Colin Edward Egan

British Business Manifesto

Strategies for Profitable Growth

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BRITISH BUSINESS MANIFESTO

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Book Overview

British Business Manifesto

Our ignorance of history causes us to slander our own times.
Gustave Flaubert (1821-1880), novelist.

In the beginning, approximately 5,300 years ago…

> *In 1991 hikers in the Austrian Ötztal Alps discovered a mummified body protruding from a melting glacier. Archaeologists dated the frozen remains as being 5,300 years old and gave him the nickname Ötzi, 'the Iceman'. They were able to demonstrate that he was travelling between two locations and to contend with confidence that he was moving with the purpose of exchanging goods, one community to another. International trade, if not born, or 'free' (who knows?), is proven.*

Preamble
4th February 2020: The Post-Brexit Dawn

I think globalization cannot be stopped. Nobody can stop globalization. Nobody can stop trade. And I believe, if trade stops, war starts. Trade is the way to dissolve the war, not cause the wars.

Jack Ma.
Co-founder and Executive Chairman, Alibaba Group.

The Big Picture

In his February 2020 'Greenwich Speech' laying down the foundations of the United Kingdom's position in the post-Brexit transition trade negotiations with the EU, Prime Minister Boris Johnson referred to a philosophy which had its origins in 18th and 19th Century political economy with the publication of Adam Smith's 1776 five-book treatise on market economics and free trade, *An Inquiry into the Nature and Causes of the Wealth of Nations,* concepts subsequently developed with far greater explanatory power by David Ricardo in his 1817 seminal text, *On the Principles of Political Economy: And Taxation.*

In the *Wealth of Nations,* Smith observed that a nation could maximise its economic prosperity by specialising in the production of goods where it has an *absolute advantage* over other countries and exchanging these for goods from other countries with which it is disadvantaged, resource-wise.

Regarding Ricardo, no discussion of international trade is complete without introducing his law of *comparative advantage*, which Boris Johnson did in the opening remarks of his speech. Ricardo's fundamental argument was equally in favour of free trade between nations. However, he also demonstrated that, under most conditions, a country would still benefit from trade even if it had an absolute advantage over every product category than that of another country.

Ricardo was a fierce opponent of protectionism, and the 'talking points' of his day resonate loudly 200 years on, with President Trump's tweets using the same language on trade wars as those leading up to the repeal of the British Corn Laws in 1846, particularly amongst those factions opposing or fearing its progressive impact.

Both Smith and Ricardo were vehemently opposed to the predominant trade mechanism of their times, *mercantilism.* This model was based upon state-backed encouragement of exporting goods matched with the imposition of punitive tariffs to stifle imports, this supported by warships and the implicit or real threat of hostility (aka *gunboat diplomacy*). Mr Johnson also alluded to this mode of international trade in his speech, a subtle sideswipe at Donald Trump's 'America First' trade policy verbosity and increasingly random behaviours in this regard. Less subtle was his direct allusion to Churchill's famous *Sinews of Peace* speech, in which the great war leader coined the phrase 'iron curtain' in 1946.

Johnson saw "mercantilists" everywhere:

> *From Brussels to China to Washington tariffs are being waved around like cudgels even in debates on foreign policy where frankly they have no place.*

But:

> *We have the opportunity, we have the newly recaptured powers, we know where we want to go, and that is out into the world.*

And:

> *... this country is leaving its chrysalis... We are re-emerging after decades of hibernation as a campaigner for global free trade.*

In his speech on the same day as that given by Mr Johnson, Michel Barnier, the European Commission's *Head of Task Force for Relations with the United Kingdom*, spoke in the same universal vocabulary of international trade relations as he presented the platform for the EU's Brexit transition roadmap.

Both Mr Johnson and Mr Barnier were speaking in the language of 'macroeconomics', the lexicon of choice amongst politicians when discussing the business of business in the context of international trade negotiations. Translating this in a meaningful way to the real world of markets, companies and management has proved elusive during the Brexit hiatus, leaving a potentially dangerous knowledge vacuum for British businesses, especially those in the small and medium-sized sector (SMEs) for whom this vocabulary fails to translate in any meaningful, practical way.

Now that the Brexit arrangement has been ratified and as the transition discussions progress, the benefits to all parties of fair and free global trade should frame the negotiations. But there also needs to be a step-change shift amongst politicians and commentators away from the often opaque and impenetrable language of macroeconomics towards the key 'microeconomic' arenas of competitive markets and company strategies. Simply stated, 'front-line' issues of international trade relate directly to the 'Three Cs' of competitive markets: Customers; Competitors; Capabilities.

From this perspective, extensive research has *proven* that a deep understanding of the following areas of management theory and practice can significantly contribute to *long-term* global and domestic business strategy success, as this British Business Manifesto: Strategies for Profitable Growth book demonstrates:

- Business environment sensitivity: Identifying opportunities and off-setting threats.
- Analysing global and domestic markets: Customer insights and competitor intelligence.
- Innovation and entrepreneurship: Dynamic pathways for growth and high performance.
- Strategic marketing: Selecting and serving target market segments effectively and efficiently.
- Strategic brand management: Building and sustaining a competitive edge.
- Integrated marketing communications: Managing customer relationships.
- Planning processes for business strategy success: A practical framework and 'go-to-market' tools.
- Building customer-focused organisational capabilities: Developing *distinctive* capabilities, exploiting strengths and neutralising weaknesses. Implementing creative strategies.

In ***British Business Manifesto: Strategies for Profitable Growth***, we dedicate a chapter to each of these key strategic management subject areas. We discuss the concepts, frameworks, methodologies, processes and tools which will guide smart managers building intelligent companies towards current and post-Brexit global and domestic business strategy success, regardless of industry sector or company size.

Contents

Prologue
A Brief Introduction to International Free Trade

... to take part in a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress.

The Economist (1843-present).

Introduction

On 1st January 1995 the World Trade Organization (WTO) was formally established with a simple mission:

> *The World Trade Organization deals with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. (WTO official website, home page).*

Its origins are more complex. Along with the World Bank and the International Monetary Fund (IMF), the WTO was first proposed at the Bretton Woods Conference in the USA in 1944, just as the 2nd World War approached its grim conclusion. It was ultimately to provide the blueprint for a 'New World Order' of free and open trade between nations and it eventually emerged from the prolonged political negotiations between multiple countries held under the General Agreement on Tariffs and Trades (GATT) framework.

This New World Order did not arise from luck, the roll of a dice. It was *created* in an extraordinary battle of wills between a world-renowned British economist (John Maynard Keynes) and a largely anonymous American technocrat (Harry Dexter White) in a negotiated order of monumental global impact.

Why Trade at All?

International trade, free or otherwise, is undertaken within a framework of political economy. Briefly, in the liberal model economic resources are allocated through the interaction of supply and demand. Consumers have free choice as to what to buy and firms have free choice as to what to produce. This is the essence of liberalism, a philosophy based on the twin principles of consumer sovereignty (freedom to choose) and self-interest (rational choice). The market mechanism determines prices and, consequently, demand and output. It is the profit motive that ultimately drives firms to produce efficiently and consumers to maximise their own satisfaction. The founding father of political economy and the greatest proponent of liberalism, Adam Smith, described the process in his 1776 treatise, *The Wealth of Nations*, as follows:

> *Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men.*

The fundamental principle underpinning this liberal form of economic organisation is free competition and a market mechanism that links individual decisions to aggregate output. As Smith further noted, every individual "intends only his own gain and is in this as in many other cases led by an invisible hand to promote an end which was no part of his intention". He proposed the theory of *Absolute Advantage* to explain the logic of specialisation and exchange for wealth creation via trade between nations.

The theory of absolute advantage can relate to any number of entities, most notably individuals, companies and countries, which can benefit from trading with each other. In the *Wealth of Nations,* Adam Smith observed that nations can maximise their economic prosperity by specializing in the production of goods where it has an absolute advantage over other countries and exchange these for goods from other countries with which it is disadvantaged. In sum, by specialising in goods that it produces most efficiently, the greater will be the prosperity of a nation. As Smith observed:

> *If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage.*

In 1817 David Ricardo published *On the Principles of Political Economy: And Taxation* in which he expanded Smith's ideas to include the opportunity cost calculus of producing goods within and between countries and demonstrated that, under most conditions, a country would still benefit from trade even if it had an absolute advantage over every product category than that of another country. In principle, it could be self-sufficient in all goods, a condition known as autarky (economically independent/self-sufficient) and could make a political argument for 'splendid isolation'.

(Mr Johnson also alluded to this economic state in his Greenwich speech (see the Preamble), complaining that "we are starting to hear some bizarre autarkic rhetoric").

Ricardo's theory of (free) international trade is known as *Comparative Advantage*. As Prof. Collinson explain in their textbook definition:

> *... free trade provides greater economic output and consumption to the trade partners jointly than they can gain by working alone. By specialising in the production of certain goods, exporting those for which they have a comparative advantage, and importing those for which they have a comparative disadvantage, the countries end up being better off.*

In a liberal form of economic organisation, the role of government is primarily to set an institutional framework that facilitates rather than obstructs freedom of choice. In developing his thesis on the wealth of nations, Smith integrates these twin themes of government and economy as follows:

> *In the midst of all the exactions of government ... capital has been silently accumulated by the private frugality and good conduct of individuals, by their universal, continual, and uninterrupted effort to better their own condition. It is this effort, protected by law and allowed by liberty to exert itself in the manner which is most advantageous, which has maintained the progress of England towards opulence and improvement in almost all former times, and which, it is to be hoped, will do so in all future times.*

The significance of this quote more than two centuries after its composition and its implications for the future direction of the world economy in the current post-Brexit international trade environment is immense. Both Smith and Ricardo were firm believers in free trade between nations and Ricardo actively agitated against the Corn Laws. These were tariffs that made imports more expensive and, while they protected the aristocratic rich, were punitive towards the urban poor during a period in time when Britain was at the forefront of the industrial revolution driven by an emergent, entrepreneurial 'middle' class.

The Corn Laws, the last bastion of British mercantilism, were repealed in 1846 and still provide the benchmark for the institutionalisation of international free trade principles to the present day.

The epigraph to this *Prologue* is the rationale provided by the publishers of *The Economist* when the magazine was launched in September 1843 and it has been reprinted in the Contents pages in every issue since. It conveniently describes the philosophy of this book, and we unashamedly borrow it. The first edition of *The Economist* was published three years before the repeal of the Corn Laws Act in Great

Britain, a single event which is undoubtedly the primary milestone in the history of the international free trade movement because for the first time it addressed reality, not philosophy. Actions, not words.

Reverting to Adam Smith, in a nutshell, and to paraphrase the great sage: allow producers the freedom to choose what they wish to produce and where to peddle their stuff; allow consumers the freedom to choose what they want to consume and which peddlers to procure it from; keep government out of the business of business, except for such niceties as property rights, financial liquidity and gentle regulation.

Under these conditions of supply and demand amidst minimalist government interference, there should be two generic outcomes according to Smith: (i) the invisible hand of the market will lead to the most efficient allocation of society's scarce resources - a macroeconomic phenomenon; (ii) consumer sovereignty (the customer is king) will determine competitive outcomes - a microeconomic, contemporary strategic marketing challenge (see Chapter Six).

This brief discussion of political economy, international trade and globalisation provides the historical context for the theories, concepts, principles, frameworks, tools and processes which we examine relating to the multiple dimensions of strategic management presented in *British Business Manifesto: Strategies for Profitable Growth*. The opportunities for companies to design and implement successful global and domestic business strategies by adopting a structured and systematic approach to strategic management, marketing, innovation and branding (backed up by efficient operations and supply chain management) are potentially huge, as we shall see.

We now make a transition in *British Business Manifesto* from the important context of political economy in our discussion of international trade towards the practical realities of 'doing business' internationally. These were described in the *Preamble* as the 'front line' challenges of global *and* domestic business strategy design and implementation for all companies, regardless of country-of-origin, industry sector or company size.

The Globalisation Phenomenon and the Business Strategy Response

In the spring of 2021 as this book is being written the WTO's relevance for the creation of successful global business strategies cannot be overstated. China's entry to the WTO in 2001, followed by Russia's just over a decade later in 2012, brought those two great trading nations into the modern (capitalist) world of international business. The Dot.Com *bust* of the new millennium left in its wake a global *boom* in digital infrastructure and technologies which underpin the contemporary era of big data, machine learning and AI. The global financial pandemic of 2007/2008 has been superseded by a global coronavirus pandemic which has seen unprecedented levels of international cooperation (and healthy competition) in the pharmaceutical and biotechnology sectors.

Globalisation has come of age - not by chance, but by design. The implications of this for business strategy are clear and well documented and our exploration of them provides the substance of *British Business Manifesto: Strategies for Profitable Growth*.

Figure 1 presents the four dimensions of business strategy and captures the relationships between them, the double-headed arrows indicating a nexus of inter-connectivity between the elements.

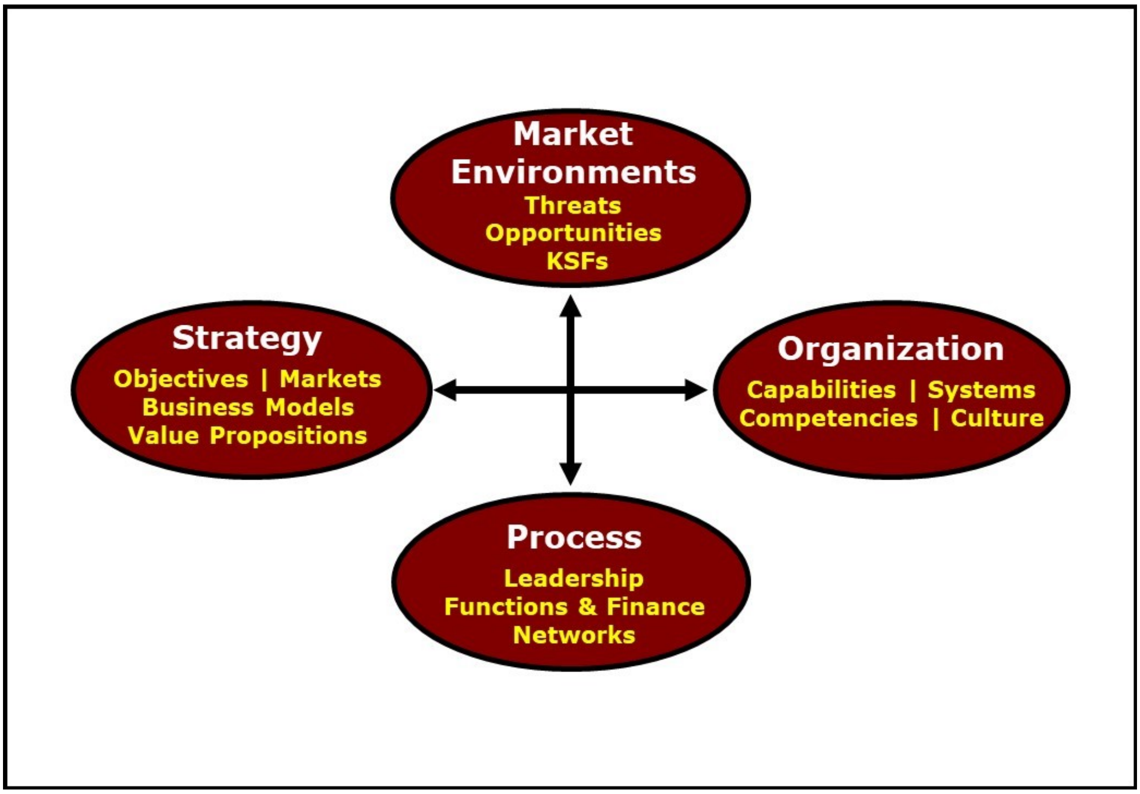

Figure 1: The Dimensions of Business Strategy

The schematic presented in Figure 1 belies the complexity which underpins it: everything connects with everything else. There are far too many compartments in business organisations and management science, whether these be in the functional silos of companies or the departmental structures of otherwise world-class business schools.

The competitive landscape and strategy creation emerge from the way that a company interprets its business environment. Assessment of this environment's complexity and the determination of appropriate responses to the continuity and change dynamics it generates requires that the company sustains itself as an open learning system, acquiring, interpreting and processing information at all organisational levels and across all functions. This largely intangible but essential capability for creative environmental assessment conveys a key organisational strength, a strategic asset which demands that leaders facilitate a continuous process of learning and action.

