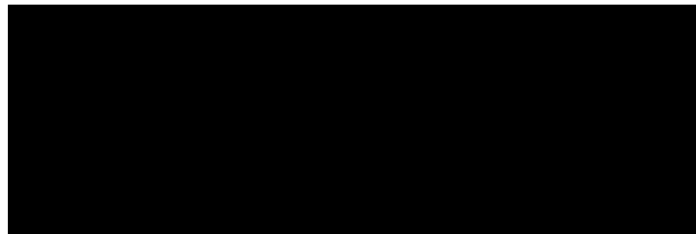


Strategic Management for SMEs

BMSW6104

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Introduction

Strategic management is the part of the business strategic planning and management tactics that help the organisation to work on strategy, management, planning, and action (Jain and Bala, 2017). The industry searches for the growth option in order to develop the business success and business performance. The small and medium sized business organisations tend to work on their business success while working for the growth in the competitive business markets (Ray Gehani, 2013). The UK market has been providing both risks and supports for the industries with challenges and scopes for the business. Small and medium sized business enterprise (SME) needs to work on their strategic management in order to grow within the competitive environment. The application of strategic management contributes to bring changes in the workplace. This report will focus on discussing the strategic management and planning for CAFEPD Coffee Co in relation to the small business organisation.

1. Brief overview of the Company

From the year 2011, CAFEPD Coffee Co started its journey as one of the small companies in the UK market. This organisation is an independent craft coffee business serving customers with their coffee. The mission and vision of the organisation are to work on product diversified strategy and to develop the market reputation. The business objectives of the organisation are to develop customer loyalty, customer service and customer satisfaction.

2. Critically appraise the organisation's current strategy. Use at least one of the tools covered in the module to help you do this, e.g., Porter's 5 Forces.

When it comes to the development of the business strategy and strategic management, the organisation needs to assess different markets factors and its impacts on the business (Li et al., 2019). The current strategy of CAFEPOD Coffee Co is to work on quality and uniqueness in their products. The company has also focused on the development of the product and diversified strategy in the product for enhancing their market growth option.

The competitive forces can bring scopes and risks for the business organisations in the UK (Surono et al., 2020). The company needs to assess the power of the buyers, competitors, suppliers and others to have idea about their own competencies. CAFEPOD Coffee Co has been thinking of the market expansion and business strategy and they need to assess the competitive forces. Porter's five force model is used by the company for assessing the business strategy related to the competitive forces in the markets (Jain and Bala, 2017). The application of Porter's Five Forces Model is as follows:



Figure 1 Porter's Five Forces model

Source: (Ray Gehani, 2013)

Bargaining power of buyers: The higher bargaining power of the buyers can bring a higher challenge for the company in the competitive markets (Islami et al., 2020). The company needs to keep it mind that the bargaining power of the buyer should be handled effectively. In CAFEPD Coffee Co, quality of the products, uniqueness and brand value have contributed to the product's sale, capability and customer loyalty. Also, CAFEPD Coffee Co has been managing the buyer's power while engaging the customers into the decision-making and communication in the workplace. Some of the companies can see that concentrated markets of the products can manage bargaining power of the buyers (Jo and Yang, 2020). However, within the large markets, CAFEPD Coffee Co has ensured to value the customer experience management and satisfaction for the sake of controlling the buying decision.

Bargaining power of suppliers: The bargaining power of the suppliers cannot support the organisation if they fail to control the action (Jain and Bala, 2017). In this competitive market, to reduce the bargaining power, CAFEPD Coffee Co has invested to the supply chain management. They are using different techniques such as TQM, Six Sigma and other operational management tools for managing the supply chain management. Apart from that, the companies manage the professional relationship with the suppliers to control their action and power (Li et al., 2019). CAFEPD Coffee Co has ensured to manage the communication and professional relationship for managing the bargaining power of the supplier as well.

Rivalry among existing competitors: The competition within the existing industries can always affect the sustainability, prices, sale of the products, and business performance of the organisation (Ray Gehani, 2013). CAFEPD Coffee Co has higher competition in the UK markets as the customers are available in this market. CAFEPD Coffee Co has also seen that the existing competitors are working on business and product development strategy to control the markets. The company with poor business and competitive strategy cannot handle the competition (Suroño et al., 2020). In this situation, CAFEPD Coffee Co has focused on managing product development and quality management strategy to sustain in the competition.

