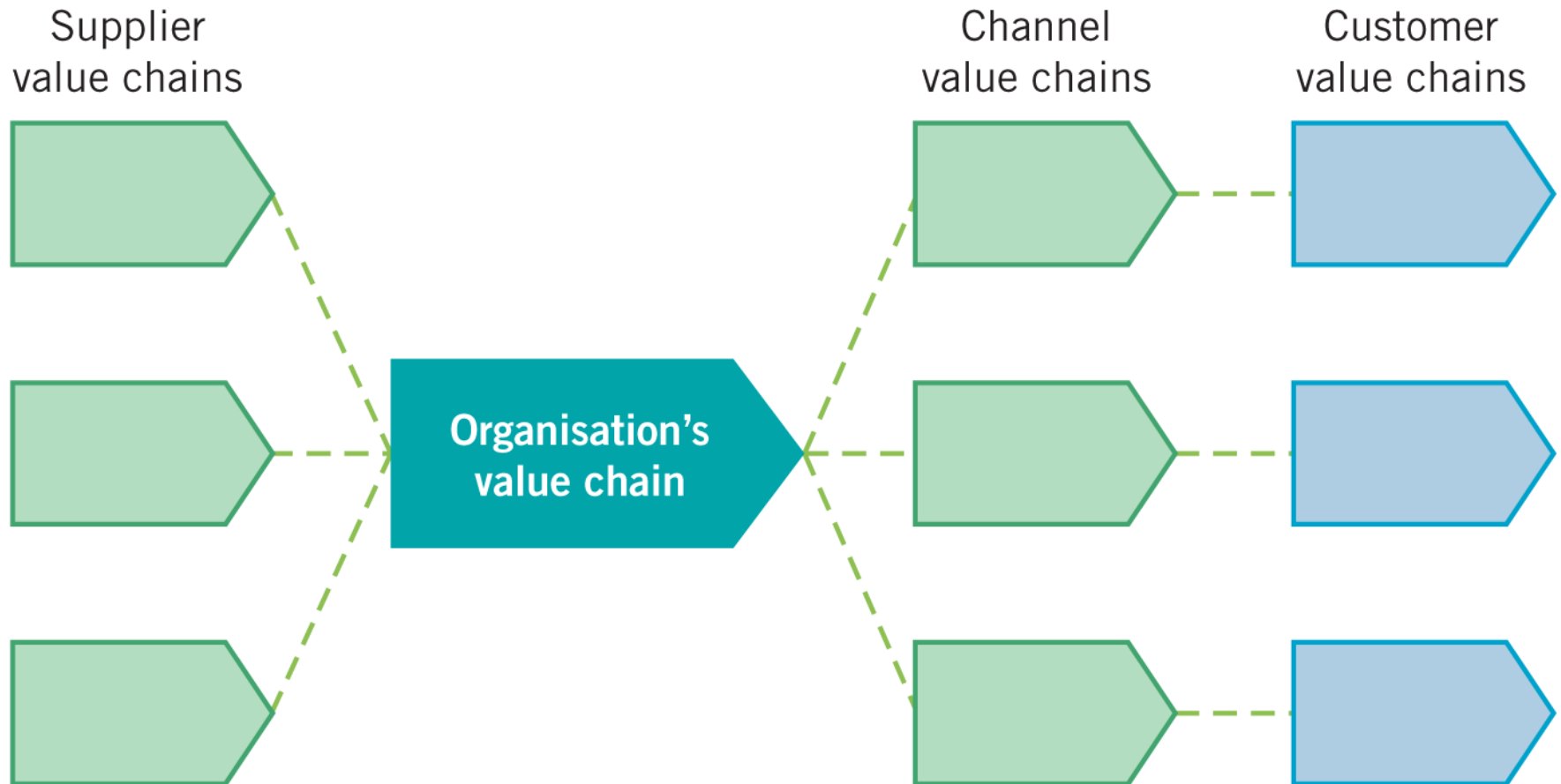
The question

- What is the basis on which the organisation competes and adds value?
- Price/quality/other?
- How does it achieve a competitive advantage?

The value system (1 of 2)

- ***The value system*** comprises the set of inter-organisational links and relationships that are necessary to create a product or service.
- Competitive advantage can be derived from ***linkages*** within the value system.

The value system (2 of 2)



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Uses of the value chain

- ***A generic description of activities*** – understanding how the discrete activities (or clusters of linked activities) contribute to consumer benefit .
- ***Identifying activities*** where the organisation has particular strengths or weaknesses.
- ***Analysing the competitive position*** of the organisation using the VRIO criteria – thus identifying sources of sustainable advantage.
- Looking for ways to ***enhance value or decrease cost*** in value activities (e.g. outsourcing).