Reverting to Figure 1, it should be clear that primacy in strategy creation and organisational design must be given to the understanding of Market Environments, and it is important to emphasise that strategy doesn't exist - or isn't created - in a vacuum. We should also be aware that the commonly prescribed strategy question 'Where are we now?', captured, for example, in a traditional SWOT analysis, should not be considered in isolation of the related question 'How did we come to be where we are now?' An organisation's history, including its structural and cultural baggage, very often conflicts with the response to a third question, 'Where do we want/need to be in the future?' The answer to the fourth question, 'How do we get there?', is the logical outcome of the analyses undertaken in the previous three. We demonstrate this from a strategic management perspective in Chapter Two, *Analysing Global & Domestic Markets* and, operationally, in Chapter Seven, *A Practical Framework for Business Strategy Success*.

Regardless of the disciplines/subjects/topics/frameworks/processes/tools etc. being discussed throughout *British Business Manifesto*, four key themes permeate its content. These are shown in Figure 2 and described in the paragraphs which follow.

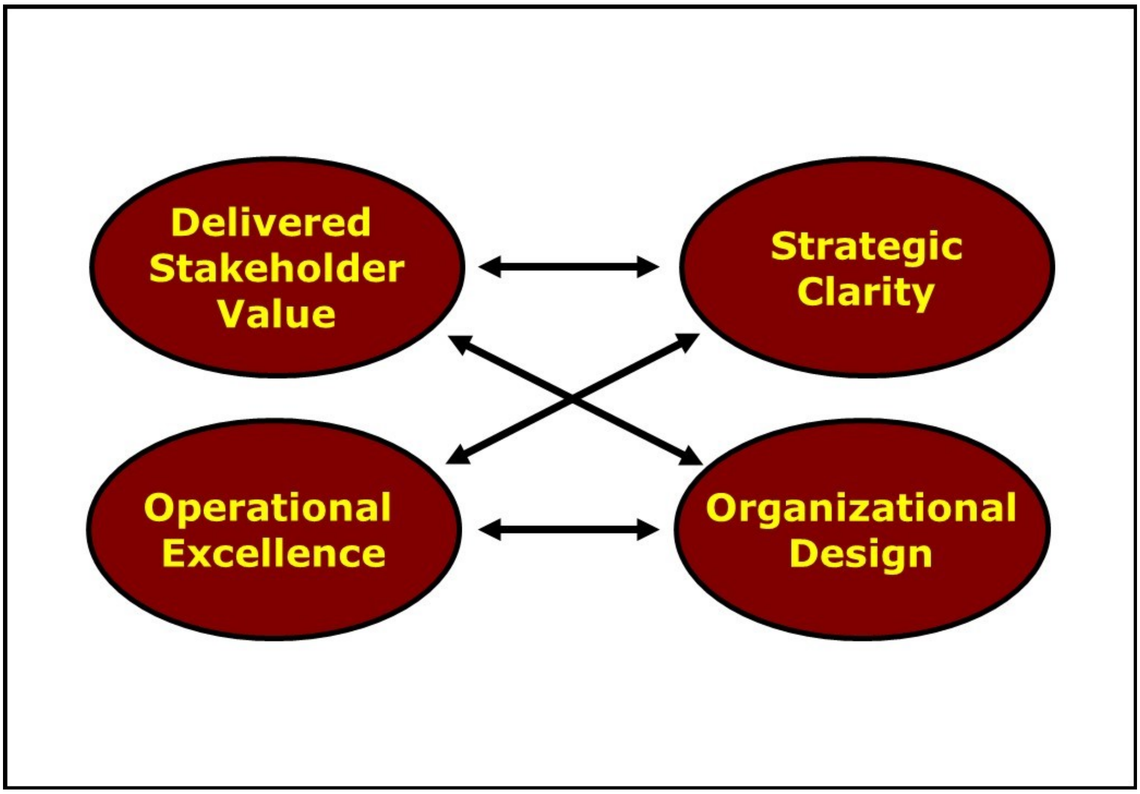

Figure 2: Business Strategy Themes

Delivered Stakeholder Value appears as a theme throughout *British Business Manifesto*, for example, regarding delivering customer value (see the section in Chapter Four, *Customer Value, Generic Strategies and Price Implications*), or securing employee engagement (featured in Chapter Eight in the section *Internal Marketing for External Global Business Strategy Success*).

Strategic Clarity is a measure of effectiveness. Described by Professor Peter Drucker as "doing the right things", effectiveness is the driving force behind customer-focused, competitively differentiated companies. It has a long-term time horizon and is associated with companies who think strategically and, from a strategic marketing perspective, identify and select target customer segments where they can successfully align their organisational capabilities with the identified market opportunity. Effectiveness-dominant companies typically demonstrate an external, 'outside-in' orientation, a theme we adopt throughout *British Business Manifesto*.

Operational Excellence is a measure of efficiency. Described by Drucker as "doing things right", efficiency aims to maximize the potential output from the provision of minimum inputs and is normally associated with a short-to-medium-term time horizon. In management studies, efficiency is most often associated with manufacturing and operations management but, as a metric, it can be applied to all types of marketing investments. A typical example in everyday marketing use is 'bang-per-buck' when applied to advertising expenditures, the goal being to achieve the widest market coverage at the lowest possible cost, a perfect example being the success of Google Ads and Facebook/Instagram/Twitter platforms in the contemporary social media 'influencer' era. More generally, efficiency-dominant companies typically demonstrate an internal, 'inside-out' orientation.

While efficiency is essential for the achievement of operational excellence, 'efficiency drives', a mainstay of corporate parlance and day-to-day business operations, must not compromise customer value. Despite this, Drucker has convincingly argued that companies, especially larger ones, tend to focus excessively on performance metrics associated with efficiency and that this potentially leads to a vicious cycle towards *organisational entropy*, entropy being a gradual but inexorable decline into disorder and mayhem. This is a complex concept with deep research roots in organisational behaviour, a discipline which is briefly explored in Chapter Eight, *Implementing Business Strategy*.

Organisational Design is a principal focus of Chapter Eight but it also features heavily throughout the book. Traditional organisational structures such as Multi-National-Corporations (MNCs), designed for a different competitive era, have struggled to come to terms with the globalisation phenomenon, a challenge made greater by dramatic changes in the global communications infrastructure over the last two decades and more.

Other companies, meanwhile, have grasped the opportunities that globalization presents with open arms. Chinese contract manufacturer Lenovo, for example, became a global brand ‘overnight’ via its early relationship with IBM in China followed by its subsequent acquisition of the American giant’s PC and small server divisions and, crucially, a license to use IBM brand identities such as 'ThinkPad'.

Taiwanese company Foxconn, contract manufacturer of global products such as those marketed by Apple and Samsung, now has its own aspirations to build a global branded goods presence. Meanwhile, new(ish) companies such as Airbnb, Alibaba, Amazon, Baidu, Booking.com, eBay, Etsy, Facebook, Google (Alphabet), Just Eat, Lyft, Netflix, Snapchat, Tencent, Twitter, TikTok and Uber have taken the opportunity to establish international business structures and processes from scratch, becoming truly global in an extraordinarily brief period of time. Who'd heard of Zoom until Covid-19 announced its presence in 2020, adding a noun (a Zoom), verb (I'll Zoom you) and adjective (a Zoom conference) to the global lexicon within six months? British brands and startups such as AJ Bell Youinvest, BrewDog, e-Toro, Fever-Tree, Starling Bank and The Hut Group are expanding rapidly both at home and abroad.

Furthermore, and aligning with the primary audience for this book, the global internet infrastructure has opened tremendous opportunities for smaller companies (SMEs) to access global markets from which they were excluded in the past, facilitated by ‘new economy’ companies creating their own global, virtual marketplaces, including Alibaba, Amazon, eBay, Etsy, Facebook, The Hut Group. Consider the following observation from the CEO of Alibaba, Jackie Ma:

> *e-commerce is not for big companies or developed countries. It’s for developing countries, young people and small businesses. We should not let world global trade be controlled by 60,000 big companies. We should make technologies and policies to encourage six million, 16 million or 60 million businesses. Alibaba will make it happen.*

Another indicator of the globalisation of international business is the worldwide turbulence in financial markets as consumers, banks and even nations struggle with huge debt burdens in the wake of the 2007-08 meltdown in global financial markets. This is the new contemporary context of global business strategy. Old, traditional challenges, meanwhile, remain as powerful as ever, for example, managing the delicate balance between cultural diversity amongst consumers and the efficiency pressures which lead companies towards standardisation of business processes and products.

From an organisational perspective, the traditional tension between centralisation and decentralisation is heightened, and the complexity of global supply chain management is considerably amplified. In this context, the primary objective of *British Business Manifesto* is to provide its readers with a comprehensive overview of key challenges in global strategic management and to arm them with the analytical and technical competencies to address their complexity.

Even companies that don’t ***currently*** export their goods and services need to plan ***now*** to bolster their strategic defences as other parties (governments) to the UK’s ongoing trade negotiations are supporting their own companies’ UK market penetration ambitions, most notably Chinese 'no-name' SMEs operating out of huge industrial estates within the country's Special Economic Zones (SEZs) and trading through global marketplaces facilitated by, for example, Alibaba, a Chinese company.

As we approach the end of this *Prologue* it should be noted that many business strategy concepts are often discussed from an absolute perspective, for example, “Company A is very efficient”. However, when referring to organisations operating in competitive markets it is essential to provide a relative perspective, particularly when assessing companies from the same sector. So, for example, we should state that “Company A is more efficient than Company B in Sector 1”. Figure 3 presents a simple 4-cell matrix that contrasts companies from a hypothetical market sector on their relative effectiveness/efficiency axes and indicates the impact each cell position has on competitive advantage and, implicitly, on long term profitability.

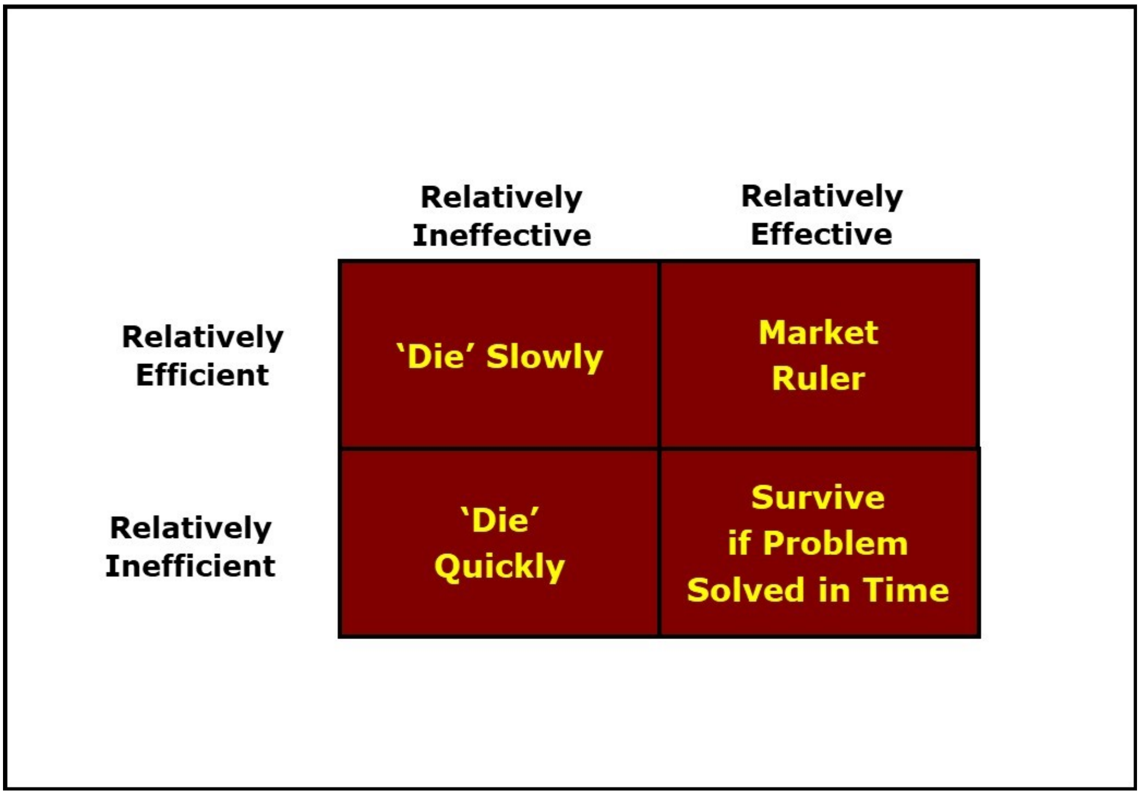

Figure 3: Relative Effectiveness and Efficiency in Business Strategy

Another problem with the discussion of organisational concepts in the management literature is that they are often presented as static phenomena. In the contemporary business environment markets are extremely dynamic and relatively strong market positions can be rapidly gained or lost. For example, BMW and Mercedes survived the market entry of Lexus into their high-end automotive market space, particularly in the lucrative US market, but only by retooling their German-based manufacturing operations and relocating some elements of production outside of Germany to off-set the relative currency disadvantage of exporting out of the Deutschmark economy of the time (efficiency). During this process, both German marques also maintained their strong customer franchises with model updates and heritage-focused (‘Made in Germany’) brand communications (effectiveness).

Contrast this with Nokia and Blackberry and their struggle to compete with Apple (iOS) and Samsung (Android), the new market leaders in mobile communications. The customer benefit in this category has shifted from ‘connecting people’ (the famous slogan of Nokia) to, broadly speaking, ‘sharing experiences’, the latter achieved through the combination of smartphones and social networks/media such as Facebook, Google, Instagram, LinkedIn, Snapchat, TikTok, Tinder, Twitter and WhatsApp etc. Snapchat, a software App, cheekily describes itself as a 'camera company' as do, albeit more subtlety, hardware suppliers Apple, Huawei and Samsung.

Concluding Remarks

From political economy to competitive advantage, there have been two recurring themes throughout this *Prologue*:

1. That the benefits of free trade between nations to society and economies have been ***proven*** over centuries, not decades, and this despite opposing forces including world wars, cold wars, financial catastrophes and global pandemics.

2. That the important role of free markets (supply and demand) in driving customer choice, competitive dynamics, innovation and productivity is equally proven, a powerful testament to the wisdom and prescience of their early proponents, Adam Smith and David Ricardo.

In a well-regarded and widely disseminated discussion paper for the Institute of Economic Affairs, *Free Trade And How It Enriches Us*, Prof. Donald Boudreaux praises international free trade as an <u>economic</u> principle but draws attention to the vagaries of <u>political</u> interference with its progressive impact.

> *The case for free trade has been familiar to economists since the work of Adam Smith in the late eighteenth century and David Ricardo four decades later. But politicians keep forgetting it, if they ever knew it ... The 50-year post-World War II international consensus in favour of free trade was a triumph of wise policy over demagoguery. Alas, that consensus is collapsing.*

Prof. Boudreaux was writing in 2018 at the height of Donald Trump's rhetoric surrounding his 'America First' isolationist foreign policy stance, his bombast backed up by redrafting NAFTA, EU tit-for-tat tariff-setting and hostile on-off trade wars with China. Two years on, Trump has been ousted from Office and the world waits anxiously to decipher the international trade posture of the incoming Administration.
But the economics of Adam Smith and David Ricardo have stood the test of time, as Smith's most recent biographer, Jesse Norman, observes:

> *And there is one thing that Smith gets triumphantly, monumentally right, that guarantees his place among the immortals: he sets himself to address the foundational question of how far the pursuit of individual self - interest through cultural and market exchange can yield economic growth and socially beneficial outcomes. That marks the moment at which economics starts to come of age.*

Business strategy is not conducted in a vacuum, hence the importance of understanding its context with reference to political economy and why, as we concluded in the *Preamble*, it is important for Brexit principals, including professional negotiators and the politicians who appoint them, to communicate in the front-line language of business: (i) <u>**C**</u>ustomers; (ii) <u>**C**</u>ompetitors; (iii) <u>**C**</u>ompany capabilities.

In Appendix One, <u>*Building a Comprehensive Strategic Audit*</u>, we bring together the *Business Environment Audit* introduced in Chapter One and the *Implementation Audit* introduced in Chapter Eight to present an **exclusive** practical framework and process for scanning the external business environment, assessing organisational capabilities and identifying strategic priorities in the concluding section: *A Comprehensive TOWS Analysis: Competitiveness and Strategic Performance Potential*.

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Chapter One
Scanning & Sensing the Business Environment

…a series of corroborative facts is not necessarily evidence. Seeing white swans does not confirm the nonexistence of black swans.

