

The basic framework for strategy analysis



**ASSIGN
BUSTER**

1. To what extent does McDonald's Corporation achieve a close strategic fit between its strategy, the characteristics of its external environment, and its internal resources and capabilities? Are changes occurring in its external environment weakening this strategic fit? If so, how should McDonald's adjust its strategy?

The discussion of "The Basic Framework for Strategy Analysis" (pp. 12-13) emphasizes the importance of strategic fit. McDonald's strategy is based on the creation of standardized, tightly integrated business systems for the supplying a limited menu of hamburgers, fries, drinks, and several other items that are produced and served to meticulous standards of speed and consistency at low prices. The success of

McDonald's reflects (a) the appeal of McDonald's offerings to mass-market preferences of individuals and families for low-priced, popular meals.

(b) McDonald's ability to create a set of capabilities that allow the replication of McDonald's restaurants worldwide (e. g. highly standardized operational capabilities supported by meticulous human resource training and management).

In recent years, changes in the external environment have upset this close fit:

1. Competition has increased. A large number of fast-food chains have developed, most of them utilizing the same franchising model perfected by McDonald's. Expansion by McDonald's and other burger chains has also led to market saturation.

2. In the developed world, consumers have become increasingly health conscious – preferences have shifted away from burgers, fries, and milkshakes.
3. McDonald's success has made it a target for a range of activist groups: environmentalists,
4. Opponents of globalization, nutritional campaigners.
5. Consumers are seeking greater variety and novelty in their diets.

As a result, McDonald's is in the process of adapting its strategy. Changes include:

- Broadening its menu.
- Responding to health concerns with more salads, fruit, and lower calorie items.
- Moving from global standardization to greater local differentiation: McCroissant in France, Rice Burgers in Hong Kong (see p. 383, "McDonald's goes Global").
- Not only fostering local initiatives and innovations, but then allowing the international transfer of these initiatives and innovations (e. g. "McCafe" gourmet coffee bars initiated in Australia, then rolled out in US and other countries).

2. The discussion of the evolution of business strategy ("From Corporate Planning to Strategic Management") established that the characteristics of a firm's strategic plans and its strategic planning process are strongly influenced by the volatility and unpredictability of its external environment. On this basis, what differences would you expect in the strategic plans and strategic planning processes of Coca-Cola Company and Google Inc.?

The shift during the past four decades from "corporate planning" to "strategic management" was influenced, in part, by increasing volatility and

unpredictability of the business environment. As a result strategic planning became less based upon forecasts of the future, less formal, shorter term, and concerned more with innovation and the creation of options rather than with incremental improvements to the status quo. These same influences are likely to create differences in the approach to strategy making among firms that face different industry environments. A company like Google has an industry environment characterized by rapid technological change, and the constant emergence of new market opportunities and competitive threats. A company like Coca-Cola faces a much more stable environment. The world market for soft-drink concentrates is dominated by two giant companies (Coke and Pepsi), and this is likely to continue for the foreseeable future: each firm's market position is reinforced by long-term agreements with bottlers and massive brand equity. Consumer tastes change slowly; there is minimal technological change.

Hence, each company is likely to have a strategy-making process that differs in formality, precision, time horizon, and scope. For example: Coca-Cola
Google

Medium term (e. g. 3-4 years) Short term (12 months?)

Precise operational and capex budgets Budgetary processes flexible Strong emphasis on short- and medium- Little emphasis on performance targets; focus term performance targets on first-mover advantage and creating options, Strategic planning based on narrow market Strategic planning based on broad market focus: soft drinks what is our core business?

Emphasis on design, with top management
Emphasis on emergence, with
top management

Exerting strong hierarchical control orchestrating bottom-up initiatives

3. I have noted that a firm's strategy can be described in terms of the answers to two questions: "Where are we competing?" and "How are we competing?" ("Describing a Firm's Strategy"). Applying these two questions, provide a concise description of Madonna's career strategy (see Strategy Capsule 1. 1).

Where does Madonna compete?

Madonna derives revenue from a number of markets: recorded music, live concerts, movie/video acting, book author, and the management and production of other recording artists. In terms of size of revenues, then, recorded music is her "core business." However, this does not recognize the links between the different markets in which she engages or the way in which Madonna positions herself in relation to them. At the broadest level, Madonna competes in the global entertainment business. However, her positioning within this is as a "superstar" – Madonna's renown and appeal transcends the individual markets in which she competes.

How does Madonna compete?

1. Madonna is a trend-setter/trend-spotter. In music, fashion, and social attitudes, Madonna
2. Identifies emerging trends then positions her in the vanguard. In the early 1980s, she recognized the potential for the music style sweeping New York's dance clubs to have an impact on popular music; in the late 1990s, she helped introduce world music into western pop music.

3. Madonna creates integrated multimedia product offers that include music (a new album), a fashion look, an attitude and philosophy (sexual predation in the late 1980s, religious mysticism at the turn of the millennium), and worldwide promotion through a concert tour.
4. Madonna uses a network of collaborators and partners to create her product offerings. These include musicians, song writers, fashion designers, actors, choreographers, vocalists, and dancers. Madonna acts as overall designer and systems integrator for these various contributions.
5. Madonna relies heavily on the press and her own generation of news events to keep her continually in the public eye. Such instances include sexual bravado (kissing Britney Spears), high-profile liaisons (affair with Warren Beatty), personal events (adoption of African child), attacks on political and religious authorities, boundary crossing (mixing sexuality and religious iconography).

4. What is your career strategy for the next five years? To what extent does your strategy fit with your long-term goals, the characteristics of the external environment, and your own strengths and weaknesses?

The same principles that we apply to business strategy can also be applied to individuals' career strategies (as I note on pp. 11-12). Indeed, several prominent "self-help" books are essentially about strategic approaches to self-development. (E. g. Stephen Covey's *Seven Habits of Highly Effective People* is a systematic approach to life planning that begins with the choices about lifetime goals.

Markus Buckingham's Go Put Your Strengths to Work is based on the simple observation that success results from individuals identifying and deploying their resource strengths.)

This exercise involves using the basic framework of Figure 1. 2. The principle stages are:

Identify career goals: what are you seeking – wealth, power, influence, fellowship, excitement, security, making a difference in the world?

Which careers offer the best prospects in relation to your chosen goals?

(Career opportunities may relate to work type (brand manager, financial analyst, general manager, entrepreneur, and politician) and sector (financial services, manufacturing industry, public sector, international organization.)

For the most attractive careers you identify, what are the key success factors?

What are your resources and capabilities? What are your strengths and weaknesses in relation to intelligence, skills and aptitudes, financial resources, qualifications, experience, contacts, etc.?

On the basis of these considerations, outline the principal elements of a career strategy in terms of:

- Where? What type of job? In which sector? Where located?
- How? How will you acquire your next job? What will be your approach to performing in that job? What kind of job sequence do you anticipate? What kind of additional training or personal development do you see as desirable?