Threat of substitute products: The organisation must be aware of the threats from the substitute products as the markets can provide the opportunity for the substitute products (Sakurai et al., 2019). The higher number of substitute products can reduce the customer loyalty and satisfaction in the business marketplace. CAFEPD Coffee Co has always managed customer engagement,

quality management and brand value development to differentiate their product's value. Also, CAFEPD Coffee Co has managed their market position within the competitive environment to tackle the challenges from the substitute products.

Threat of a new entry: The business market can see the growth of the new entrances after the area has potentiality (Li et al., 2019). In this situation, the threats and barriers from the new entrances can be higher for the company if it does not have shield for handling the competition. The coffee market is competitive and potential enough for the new entrances. However, CAFEPD Coffee Co has ensured to bring the quality of the products, with uniqueness and variation to control the power of the new entrances.

3. Use PESTLE and SWOT to provide a critical analysis of the organisation's external and internal environment with the aim of identifying the big picture (e.g., opportunities and threats). You may use any other environmental scanning tool in addition to PESTLE and SWOT.

The company searches for the external and internal markets while planning for the strategy (Jo and Yang, 2020). The clear and effective assessment and examination of the internal and external environment can help the organisation to have potential opportunities and threats in the markets. In case of external environment analysis, PESTEL analysis is used by the companies. The application of PESTEL analysis in CAFEPD is as follows:

Political factor: The political environment of the UK has always been stable for the industries and business (Jain and Bala, 2017). But, Brexit has affected the export and import service with the damages in the business sector. The shortage of the labour and suppliers has created the problems and risks for the organisation. However, CAFEPD Coffee Co has their labour and supplier to get the quality materials for the production and operation. Also, they have built the flexible business strategy for the business operation.

Economic factor: The economy of the UK has been working on growth of the GDP, fiscal and monetary policy, and inflation rate to work for the business growth (Li et al., 2019). After the Brexit, CAFEPD Coffee Co has seen the reduction in the growth of the economy and pandemic added the risks for the sustainability of the business. CAFEPD Coffee Co has seen that the management cannot survive without having right amount of revenue and sale volume. In this situation, CAFEPD Coffee Co has managed the cost-cutting strategy with the flexible pricing strategy in order to get more revenue and sale volume for the business.

Social factor: In different business markets, the changing customer behaviour, buying decision, and perceptions are contributing to the sale of the products, profitability, and sustainability of the business (Surono et al., 2020). CAFEPD Coffee Co has seen that the competition in the industries has increased the competition for the company to retail the customer, to fulfil the demands and expectation of every customer. The customers are getting variation in the products and services from the other organisation (Islami et al., 2020). In this situation, CAFEPD Coffee Co has

worked for the uniqueness, customer engagement, and quality management to manage the changing buying behaviour and expectation of the customers in the given markets.

Technological factor: With the help of the social media platform, internet, advanced technologies, the organisation has been contributing to the business operation, growth, and customer services (Ray Gehani, 2013). The companies have gained the potentiality for the expansion, online service, and promotional activities through the technologies. CAFEPD Coffee Co has seen that technologies have contributed to the communication, customer engagement, and promotional strategies. The company applies technologies for various purposes and supports (Jo and Yang, 2020). CAFEPD Coffee Co has also adopted technologies to maintain movement of the raw materials for the supply chain management. The company has also managed the online services while adopting technologies.

Environmental factor: The impacts of the business environment related to the different factors such as global trends, competition, globalisation, technological advancement, and changing demands of the customers can affect the business performance (Surono et al., 2020). CAFEPD Coffee Co has seen higher global trends and globalisation affecting the productivity, performance, and business success. CAFEPD Coffee Co has also worked for the business strategy to sustain in the markets and to control the impacts of the competition.

Legal factor: The regulation can be strict for the companies in different markets. However, rules, UK Regulations, and legislation have been supportive for the business growth and expansion into the UK markets (Jain and Bala, 2017). CAFEPD Coffee Co has been following the rights of the stakeholders, rules for the business and other laws for the business performance.