Nassim Nicholas Taleb, essayist, scholar, statistician; former options trader and risk analyst.
'The Black Swan: The Impact of the Highly Improbable'.

Business Context

The fundamental purpose of strategic management is to establish and sustain a tight strategic 'fit' among the following three elements:

1. The business environment.
2. The company's strategy.
3. The company's capabilities.

An inability to achieve 'fit' between any two of these factors will almost certainly result in poor performance and/or failure.

The correct starting place when endeavouring to form this required *strategic fit* is the business environment. This is because the *internal* capabilities and the business strategy are within the control of the company whereas the *external* environment is not, although there may be the potential to influence its dynamics - but only if it is fully understood. Changes in the business environment lead to changes in market Key Success Factors (KSFs) i.e. "the things that market conditions *dictate* that any company *must* be able to do to succeed in competitive markets" (see Appendix Two, *The BBM Glossary of Business Strategy Concepts & Terms*).

Since the environment is not directly controllable, the company must continually research, analyse, understand and predict business environment dynamics to preserve the fit of its strategy and capabilities to the external market conditions.

The competitive landscape and strategy creation emerge from the way that a company interprets its business environment. Assessment of this environment's complexity and the determination of appropriate responses to the continuity and change dynamics it generates requires that the company sustains itself as an open learning system, acquiring, interpreting and processing information at all organisational levels and across all functions. This intangible but essential capability for creative environmental assessment conveys a key organisational strength, a *strategic asset* which demands that business leaders facilitate a continuous process of learning and action.

To summarise, primacy in strategy creation and organisational design must be given to the understanding of Business Environments and it should be emphasised that strategy doesn't exist, or isn't created, in a vacuum. We should also be aware that the commonly prescribed strategy question 'Where are we now?', captured, for example, in a traditional SWOT analysis, should not be considered in isolation of the related question 'How did we come to be where we are now?' An organisation's history, including its structural and cultural baggage, very often conflicts with the response to a third question, 'Where do we want/need to be in the future?' The answer to the fourth question, 'How do we get there?' is the logical outcome of the analyses undertaken in the previous three (see Appendix One, *Building a Comprehensive Strategic Audit*).

The Parable of the Boiled Frog

This fable is often told to demonstrate the terminal impact of failing to see the cumulative effects of the gradual processes involved in business environment change.

A frog is conditioned by nature to be responsive to sudden environment changes (single events). Place one in a pan of boiling water and its instinct will impel it to clamber out. Place the amphibian in a pan of water at room temperature, turn up the heat and witness a transformation from contentment to death. The frog becomes impervious to its surroundings and the latter's shift from being favourable (warmth) to hostile (intense heat).

The parable is often used to describe the demise of both companies and industries, a textbook example being the inability of the entire Swiss Watch industry to perceive the threat of new entrants (Japanese companies) or innovative substitutes (quartz), the latter now widely known as disruptive technologies and business processes. Contemporary examples include Blackberry, Nokia, Toys 'R' Us, Yahoo, and even the mighty Intel, who completely misunderstood the impact of smartphones on their core technologies (realised threat) and failed to see the future potential of 5G communications (missed opportunity).

Indicative Content

- Identifying key *macro* business environment factors, including:

  # Political.
  # Economic.
  # Social.
  # Technological.
  # Ecological.
  # Legal.
  # Cultural.
  # Environmental.

- Identifying key *micro* business environment factors, including:

  # Customers.
  # Direct competitors.
  # New industry entrants, using similar technologies but offering better and/or cheaper products.
  # Disruptive technologies.
  # Disruptive business processes.
  # Suppliers and their relative negotiating power.
  # Buyers and their relative negotiating power.
  # Regulators: local and global.

- Determining which factors to *include*, which to *exclude* and which to *add* for a specific business unit.

- Determining whether each factor is an opportunity and/or a threat.

- Determining the nature of change on three dimensions:

  1. Immediacy (how soon).
  2. Intensity (how big).
  3. Impact (on the specific business unit).

- Identifying *strategic priorities*.

- Creating externally-driven strategic business action plans.

Learning Outcomes

After studying this chapter, readers will:

- Understand the principles of the 'outside-in' business strategy perspective.
- Have the competencies to develop a comprehensive business environment audit.
- Have the capability to determine strategic priorities.
- Have the confidence to propose externally-driven strategic plans.
- ***Apply*** the principles of business environment scanning & sensing using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Two
Analysing Global & Domestic Markets

A good decision is based on knowledge, not numbers.

Plato (424-348BC), Athenian philosopher.

Business Context

In this chapter, we broadly balance the content between discussions of academic theories and debates with laundry-list information requirements which are essential for crafting global and domestic business strategies based on complex information. We also provide models and practical frameworks designed to harness this quality information to improve company performance.

We compare and contrast the nature of established versus emerging markets alongside a consideration of the strategic challenges associated with each. In the first instance, we address some definitional issues which suggest that the universe of global markets (and therefore market analysis) has developed layers of complexity previously unknown and which therefore require clarification.

Until the late 1990s, international business textbooks and publications from research institutions such as The Economist Intelligence Unit (EIU) and the compilers of the Business Environment Risk Index (BERI) used ‘macro’ country classification identifiers based upon the following categories:

- **Less 'Developed' Countries (LDCs)**, for example: most African countries; most South American countries; Bangladesh; Pakistan; parts (regions) of China; parts (regions) of India.

- **Newly Industrialis*ing* Countries**, for example: Egypt; Indonesia; Malaysia; Philippines; Thailand; Vietnam; parts (regions/cities) of China; parts (regions/cities) of India; countries of South America (e.g. Chile); countries of Africa (e.g. Kenya, Morocco, Nigeria).

- **Newly Industrialised Countries (NICs)**, for example: Hong Kong; Singapore; South Korea; Taiwan; Turkey; parts (regions/cities) of China; parts (coastal regions/cities) of India; countries of South America (e.g. Argentina, Brazil); country of Africa (South Africa).

- **Advanced Industrialised Countries (AICs)**, for example: G7 (Canada, France, Germany, Italy, Japan, UK, USA); Benelux (Belgium, Netherlands, Luxemburg); Nordic (Denmark, Finland, Norway, Sweden); ANZAC (Australia, New Zealand); Ireland; Greece; Portugal; Spain; Switzerland; and others.

As can be seen, the classification had evolved into something very messy: any categorisation which can have the same ‘line-item’ in more than one category is weak. Also, please note the inverted commas around ‘developed’ in the LDC category. This reveals the classification for what it was: purely rooted in economics and the somewhat arbitrary metrics of degrees of industrialisation and income levels (GDP per capita); no one would suggest that the diverse countries of Africa were less developed culturally than, for example, Taiwan. Many rich, non-industrialised countries also don’t feature, for example, Saudia Arabia, UAE, Qatar etc., blessed with the land-luck of oil and now exploring development options for a post-fossil fuel, post-industrial era.

A new category of countries had to be accounted for from the early 1990s onwards in the wake of the collapse of the USSR and the related freedom of its vassal states in Central and Eastern Europe and elsewhere.

Another complicating factor was the rapid emergence of new industries based upon innovative and, in many cases, ‘disruptive’ technologies. As we demonstrate, traditional thinking would suggest that rich countries would be the early adopters of these emergent technologies, a reasonable assumption intuitively but also historically factual (we’ll ignore the role of wars, empire, colonialism and mercantilism here, though they should be acknowledged). For example, in telecommunications, the development of cellular technologies rapidly penetrated countries where landline networks were primitive because the nations were historically extremely poor, for example, countries in Africa, South America and Southeast Asia.

This historical background is important because of the legacy it left in terms of the availability, accessibility, reliability and validity of market(s) data and information for global business strategy design. In this chapter, we profile the typical characteristics of markets and their strategic implications under two broad categories:

1. Established/mature.
2. Emerging/frontier.

We provide a unique methodology for analysing *country clusters*, using a *common* process to map and understand *diverse* country-markets.

Indicative Content

- Beyond data: 'big' or 'small'.

- Consider the following as a continuum:
    1. Business Issue Identification
       (*opportunities, threats, key success factors*).
    2. Data
       (*processed*).
    3. Information
       (*compiled*).
    4. Intelligence
       (*analysed*).
    5. Knowledge
       (*interpreted*).
    6. Business Strategy Decisions
       (*evidence-based*).
    7. Performance
       (*positive outcomes*).

- Successful mastery of these seven elements of global and domestic market analysis provides the potential for exceptional returns on international business investments.

- Risk analysis and mitigation strategies.

- Information planning and systems.

- Challenges in gathering global market data/information:

Problems of many markets.
Problems with existing secondary data/information.
Problems with collecting primary data.

- Information requirements for global and domestic business strategy development:

Demand analysis.
Market size and growth (potential).
Buyer behaviour and motivations.
Role of culture on buyer behaviour.
Value proposition adaptation requirements.
Industry analysis (5-forces).
Competitor analysis: global and local. Who and how many?
General market environment.
Political environment: government complexion and political stability.
Local attitudes toward foreign firms.

- Competitor intelligence: anatomy of a business process.

- Organisational design for effective and efficient global and domestic market analysis.

Learning Outcomes

After studying this chapter, readers will:

- Understand and unravel the complexity of country classifications.
- Have the competencies to design global business strategies based upon reliable data/information/intelligence.
- Have the capability to work strategically with third party marketing services agencies.
- Have the confidence to propose well-informed global business strategies internally.
- ***Apply*** the principles of global and domestic market(s) analysis using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Three
Innovation & Entrepreneurship

You can resist an invading army, but not an idea whose time has come.

Victor Hugo (1802-1885), poet, novelist and dramatist.

Business Context

In recent years the pressures for firms to innovate have grown tremendously. As markets develop over time the combination of sophisticated demand and intense rivalry forces companies to strive ever harder just to keep pace with competitive dynamics. They do this in a broad range of ways, consistently seeking product and process breakthroughs to build or maintain a *sustainable* competitive advantage. In this chapter, we examine the broad range of issues that are bringing innovation to the top of the boardroom agenda for many firms.

In a competitive marketplace, the importance of innovation cannot be overstated in an environment where 'the survival of the fittest' is the watchword for business success. The following quote from Professor Peter Drucker, the doyen of management gurus, illustrates the vital role of innovation in the contemporary business environment:

> *Because its purpose is to create a customer, a business has two – and only two – functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs.*

A crucial point to make here relates to the distinction which should be made between invention and innovation. Invention is the *creation* of an idea and is typically associated with technology breakthroughs. Innovation is the *commercialization* of ideas and embraces creativity in all elements of the strategic marketing mix, including product, price, communications, distribution channels, employee engagement, back-office systems and the management of intangibles such as the creation of a 'feel-good' atmosphere (see Chapter Four, *Strategic Marketing*).

Everything provides scope for differentiation if an appropriate market-driven outlook is adopted. While invention is often more interesting for research scientists in R&D departments, the compelling evidence is that innovation strategies tend to be more profitable! Having noted this, it must be emphasized that a strong creative process and organisational responsiveness are essential to secure innovation success, hence the inclusion of the word 'entrepreneurship' in this chapter's title. As we demonstrate, the trick is to innovate for first-mover advantage, a process that combines speed to market and an ability to build entry barriers as the market develops and becomes more attractive to follower companies.

Two statements can be made regarding innovation from a strategic management perspective:

1. Successful innovation is essential for growth and long-term profitability.

2. Despite this, many firms are weak in designing and systematically implementing innovation strategies over time.

In this chapter, four key themes relating to innovation and competitive success are addressed:

1. The importance of understanding the *context* of innovation, particularly regarding competitive dynamics and how innovations are adopted by groups and diffused throughout societies.

2. It is essential to take a *strategic* view of innovation, particularly regarding the discovery of genuinely 'new to market' innovation concepts.

3. Innovation should be regarded as a *process*, i.e. it should be managed in a systematic, structured and embedded ‘way-of-working’, in much the same way that financial management and reporting is treated as a routine aspect of business operations.

4. Attention should be paid to *project screening* since this is where the major problems occur. Two types of mistake are very common: (i) 'bad' ideas are allowed to go forward, i.e. are approved; (ii) 'good' ideas are screened out, i.e. are rejected.

As mentioned above, many firms are poor at successfully implementing sustainable innovation strategies over time. This is often due to rigid bureaucratic organisational structures that stifle the flexibility and responsiveness required in turbulent business environments.

To summarise, innovation provides the link between a company's current business performance and its long-term prosperity. A sense of vision and a flexible organisation are essential if the transition is to be successful.

Indicative Content

- Identifying key *innovation drivers*, including:

  # Consumer income growth.
  # Intensifying competition, both direct and indirect.
  # Disruptive technologies and business processes undermining traditional business models.
  # Shortening technology and product life cycles.
  # Need to build and/or enhance company capabilities, value proposition creation and brand reputation.
  # Stretch and leverage core capabilities and competencies.
  # Market complementary products, for example, Gillette shaving systems and facial hygiene products.
  # Exploit ‘strategic windows’ of opportunity.
  # Copy rivals to maintain market leadership positions.

- Exploring the three broad categories of demand and the innovation implications they present:

  1. *Established* demand, which is well understood by a company and its rivals.
  2. *Latent* demand, where a customer need is known but is not currently supplied.
  3. *Incipient* demand, where the customer is unaware of a particular need so the supplier must *create* it.

- The adoption and diffusion of innovative product and service solutions to customer needs.

- Marketing communications for *demonstrating* the customer benefits of innovative solutions (aligns with Chapter Six).

- Categorising innovation strategies.

- Planning issues for innovation strategies.

- Profiling the innovation *process*:
  1. Business environment scanning.
  2. Generating ideas for profitable growth.
  3. First phase ideas screening.
  4. Concept formulation and evaluation.
  5. Advance screening and business case development.
  6. Budget allocation and project review.
  7. Market commercialisation.
  8. Market evaluation, project review and control actions.
- Blue ocean thinking and 'industry breakout' strategies.
- The meaning and misunderstanding of 'paradigm shift'.
- *kaizen*: the art of continuous improvement.
- Organisational design for innovation success.

Learning Outcomes

After studying this chapter, readers will:

- Understand the role of innovation in dynamic and competitive markets.
- Have the competencies to contribute to the innovation process.
- Have the capability to lead and/or facilitate the innovation process.
- Understand the key components of creative thinking and ideas generation: 'thinking outside the box'.
- ***Apply*** the principles of the innovation process for profitable growth using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Four
Strategic Marketing

… the pressure for globalization is driven not so much by diversification or competition as by the needs and preferences of customers.

Kenichi Ohmae, professor, organisational theorist, management consultant, author.
'The Borderless World'.

Business Context

In this chapter, we explore the nature and meaning of strategic marketing in driving profitable growth and contributing towards *stakeholder value*, including consumers, channel partners, employees, suppliers and investors.

In recent years the rise of global competition, the emergence of new technologies and the prevalence of continuous innovation have combined to redefine the external business environment for most companies. These market dynamics have given customers unprecedented value and choice, both in terms of competing companies offering similar value propositions and alternative ('disruptive') solutions to meet their needs and preferences.

In such conditions of *consumer sovereignty* companies must develop a sharp strategic focus and bring marketing to the fore in their organisations. Furthermore, it has been proven that an approach built upon the creation and implementation of effective marketing strategies can considerably improve business performance and profitability.

When combined with a structured and systematic strategic marketing planning system, organisations can *proactively* shape the business environment in which they compete, despite the complexities and turbulence of this increasingly 'hostile' external world.

In recent years there has been a slow but inexorable trend towards customer choice and power in public sectors such as health and education. Management in these areas are increasingly looking towards strategic marketing and management principles, particularly regarding efficient and effective resource allocation decisions and also communications strategies.

Financial and economic theory argues that it is impossible for investors or companies to continuously outperform the market average rate of return since any advantages they build will eventually be 'competed away'. In this strategic marketing chapter, we demonstrate how the sequence of Market Analysis, Knowledge Management, Customer Focus and the building of *sustainable* differential advantages enable companies to break this fundamental economic rule.

Any organisation can master this sequence and utilise its associated frameworks, methodologies, processes and tools to make effective and efficient strategic marketing management decisions. These, in turn, underpin long term competitive success in global and domestic markets.

Finally, the theories and practice of market analysis, marketing strategy and marketing management that we explore in this chapter apply equally to large and medium-sized companies in consumer and business sectors, to manufacturing and service industries, to not-for-profit organisations such as charities and even to the smallest of firms.

