

# The identified problems in yahoos strategy



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Strategy – considered being the “lionized, under the lights” word of business environment. A German proverb states, “What is the use of running if you are not on the right road”. Well crafted! Every business needs a strategically focussed plan to achieve its vision. Above all, an efficient management of the strategy under practice, bags the maximum concentration. This report extensively discusses the need for strategies and their characteristics in various distinct business environments and their implications in organizations. Beginning with the scrupulous analysis of the Yahoo!’s peanut butter manifesto, It explains about the diverse theories and different levels of strategies embroiling with the various organizational levels in the pursuit of decision-making. Competitive Advantage is a yet another concept that storms every organization, to either sustain or improve their position in the market. The relationship between strategy and competitive advantage and its influence in the process of making it have been deeply probed. Along with that, several other factors like situational and environmental analysis techniques such as SWOT, PESTEL etc influencing strategy and the concerned multi-dimensional perspectives of them are also congruently explored. Besides that it brings out a broad understanding of the contrasting differences of strategy in accordance with the industry and also exhibits the differences in control mechanisms applied to preside over and direction of the strategy. Finally, it concludes with a detailed spectacle of the trends in business strategies.

## **2. Yahoo!’s Peanut Butter Manifesto**

Yahoo! – ‘It’s You’ the company that emerged out hardly 16 years before, have been managing to long stand with its Internet services in the

competitive business world. Their growth across the world prevents even an introduction. The scenario of this analysis assumes their case of Peanut Butter Manifesto [1].

## **2. 1 Identified Problems:**

Right from their start they enjoyed the triumphant position until few giants started competing in the war (business) field. For a period now, they are experiencing a slack due to few internal reasons,

“ Lack of a focussed vision

Lack of clarity of ownership and accountability

Lack of decisiveness” [1].

All these are absolutely strategic issues faced by them. Either their strategy is completely affected or they never had one in the first place. The Memo written by Mr. Brad Garlinghouse [1] provides evidence of the internal problems. They are completely related to the Leadership, Accountability, and Resource Management etc.

## **1. 2 Analytical Expository:**

The views about the issues faced are strategic. Strategy is an all-embracing framework to take advantage of the resources to substantiate a favourable position. On mapping the identified problems to the corporate strategy model [1],

The strategic position encompasses the environment, purpose, culture and capability factors. The issues faced match with majority of these factors.

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The strategic position of the organization is very weak and is majorly affected by the internal problems. The organization's span of growth proves it clearly. Internet, the field that can be ranged over at any angle would still provide profits. Yahoo! has overly exploited this opportunity and stretched far widely. This eventually had reduced their concentration on their competitive advantage. The company has about " 41 Branded services" outnumbering any other Internet services. Further down, they have " 7 Non-Branded services" and a length of " 22 obsolete services". This totals about 70 ventures, which shows how inordinately they have been corporately entrepreneurial to fail in sustaining their competitive advantage. This could be their main problem. They need to have a proper vision in succeeding their position and advantage over others, just like Bill Gates " Trustworthy Computing" back in 2002. An organic redesigning of the organization has to take place to overcome present hurdles. This analysis would be stretched over the entire phase of explaining strategy and its dimensional levels in the remaining sections of the report.

### **3. Strategic Business Planning in Global Environment:**

Strategic Business Planning is the process of defining an organization's strategy and determining on dispensing its resources like investments, employees etc to achieve the defined goal. This includes the complete phase of the following,

Analysis

Choose and Generate Strategy

Implement Strategy

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Directing and controlling it.

In the global environment, there are numerous industries under which billions of businesses operate. They exhibit a myriad nature by orientating their focus.

### **3. 1 Need for Strategic Business Planning:**

Numerous businesses become obsolete or show financial crisis in short fail to survive in the market, mainly because they fail to find themselves in the future. Which means they neither have a realizable vision nor succeeding in implementation. In other words they are not prepared for the uncertainties. There have been around 134, 000 firms [2] showing strong manifestation of distress. Decision Making in the global environment is so intricate for an organization to tackle it effectively for profits. This requires Strategic Business Planning and Management. It helps them realize the vision by planning, organizing, directing and controlling every step they grasp. Organizations without strategic planning would lose its address in this crowd. In the global environment, been filled with public organization, the main need of a strategic is to “ fulfil stakeholder expectations”.

Global Environment has become a place, where customers alone are not the primary focus, but attracting stakeholders has major contribution, because the resource that any organization possess is been provided by the stakeholders rather than customers. The business input model has significantly changed.

This kind of a competitive atmosphere ensures that businesses should have a robust competitive advantage over their competitors thereby making strategic planning as imperative.