SWOT analysis is one of the frameworks used by the company for analysing strengths, weakness, strategic capabilities, competitive advantages, threats, opportunities, and competencies (Li et al., 2019). CAFEPD Coffee Co has worked for the competitive advantages and strategic capabilities. The SWOT analysis for CAFEPD Coffee Co is as follows:

Strengths: The business organisation needs to work on the strengths and capability to handle the competition and business performance (Jo and Yang, 2020). CAFEPD Coffee Co has built some of the strengths and value in the organisation. The quality management of CAFEPD Coffee Co, uniqueness of the products, and availability of the products are the strengths of CAFEPD Coffee

Co. Also, CAFEPD Coffee Co has built innovative team and talented workforce to accept innovative ideas for the business. The organisation has invested to the resource planning and strategy for better supply chain management. The customer engagement, customer service management, and brand value development have been effective for CAFEPD Coffee Co.

Weaknesses: The business weakness can affect the opportunities and strengths of the company in the business markets (Li et al., 2019). CAFEPD Coffee Co has not been able to expand into the business markets due to the poor investment. The poor capability of the diversified products strategy, poor marketing and promotional strategies have been weaknesses of CAFEPD Coffee Co.

Opportunities: The development of the business is highly related to the available scopes, business opportunities, supports from the external markets, and available tools (Surono et al., 2020). The resources, employees, customers, and technologies have built the opportunities for CAFEPD Coffee Co for targeting more customers and bringing new products. The company can work on the product and market development strategy for the business strategy. Also, the application of the technologies and internet can contribute to the online service, marketing and promotional strategies, and supply chain management in CAFEPD Coffee Co.

Threats: The weakness and limitations of the organisation can increase the threats for the business organisation (Islami et al., 2020). Over the period, CAFEPD Coffee Co has seen the competition increasing from various sources. Also, the threats have been higher due to the changing customer's demand, globalisation, global trends, and changing business environment. The organisation has been dealing with the risks from the competitive environment in the UK market.

4. Do a stakeholder analysis and identify the main stakeholders. Evaluate the expectations of the different stakeholders and their relative power. Suggest how different stakeholders should be managed.

The organisation has different stakeholders connected to the business who have power, interest, and challenges for the business (Sakurai et al., 2019). The business strategy allows the organisation to connect the stakeholders and to achieve the business goals. The stakeholder analysis can help the organisation to evaluate the expectations of the stakeholders.

Stakeholder power grid

Stakeholder power-grid is the framework that represents the stakeholders and their category based on their interests, impacts on the business, power and the ability (Li et al., 2019). The organisation needs to assess the power and position of the stakeholders to make decisions for the business. CAFEPD Coffee Co has analysed the stakeholder's position and power, and their expectation from the company. Also, CAFEPD Coffee Co has focused on managing the stakeholders based on the power and interests.

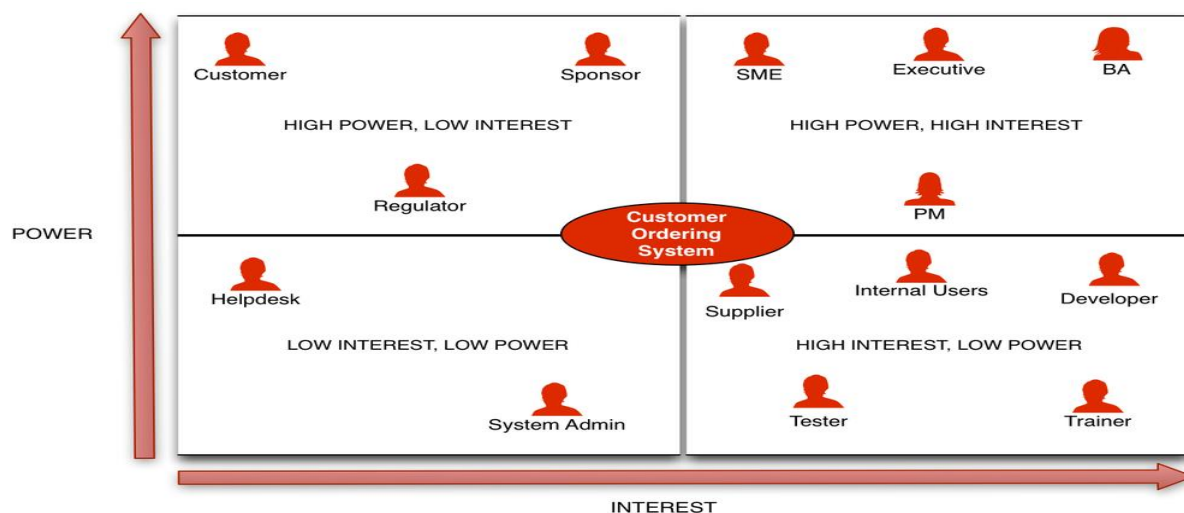


Figure 2 Stakeholder's power grid

Source: (Jain and Bala, 2017)