Indicative Content

- The five central principles of strategic marketing:
  1. Customer value: rational, emotional, experiential.
  2. Business environment sensitivity (aligns with Chapter One and Appendix One).
  3. Market segmentation.
  4. Sustainable differential advantage.
  5. The strategic marketing mix.
- Services marketing management.
- Marketing planning.
- Marketing assets and liabilities analysis (aligns with Chapter Eight).
- Company analysis: capabilities, competencies & competitive advantage (aligns with Chapter Eight and Appendix One).
- Buyer behaviour & motivations.
- Dimensions of international marketing management (aligns with Chapter Seven).
- Directional policy frameworks & portfolio planning.
- Innovation strategies (aligns with Chapter Three).
- Branding strategy & competitive positioning (aligns with Chapter Five).
- Aligning marketing strategy (*where to compete*) & marketing operations (*how to compete*).
- Building the value proposition.
- A brief overview of integrated marketing communications (aligns with Chapter Six).
- Distribution channel strategy & management.
- Pricing strategy & management.
- Organisation & implementation of marketing strategies (aligns with Chapters Seven and Eight).

Learning Outcomes

After studying this chapter, readers will have the competencies to:

- Develop a thorough marketing plan based on detailed external market analysis and the creation of a strategically-derived, effective, targeted, flexible and well-balanced marketing mix.
- Exploit marketing strategies as a route to driving long-term profitable organisational growth.
- Understand the role of each marketing mix element in marketing strategy creation and implementation.

- Gather and process appropriate information sources to guide strategic marketing management decisions (aligns with Chapter Two).
- Effectively *blend* and *apply* each element of the marketing mix to carefully selected target market segments.
- Assess the role of strategic marketing thinking and practice in enabling companies to outperform the market and create maximum stakeholder value.
- *Justify* marketing investments using traditional and innovative investment appraisal techniques.
- Apply *internal* marketing methods to enhance *external* marketing effectiveness (aligns with Chapter Eight).
- Address issues associated with the effective *implementation* of strategic marketing management programmes (aligns with Chapter Eight).
- ***Apply*** the principles of strategic marketing to undertake comprehensive marketing audits, to create competitive marketing strategies and to take effective and efficient marketing management decisions using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Five
Strategic Brand Management

Branding is what gets people to believe in a product and understand its values. A strong identity sends a clear message and should mean as much to customers as the business model itself.

Anne Boden, CEO and founder, Starling Bank.

'Banking On It: How I Disrupted an Industry'.

Business Context

In this chapter, we explore the nature and meaning of brands and examine the role of strategic brand management in driving profitable growth and contributing towards *stakeholder value*, including consumers, channel partners, employees, suppliers and investors.

Product per se has evolved into *Value Proposition* which, along with effective *Marketing Communications*, provides the foundations of strategic brand management.

The *principles* of branding are well understood and thoroughly documented in the academic and practitioner literature. However, in many cases, the *practice* of brand management is often poorly executed. To address this, we introduce and demonstrate the practical frameworks, methodologies, processes and tools which underpin world-class brand management competencies and organisational capability.

The impact of the internet and digital technologies on traditional brand management practice is evolving in many ways, some pretty predictable, others much less so. For example, consider the extent to which social media and 'digital marketing platforms' such as Facebook, Google, Instagram, LinkedIn, Snapchat, TikTok, Twitter and WhatsApp are influencing traditional brand and marketing communications strategies.

Innovative, 'disruptive' technology business models such as those of Airbnb, Alibaba, Amazon, Baidu, Etsy, Just Eat, Lyft and Uber should be examined from a perspective that is commonly described as *born global* brands.

The exciting potential of new concepts in marketing communications such as viral marketing, guerrilla marketing, ambush marketing, social media influencers etc. is briefly explored alongside an assessment of the potential pitfalls and dangers which these bring from a more traditional strategic brand management perspective.

We also explore the increasing influence of countries such as Brazil, China, India, Malaysia, Nigeria, Russia, Taiwan, South Korea etc. on global brand *perceptions*. So, for example, what effect does 'Made in China' have on the perceived brand quality of a European company that outsources its manufacturing to that country. The world's number 1 brand, Apple, hedges its bets on this issue: '*Designed in California.* Made in China'.

Brands themselves are fragile: difficult to build, easy to destroy; think of Blackberry, Nokia, Yahoo, Kodak and Toys 'R' Us for contemporary examples. The recent fall from grace of the mighty VW in the 'dirty emissions' scandal and Boeing's 737 Max crash disasters are guaranteed to be featured amongst the all-time classic case studies of brand destruction, particularly concerning reputational damage and failures in crisis management. Crucially, though, from a *financial perspective*, brands are amongst the most important assets a company can own.

We can summarise the above themes as the *Paradox of Brands*: brands are both extremely strong yet delicately fragile. Their strength lies in customer satisfaction and loyalty, employee engagement, channel support and shareholder value. Their fragility is rooted in poor management. While it takes a long time to build a strong brand based on trust (which is what brand loyalty reflects) it takes no time at all to destroy one. As the ancient adage reminds us, "trust takes years to build, seconds to break and forever to repair".

Well-managed strong brands, coupled with the creation and launch of new value propositions and brand concepts, provide the perfect balance between generating current cash flows and securing long term profitable income and capital growth.

Indicative Content

- The product and the brand: definitions and clarifications.
- Key issues in global brand management.
- The central principles of global brand management.
- Market segmentation, target market selection and global brand positioning (aligns with Chapter Four).
- The value proposition, integrated marketing communications and strategic brand management (aligns with Chapter Six).
- Building and maintaining strong brands.
- Brand architecture, essence and personality.
- Social media, digital marketing platforms and their impact on traditional approaches to strategic brand management.
- Integrated brand communications: route to mind (aligns with Chapter Six).
- Trade (channel) marketing strategies: route to market.
- Pricing strategies: route to shareholder value.
- Financial aspects of brand management.
- Organisation for effective global brand management (aligns with Chapter Eight).

Learning Outcomes

After studying this chapter, readers will:

- Understand the evolution of product management towards the creation of effective value propositions and integrated marketing communications strategies to create 'the brand': Brand Foundations.
- Build upon their knowledge of market segmentation and competitive positioning principles (aligns with Chapter Four): Brand Context.

- Be able to undertake a comprehensive competitor and differential advantage brand analysis: Brand Audit.
- Be able to analyse and close brand performance gaps: Brand Bridge.
- Have the ability to create and manage successful global brand propositions.
- Understand the components of brand strategy and planning.
- Have the ability to drive brand profitability through effective market analysis and brand positioning strategies.
- ***Apply*** the principles of strategic brand management using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Six
Integrated Marketing Communications

You must not expect the customer to understand the benefits of your products or your technologies. That's your job! Educate!

Akio Morita KBE (1921-1999), entrepreneur, co-founder Sony.

'Made in Japan: Akio Morita and Sony'

Business Context

In this chapter, we explore the nature and meaning of Integrated Marketing Communications (IMC) in driving profitable growth and contributing towards *stakeholder value*, including consumers, channel partners, employees, suppliers and investors.

Like many new management concepts to emerge from academics, consultants and practitioners, the core logic of IMC is difficult to refute. In a nutshell, the *messages* an organisation wishes to communicate externally, particularly those conveying their core brand values, should be coherent and consistent regardless of the *media* ('route to mind') employed.

Such media include advertising, the sales force, exhibitions, sponsorship, point-of-sale, packaging, public relations, word-of-mouth, trade fairs, websites, social networks, social media etc. As ever, the logic of this simple management principle is easy to *describe* but enormously difficult to *apply* in practice. For example, it is very common, particularly in large organisations, that completely different departments have been created to focus on each of the aforementioned media and, ironically, they often don't communicate *internally* particularly well between themselves.

This problem is compounded by the involvement of third parties such as advertising agencies and other purveyors of a wide range of marketing services. SMEs are more likely than larger companies to rely on these specialist suppliers.

We explore these marketing communications (marcomms) and organisational challenges as core themes throughout the chapter alongside an evaluation of core marcomms practical frameworks, methodologies, processes and tools.

While we cover a broad cross-section of these, we also pay particular attention to new forces in communication media, for example, entrance to the advertising industry of companies such as Facebook, Google, Instagram, Snapchat, TikTok, Twitter, YouTube and so on. Among other impacts, the use of new analytics (e.g. behavioural responses to marcomms investments) and business tools (e.g. 'pay-per-click' advertising) have transformed the competitive landscape in an industry (marketing services) experiencing transformational and unprecedented change in the contemporary digital age.

Digital Platforms

'Digital platform' broadly refers to the use of e-commerce and internet-related technologies for the distribution of products and services from supplier to consumer. 'e-tailing' (for example, Alibaba, Amazon, e-bay, Etsy, Gumtree) typically (but not exclusively) still requires the physical distribution of products through traditional supply chain and logistics systems once a purchase is made, e.g. consumer electronics, clothes, food etc.

In other product & service categories goods are indeed physically distributed online, for example, music & movies via streaming (e.g. Amazon Music/Video, Apple Music/TV+, Disney+, Netflix, Spotify, Tencent Music), books (e.g. Audible, Kindle, Kobo), travel services (e.g. airbnb, Booking.com, Expedia, trivago), financial services ('fintech', e.g. Starling Bank, Monzo, Revolut, AJ Bell Youinvest, e-Torro) etc.

Digital platforms should not be confused with communications media (e.g. advertising, sales promotions, publicity etc.), although there are many cases where the two marketing mix decisions are converging, a trend we explore in some detail throughout the chapter.

Indicative Content

- Aligning marketing strategy, the marketing mix & IMC (aligns with Chapter Four).
- Buyer behaviour, customer focus, brand positioning & IMC (aligns with Chapter Five).
- Pursuing the ideal: *delivering* IMC strategies.
- Customer relationship management: IMC strategies for customer profitability.
- Managing the communications mix: advertising & sales promotion.
- Managing the communications mix: public relations, sponsorship & exhibitions.
- Managing the communications mix: alignment with key account management (KAM) & negotiation strategies.
- Innovation strategies & IMC: influencing the adoption & diffusion of innovations in emerging, established and international markets (aligns with Chapter Three).
- A structured & systematic approach to IMC: strategy and operations.
- IMC in the digital age & the struggle for control.
- Contemporary marketing methods from an IMC perspective, including Marketing 3.0, 4.0, viral marketing, smartphone marketing, guerrilla marketing, ambush marketing, suggestive marketing, influencer marketing etc.
- Service industry IMC: communicating intangibles.
- Evaluating marketing communications investments: a financial perspective.
- Managing organisational reputation: a leadership perspective.
- Organisational design for effective and efficient marketing communications: an organisational behaviour perspective (aligns with Chapter Eight).

Learning Outcomes

After studying this chapter, readers will:

- Build upon their knowledge and experience of market segmentation and brand positioning principles: traditional and digital communications context (aligns with Chapters Four and Five).
- Be able to undertake a comprehensive competitor and differential advantage analysis with reference to multiple 'routes to mind': IMC management audit.
- Have the ability to create and manage successful IMC strategies.
- Be able to analyse and enhance IMC performance.
- Understand the components of IMC strategy (traditional & digital).
- IMC project planning and IMC management.
- Have the ability to drive IMC mapping and optimisation strategies.
- Understand the need for organisational effectiveness to ensure successful IMC management *implementation*.
- *Justify* IMC investments using traditional and innovative investment appraisal techniques.
- ***Apply*** the principles of IMC management to create and/or contribute to the preparation and implementation of comprehensive IMC programmes using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Seven
A Practical Framework for Business Strategy Success

In preparing for battle, I've always found that plans are useless, but planning is indispensable.

General Dwight D. Eisenhower (1890-1969).

Army general, statesman, 34th President of the United States.

Business Context

The practical framework we present in this chapter is a logical, structured and systematic approach to designing and implementing successful global and domestic business strategies. It outlines the information requirements required to maximise the inherent value which the framework offers to translate the strategic requirements of the 'intelligent company' into operational strategic 'go-to-market' plans.

The framework provides the *knowledge fulcrum* between, on the one side, the insights gained regarding the harshness of the twin forces of competition and strategy (see Chapters One through Six) and, on the other, a realistic assessment of the organisational challenges which face companies when executing global and domestic business strategies alongside ways of how to address them (see Chapter Eight).

Most textbooks on global business strategy identify four broad categories of strategic management decision making for *global* markets:

1. Why enter global markets and when? These decisions will be based upon a combination of market opportunity assessment, company motivations and company capabilities.

2. Where to compete? Related decisions in this category are which geographical markets, how many geographical markets, which segments within the selected geographical market(s)?

3. How to serve the selected geographic market(s), also known as market entry mode?

4. Which action plans? The principal focus of this chapter, as reflected in the 'Indicative Content' section which follows, relates to the *Operational Go-to-Market Plan,* i.e. it is focused on specific actions and activities which are designed to lead to the success which its title indicates is achievable.

The *Practical Business Strategy Framework* has been derived from many models available in the literature and has been refined over time through usage within organisations from multiple sectors and of all sizes. The overriding theme of this chapter relates to the intricate relationship between management theory and business practice.

Indicative Content

- Analyse market contexts: mature and emerging (aligns with Chapter Two).

- Select high potential market opportunities using the following iterative process:

1. Undertake preliminary country research: reject the country *at this time* or progress to the next step.
2. Undertake detailed market(s) research: reject the country *at this time* or progress to the next step.
3. Undertake detailed company capabilities assessment (aligns with Chapter Eight): reject the country *at this time* or progress to the next step.
4. Make market entry decision from ranked shortlist: use management *judgement* and *experience*.
5. Do it again!

- Determine market entry mode, selecting from:

  # Simple exporting.
  # Exporting using foreign intermediaries.
  # Establishing local market presence, e.g. in-country sales & marketing office; local assembly; local manufacturing.
  # Identifying 'network solutions': licensing; franchising; strategic alliances; international joint ventures.
  # Identify suitable acquisitions.

- Determine the required financial resources.

- Identify the necessary value proposition and communications adaptations.

The following elements of the chapter provide the background to its principal focus: creating the 'Go-to-Market' operational plan.

1. Assess and determine strategic objectives.
2. Determine strategic focus: insights for profitable growth.
3. Profile customer targets.
4. Profile competitor targets.
5. Produce differential advantage profiles.
6. Create a strategic marketing mix per target market segment.
7. Boring but important! Scheduling, planning and task allocation.
8. Organisational imperatives for the operational Go-to-Market plan.
9. Evaluation of performance against objectives: variance analysis and action plans.

Learning Outcomes

After studying this chapter, readers will:

- Understand that the complexity of global & domestic business strategy can be modelled in a relatively simple and extremely practical framework to compartmentalise its various elements.
- Have the capability to apply common processes to multiple and diverse country-markets (aligns with Chapter Two).
- Have the confidence to propose internal marketing plans (aligns with Chapter Eight).

- ***Apply*** the principles of strategic planning using *proven* practical frameworks, methodologies, processes and tools.

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Chapter Eight
Implementing Business Strategy

The difference between perseverance and obstinacy is that one comes from a strong will, and the other from a strong won't.

Henry Ward Beecher (1813-1887), social reformer.

Just do it!

Nike, 1988.

Busines Context

In their struggle for superiority or survival firms constantly strive to seek better ways of doing business alongside keeping a sharp lookout for lucrative opportunities they can tap into and exploit ahead of rivals. The most exciting (and bestselling) books on strategy have tended to focus on this latter element, *competitive edge*, in many cases drawing on military metaphors to map out the nature of the strategic game. However, organisational inertias provide a significant constraint on rational, strategic decision making.

Regardless of whether firms can implement rationally developed strategies, they must still strive to maximise the efficiency of their operations, i.e. pursue *Operational Excellence*. The danger with this lies in an excessive focus on internal solutions to complex external phenomena. In light of these developments, the key strategic issue is to develop a sharp focus on organisational capabilities, existing or required.

Furthermore, empirical evidence demonstrates that strategic thinking, strategic choice and strategic outcomes co-exist and are readily observable at any point in time. Successful management of this complex process delivers the ultimate *strategic asset*: the ability to handle the twin demands of continuity and change through effective organisational design.

Integrating these themes suggests an agenda we describe as 'balanced organisational solutions', the combination of creative articulation of global strategic management direction and effective employment of appropriate frameworks, processes and tools. The concept of balanced solutions fundamentally addresses the challenge of securing equilibrium in the relationship between a company and its business environment It includes joint ventures and strategic alliances and a range of 'network solutions' wherein a company can compensate for capability shortfalls by engaging in relationships with other companies or by acquiring and successfully integrating them.