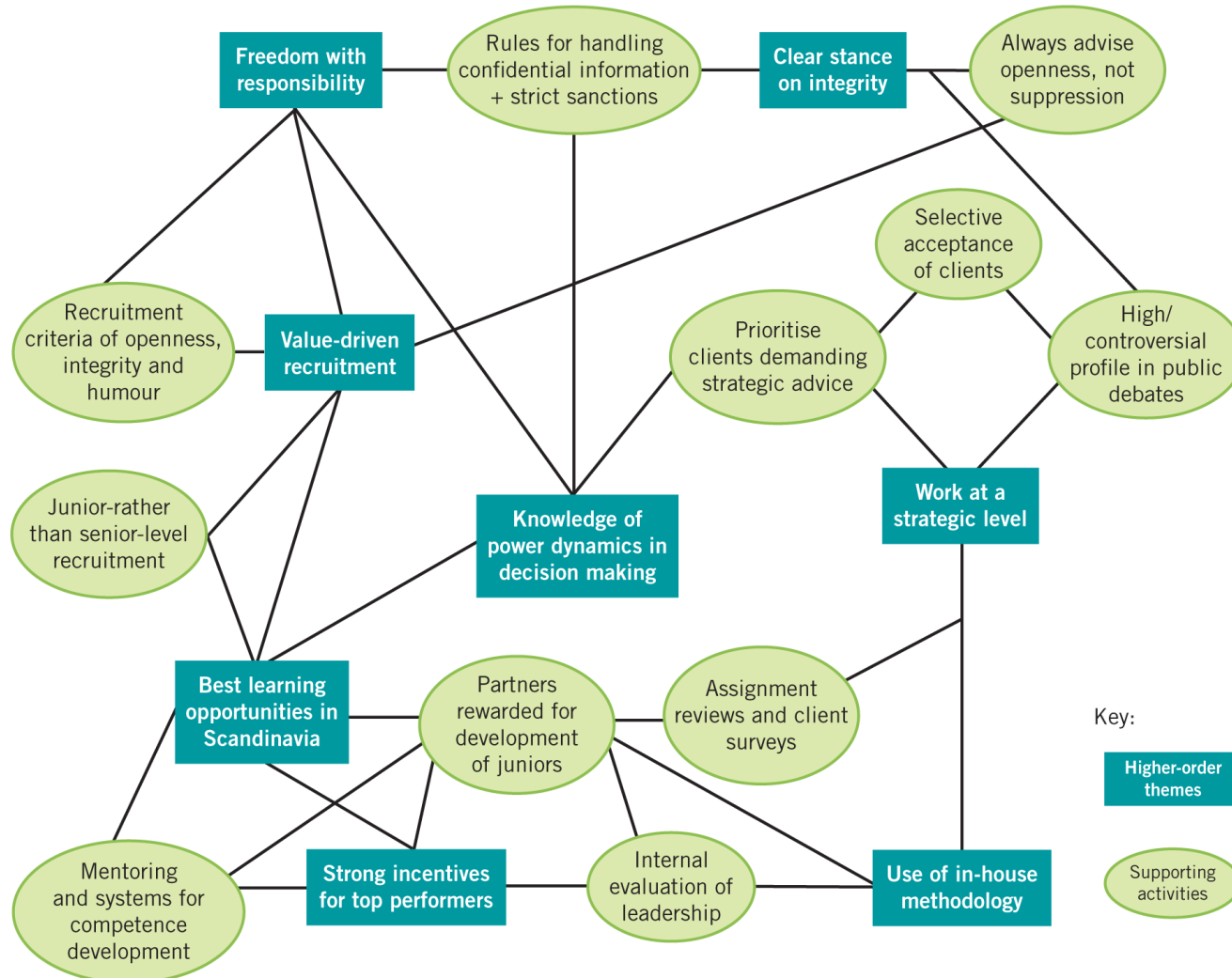
Uses of the value system

- ***Understanding cost/price structures*** across the value system – analysing the best area of focus and the best business model.
- ***Identifying ‘profit pools’*** (i.e. The levels of profit in different parts of the system) – seeking ways to use existing capabilities in order to exploit these.
- ***The ‘make or buy’ decision*** – which activities to do ‘in-house’ and which to outsource.
- ***Partnering*** – deciding who to work with and the nature of these relationships.

Mapping activity systems (1 of 2)

- ***Identify ‘higher order strategic themes’***, that is, how the organisation meets the critical success factors in the market.
- ***Identify the clusters of activities*** that underpin these themes and how they fit together.
- ***Map*** this in terms of how activity systems are interrelated.

Mapping activity systems (2 of 2)



Using activity system maps

- ***Relationship to the value chain.*** Understanding and identifying strategic capabilities in terms of activities and linkages.
- ***The importance of linkages and fit.*** How the internal and external activities create value for customers by supporting each other.
- ***Relationship to VRIO.*** How these activities and the way they link/fit together can be the source of sustainable competitive advantage.
- ***Superfluous activities.***

Benchmarking

Benchmarking is a means of understanding how an organisation compares with others – typically competitors.

Two approaches to benchmarking:

- **Industry/sector benchmarking** – comparing performance against other organisations in the same industry/sector against a set of performance indicators.
- **Best-in-class benchmarking** – comparing an organisation's performance or capabilities against 'best-in-class' performance – wherever that is found even in a very different industry. (e.g. BA benchmarked its refuelling operations against Formula 1).

SWOT analysis

SWOT provides a general summary of the Strengths and Weaknesses explored in an analysis of strategic capabilities (Chapter 4), and the Opportunities and Threats explored in an analysis of the environment (Chapters 2 and 3).