According to the grid matrix, CAFEPD Coffee Co has analysed their main stakeholders and their impacts. Customers are the main stakeholders of the company with higher power, but the low

interests towards the company (Ray Gehani, 2013). The company can see that the buying power of the customer can affect the performance of the organisation. To control and manage the customer behaviour, customer's power and interests towards CAFEPD Coffee Co, the management has been engaging them. The customer engagement, relationship management, and communication are handled within CAFEPD Coffee Co while managing flexible business strategy. Also, CAFEPD Coffee Co has ensured to develop quality management for the customer services and product's quality.

Based on the power-interest grid, the supplier has the higher interests with the lower power (Surono et al., 2020). In this situation, the company can see suppliers have higher interests for the business, but they have the lower power towards the organisation. CAFEPD Coffee Co has analysed that their suppliers have higher interests to be connected with the management. The organisation has been managing own supply chain management with techniques and supports for the development of product's quality (Islami et al., 2020). Also, CAFEPD Coffee Co has ensured to maintain professional relation while managing their power in the workplace.

The internal management and employees have higher power and higher interests towards the business (Sakurai et al., 2019). CAFEPD Coffee Co has seen that the employees and internal management have different interests, power, and ability. However, CAFEPD Coffee Co has been managing flexible business strategy and supports for the employees to control and interests of the employees for business and organisational performance.

5. Discuss three possible strategic growth options for your chosen company. Use at least one of the tools covered in the module to help you choose the best approach. Explain why you think the strategy chosen will help to secure the long-term future of the organisation.

The company would develop their business strategy and management techniques for long-term orientation (Bassi et al., 2015). For developing the business profitability, business expansion, and

revenue, the companies value the development of business strategy. Different growth options in the business markets can create the potential scopes and opportunities for the organisation. CAFEPOD Coffee Co has been working as the small organisation and the company has been working towards the expansion in the UK market. Different business growth strategies can help the company to think about their strategic capabilities and power in the business markets (Schierstedt et al., 2020). CAFEPOD Coffee Co has seen how the competition and changing business environment have reduced the profitability and sale volume. Thus, the organisation has focused on the business growth strategies. Some of the strategic options for CAFEPOD Coffee Co are as follows:

Porter's Generic Strategy: The organisation can make decisions based on the market concentration and customer preference (Li et al., 2019). Porter generic strategy portrays the three strategies available for the company to value the business growth in the competition. The available strategies can have different strengths and limitations for using them in the growth option. CAFEPOD Coffee Co has applied this model to get the strategic option for the business expansion and growth.

<i>Target/Market Scope</i>	<i>Advantage</i>	
	<i>Low Cost</i>	<i>Product/Service Uniqueness</i>
<i>Broad (Industry Wide)</i>	Cost Leadership Strategy	Differentiation Strategy
<i>Narrow (Market Segment)</i>	Focus Strategy (low cost)	Focus Strategy (differentiation)

Figure 3 Porter's generic strategy

Source: (Li et al., 2019)

The cost leadership strategy is common strategy used by most of the companies (Jain and Bala, 2017). Within this growth strategy, the company tends to follow the broad market segmentation in order to produce higher products for the reduction of the costs. The application of leadership, cost-

cutting techniques, technology, communication, production techniques, supply chain management and communication are used for the development of this strategy (Surono et al., 2020). However, CAFEPD Coffee Co has not selected this option for their growth option. The cost-leadership strategy could lead to more customers with investment to the production. CAFEPD Coffee Co has been thinking of bringing new products while targeting more customers. The company has not given thoughts of lowering their costs for the business or the performance. Hence, they have not selected this option.

On the other hand, the company can go for more strategies for the business growth. One of them is the differentiation strategy (Islami et al., 2020). In this situation, the company can bring the products with variation in the broader markets. CAFEPD Coffee Co has been thinking of bringing new products for differentiating their image and brand value. Their uniqueness and quality in the products have already contributed to the development of the competitive advantage. Thus, CAFEPD Coffee Co has selected this option which can also bring long-term effectiveness.