In this chapter and, indeed, throughout the book, we do not shy away from saying what firms *should* do to survive in competitive and discontinuous business environments. Instead, we draw attention to the organisational complexities, limitations and inertias which prevent them from seeking, let alone attaining, optimal solutions. There is a growing awareness that if a strategy cannot be 'marketed' *internally* it will have little chance of success in the *external* marketplace. The concept of 'internal marketing' has emerged to address this issue, a 'way of working' which contributes towards the creation of a customer-focused organisation.

A key role of internal marketing is to ensure that all employees, and especially those who have regular direct contact with customers, believe passionately in the firm's value propositions and that they are motivated to promote a favourable image of the company. Achieving high levels of customer satisfaction, in turn, requires considerable effort and it must be driven and underpinned by top management commitment to the customer-centric ideal and delivered through inspired leadership.

Indicative Content

- Identifying key *macro* organisational capabilities assessment, including:
  1. Performance versus objectives:
     # Volume, revenue, market share, costs, cash flows, ROI, margins, customer satisfaction etc.
  2. Strategic capabilities:
     # Technologies, distinctive capabilities, differential advantages, innovation competencies.
     # Generic strategies, proprietorial assets & IP, balanced product-market portfolios etc.
  3. Value proposition effectiveness and efficiency:
     # Products, prices, promotion, distribution, customer service etc.
  4. Market-focused organisation:
     # Marketing orientation and customer focus.
     # Cross-functional integration.
     # Adequate budgets.
     # Information, planning and control systems.
     # R&D, production and distribution processes.
     # Management development, employee competencies and training programmes.

- Identifying key *micro* organisational capabilities assessment, including (aligns with Chapters Four and Five):
  1. Customer-based strategic marketing assets:
     # Superior image.
     # Market leadership.
     # Superior products.
     # Superior service.
     # Superior price/value.
     # Satisfied customers.
     # Tied-in customers.
  2. Channel-based strategic marketing assets:
     # Widest coverage.
     # Focused coverage.
     # Superior intermediaries.
     # Vertical integration.
     # Superior channel partner relationships.
  3. Company-based strategic marketing assets:
     # Customer-focused organisational culture.
     # Managerial know-how.
     # Employee know-how.
     # Advanced technology.
     # Flexible operations.
     # Operational excellence.
     # Deep pockets.
     # Planning and systems.

- Determining which factors to *include*, which to *exclude* and which to *add* for a specific business unit.

- Determining whether each factor is a strength, weakness, neutral or distinctive versus identified rivals.

- Determining key organisational improvement actions.

- Squaring the circle: combining the strategic audit (cross-reference Chapter One) and the implementation audit (aligns with Appendix One, *Building a Comprehensive Strategic Audit*).

Learning Outcomes

After studying this chapter, readers will:

- Understand the principles of the 'inside-out' business strategy perspective.
- Have the competencies to develop a comprehensive organisational implementation audit.
- Have the capability to determine organisational design improvement priorities.
- Have the confidence to propose internal marketing plans.
- ***Apply*** the principles of organisational analysis using *proven* practical frameworks, methodologies, processes and tools.

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Appendix One
Building a Comprehensive Strategic Audit

Introduction

Business school academics and social scientists can be aloof in defence of their theories and are often contemptuous of anything learned by management practitioners in the illustrious 'university of life', i.e. 'on-the-job'. Consider, for example, the following quotation from the philosopher Roland Barthes (1915-1980): "The war against intelligence is always waged in the name of common sense". We beg to differ, arguing throughout *British Business Manifesto: Strategies for Profitable Growth* that theory and practice go hand-in-hand: **'… a way of thinking, a way of working'** represents our fundamental outlook on the foundations of success in SME business strategy.

Aligning Theory & Practice

Aligning theory and practice from this perspective enables us to present in simple graphical form what we describe as **The Environment-Strategy-Organisation Nexus**. This is illustrated in Figure 1 below, followed by an overview of the process we use to build a **comprehensive strategic audit**.

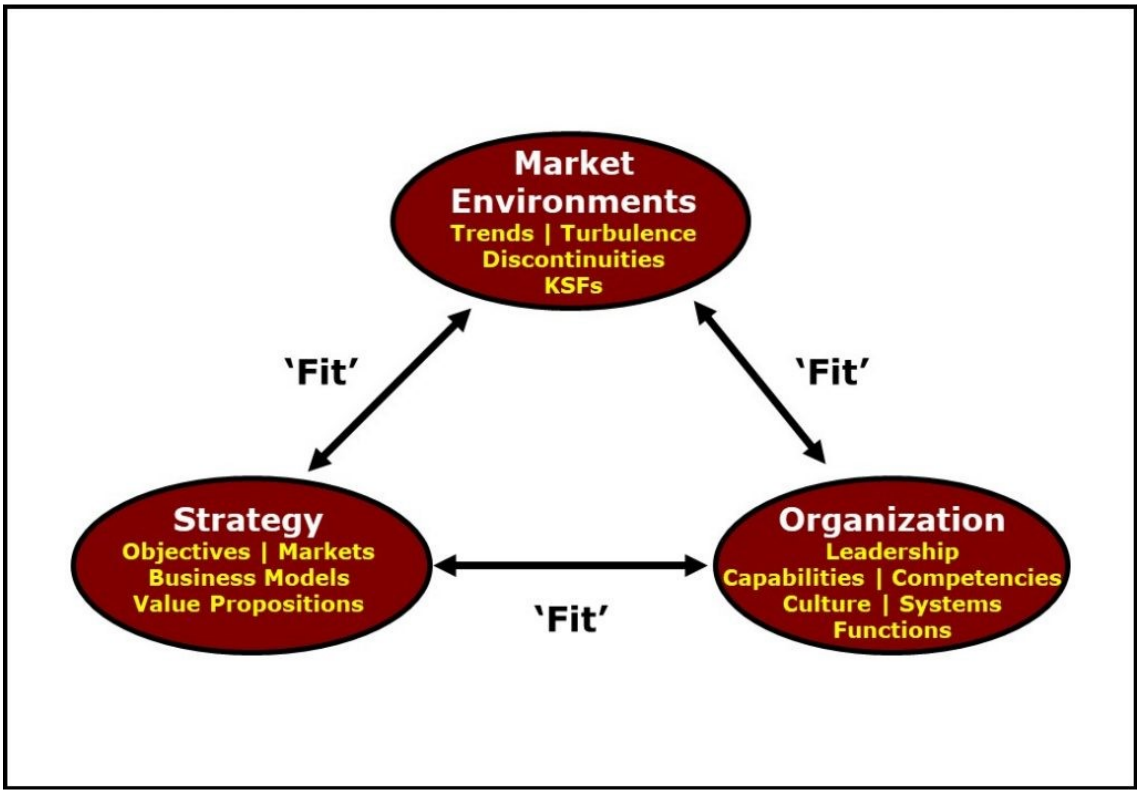

Figure 1: The Environment-Strategy-Organisation Nexus

The double-headed arrows which link the three key dimensions in the figure above, along with the word 'Fit' on the axes between them, demonstrate two fundamentals relating to the theory and practice of business strategy:

1. Each element of the ‘triangle’ impacts the others, i.e. they constitute a *nexus* of inter-dependence.

2. The three elements of the triangle must be in alignment ('*Fit*'), i.e. the strategy should be appropriate for the external market conditions and the organisation should be designed to effectively and efficiently implement the strategy.

Despite this, business strategy development is a *process* that requires a starting point. The more turbulent the market environment the more important it is that an ***external focus*** is adopted by companies, the logical conclusion being that the correct analytical sequence in the framework above is:

1. **E**nvironment.

2. **S**trategy.

3. **O**rganisation.

This process should be *embedded* in a company or business unit’s ‘way of working’, i.e. it is a business environment and organisational auditing approach which should be adopted with the same rigour, discipline and frequency as the financial audits which consume so much managerial energy yet add very little *strategic* value in most cases.

Key Questions in Business Strategy Development

There are four key question categories to address when crafting a business strategy for sustainable competitive success. These are:

1. **Where are we now? ~ Situational Analysis**

   # Environment scanning & SWOT/TOWS
   # The 5 forces of competition
   # Core capabilities & competencies
   # Strategic marketing assets
   # Portfolio & risk assessment frameworks
   # Benchmarking against 'best-in-class' companies

2. **How did we get here? ~ Company History**

   # Culture audit
   # Structural audit
   # Formal power base audit (e.g. hierarchy, governance etc.)
   # Political process audit (e.g. informal power bases, decision making influences, stakeholder analysis etc.)

3. **Where do we want to be? ~ Strategic Direction**

   # ‘Tomorrow’ (1-3 years)
   # Medium term (3-5 years)
   # Long term (5 years plus)

4. **How do we get there? ~ Strategy Delivery**
   # Developing core competencies & capabilities
   # Value chain reconfiguration
   # Organic development
   # Innovation processes
   # Joint ventures & strategic alliances
   # Mergers & acquisitions

Our primary focus in this Appendix is on **Question 1**, situational analysis. It is *essential* that companies have a clear and objective understanding of their competitive position before embarking on business strategy development. The output of the logical TOWS process we describe below presents *strategic priorities* and *action plans* (aligns with Chapter One).

The rationale for the analysis relating to **Question 2** lies in the fact that a company's history and 'cultural baggage' very often prevent it from 'doing the right things' with regard to Questions 3 and 4 (aligns with Chapter Eight).

Question 3 responses must recognise the fundamental reality of scarce resources and that strategic decision making boils down to making choices amongst alternatives, the goal being to increase the likelihood of successful high-performance outcomes. These typically arise where there is alignment between market opportunity and company capabilities (aligns with Chapters Two through Six).

Responses to **Question 4** will reflect the logical outcomes of the analyses relating to questions 1-3.

Introducing TOWS Analysis

Most managers and students of business and management will be familiar with the notion of a SWOT chart as a way of taking a snapshot of a company's 'strategic position' at any point in time. They will also recognise it as an acronym, its component letters standing for **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats, the S and W relating to *internal*, organisational factors, the O and T relating to *external* business environment factors.

As a management tool SWOT is extremely easy to learn and can be quickly and simply applied. However, in management practice it is often seriously flawed in its application. There are several reasons for this (see Chapter Eight), the most important one being that a company takes an '*inside-out*' approach to strategy development, focusing on the capabilities it currently has rather than identifying those required for a fast-changing business environment.

The approach we employ to counter this begins with an external business environment assessment, an analysis we define as a *business environment audit*. This definition is inspired by a seminar led by the successful entrepreneur Jürgen Priglinger, and his 'business philosophy' in this regard is worth quoting here in full:

> *Business environment audits are more important than financial audits. The latter only count the cents the company has earned already whereas the former is the basis for generating a stream of cash flows for the future. A strategic audit is a comprehensive, systematic, independent and periodic examination of a company's business environment, objectives, strategies and activities with a view to determining problem areas and opportunities and recommending plans of action to improve a company's strategic and financial performance.*

We address the problem of using traditional SWOT analyses with a simple reversal of SWOT to TOWS, i.e. we adopt an '*outside-in*' perspective on strategy development. This is not about measuring different things; rather, it relates to creating an external company 'mindset'.

Figure 2 provides a process-based approach to constructing a logical TOWS analysis that combines the concepts and issues introduced in Chapter One (business environment audit) with those presented in Chapter Eight (organisational implementation audit) and aligns with the four strategy questions previously discussed.

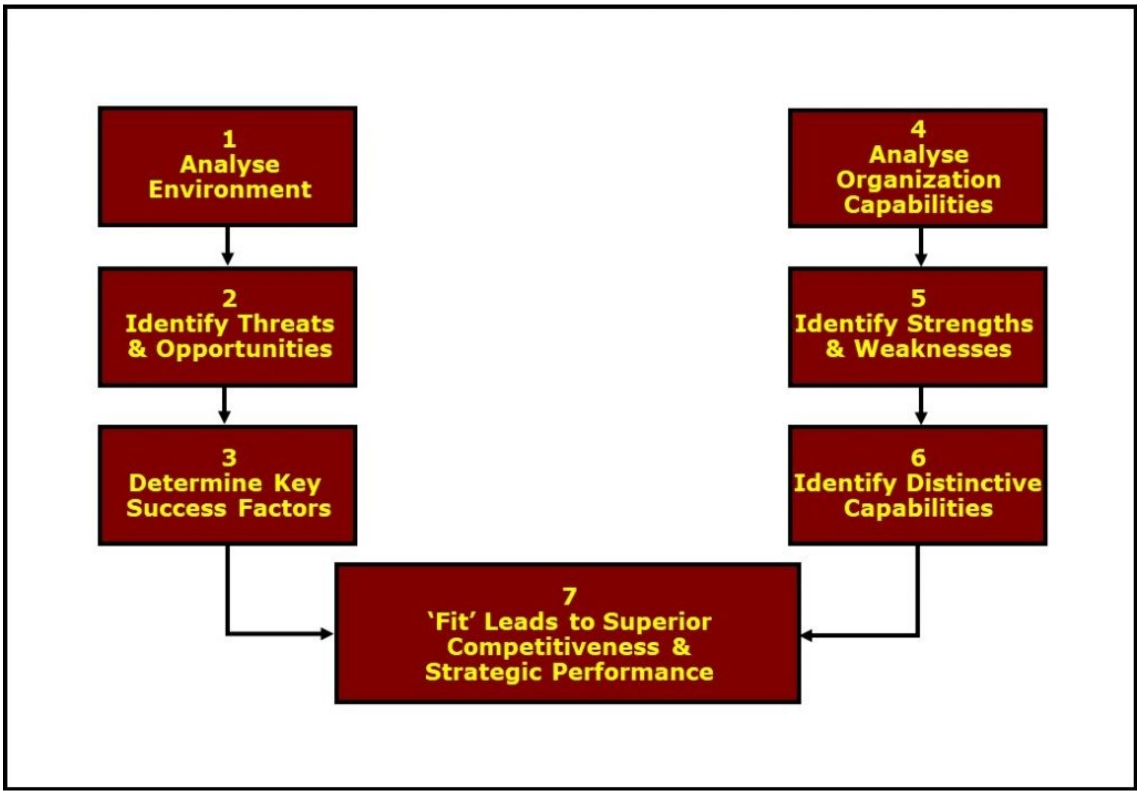

Figure 2: The Logical TOWS Analysis Process

The numbers in the boxes indicate the sequential nature of the process, i.e. it is a critical path of activities that should be undertaken to build a comprehensive strategic audit.

A few points are required here for clarification.

1. **TOWS, not SWOT**: As noted, managers with even basic-level training will be familiar with a 'SWOT' chart. The reasons for the reversal to TOWS in this *process* are twofold: (i) to emphasise an 'outside-in' analysis, especially important in turbulent business environments; (ii) to link the four categories, i.e. strengths and weaknesses should be assessed relative to opportunities and threats, not in isolation of them.

2. **Market Key Success Factors (KSFs)**: These are often called Critical Success Factors (CSFs) or 'Qualifiers' but this is mere semantics. They are all measuring the same thing. Our preferred simile is 'market dictators': the *minimum* factors which market conditions indicate that any company must have covered if they want to 'play the game', i.e. they are not competitive differentiators.

3. **Company Distinctive Capabilities (DCs)**: If any company in a market space lists 'good people' as a strength while all other companies competing in the same space do the same then there is a problem with the framework: strength is a relative, not an absolute metric. At best the factor can be

described as neutral. DCs in our analysis are those factors that give a company a sustainable differential advantage in the time frame of the planning period.

The output of this analysis is the identification of **strategic priorities** and **action plans**. Figure 3 presents a simplified overview of these.