**INTERNAL ANALYSIS = STRENGTHS
WEAKNESSES**

**EXTERNAL ANALYSIS = OPPORTUNITIES
THREATS**

Uses of SWOT analysis (1 of 2)

- Major **strengths and weaknesses** are identified using the analytic tools explained in Chapter 4.
- **Scoring** (e.g. + 5 to –5) can be used to assess the interrelationship between environmental impacts and the strengths and weaknesses.
- SWOT can be used to examine strengths, weaknesses, ***in relation to competitors***.
- Focus on strengths and weaknesses that differ in ***relative*** terms compared to competitors and leave out areas where the organisation is at par with competitors.

Uses of SWOT analysis (2 of 2)

- Key ***opportunities and threats*** are identified using the analytical tools explained in Chapters 2 and 3.
- Focus on opportunities and threats that are directly ***relevant*** for the specific organisation and industry and leave out general and broad factors.
- ***Summarise the results*** and draw concrete ***conclusions***.
- SWOT can be used ***to generate strategic options*** – using a ***TOWS matrix***.

The TOWS matrix

		Internal factors	
		Strengths (S)	Weaknesses (W)
External factors	Opportunities (O)	SO Strategic options Generate options here that use strengths to take advantage of opportunities	WO Strategic options Generate options here that take advantage of opportunities by overcoming weaknesses
	Threats (T)	ST Strategic options Generate options here that use strengths to avoid threats	WT Strategic options Generate options here that minimise weaknesses and avoid threats

Dangers in a SWOT analysis

- Long lists with ***no attempt at prioritisation***.
- ***Over generalisation*** – sweeping statements often based on biased and unsupported opinions.
- SWOT is used as ***a substitute for analysis*** – it should result from detailed analysis using the frameworks in Chapters 2 and 3.
- SWOT is ***not used to guide strategy*** – it is seen as an end in itself.

Dynamic capabilities

Dynamic capabilities are the means by which an organisation has the ability to renew and recreate its strategic capabilities to meet the needs of changing environments.

Such capabilities are distinct from ***ordinary capabilities*** that may be necessary to operate efficiently now but that may not be sufficient to sustain superior performance in the future.

Generic dynamic capabilities

- ***Sensing capabilities*** – constantly scanning and exploring new opportunities across markets and technologies (e.g. R&D and market research)
- ***Seizing capabilities*** – addressing opportunities through new products, processes and activities
- ***Re-configuring capabilities*** – new products and processes may require renewal and re-configuration of capabilities and investment in new technologies.

Developing strategic capabilities

(1 of 2)

Internal capability development

- ***Building and recombining capabilities*** – this requires creative entrepreneurial skills (e.g. a culture that promotes capability innovation)
- ***Leveraging capabilities*** – identifying capabilities in one part of the organisation and transferring them to other parts (sharing best practice)
- ***Stretching capabilities*** – building new products or services out of existing capabilities.

Developing strategic capabilities

(2 of 2)

- ***External capability development*** – adding capabilities through mergers, acquisitions or alliances
- ***Ceasing activities*** – non-core activities can be stopped, outsourced or reduced in cost
- ***Monitor outputs and benefits*** – to better understand sources of consumer benefit and enhance anything that contributes to this
- ***Awareness development*** – recognising what enhances strategy. Training, development and organisation learning are important.

Summary (1 of 3)

- To be able to compete at all in a market an organisation needs ***threshold resources and capabilities***, but to achieve sustained competitive advantage they also need to be ***unique and distinctive***.
- To be distinctive and provide for sustainable competitive advantage, resources and capabilities need to fulfil the ***VRIO criteria*** of being ***Valuable, Rare, Inimitable and supported by the Organisation***.

Summary (2 of 3)

Ways of diagnosing organisational resources and capabilities include:

- ***VRIO analysis*** of resources and capabilities to evaluate if they contribute to competitive advantage.
- Analysing an organisation's ***value chain and value system*** to understand how value to a customer is created and can be developed.
- ***Activity systems mapping*** to identify more detailed activities which underpin resources and capabilities.

Summary (3 of 3)

- ***SWOT analysis*** drawing together an understanding of the strengths, weaknesses, opportunities and threats an organisation faces.
- ***Benchmarking*** to understand the relative performance of organisations.
- Managers need to adapt and change resources and capabilities if the environment changes and this can be done based on ***dynamic capabilities***.

NO CLASS ON 13 NOVEMBER
LONDON TRIP 14-16 NOVEMBER

**Cycling Tourism/Travel preparation if
not on trip**

Briefing on 27 November

Advice on Assignment 1 Drafts

- Monday 20 November after class (>6pm)
- Tuesday 21 November drop-ins 9am-1pm

20 March: Rail travel/tourism with Mark Youngman, GWR



Off the Rails....?

- <https://www.bbc.co.uk/iplayer/episode/b08c44d1/week-in-week-out-whats-wrong-with-our-trains>
- <https://youtu.be/aERoUQwvQyk>

<https://youtu.be/Zth1zgGEev4>