Within this growth model, the company can see the available option for the focus cost strategy and focused differentiation strategy (Schierstedt et al., 2020). Each of them is managed within the concentrated market. However, CAFEPD Coffee Co has not selected this option due to its limitation such as concentrated market, poor option for getting diversified customers, lack of expansion opportunity, and limitation of the business performance. Hence, differentiation strategy has been adopted for the company's reputation and competitive advantages.

Ansoff Growth vector: There are different strategies available for the companies to gain the long-term facilities and opportunities (Surono et al., 2020). Ansoff growth vector represents the different types of strategies for the business growth. The available 4 strategies can allow the company to gain the opportunities in different situation. CAFEPD Coffee Co has focused on assessing each of them for analysing their potential option for the business growth.

Ansoff Matrix

	Old Product	New Product
Old Market	Market Penetration	Product Development
New Market	Market Development	Product Diversification

Figure 4 Ansoff Growth matrix

Source: (Islami et al., 2020)

The company can work on the market penetration strategy if they have thinking of bring old products to the existing markets (Jamali et al., 2021). This opportunity does not allow the company to gain more customers or to bring new products to the markets. CAFEPD Coffee Co has seen this option could not help the company to grow in the markets. Also, the costs of the marketing for the existing market can be higher as this is related to the customers' changing preferences.

The company can look for the product development strategy for the old market with the new products (Li et al., 2019). In this situation, the company invests to the product development for the sake of existing customers into the markets. However, CAFEPD Coffee Co has not chosen this option as this option has limitation for the growth option. Within product development strategy, CAFEPD Coffee Co could not lead to the new market and new customers within the existing markets.

CAFEPD Coffee Co has chosen to accept product diversification strategy for the sake of their business growth and expansion. Product diversification strategy helps the company to approach the variations in product and service (Schierstedt et al., 2020). Also, the company can easily target different customers in different markets while managing their brand value. CAFEPD Coffee Co

has identified that this option can bring effective opportunities for CAFEPOD Coffee Co to target new market, to add new products, and to value the brand image.

The option for the market development strategy is available for the company where the company works for the development of the marketing (Bassi et al., 2015). The organisation tends to select the promotional strategy and marketing strategy within the new markets to target new customers. In this situation, the company brings the same products for the new customers (Jain and Bala, 2017). However, CAFEPOD Coffee Co has also selected this option to grow their sale volume and business profitability within the new markets. The existing products have been added for the new market in CAFEPOD Coffee Co where communication and marketing strategy has been managed.

Bowman's Strategy Clock: The organisation can look for the options available to bring the long term effectiveness in the business growth (Surono et al., 2020). CAFEPOD Coffee Co has analysed the Bowman's Strategy Clock for more options in the growth strategy. This model represents the option of the business based on the customer's perceived value and prices of the products. This is the extension to other tools for the business growth (Cheraghalizadeh et al., 2021). CAFEPOD Coffee Co has applied the Bowman's Strategy Clock for the market positioning in the business.