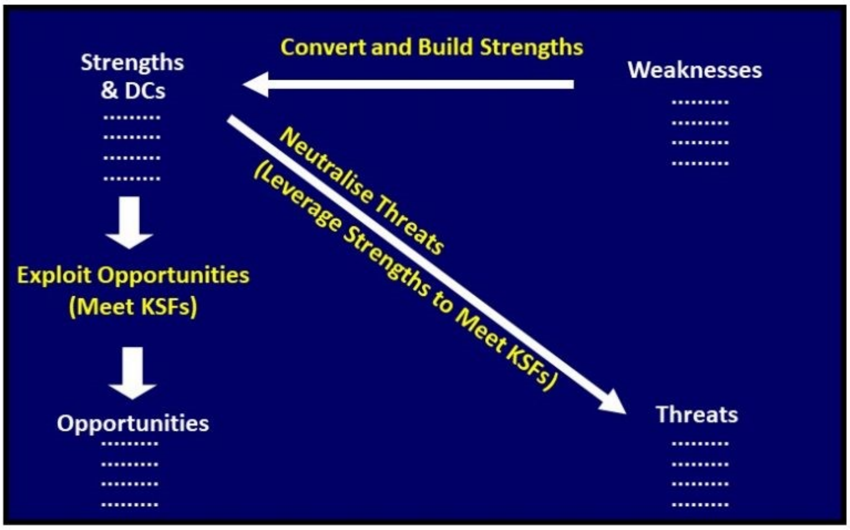

Figure 3: Post- TOWS Action Analysis

In addition to more detailed observations relating to this analysis in the book, we also demonstrate a creative process for strategy development. Insights here include leadership, teamwork and the role of 'independent' facilitators in ensuring objective analysis.

Learning Outcomes

After studying this appendix readers will:

- Understand the role of situational analysis as the foundation for successful strategy development.
- Have the competencies to contribute to the strategic auditing process.
- Have the capability to lead and/or facilitate the strategic auditing process.
- Understand the key components of creative thinking, teamwork and ideas generation in strategy development.
- **Apply** the principles of strategic analysis and action planning using *proven* frameworks, methodologies, processes and tools.

In sum: *...a way of thinking, a way of working.*

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Appendix Two
The BBM Glossary of Business Strategy Concepts & Terms: A Sample

Introduction

Any academic subject comes with its own vocabulary of concepts, acronyms and a wide variety of 'professional' jargon: the business strategy, finance, economics and marketing disciplines are major offenders in this regard. Theories of international business and strategic management are rooted in a range of social science disciplines, including macro and microeconomics, sociology, psychology and geography.

Geography itself is a composite construction of a discipline, as is marketing. Consequently, the emphasis of the BBM Glossary is on established 'go-to-market' principles and its focus is strongly rooted in the practice of global and domestic business strategy while also acknowledging the complex organisational challenges likely to be encountered in implementation. Additionally, the glossary provides illustrative 'real-world' examples for many of the concepts described and related entries are cross-referenced in **bold**.

The BBM Glossary

The table below presents a sample of a broad cross-section of glossary entries from the British Business Manifesto book. The shaded rows represent a break in the full listing, each one representing single or multiple entries.

Concept or Term	Explanation
B2B	*Business to Business* markets. Also defined as industrial markets or organisational markets. Although the term B2B has become widely used, it is worth noting that vast amounts of economic transactions are conducted between suppliers and non-business organisations such as government departments (e.g. health, education, military & defence) and not-for-profit organisations such as charities etc. From a practical strategic marketing management perspective, it is better to think in terms of organisational markets or 'organisational buyer behaviour'.
B2B2C	*Business to Business to Consumer* markets. By far and away the most common **Marketing Channel** in consumer markets worldwide is the sale of products & services through retail outlets, e.g. Walmart, Etsy, Aldi, Carrefour, Alibaba, Tesco, Spar, Amazon etc. Such companies are very sophisticated in their buying behaviour and share all the behavioural characteristics of **B2B** customers. Consumer goods companies such as P&G/Gillette, Unilever, Henkel, Reckitt Benckiser, The Kraft Heinz Company and Nestlé nowadays have 'trade marketing' teams dedicated to strategic retail key accounts. In the last decade, retailers have become more sophisticated, more concentrated (via mergers & acquisitions) and increasingly international. The combination of these forces has made them more powerful which, when combined with their growing procurement professionalism, means that consumer goods suppliers must embrace the goal of winning *trade* loyalty ('trade push') in addition to securing *brand* loyalty ('consumer pull').

Bargaining Power of Suppliers	The strength an organisation has over its customers relating to **Price** and the related terms & conditions associated with the **Value Proposition** it is selling. Where the buyer has total control over its customer base it enjoys a market position approaching *monopoly*. Powerful manufacturers such as Microsoft, Intel, Caterpillar Inc., Hitachi, Siemens and IBM, for example, leverage their positions of leadership in their own market segments to extract huge economic value from buyers. Smaller customers, e.g. **SMEs**, are potentially powerless and vulnerable in the absence of unique/proprietorial technologies. If companies struggle to exert bargaining power over their customers, they have the option of integrating forwards in the supply chain (see **Vertical Integration**). 'Bargaining Power of Suppliers' is one of **Porter's 5-Forces**.
Brand	A brand is built upon a **Value Proposition** which is closely aligned to the requirements and aspirations of carefully selected target market segments. A brand is much more than a name: a strong brand reputation is the reward for *the satisfaction that a company delivers*, not *what it says (promotes)* in its **Marketing Communications**. Brands must be managed very carefully – they can take a long time to build but are easily destroyed. From a *customer* perspective, strong positive brands are associated with cumulative positive experiences. From a *supplier* perspective, a brand is a specific name, symbol or design (or a combination) used to distinguish a product or service from its rivals. A successful brand is one which identifies with a value proposition that is superior at satisfying the customer's functional (see **EVC**) and/or emotional (see **PVC**) needs. See Chapter Four, *Strategic Marketing* and Chapter Five, *Strategic Brand Management,* for detail, insights and examples.
Brand Cannibal-ization	The situation arising when a company launches a new product which takes share from its existing brands. Very often the fear of brand cannibalization prevents companies from launching new **Value Propositions**, potentially leaving the categories vulnerable to **New Entrants** and/or **Substitutes**, e.g. Apple i-pod displacing Sony Walkman in the personal hi-fi category, iPhone & Samsung displacing Kodak photography and any number of *Fintech* companies challenging traditional financial services sectors. *Pro-active* cannibalization by suppliers can extract more *value* from mature markets which, by definition, have no *volume* growth potential (see **Zero-Sum**). Gillette, for example, systematically cannibalizes its leading brands with the launch of increasingly sophisticated shaving systems, e.g. Fusion displaces sales of Sensor, in the process increasing the profit margin per blade subsequently sold.
Break-through Solution	A radical departure from a traditional solution to meeting customer needs. Examples include cloud computing (e.g .Gmail, AWS, Salesforce.com), tablet 'computers' (e.g. Apple iPad, Samsung Galaxy Tab), digital music (e.g. Apple Music, Spotify), digital photography (including Snapchat, a software/cloud platform which has described itself as 'a camera company') etc. Not necessarily a new or 'superior' technology. Not necessarily rooted in technology and can embrace any business process, e.g. supply chain, customer service etc. Similar to **Substitutes** (Porter) and **Disruptive Technologies** (Christensen).

Business Mission	Has many general definitions and applications (e.g. 'mission statement') but, from the business strategy perspective presented in this BBM Glossary, refers to the question a company asks, at the business unit level, "What Business Are We In?" As Professor Ted Levitt observed in his seminal article **Marketing Myopia**, the danger is that a company provides an answer relating to the products it currently makes or with reference to the industry it is currently part of, i.e. it gives a supply-side definition of its mission. Business mission should be derived from a **Customer Preference** (demand) perspective since customers don't buy 'products', they seek solutions to their needs. So, for example, the railroad industry provides train journeys - the customer solution is transportation (Levitt's original example); Cineworld operates movie theatres – the customer solution is entertainment experiences (see Chapter Four, *Strategic Marketing*). See also: **Market/Industry Life Cycle**; **Disruptive Technologies**.
Buyer Behaviour	How and why consumers and organisations behave in the way they do when making purchase decisions. Major contributions to the marketing literature from psychology (Consumer Behaviour) and sociology (Organisational Buyer Behaviour) have provided deep insights into the motivations and behaviours underpinning the buying process.
Capabilities & Comp-etencies	Capability refers to the technologies and business processes a company has or is creating and is central to the **Resource-based View** approach to global business strategy creation. Competency refers to the skills of a company's employees, either at a functional level (e.g. marketing, supply chain, HRM etc.) or organisation-wide, e.g. leadership.
Competitive Advantage	Competitive advantage can be anything which gives a company an edge over its rivals. It contrasts with **Differential Advantage** which focuses on the customer and their *perceptions* of one supplier's **Value Proposition** compared to those of its rivals. Competitive advantage can be rooted in business processes which are not explicitly of direct relevance to the customer, for example, procurement, IT, management education, superior access to raw materials, outsourced activities and so on. In his 1985 book on the subject, Michael Porter proposed **Value Chain** analysis to enable a company to analyse its business processes to determine which activities should be improved, outsourced, added to and so on in order to drive profitability. See also: **Value Constellation**.
Customer Preference	Used to distinguish from customer needs, which relate to generic categories such as leisure, transportation, photography etc. So, there is a *need* for transportation but customers express *preferences* for different transportation *modes*, e.g. road (car or bus), rail, air, sea etc. Throughout this BBM Glossary, the term customer needs & preferences is widely used and this simple distinction between the two words has links with many of the key concepts defined, e.g. **Marketing Myopia**, **Business Mission**, **Market Segmentation**, **Disruptive Technologies**, **Market/Industry Life Cycle** and **Threat of Substitutes** amongst others.
Differential Advantage (DA)	Anything, real and/or perceived, which differentiates a company and/or its brands *in the mind of the customer*. DA can be rooted in the product, the availability, the price, the service, the brand associations, etc. It can be based on one or many variables in the **Marketing Mix**. DA can be grounded in genuine value proposition superiority or it could be a *perceived* superiority, for example, brand impact. DA is about being

	superior to rivals or unique at supplying the bundle of benefits valued by customers in a segment. DA should embrace **PVC** and **EVC** and the strongest brands in consumer and organisational markets combine both to give **MSPs**. Companies should endeavour to ensure that their DA is *sustainable* and impossible to copy for the period of the **Strategic Audit** and **Go-to-Market Plan**. DA should be continuously improved or augmented on an on-going basis (see ***kaizen***) and should be profitable in the short and/or long term.
Diminishing Returns	The point at which a company must invest more and more to get less and less by way of return. Often used to determine an acceptable (and profitable) level of market share. Sometimes used to determine whether **Organic Growth** or **M&A** will lead to the least expensive way of gaining market share. For example, BP's acquisition of Castrol and Aral gave both time and resource advantage over developing, respectively, the global lubricants and German petrol retailing markets. PepsiCo invested in fast-growing 'fast-food' categories (Pizza Hut, KFC, TGI Fridays, Taco Bell) in the US rather than relentlessly pursuing tiny and (costly) market share gains in the '**Cola wars**' with Coca Cola. Similarly, P&G merged with Gillette, simultaneously leveraging the global reach of Gillette's distribution channel system and Procter's extensive product portfolio. For either to achieve such expansion alone would have been prohibitively costly.
Disruptive Technologies	An alternative solution to meeting customer needs (see **Customer Preference**). In its original sense, as published by Clayton M. Christenson in 'The Innovator's Dilemma', the focus was on R&D/Technology, but the concept can also apply to business processes, e.g. Dell's supply chain revolution in the PC industry; also, Harrys.com shaving club subscription business model. Similar to **Substitutes** in **Porter's 5-Forces**. See also: **Marketing Myopia**; **Business Mission**.
Distinctive Capabilities (DCs)	These are those business strengths which give a company a **Competitive Advantage** and/or a customer-based **Differential Advantage**. For example, Gillette has distinctive capabilities in blade technology, intensive distribution channel management and brand management, i.e. a powerful combination of technology and marketing superiority over its rivals. DCs are unique to a company and contribute hugely to the *sustainability* of competitive and differential advantages. See the discussion relating to organisational capabilities for business strategy in Chapter Eight, *Implementing Business Strategy*.
Effectiveness	"Doing the right things" (after Professor Peter Drucker), i.e. striving for success in meeting customer needs & preferences fully and better than rivals. Strategic and external in focus. Strong financial performance comes from companies who are predominantly motivated by being effective while simultaneously paying close attention to operational excellence (**Efficiency**). Effectiveness is the driving force of customer-focused, competitively differentiated, long-term mind-set, strategically thinking, market-driven companies.

Entry Barriers	**Differential Advantages** which a company creates, builds and manages to protect a market position. Includes intellectual property such as patents, trademarks and proprietary secrets and less obvious but equally powerful factors such as satisfied customers (see **Brand Equity**), loyal channel partners and engaged employees. Building and maintaining entry barriers should be a continuous process (see ***kaizen***), particularly in **Business Environments** with high degrees of innovation and competitive intensity.
Environment Sensitivity	Relates to the **Business Environment**: companies should *pro-actively* scan their external market conditions (Macro and Micro) and design global business strategies to meet the market **KSFs**, exploit emerging opportunities and off-set potential threats. **TOWS** rather than **SWOT**. Describes an '*outside-in*' perspective on global business strategy development, argued by many to be particularly important in conditions of extreme turbulence and discontinuous change amongst external business environment forces. See Chapter One, *Scanning & Sensing the Business Environment*.
EVC	*Economic Value to the Customer*. Describes the *rational* motivations underpinning **Buyer Behaviour** which de-emphasise price and prioritise value (see **Price Conscious**), e.g. extra revenue generation, greater productivity, less downtime, reduced total cost of ownership etc. Essential to demonstrate in business markets where higher prices can be achieved if EVC can be proven with reference to functionality, benchmark tests, case studies, references, testimonials etc. Requires **Capabilities & Competencies** in value-based selling. In consumer markets, suppliers typically know that they are selling a psychological (emotional) value proposition (see **PVC**) but they will always try and give a 'Reason to Believe' (**RTB**), i.e. a rationale for consumers to pay a premium price. So, for example, cats prefer Whiskas, Dogs are healthy with Pedigree, Nike delivers sports excellence, Ralph Lauren manufacture world-class products - but sells 'dreams'.
FMCG	*Fast Moving Consumer Goods*. Describes the product categories which are purchased frequently by families and individuals, including groceries, soft drinks, cigarettes and so on. Supplied by manufacturers such as Proctor & Gamble, Unilever, Kraft Heinz Company and Henkel etc. through supermarkets (outlets & online) and small grocery stores.
Franchise	A branding and/or technology concept (similar to **Licensing**). The franchisor owns the 'idea'; the franchisee pays royalties to use it. Very typical in service industries, with examples ranging from McDonald's outlets to BP petrol stations. Also, very common for service industry companies expanding internationally, for example, the Disney theme park in Japan, Holiday Inn worldwide etc.
Functional Integration	In big organisations and many larger **SMEs** there is a tendency for business functions (e.g. marketing, finance, production, logistics, R&D etc.) to work separately in what some commentators describe as 'functional silos'. Each function will pursue its own objectives and very often these will conflict with those of other functions. A good example is the potential conflict between marketing and production. Marketing key performance indicators **(KPIs)** are based around **Effectiveness** measures, i.e. long term strategic targets, customer loyalty and customised offers. Production key performance indicators are based around **Efficiency** measures, i.e. short term operational targets, maximum output from minimum input, being 'lean'. Marketing will want to offer a wide variety of **Value Propositions** while production will want to minimise product variations. As another example, the supply chain function wants

