

Strategy management essay sample

[Business](#), [Management](#)



1. 1 Introduction

This assignment

1. 2 Choose the Model for CRH

Strategy literature offers many techniques and models suited for systematic strategic analysis. The SWOT analysis, the PESTEL analysis, the Five Forces analysis framework are the prime examples of techniques that can be adopted for strategic analysis. This assignment will use PESTEL and Five forces model to analysis the environment of CRH plc. PESTEL analysis is to identify and analyze the strategy and business environment, it is stand for Political, Economic, Social, Technological, Legal, and Environmental factors. This model is to assessing the current environment and potential changes. If it is better than other project competitors, it would be able to respond to changes more effectively. Five forces analysis model is to analysis the strategy of competition, can analysis customer competition environment effectively, In addition, this assignment will use Ansoff's matrix to analysis the strategic options of CRH plc. 1. 3 advantage, disadvantage and limitation of model

Pettigrew, Thomas and Whittington (2001) argue that strategic management that involves usage of analytical models is constrained by its inherent weaknesses and the changing context of business. Strategy analysis suffers from its obsession with 'rationally intended purposeful thought' (Pettigrew et al., 2001, p. 12) and intended choices pursued as the outcome of analysis are not always realised. There is a great scope for 'emergent' strategy – that spontaneously unfolds irrespective of any plan or grand design, and carries with it the potential to produce superior results. Other reasons for which

analytical models have their limitations are: 'the theory and practice duality' and the 'constantly changing context' (Pettigrew et al., 2001, p. 11). Time and place are seen to be important influencing factors on 'managerial practices and the patterns of organisational behaviour' (Pettigrew et al., 2001, p. 15) and therefore on intended strategy. The conflicting expectation of the various stakeholders – the theorists and the practitioners of strategy – also contributes greatly to the limitations imposed, the latter group seeking a pragmatic and creative action aimed at solving problems in course of one's work, irrespective of the insights offered by strategic analysis.

This model looks outwards to show the sources of opportunities and the causes of threats that go with changes in the dynamic factors that make up the business environment (Johnson et al., 2002). which examines the Political, Economic, Social, Technical, Environmental, and Legal aspects. PESTEL analysis of CRH indicates that the main cause of decline in CRH's financial performance and growth is the severe world-wide liquidity crunch resulting from volatile and uncertain economic factors. In the construction industry with long lead times, capital is an important factor of production, and therefore lack of funding in recessionary conditions has negatively affected the industry and its two key sectors – the new construction and the repair, maintenance and improvement (RMI). In the case, the political initiatives backed by real fiscal stimulus packages may help in countering the negative impact of recession, but it may only have a limited regional impact. Every industry has its own profitability or state of financial health which will shape by structural variables and evolves over the industry life cycle from its birth to maturity and decline.

Porter (1980) defines this financial health in terms of ‘rate of return on capital relative to its cost of capital’ (Grant, 1998 in Mazucatto, 2002). In a classical academic work, he has proposed the ‘Five Forces’ framework that is now widely adopted by the practitioners of strategy in evaluating the strategic position of the firm within the industry. These five forces consist of horizontal competition and vertical competition. The former includes competition from: (1) established firms; (2) new entrants and (3) substitutes. The latter includes (4) bargaining power of suppliers; and (5) bargaining power of buyers. ‘The strength of each of these competitive forces is determined by a number of key structural variables’ (Grant, 1998 in Mazucatto, 2002). The importance of this framework is emphasised by Porter who argues that ‘Understanding the forces that shape industry competition is the starting point for developing strategy.

Every company should already know what the average profitability of its industry is and how that has been changing over time” (Porter, 2012, p. 235). In the context of the building materials industry, the application of Five Force analysis indicates that the industry has growth rates that are mostly lower than the GDP growth across regional economies. It is cyclical in nature and fragmented in structure with a large number of small and mid-sized firms that create micro-markets and heterogeneous customer needs in different geographies. This becomes a big deterrent for any member firm that intends to exploit and enjoy economies of scale beyond a limit. What’s more, commoditization and lack of differentiation erode any scope for healthy margins. High weight to value ratio of ‘heavyside’ building products renders global sourcing ineffective. Entry barriers are virtually non-existent

owing to the standardised, low technology nature of products that are devoid of patents and produced with non-proprietary technologies, and this particular industry attribute strips incumbents of any protection against new entrants.

References and Bibliography

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