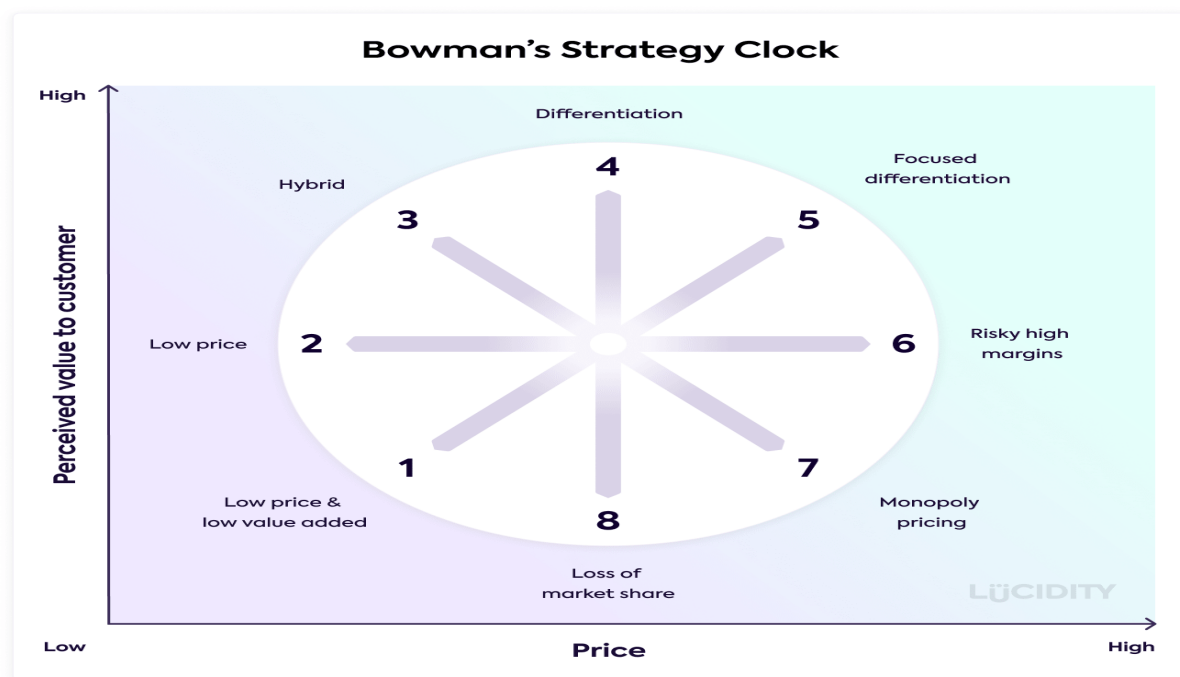


Figure 5 Bowman's Strategy Clock

Source: (Surono et al., 2020)

When it comes to the development of the business strategy, CAFEPD Coffee Co has focused on the diversified service strategy and differentiation strategy. Even, within this model, CAFEPD Coffee Co has valued the Differentiation section.

Differentiation strategy ensured that the organisation can differentiate their products or services by adding high perceived value which also ensures the different natures of the products of the company in the given markets (Jamali et al., 2021). With the quality in products, customer service and uniqueness, CAFEPD Coffee Co has focused on differentiation strategy. This can allow the company to bring the variation in products for the customers and pricing strategy (Cheraghalizadeh et al., 2021). Apart from that, the option for the broader segmentations within the diversified products strategy is higher for CAFEPD Coffee Co.

6. Provide key strategic recommendations for the organisation. These may be drawn from the options discussed in (5). Ensure that your discussion covers how your recommendations will be implemented. Use at least one of the tools covered in the module to help you do this.

The company can search for the better option while bringing more products and services for the business (Heino et al., 2020). CAFEPD Coffee Co has selected a diversified strategy to grow in the market, and to target more customers and to promote their products. For the competitive environment, the diversified service strategy can help the company to bring more supports (Eskerod et al., 2015). Based on the Ansoff Growth matrix, the product diversification strategy can bring the long-term effectiveness for CAFEPD Coffee Co. Under the product diversified strategy, CAFEPD Coffee Co can go for some of the strategic recommendations. These are as follows:

Product variety: When diversifying the products, the company must maintain the good research and development (Li et al., 2019). This can help the organisation in introducing more variety and options of products to capture the new market. CAFEPD Coffee Co has ensured to bring more product variety to capture more customer attention. In this situation, CAFEPD Coffee Co needs to maintain market research and data analysis part to identify the available scopes for the business. Apart from that, CAFEPD Coffee Co can work for the profitability while bringing unique products for the customers. This can help CAFEPD Coffee Co to research the customer's preferences and buying behaviour for making a decision for the business success.

More markets are tapped: The reach increases the necessity of the production of more products (Jain and Bala, 2017). Also, the company searches for the options to bring new products towards the new markets for the diversification strategy. More markets can help the company to achieve the higher number of the distribution channels (Bassi et al., 2015). CAFEPD Coffee Co has ensured to combined the product diversified strategy and market development strategy to manage the costs and expenditure. Apart from that, CAFEPD Coffee Co can capture the opportunities for the international markets while managing growth in the local market.

Companies gain more technological capability: Under the diversified service strategy, the company invests to the R&D expenditure and the company will develop technological capabilities for the technological advancement (Srimuk and Choibamroo, 2015). In this situation, the company can bring new and better products in the market. For the implementation of the diversification strategy, the company is bound to gain more technological capability (Cetin et al., 2016). In this situation, CAFEPD Coffee Co has selected to bring the technological advancement and resources to develop the capabilities. Also, the company needs to maintain the usages of the technologies for the communication and marketing activities in the business market.