	100% product availability-on-demand while finance executives recoil from 'excessive' inventory and working capital. Functional integration aims to reconcile these differences and increasingly companies now create cross-functional teams for many business tasks, e.g. for new product development (**NPD**). New business processes can also solve the problem, e.g. flexible manufacturing systems and robotic technology solved the variety vs standardization trade-off (see **Mass Customization**).
Image	Image is an intangible factor which is directly correlated to the quality of the goods and services a company provides. A *positive* image is earned by companies when they consistently deliver on the promises that they make, and it is reinforced through an effective **Marketing Communications** programme, including advertising, well managed public relations, well trained key account managers etc. A *negative* image is created when a company fails to deliver on what it promises and, even if performance subsequently improves, there can be a long legacy effect hindering image recovery. In technical jargon, an image is a dependent variable, a function of something else. From a more practical perspective, a strong positive image is earned by providing customers with cumulative positive experiences (see **Brand** and **Brand Equity**). Positive Word-of-mouth (**W.O.M.**) contributes hugely to positive image and there is often a **Network Effect** which applies, e.g. when a particular brand is seen as 'cool'. See Chapters Five, *Strategic Brand Management* and Six, *Integrated Marketing Communications*.
Industry Structure	Describes how many firms supply a specific industrial sector. When there are many suppliers with small shares of industry output the industry structure is *fragmented*. This is a common industry structure in emerging markets as many companies enter in pursuit of the high growth potential on offer. When three to five suppliers account for a high percentage of industry output (e.g. 70%) the industry structure is *concentrated* and is described as **Oligopoly**. This is the most common industry structure in mature markets and arises after industry **Shake-out**. Two dominant firms define a concentrated industry structure known as a *duopoly* and when there is only one supplier in an industry this is known as a monopoly.
Innovation	To be distinguished from **Invention** (the creation of a new technology or idea). Innovation refers to the successful *commercialisation* of a new technology or idea. It embraces both product development and market development. Market development includes investments in brand building, channel management, salesforce organisation etc. Innovation is essential for balancing current cash flows with pipelines of future profits (see **Portfolio Management**). A reputation for successful innovation *over time* (e.g. 3M, P&G, Alphabet, Amazon, Netflix, Apple, Next, AstraZeneca) has a strong impact on a company's share price and positively influences many stakeholders, for example, suppliers, employees, channel partners and, of course, customers. See Chapter Three, *Innovation & Entrepreneurship*.
Joint Venture (JV)	A JV has similar goals to a **Strategic Alliance** but is typically based on shared equity ownership on a 'Parent-Parent-Child' basis, i.e. the JV itself is the 'child' of two (or more) parent companies. JVs are often created to share high fixed costs, for example, in R&D (Philips/LG in LCD displays) or petroleum storage (BP/Exxon at remote sites). Major problems arise when the corporate strategies of the parent companies head in a different direction than those at the time of the JV creation (e.g. Waitrose/Ocado). Joint ventures which bring together *complementary* capabilities are

	much more likely to be successful than those created between companies with similar or *substitutable* capabilities. See Chapter Seven, *A Practical Framework for Business Strategy Success*.
Key Success Factors (KSFs)	KSFs are external factors which market conditions dictate that ***any*** company must be able to comply with to succeed or even survive. They are determined from an analysis of the **Business Environment** (opportunities/threats) and are rarely the only things which a company must address to be more successful than its rivals, i.e. they tend to be 'qualifiers' to earn the 'right to compete' and not 'differentiators' to build sustainable **Differential Advantage**.
Licensing	A branding and/or technology concept (similar to **Franchising**). Common in many manufacturing sectors where products and/or processes protected by patents and other types of intellectual property are licensed to independent companies to produce. These may be granted to a complete sector (e.g. Dolby sound technology for the consumer electronics industry) or to exclusive business partners (e.g. Coca-Cola, which licenses its famously secret recipe to independent bottling companies on a regional basis worldwide). See Chapter Seven, *A Practical Framework for Business Strategy Success*.
Market and Industry Life Cycles	The principles and dynamics of market and industry life cycles are very similar to those of the more widely known product life cycle (**PLC**) concept. Market life cycle relates either to a geography (e.g. China) or a sector (e.g. the tablet 'pc' market). Industry life cycle relates to the suppliers who serve the sector. The principal difference between these and the PLC is that 'market' and 'industry' can span many product life cycles. For example, IBM maintained its strong leadership position in information processing when the product form changed from typewriters and mechanical calculators to electronic solutions embracing hardware, software and services. Market life cycles are driven by **Customer Preferences**, particularly when these change, for example, with the availability of **Disruptive Technologies**: nobody buys photographic film (product) anymore but the 'demand' for capturing images (market) has grown exponentially in recent years.
Market Segment-ation	A marketing process which groups customers with *similar* needs & preferences into one segment and separates them from others with *different* needs & preferences. The company then *selects* the most attractive market segments to serve, taking into account: (i) the segment **KSFs**; (ii) its own existing and potential **Capabilities & Competencies**; (iii) its ability to build *sustainable* **Differential Advantage**; (iv) risk assessment & mitigation; (v) long term profit potential. This is the *strategic* dimension of market analysis and marketing management, i.e. it relates to decisions which companies take regarding *where* to compete. Companies can choose to serve many different segments (e.g. Ford) or to focus on a specific segment (e.g. Aston Martin). Markets break down into segments as a direct result of competition and innovation, i.e. the greater the intensity of competition, the more choice availability for the customer. Ultimately, the logic of segmentation leads to a segment of one, i.e. companies must adapt their **Value Proposition** for individual customers. In consumer markets, this is known as **Mass Customisation**. In organisational markets key account management frameworks, processes and tools are utilised to identify which accounts are worth investing in with reference to customisation – these are often known as strategic accounts: Ford, for example, is a strategic account for BP; the global retailer Carrefour is a strategic account for Philips.

Marketing Mix	*Definition*: "The mixture of *controllable* variables that the organisation *blends* to provide customer benefits and **Differential Advantage** in the target market segments it chooses to serve". Traditionally, the blend of marketing mix decisions relates to Product, Price, Place (distribution), Promotion, known as 'the 4Ps'. In service businesses there is an extended marketing mix: People (see **Contact Personnel**); Physical evidence (tangible representation); Process (systems, 'back office' etc.), known as 'the 7Ps'. An **Efficient** and **Effective** marketing mix provides the foundations of sustainable differential advantage. The marketing mix is the *operational* dimension of market analysis and marketing management, i.e. it relates to decisions which companies take regarding *how* to compete.
Marketing Strategy	Decisions taken by a company relating to target market selection, i.e. regarding *where* it should compete. Related topics include **Market Segmentation**, **Positioning**, analysing the **Business Environment**, understanding **Buyer Behaviour**, utilising market intelligence systems and undertaking competitor analysis. This category of decisions is often described as a company's *Participation Strategy*. See Chapter Four, *Strategic Marketing*.
Mass Customis-ation	This concept describes the ultimate achievement in **Market Segmentation**: a **Value Proposition** specifically designed for an individual customer. In practice, this remains rare in its 'pure' form, but recent technologies increasingly provide mass market producers with the potential to operationalise the concept. For example, Swatch offers an extensive range of 'lifestyle' watches, using robots and flexible manufacturing systems to combine variety and production efficiency. Dell, meanwhile, uses the **Pareto Principle** to give the impression that its PC systems are tailor-made per customer. In reality, 80% of the PCs sold by Dell come from 20% of the total possible configurations. As another creative example, Amazon uses **Suggestive Marketing Communications** to provide bespoke offers for each of its millions of individual customers.
MSPs	*Multiple Selling Propositions*. Combines **EVC** and **PVC** messages relating to elements of the brand's **Value Proposition**. For example, IBM offers scalability (EVC), global support (EVC), is perceived as trustworthy (PVC) and creates long term customer relationships (PVC). The more unique selling propositions (see **USP**) a company can develop within its value proposition, the stronger will be the brand and the more sustainable the **Differential Advantage**. See Chapters Four, *Strategic Marketing* and Five, *Strategic Brand Management*.
Network Effect	The network effect describes a market condition whereby a critical mass of inter-dependent customers uses a common 'platform' to consume a product or service. For example, people join Facebook, LinkedIn, Twitter and other **Social Networks** and either explicitly or implicitly encourage friends and family to join them also. People will join a specific service not necessarily because it's the best, but because it's the most prevalent. The network inter-dependency may be *real*, e.g. file exchange of Microsoft Windows-designed software applications; or *perceived*, for example, the assumption that the market leader *must* be the best/safest choice because all those

	other customers who have chosen it can't be wrong (e.g. 8 out of 10 cats prefer Whiskas – if they had a choice!).
Opportunity Cost	The notion that investments made in one business strategy project are resources taken away from others. While alternative funding sources may be available (e.g. debt/equity), it is good practice to acknowledge that resources are finite and should be allocated to maximise economic value: investment in every project should be considered alongside other investments and those which are pursued should be chosen based upon their potential to generate the highest relative return at the lowest relative risk of all the available alternatives.
Organic Growth	Growth which arises from a **Strategic Audit** which leverages a company's existing **Capabilities & Competencies**. It can derive from: launching new products; creating more and/or better **Marketing Communications** programmes; providing more and/or better sales force management; developing more and/or better distribution coverage; offering more and/or better service. Organic growth could also arise from taking existing products into new markets or identifying new market opportunities and creating new products to exploit them. Penetration pricing can also be used to build revenues in a market segment although this potentially does so at the expense of margins and overall profitability. Organic growth resides at the core of the **Resource-based View** of how companies do/should develop business strategies.
Outsourcing	A type of **Strategic Alliance** whereby a company selects a business partner to undertake a significant business process rather than doing it themselves 'in-house'. From a financial management perspective, outsourcing turns a fixed cost into a variable cost, freeing up resources to invest in processes where a company can build a **Distinctive Capability**. Apple's tight relationship with Taiwanese company Foxconn is a textbook example: 'Designed in California, Made in China'. Outsourcing can also give more asset flexibility in a turbulent business environment and can often give a 'time-to-market' advantage. Potential downsides include the loss of quality control (see **Moment of Truth**) and excessive reliance on one key supplier.
Over-engineered	The situation where a company's **Value Proposition** contains features and attributes which are not valued by the target market segment. Since costs are likely to have been incurred in creating this 'superior' value proposition, the price charged is invariably higher than alternative solutions and the offer will be perceived as too expensive by a **Price Sensitive** customer segment.
Pareto Principle	The 80/20 rule, a universal phenomenon with many management implications. It is commonly used in inventory and operations management systems, but it also has many applications in marketing management. Dell, for example, gives the impression that they build custom-made PCs for individual customers (see **Mass Customisation**). In reality, 80% of the PCs sold by the company come from 20% of the total possible configurations. Dell's success is underpinned by deep customer insights and intelligent sales forecasting techniques, backed up by an extremely lean supply chain.
Porter's 5-Forces	As we have seen in the book, Professor Michael Porter of Harvard Business School has introduced many frameworks derived from industrial economics into the marketing and strategic management literature. 5-Forces analysis has many analytical and practical applications, ranging from the assessment of an industry's attractiveness to guidance on **Marketing Strategy** development (e.g. regarding **Entry Barriers**).

	The five forces (each of which has an entry elsewhere in this BBM Glossary) are: (i) Industry Rivalry; (ii) Bargaining Power of Suppliers; (iii) Bargaining Power of Buyers; (iv) Threat of New Entrants; (v) Threat of Substitutes. Porter also described these forces as 'extended rivalry', i.e. the framework can be used not just for analysing industry rivals but also to explore the broader threat to a company's and an industry's profitability arising from these **Structural Forces**.
Positioning	Positioning provides the link between **Marketing Strategy** and **Marketing Tactics**. It combines the target market decisions which companies take regarding *where* to compete and the **Marketing Mix** decisions they take regarding *how* to compete. It combines **Value Proposition** creation and effective **Marketing Communications** programmes. Credibility, clarity and consistency of communications are essential elements of **Brand** positioning. Put simply, positioning is the customer's *perception* of a company's value proposition compared to those of its segment rivals.
Product Life Cycle (PLC)	The analogy whereby products follow the same development pattern as humans (or any species, for that matter), from conception through growth and maturity towards 'inevitable' decline and ultimate death. With PLC, a product is developed (creation), introduced to a market with relatively low sales which then experience a period of rapid growth. This rate of growth slows down as product sales move into maturity as the market becomes saturated. And, as with humans, death eventually occurs. It is important to distinguish between product form (e.g. photographic film) and the customer need (in this case, capturing images). So, while products do indeed 'die', most customer needs are infinite but preferences for solutions to meet them change over time (see **Market/Industry Life Cycle; Customer Preferences**). Applying the principles of life cycle theory to product management decisions can provide deep insights for **Marketing Mix** decision making. However, not all product life cycles follow the same pattern, so management judgement remains vital in interpreting PLC sales data.
PVC	*Psychological Value to the Customer*. Describes the *emotional* motivations underpinning **Buyer Behaviour** which de-emphasise price and prioritise value (see **Price Conscious**). For example, status, happy, funny, sexy, friendship, love, empowered, security, safety, healthy, prestige, aspiration and so on. Emotional factors impacting upon decision making can be broadly positive or broadly negative (see **F.U.D.**) and **Marketing Communications** will reflect this in the messages conveyed. A key emotional criterion which spans business and consumer markets is *relationships*. In consumer markets (especially **FMCG**), customer relationships are primarily managed through brand communications, e.g. advertising, loyalty programmes, sponsorship, promotions, packaging, point-of-sale etc. In organisational (**B2B**) markets, customer relationships are primarily managed through dedicated key account managers (also see **EVC)**. See Chapter Six, *Integrated Marketing Communications*.
Relative Market Share	The Boston Consulting Group demonstrated the economic importance of *relative* market share, identifying three profit drivers associated with positions of market leadership: (i) greater volumes; (ii) premium **Prices** (most market leaders charge a higher market price than rivals); (iii) lower *relative* **Total Cost-to-Serve**. The latter is perhaps the most significant since it embraces all 'marketing' costs, including advertising, salesforce, distribution, product development, product management etc. It

	is very difficult to build a significant cost advantage on production costs alone because, after a certain level of output is reached, further production doesn't lead to lower unit costs. But the potential relative cost advantage when marketing costs are considered is huge. Gillette, Wrigley's, Intel, Microsoft, Cisco Systems, Apple and Kellogg's enjoy strong market leadership positions and are, indeed, extremely profitable over the long term.
Resource-based View	A perspective on marketing and strategic management which suggests that a company should seek to leverage its **Distinctive Capabilities** to find and exploit market opportunities beyond its traditional competitive environment. Can relate to technology or business process capabilities: Bic, for example, serve many global segments (pens, razors, lighters etc.) from its core plastic extrusion capability; Gillette leverages its global supply chain and distribution network to complement sales of shaving systems with a broad range of personal hygiene products for men and women. See Chapter Eight, *Implementing Business Strategy*.
RTB	*Reason to Believe*. Typical in consumer goods marketing where suppliers know that they are selling an emotional concept (**PVC**) but provide a rational message (**EVC**) to allow buyers to justify the purchase to themselves. From cat food (cats prefer Whiskas) to cars (Audi - Vorsprung durch Technik), this approach provides brands with 'Multiple Selling Propositions' (**MSPs**) to strengthen their competitive **Positioning**. See Chapter Six, *Integrated Marketing Communications*.
Shake-out	Relates to **Industry Structure**, i.e. the number of firms serving a specific market. In the early stages of a market's development, there are typically many firms, all attracted by the growth *potential* it offers. Here, the industry structure is *fragmented*. In a market's mature stages **Oligopoly** is typical, wherein 3-5 firms account for, say, 70% of industry revenues. The industry structure is *concentrated*. Shake-out is what occurs during this transformation and it happens through a combination of bankruptcies, mergers and acquisitions. The metaphor has its origins in a gold prospecting technique.
Social Networks	Nowadays synonymous with 'friends' and 'followers' and 'acquaintances' who engage with each other via the internet on sites provided by companies such as Facebook, Twitter, Instagram, WhatsApp, TikTok and LinkedIn. Social networking as a social phenomenon is not new: consider, for example, the long history of gatherings in Chinese village tea-rooms, London coffee-shops and Irish pubs. These social settings were characterised by geographic proximity whereas contemporary internet-based networks are global in character and built around a wide variety of demographic, social, cultural, economic and political interest groups.
Strategic Alliance	A relationship with a business partner often formed to compensate for limitations in a company's organisational **Capabilities & Competencies**. Strategic alliances can give access to markets and technologies which would be otherwise too risky and/or expensive to develop. HP and Canon's long-term relationship in optical technology for laser printers is a good example of such a win-win alliance: HP exploits Canon's technology, Canon gets access to HP's extensive global distribution network. Another example of a strategic alliance is **Outsourcing**, whereby a company frees up resources by engaging another firm to undertake what it deems to be 'peripheral' business processes. (See also: **Joint Ventures**).

