Business Strategy

2019

Assessment Cover Sheet for Assignment One

Assessment Due Date: Thursday 14th March

Please complete the following:

I confirm that this assignment which I have submitted is all my own work and the source of any information or material I have used (including the internet) has been fully identified and properly acknowledged as required in the school guidelines I have received.

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Section A

The way I make decisions is dependent upon the context surrounding the decision that I am required to make which immediately demonstrates my continued employment of the multi-attribute choice theory (Einhorn & Hogarth, 1981, p. 53-88; Payne, 1982, p. 439-459; Hogarth, 1987). Such circumstances can be divided into two different categories: the first is characterised by circumstances driven by emotion and the second by circumstances of intellect. The former of these can be exemplified by decisions that involve friends and family (Moon, 2004, p. 44-57) while the latter can be exemplified by decisions in the context of business (Campbell et al., 2011, p. 33-42) and this is how my mind divides decision-making, both individually and in a group.

With the application of Filter Theory (Kerckhoff & Davis, 1962, p. 295-303) to these two categories, the decisions made in relation to my loved ones hold greater filtration when compared to those made in relation to my job because my loved ones hold a larger importance to me than the decisions made in my job, hence the need for greater filtration for decisions that involve familial emotions.

One of my present habits with regards to decision-making is asking those with greater experience for their opinions about the decision I should make which demonstrates my tendency towards the learning school of thought which considers decision-making to be an emergent process (Lynch, 2012, p. 45-59). To improve on this for the future, I will attempt to become more independent by using the outcomes of past decisions to determine which are correct in the current circumstance without requiring external input which is a quality upheld across the various descriptive schools of strategy (Jamil & Shah, 2015, p. 91-98).

One example that I can identify as requiring further development in my decision-making process is being able to remove emotional urges because these are considered distractions (Bazerman & Moore, 2013, p. 114-118). Sometimes I have allowed my emotions to get the better of me which

only clouded my ability to make decisions decisively and this is an aspect I intend to improve on, especially in the context of group decision-making.

An example of a decision I once had to make was in my job when I had to decide whether to go ahead with an advertisement for the business. The decision I made was to go ahead with the advertisement despite its costs. This was designed to both optimise, maximise, and improve the business by optimising its monetary resources, maximising the sales and finally, by improving the reputation of the brand.

Factors that influenced this decision included the cost of the advertisement, the opinions of my colleagues and manager (Elfring & Volberda, 2001, p.11-42) and the past effectiveness of advertisements in reaching the company's goals. This is an example of the planning school of thought which considers decisions according to budgeting, controlling the environment, and by formalising the advertising structure (Kipley, 2009, p. 7-9).

An alternative approach on this would involve the notion that the advertisement is too much of a risk for the company to spend its small budget on and would consider the analysability of the advertisement's benefits through economic variables in order to create a greater guarantee of results (Davis & Dess, 1984, p. 467-488; Gartner, 1985, p. 873-875). Meanwhile, another approach would place greater focus on the environment in order to react to the current externalities so as to achieve customer retention (Freeman & Hannan, 1977, p. 929-964).

Through Moon's five stages of learning (1999, p. 116-119) as part of reflection and metacognition, the decision-making process is assimilated to Moon's learning stages as I unconsciously employ transformative learning through the formulation of my own ideas about how to handle a future situation after enduring different experiences. Additionally, through the application of Gibbs' reflective cycle (Cartwright & McGregor, 2011, p. 217-234) to decisions in my job, I feel I will

sharpen my individual and group decision-making skills which will be integral for me to achieve a managerial role.

I feel that through my managers I am able to hone the efficiency of my decision-making by emulating their own decision-making processes and incorporating them into my own personal style (Hicks, 2004, p. 24-25). To summarise, the areas that require further development for my decision-making include the extent of the confidence I hold in the decisions I make, especially in group decision-making, the consistency of my decisions, and lastly, to improve my ability to justify my decisions to others in group decision-making. Finally, the managerial qualities I intend to improve on are centred on my ability to have vision, which is the primary theme of the entrepreneurial school within the descriptive approach (Ahlstrand et al., 2009, p. 130-154; p. 185-238; p. 275-298; p. 317-357).