Communication and Collaboration: For getting the benefits of the diversification strategy and to introduce the new products in older and more mature market, the company can work on the communication, leadership, collaboration and coordination strategy (Hanke and Quigley, 2013). In this situation, the company can work on their leadership style to handle each of the situations. Management theories and practices influence the management system, environment of the company leadership, employee, HR practices and resource (Eskerod et al., 2015). The application of management process and practice allow the functions to develop and accomplish the objectives

and goals of the organisation. Also, in case of diversified strategy, CAFEPD Coffee Co can work on MBO process to maintain the communication and collaboration in the workplace and in the growth strategy.

Risk factor is reduced: The company is supposed to identify the available risks while managing the diversification strategy (Heino et al., 2020). In the introduction of new products in new markets, the company cannot rely on one single product or one single market. CAFEPD Coffee Co has identified the overall risk in the growth strategy while handling the business performance. In this situation, CAFEPD Coffee Co has analysed the risks factors of their growth strategy which are the poor planning of the product, limitation of the fund and resource, poor supports from the markets, changes in the external business environment, changing behaviour of the customers, and lack of opportunity for targeting the customer. Also, CAFEPD Coffee Co has managed risk management strategy and assessment to control the risks in the business.

7. Discuss how competitors might react to your plans and how you might deal with their reactions.

The company cannot ignore the facts the existing competition can bring lots of different challenges (Bassi et al., 2015). Private businesses deal with competition and changing experiences of the customers. CAFEPD Coffee Co has chosen to work on their business strategy with diversified product strategy. In this situation, the competitors of CAFEPD Coffee Co might have different reactions and changes in the strategy. The most common reactions of the competitors of CAFEPD Coffee Co would be the changes in the business strategy and product development. In this situation, CAFEPD Coffee Co has ensured to work on the reactions. The recommendations and strategy for managing the reactions are as follows:

1. Understanding the competitor landscape: Understanding customers is a necessary step for the company in exploring business markets (Islami et al., 2020). The businesses should focus on the analysis of the competitors, market environment, and changes in the business. CAFEPD Coffee Co needs to assess their internal resources and the internal resources of the competitors to make things better. The understanding and knowledge of the competitor's landscape can help CAFEPD Coffee Co to manage their reactions towards the business strategy.

2. Learning about the market: The company needs to observe and talk to competitors and this can help the organisation to understand the market (Hanke and Quigley, 2013). The understanding of customers and the markets can help the organisation to develop the business model and practices. CAFEPD Coffee Co has identified that their market has been changing and the customers are looking for new products. In this situation, the learning of the market can help CAFEPD Coffee Co to make decisions for the diversified products and service strategy.

3. Challenge the work: The company needs to take competition as a continuous challenge for the business (Li et al., 2019). The solutions for the problems may be more environmentally friendly compared to others and the company can enhance their strategy for the business issues. CAFEPD Coffee Co has built the markets to respond to the needs of the customers. Apart from that, CAFEPD Coffee Co has focused on the challenges and risks for the business issues and solutions for the challenge. This has helped CAFEPD Coffee Co to be more competitive and effective for the business performance. In some cases, the organisation cannot make solutions for the challenges and changes in the business marketplace (Heino et al., 2020). CAFEPD Coffee Co has ensured to develop their internal resources for managing challenges in the workplace.

4. Taking care of the competitors: The Competitors can contribute to the economy and profit of the organisation (Islami et al., 2020). Also, the competitors can affect the growth of the business organisation. CAFEPD Coffee Co has seen that the competitors can bring lots of products and services to the customers. Apart from that, CAFEPD Coffee Co has seen that the competitors might have brought the changes in the strategy and products for the customer. In this situation, CAFEPD Coffee Co has chosen to work on the customer engagement, customer loyalty, and experience management while handling the competition in the markets.

5. Cooperating with the market: The company can cooperate with the competitor as a strategic partner (Bassi et al., 2015). The organisation can easily work on the cooperation while managing the competition in the markets. To control the action and reactions in the business markets, CAFEPD Coffee Co has chosen to cooperate with the suppliers and other professionals to maintain the competition and actions in the markets.

Conclusion

The business growth of the industry is related to various factors, from the internal management to the external environment. CAFEPD Coffee Co has been thinking of expanding to the business with more new products for the variation and diversification strategy. Also, CAFEPD Coffee Co has seen that the external business environment has come up with changes, challenges, risks, and lots of scopes. But, the strengths and ability of CAFEPD Coffee Co have contributed to their market growth strategy and capabilities. Based on the growth strategy models and framework, CAFEPD Coffee Co has selected the diversified product strategy and differentiation strategy for the sake of the business performance, business success, and market growth.

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