### **3. 2 Characteristics of Strategic Business Planning:**

Characteristics of Strategic Planning are deeply rooted. In general it possesses various features like providing,

“ Direction – Business intending to be,

Scope – Markets to compete,

Refining – Activities to be undertaken,

Advantage – Better performances,

Resources – skills, assets, finance, relationship, technical competence etc.

Environment – Predicting the uncertainties” [1],

Back to our case in concern (Yahoo!’s Peanut Butter Manifesto) [1], had they practiced a sinewy strategic business plan, they would have had better visions, completely refined activities by narrowing down their concentration, advantageous decisions, and an healthy distribution of the resources in accordance to their spectrum. Most striking characteristics of strategic business planning to achieve the competitive advantage are

### **3. 3 Dimensions of Strategic Planning:**

In the Global environment, it is becoming increasingly inflexible as the stakeholder's have increased and the customers have been attracted worldwide. Here it has 6 dimensions, where

Senior Managerial decisions

Huge resource dispenses

Affect the long term welfare of the company

Highly concerned about the future

Strategic Business Units will be heavily affected

Consequences due to the external environment [4].

### **3. 4 Levels of Strategy and Organization & Decision Making:**

Organization basically has 3 decision-making levels, on each level strategy is integrated to deliver potential to the higher hierarchy. Johnson et al., say levels as,

Corporate Level

Business Level and

Operational Level [1].

This could be well explained with the differing views of the organization's levels and nature of the decisions,

Decision-making needs to be creative. Strategy in action makes sure that relevant activities are carried out and no redundancy or resource frittering happens. The previous practice of Yahoo had many trifling services, invoking lots of redundancies. The New strategy could refine them and decide on activities that signify the target. Any decision taken is not unescorted; it triggers the resistance in the succeeding level. Thus strategy has high influence on the decision-making phase evidencing why they need to be realizable; else it would disrupt the entire organization's culture and structure.

### **3. 5 Difficulties in Global Environment – External Drivers:**

Global Environment poses increased difficulties for any strategic planning and management. Various external factors play a vital role. External environment of any organization could be well understood by the situational analysis techniques, where PESTLE Analysis would help us in determining them.

The external factors that intricates strategy planning in global environment are mainly,

Strategic Global Alliances,

Collaboration and Authority of Global Marketing

Trade barriers

Communication

International Strategy selection

Government Unions

Legalization

Culture

Highly fluctuating currency trade-offs

Gap between the globalization parameters

Technological Revolution

Financial Markets

Here they are left with only two choices

Cost Leadership differentiation – International strategy

National amenability or limited market – Regional Strategy.

Further they need to consider various expanding operators, which are

#### **4. Strategies and Competitive Advantage:**

Competitive advantage forms the base of the strategy. The entire strategy is generated to realize the favourable position for the organization.

##### **4. 1 Differing theories and practice:**

“ Patterns of Strategy and Planning do not always follow the rational route”.

Exactly, Most of the time, the vision dreamt by the organization is seldom reachable. This gives rise to 2 different theories in practice.

The Intended Strategy and

The Emergent Strategy.

The Intended or the designed strategy is the one that manager develops, whereas emergent strategies are those that evolve in the organization [5] like the “ Honda effect” [6]. Intended strategy does not always work, whereas the realized strategy would work for sure, but it does not give a chance to every organization. The intended strategy is been designed for the company by a strong leadership capability. Intended or planned strategies have chances of failure, because we might delusively predict or anticipate the future, which could happen otherwise. Secondly, once when implemented, it will be hard to disengage ourselves. Finally, it could lead to improper definition of the structure of the future.

## **4. 2 Best Route – Does Singularity Exists?**

The strategies need not be always designed; it can develop in queer ways. Mintzberg says that strategies are either plan for the future (intended) or patterns of the past (emergent) [7], it is the responsibility of the organization to wisely choose which suits them the best.

On evaluating both the process, it seems that intended strategy and emergent strategy both have their own limitations. Mintzberg suggests that learning [7] would be the best way, but global environment does not give enough time, which again contradicts. Hence the best route to develop strategy could be by developing a synergy between the two processes.

The resource allocation is the root concern on both processes, therefore on evaluating the factors affecting resource allocation like organizational context and structural context, the synergy could be brought thereby leading <https://assignbuster.com/the-identified-problems-in-yahoos-strategy/>

to “designed emergence” to suit comfortably to achieve competitive advantage.

## **5. Different Strategies – Different Dominance:**

There is no defined strategy; it needs to be changed as we change. As Marshall Goldsmith states, “What got you here, will not take you there” [8]. Strategy got the same rules.