Strategic Objectives	Strategic Objectives summarise the entire orientation of the company towards the global and domestic market(s) it chooses to serve. These objectives relate to segmentation, positioning, innovation, ethics, customer satisfaction targets, market share and so on. Strategic objectives should be focused on long-term goals while accommodating nearer-term ambitions. They should embrace both qualitative and quantitative goals. Effective strategic objectives are: (i) specific; (ii) quantified; (iii) time-specific; (iv) realistic but challenging; (v) well-communicated; (vi) flexible over time. They cover both market and financial goals, including volume, market share, revenues & profitability.
Suggestive Marketing Communic-ations	Uses **CRM** technologies such as data warehousing and data mining to make targeted purchase suggestions, either from a single customer's purchase history or, more powerfully, from a complex database of general purchase behaviours. For example, Amazon uses the statement 'People who bought this, also bought this…' alongside a range of suggestions generated by algorithms mining its use huge customer-transaction database. Suggestive marketing communications is increasingly linked to social network data, for example, Facebook Friends and Google Account.
The Operational Go-to-Market Plan	A structured and logical process which begins with a **Strategic Audit** (including a comprehensive scan of the **Business Environment**) and a full assessment of the company's **Capabilities & Competencies.** The resultant **TOWS** feeds into a sequence of the following stages of a go-to-market plan: Strategic Objectives; Strategic Focus; Customer Analysis; Competitor Analysis; Differential Advantage Analysis; Marketing Mix Design; Scheduling; Organisation & Operations; Investment Assessment; Evaluation & Control. Since the business environment is constantly changing, the output after Evaluation & Control feeds back into the strategic audit and the whole process starts again. As a rule of thumb, this planning process should take place at least twice a year, dependent upon the intensity of turbulence in the company's and/or its business units' business environment(s). Equates with 'marketing planning' as presented in some marketing strategy textbooks. See Chapter Seven, *A Practical Framework for Business Strategy Success*.
TOWS	*Threats, Opportunities, Weaknesses, Strengths*. A reversal of the traditional SWOT framework to emphasise the importance of taking an external perspective first when analysing a company's market situation (sometimes termed an 'outside-in' approach). Strengths and weaknesses should be evaluated with reference to the **Business Environment**, including **Customer Preferences**, **Porter's 5-Forces**, regulatory conditions etc., i.e. they are not simply internal factors operating in an external vacuum. TOWS analysis is most powerful when evaluated at the product-market segment rather than for a company and its corporate strategy as a whole. It should be regularly updated since contemporary business environments are very dynamic and turbulent (see **Strategic Audit** and **Environment Sensitivity**). Sustainability should be assessed and, as with any tool or framework in the company's strategic auditing process, it should be regularly reviewed. See Chapters One, *Scanning the Business Environment* and Eight, *Implementing Business Strategy*.

Value Chain	A framework proposed by Michael Porter to allow a company to break down its business processes and analyse how they might be improved, replaced, outsourced, added to etc. Value chain reconfiguration is often the outcome of such analysis; for example, the 'no frills' airlines such as Ryanair, Southwest Airlines and EasyJet stripped operational costs to a minimum and opened up a huge new segment for air travel. There are two categories of business process examined in value chain analysis: (i) *Primary Activities*, including inbound logistics, operations, outbound logistics, marketing & sales, service; (ii) *Support Activities*, including procurement, technology development, human resource management, firm infrastructure. Although originally formulated as a manufacturing concept, the value chain framework has been adapted for different business sectors and models. In a service industry environment, for example, human resource management should be seen as a primary activity because of the importance of **Contact Personnel** in service quality. A detailed analysis of the value chain provides powerful insights into sources of a company's **Competitive Advantage** and can be used to determine which activities could be **Outsourced**. Conversely, a **B2B** company could examine a potential customer's value chain to determine if there are any activities or business processes it can persuade them to outsource, e.g. fleet logistics (DHL), IT management (IBM) etc.
Vertical Integration	A business model where a company owns some or all levels of the supply chain. The oil majors (BP, Exxon, Shell), for example, search for, extract and refine crude oil (upstream activities). They distribute petroleum 'downstream' into retail channels which they own or brand via **Franchise** arrangements. The vertical integration approach is far less common nowadays in an era of **Outsourcing** and business partnerships such as **Strategic Alliances** and **Joint Ventures**. Its logic remains strong, however, in an industry such as oil where there are huge 'upstream' fixed costs which must always be fully recovered – in this case, control of the vertical channel from oil extraction through to retail site management secures a guaranteed share of distribution. A similar logic applied with PepsiCo's ownership of KFC, TGI Friday's, Taco Bell and Pizza Hut, i.e. over and above the food outlets being successful in their own right, they also provide an additional 'captive' channel for the company's Pepsi-Cola drinks brand.
Zero-Sum	A distinguishing characteristic of mature markets where for one company to gain market share another company must lose it since there is no 'market space' for growth, i.e. there is a cap on the number of units sold. Another term often used to describe this condition is 'saturated market'. In some categories, for example, kitchens, carpets, TVs, a zero-sum condition creates a 'replacement market'. Since the number of units is fixed and market shares are typically stable, many companies maintain marketing investments in line with their existing market position while seeking growth opportunities elsewhere; for example, PepsiCo's development of its fast-growing food chains Pizza Hut, Taco Bell, KFC, TGI Friday's. Another approach is to seek more 'value-per-unit', as Gillette achieves with their strategy of shaving systems' **Brand Cannibalization**. See also: **Diminishing Returns**; **Opportunity Cost**; **Portfolio Management**; **Market/Industry Life Cycle**; **PLC**.

Concluding Remarks

A major challenge of composing a glossary of concepts and terms in the social sciences is being sensitive to international translations, e.g. advertising is publicité in French textbooks whereas publicity has a completely different meaning in the English language marketing literature.

There are also the many issues with British English and American English usage and it is worth noting here that most of the early textbooks relating to international business, strategic management, branding, innovation and marketing were written by American academics and practitioners.

Finally, with many principles already well-established, newcomers to the managerial discipline seek to distinguish their 'own' ideas as being original, often by relying on semantics to add new labels to age-old concepts. The management consultancy profession is notorious for doing this, but academics have also been known to play word-games to make their mark. In this *BBM Glossary of Strategic Management Concepts & Terms*, the aim has been to clarify, not confuse, and 'mainstream' labels and accepted acronyms have been used wherever possible.

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Appendix Three
Author's Recommended Resources for Further Inquiry: A Sample

Introduction

Because of the diverse range of management science disciplines which are covered throughout British Business Manifesto: Strategies for Profitable Growth, including business strategy, marketing, innovation and organiszational behaviour, carefully screened books and textbooks on specific subject areas for those readers interested in greater depth of study are recommended throughout its pages.

Textbooks are an invaluable resource in this regard. A standard definition of a high-quality business or management textbook is 'a critical evaluation of the extant literature', primarily an objective assessment of empirical, evidence-based research from leading peer-reviewed journals combined with insights from discussion focused journals such as the *Harvard Business Review*, the *California Management Review* and the *McKinsey Quarterly*.

General business books are less reliable than high-quality textbooks in terms of evidentiary veracity but they frequently capture the imagination of practising managers and often have a significant impact on how businesses are managed, ranging from inspirational texts on leadership philosophies to treatises on operations management. Publications such as the *Financial Times* and *Management Today* regularly review a broad cross-section of business books, providing expertise and editorial insights which can be considered a proxy for quality and relevance.

Author's Recommended Books

The selected textbooks listed below are chosen based upon cumulative feedback from working with University masters' students and participants attending management development programmes. They have been recommended because they:

1. Are up to date.
2. Are pitched at the right intellectual level for MSc/MBA/DBA/PhD core courses and electives and/or the inquisitive reader.
3. Are fully referenced and indexed to guide readers towards original sources (e.g. peer-reviewed academic journals) for areas of specific interest to them.
4. Have many illustrative examples and thought-provoking case studies to enhance readers' learning experience.
5. Are complementary to all the other activities (lectures, cases, practical examples etc.) that are typically undertaken during taught-course sessions.
6. Are in most cases supported by a comprehensive web resource.

New editions of these books are common (another indicator of a text's quality) so please check for the latest version at, for example, Amazon.com, where you will also find ISBN details and 'verified reader' reviews.

As per the discussion in the introduction, in the list which follows we also include examples of generic books relating to the field of business and management.

A sample…

Buchanan, D., & Huczynski, A. (2019). *Organizational Behaviour* (10 ed.). Harlow: Pearson.

Cameron, E., & Green, M. (2019). *Making Sense of Change Management: A Complete Guide to the Models, Tools and Techniques of Organizational Change* (5 ed.). London: Kogan Page.

Christopher, M. (2016). *Logistics and Supply Chain Management* (5 ed.). Harlow: Pearson.

Collinson, S., Narula, R., & Rugman, A. M. (2020). *International Business* (8 ed.). Harlow: Pearson.

Dibb, S., Simkin, L., Pride, W., M, & Ferrell, O. C. (2019). *Marketing: Concepts and Strategies* (8 ed.). Andover: Cengage Learning.

Fill, C., & Turnbull, S. (2019). *Marketing Communications: Touchpoints, sharing and disruption* (8 ed.). Harlow: Pearson.

Gaughan, P. A. (2018). *Mergers, Acquisitions, and Corporate Restructuring* (7 ed.). London: John Wiley & Sons.

Hooley, G., Nicoulaud, B., Rudd, J., & Lee, N. (2020). *Marketing Strategy and Competitive Positioning* (7 ed.). Harlow: Pearson.

Kouzes, J. M., & Posner, B. Z. (2017). *The Leadership Challenge: How to Make Extraordinary Things Happen in Organizations* (6 ed.). Chichester: John Wiley & Sons.

McDonald, M., & Wilson, H. (2016). *Marketing Plans: How to Prepare Them, How to Profit From Them* (8 ed.). Chichester: Wiley.

Pfeffer, J. (2015). *Leadership BS: Fixing Workplaces and Careers One Truth at a Time*. London: Harper Collins.

Slack, N., & Brandon-Jones, A. (2019). *Operations Management* (9 ed.). Harlow: Pearson.

Steers, R. M., & Osland, J. S. (2019). *Management Across Cultures: Challenges, Strategies, and Skills* (4 ed.). Cambridge: Cambridge University Press.

Tjemkes, B., Vos, P., & Burgers, K. (2017). *Strategic Alliance Management* (2 ed.). London: Routledge.

Wheeler, A. (2017). *Designing Brand Identity: An Essential Guide for the Whole Branding Team* (5 ed.). London: John Wiley & Sons.

Whittington, R., Regner, P., Angwin, D., Johnson, G., & Scholes, K. (2019). *Exploring Strategy: Text and Cases* (12 ed.). Harlow: Pearson.

Author's Recommended Business Biographies

Over many years our students of business and management, whether at universities or as participants in seminars and workshops, have requested recommendations for insightful business biographies and autobiographies.

Business biographies contribute greatly to our understanding of management practice and often provide unique insights into topics such as leadership, company histories, economics and political economy. The selection here includes:

- Autobiography, e.g. Gerstner and his time with IBM, 2003.
- Authorised biographies, e.g. Isaacson on Steve Jobs, 2011.
- Unauthorised biographies, e.g. Bower on Richard Branson, 2014.

- Authorised business biographies, e.g. Clark on Alibaba, 2016.
- Unauthorised business biographies, e.g. Stone on Amazon, 2014.
- Whistle-blower' insights, e.g. Bloodworth on working conditions at Amazon, Uber and 'gig economy' employers, 2018.
- 'Events-focused' histories, e.g. Bernanke on the 2007/08 financial meltdown, 2017.
- Scholars' biographies, e.g. Schoorl on Jean-Baptiste Say, 2015.
- Political biographies, e.g. Taubman on Mikhail Gorbachev, 2017.

A Sample…

Becraft, M. (2014). *Bill Gates: A Biography*. Oxford: Greenwood.

Bernanke, B. (2017). *The Courage to Act: A Memoir of a Crisis and its Aftermath*. London: W.W. Norton & Company.

Bower, T. (2014). *Branson: Behind the Mask*. London: Faber & Faber.

Bloodworth, J. (2018). *Hired: Six Months Undercover in Low-Wage Britain*. London: Atlantic Books.

Branson, R. (2017). *Finding my Virginity: The New Autobiography*. London: Virgin Books.

Clark, D. (2016). *Alibaba: The House that Jack Ma Built*. New York: Harper Collins.

Doz, Y. L., & Wilson, K. (2017). *Ringtone: Exploring the Rise and Fall of Nokia in Mobile Phones*. Oxford: Oxford University Press.

Gerstner, L. (2003). *Who Says Elephants Can't Dance: Inside IBM's Historic Turnaround*. London: HarperCollins.

Isaacson, W. (2011). *Steve Jobs: The Exclusive Biography*. London: Abacus.

Morito, A. (1988). *Made in Japan: Akio Morita and Sony*. London: Fontana Press.

Schoorl, E. (2015). *Jean-Baptiste Say: Revolutionary, Entrepreneur, Economist (Routledge Studies in the History of Economics)*. London: Routledge.

Sculley, J. (1989). *Odyssey: From Pepsi to Apple, the Story of a Marketing Genius*. New York: Fontana Press.

Sloan, A. P. J., McDonald, J., ed., & Stevens, C., ed. (1965). *My Years with General Motors*. New York: Sidgwick & Jackson.

Stone, B. (2014). *The Everything Store: Jeff Bezos and the Age of Amazon*. London: Bantam Press.

Taubman, W. (2017). *Gorbachev: His Life and Times*. London: Simon and Schuster.

Concluding Remarks

Readers will be aware that variations on 'the truth' will feature in such an eclectic selection and the spectrum of objectivity/subjectivity is indeed broad, ranging from ultra-objective (e.g. Isaacson on Steve Jobs, the greatest corporate wealth creator of modern times) to ultra-hubristic (e.g. Scully, the self-proclaimed 'marketing genius' who very nearly destroyed Apple, starting with his firing of: Steve Jobs!). Our assessment is made in the relevant chapters of the book; readers, we are sure, will draw their own conclusions!

Happy Reading!

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References

(The narrative which follows appears in the Preface, not this section, which in the book simply lists the references cited throughout its pages).

Alternative Facts and Fake News: The Referencing Antidote

In 'opinion/comment' columns and many blogs there lurks the danger that the author is unwittingly misleading the reader about the intentions and meanings within the sources they have drawn upon or, much worse, are guilty of plagiarism.

'Fake news' is nothing new but in the world of social media it is unprecedentedly pervasive. Also, fakeness and falsification are not uncommon in what appear on the surface to be eminently reputable business books. Where there is any doubt in the reader's mind regarding the veracity of content there is no substitute for seeking out original sources, articles or books and examining these for themselves. As Ronald Reagan repeatedly observed when discussing US relations with the Soviet Union: "Trust, but verify".

To facilitate this for the reader, the final section of this book provides references to *every* source cited throughout its pages. A more positive reason for referencing is to allow the reader to take any specific topic of interest and follow it through to its broader domain, essential for a book which covers a range of disciplines and which has the inquisitive reader as its target audience.

As a final observation regarding the smart use of references by readers, well-written articles and books have very thoughtfully constructed titles and will convey meaning and insight as to the main thrust of their content. For the reader with the time to do so, it is worth looking at these reference titles as they arise to garner further insight on the scope of the work being cited.

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Colin Edward Egan, Management Academic and Business Advisor, is Principal Consultant of **Nexus Knowledge**, an organisational and executive development practice engaged in the design and delivery of organisational transformation programmes and business education initiatives.

He is also Academic Director of **Strategic Management Think Tank**, a small independent publishing imprint exploring international business and global business strategies in developed and emerging markets. Its first major initiative was the Outside Fortress Europe Research Project. This led to the 2018 book *Outside Fortress Europe: Strategies for the Global Market*. (A new edition is scheduled for publication in **October 2021**). A second book from the project, *British Business Manifesto: Strategies for Profitable Growth*, is scheduled for publication in **January 2022**.

Between 2007-2015 Colin was Visiting Academic at Warwick Business School (WBS), UK, where he taught Core and Elective MBA international business and marketing courses and supervised Masters' theses. From 2008-2013 he was Coca-Cola Professor of Marketing and General Management Program Director at IEDC – Bled School of Management, Slovenia, and before this Professor of Strategic Management at Leicester Business School, De Montfort University, UK, between 1995 and 2007. He was Joint Academic Director of the IBM Marketing University between 1994-2002 and Principal Consultant, Academic Director and Faculty Manager of the BP Sales and Marketing Academy between 2002-2006.

In the last five years, Colin has been Visiting Faculty at a number of leading international academic institutions, delivering Executive MBA Marketing and Global Strategic Management courses at:

- Hong Kong University of Science and Technology (HKUST), Hong Kong
- SKOLKOVO (Moscow School of Management), Russian Federation
- Rotterdam School of Management, Erasmus University, The Netherlands
- International University of Monaco (IUM), Monaco
- Danube Business School, University of Krems, Austria

He received the Warwick Business School 'Outstanding MBA/MSc Teacher Award' on six occasions during his time as Visiting Academic and was nominated for the coveted BP Helios award for his work on management development in the company.

Colin has worked as a consultant to large corporations, designing and delivering in-house executive development programmes for the Strategic Business Units (SBUs) of companies including Philips, Reed Elsevier, IBM, Castrol, YKK and BP. He has also worked with many Small and Medium-sized Enterprises (SMEs), primarily in partnership with organisations such as the Chartered Institute of Marketing and various chambers of commerce.

For further details, please follow the link below to view his web profile:

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