### **5.1 Necessity of Different Strategy Views:**

“Strategies are flexible and depend on the state of the market”. Similar to products, competitive advantages behave as well, with emerging, maturing and declining. Strategy is structured and chose using various techniques called strategy formulation techniques. They are, porter’s 5 forces model, porter’s generic strategies etc., choosing between the three main porter’s strategies segmentation, cost leadership and differentiation. Here cost leadership and differentiation suit well for emerging competitive advantage. The BCG matrix and the ansoff’s matrix help as well.

Whereas the mature competitive advantage requires a sustaining strategy, like fortress defense, flanker brands or niche strategy to maximize the flow of profits to the remaining life, maintain and protect the business market. This involves customer loyalty retention as well. Market penetration could be a wise example. Cost leadership, differentiation and service quality model would be very source of sustainable competitive advantage.

Thirdly on considering the declining competitive advantage, strategies like Harvesting, Maintenance, profitable survivor or niche could support the

remaining life. The selection of strategy depends on the condition of the market share.

## **6. Strategy – Various Scenarios of Action**

This section attempts to bring the contrasting features of the perceived competitive advantage and strategy deployment among profit based and non-profit based organization.

### **6. 1 Contrasting Perspectives of Competitive Advantage:**

The basic differences between the two different types of organizations are

The Organizational Purpose

Profit Motive

Assets

The results of the Strategic Planning are orientated to the above-mentioned 3 categories.

Difference between Non - Profit and SME:

### **Table**

S. No

### **Non – Profit**

### **SME**

Primary motive is serve common good

Primary motive is to earn profit.

Strategies focused on sticking with the mission definitely

Depends on the external and Internal environments

Intended strategy works most of the time

Strategy is often realized.

Concentration towards board development, fundraising and volunteer management

Concentration towards profit, customers, stakeholders and brand.

Treats employees the same

Employees get more focus by salary or promotion

Time is less significant in monitoring the strategic plan as long as we stick with the service.

Time is the dominant factor, and if anything is not achievable, the vision could be modified to accept the realizing strategy.

Priorities not changed to achieve goals.

Priorities can be changed if needed.

Frequency of monitoring is less

Frequency of monitoring is high

Control over employee's performance is low

Control over employee's performance is high.

Strict adherence to the strategy, since it was built upon the missionary values

Strategy adherence is libertarian

Highly accountable to the board comparatively

Not so high

Highly motivated by community service

Highly motivated by profits

Tends to serve who could not afford

Serves only to those who afford.

Concentrates on services offered

Concentrates on organizational growth

Goals are often vague

Goals are highly defined.

## **6. 2 Customary and Current trends:**

The term strategy has evolved over a long period of time. Strategic Business planning has changed the way the world looked at business evidently. In the mid of 1950's, budgetary was the theme of business, whereas now strategic innovation is the theme of business. Multinational companies,

conglomerates, efficient business model, and virtual integration etc has changed business was once. The history of strategic business planning is phenomenal. Early 21st century, the stock value depended only on the profits, then people started excessive short-term earnings and managed stock valuations through reported earnings. This had led to the evolution of complicated and hard to achieve sources of competitive advantage. This encouraged the quest for the new model of the corporation [9]. This further led to the massive redesigning of the organization with capability-based, process based, and project based structures. New leader jumped into the field of business and drifted it away from the traditional methods save for profit earning objective.

## **Table**

1950s

60s - 70s

70s - 80s

80s - 90s

2000s

Theme

Budgetary, Planning &Control

Corporate Planning

Positioning

Competitive Advantage

Strategic Innovation

Organizational Implications

Coordination and Control

Planning divisions

Diversification, Strategies, Matrix

Restructuring, Outsourcing

Networks, Virtual Organization

## **7. Conclusion:**

The detailed view Strategic Business Planning and Management had been explored, including the theories under practice. The case of Yahoo! appeared to be quite interesting as such a multinational organization spanning over 70 businesses did not have a proper vision to align themselves at their services. There are numerous competitors with strong vision and robust plans have entered the market, for them to take redesign their organization and its culture. The need for strategic planning in the global environment is mandatory. Though there happens to be various difficulties it would be a hindering for the future as the business world has always accepted changes. This report critically analyzed the strategic planning differences for profit and non-profit organizations and the primary motives of control. Maree Conway says that the value of futures approach in Strategic Planning. It actually positions the organization in the time ahead of it by dynamically and

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rationally providing an approach to exploit the resources and opportunities, along with the warning signals of the uncertainties. And recent researches say the strategic planning would give way to process over product conceptualization, which might bring a radical change in the businesses are now.