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Section B

In order to evaluate the effectiveness of an organisation's strategic decision-making approach, the analysis of the different approaches to strategy must be undertaken. There are two major groupings for strategic approaches, the first are prescriptive and the second are the descriptive theories (Lynch, 2012, p. 45-59). Therefore, a firm can choose either of these two approaches for their orientation and either emphasise on one school of thought, or form an amalgamation of different schools.

Lynch (2012, p. 45-59) identifies four approaches for both prescriptive theories and descriptive/ emergent theories of strategic management (Jennings & Wattam, 1998, p. 141), the former of which includes industry and environment-based theories, resource-based theories, game-based theories, and cooperation and network theories. Meanwhile, the latter includes survival-based theories, uncertainty-based theories, human-resourced-based theories, and innovation and knowledge-based theories (Lynch, 2012, p. 45-59).

There are limitations to both the prescriptive and the descriptive theories of strategy with the primary limitations for the prescriptive theories exemplified by the fact that prescriptive managers do not take into account, with the same emphasis as descriptive managers, the changing conditions of the business environment which is likely to lead to unattended circumstances thwarting the strategy (Yazdani, 2010, p. 2-5). Secondly, under the prescriptive style, only managers are able to contribute to the strategic formulation process with no role for subordinates which isolates them and could cause the managers to miss certain key ideas that would improve the overall strategy (Meyer & Wit, 2010, p. 57-58).

The main limitation for descriptive/emergent theories of strategy is that an ultimate strategy is never truly formulated due to the constantly changing and therefore unpredictable environment that descriptive strategists focus on (Meyer & Wit, 2010, p. 58-59). Furthermore, although descriptive

strategists allow for the contribution of subordinate members of the company, this could cause an overload of opinions which would limit the efficiency of the strategic formulation process (Cunningham & Harney, 2012, p. 122-123).

For the purpose of this evaluation, three company examples are provided in order to create context for the discussion and to demonstrate how differences in strategy impact upon each company's decision-making style; these examples are Amazon, Emirates Airlines, and Nissan. Beginning with Amazon's prescriptive approach, particularly as it employs the industry and environment-based theory of strategy, the company's strategy is driven by its sources of competitive advantage, mainly cost leadership, choice, service, and brand reputation (Emmer, 2018). The environment-based theory for Amazon is employed in the orientation around their cost leadership competitive advantage (Field, 2018) which is ultimately predicated on their unrivalled ability to adapt (Boss, 2017).

Lynch's identification of the game-based theories (2012, p. 45-59) focuses on a type of decision-making which involves choosing the best strategic option. Rather than treating this approach as an options-and-choice model, its adherents explore the interaction between an organisation and externalities as the decision is made. Amazon employed this approach when deciding about the different strategic options for entering the Chinese market (Lee, 2018) which was especially significant due to the high competitiveness of that market and the failures of other Western companies there. Finally, Amazon more recently employed a human-resource-based approach in its use of predictive analytics in order to grasp an complete understanding of its customer base which demonstrates a focus on the importance of consumers to their overall strategic position (Marr, 2016, p. 287-292). Alternatively, Emirates Airlines have adopted the cooperation and network theories strategy (Lynch, 2012, p. 45-59) which involves focusing on the sharing of personal contacts, knowledge, and influence within the organisation as well as externally in order to achieve mutual benefit. An example of this is Emirates' Skywards miles reward scheme in which

it partners with nine other airlines in order to boost the extent to which their reward scheme is utilised (The Points Guys, 2013).

Lastly, Nissan, in the midst of the constantly altering business environment in the United Kingdom (UK) due to the Brexit vote, have employed the survival-based strategic theory (Lynch, 2012, p. 45-59) in which only the fittest companies manage to survive. There is an acknowledgement of the difficulty to plan a strategy actively due to the uncertainty surrounding the UK's future after Brexit, hence Nissan's embroilment after vying for their own deal for survival post-Brexit (Busy, 2019; Clifton & Jarvis, 2019).

Also optional to the development of a firm's strategic orientation is the implementation of Mintzberg's 5 Ps (Campbell et al., 2002, p. 8) involving a plan, a ploy, a behavioural pattern, a position, and a perspective. Meanwhile, others may include Porter's Five Forces (Brassington & Pettitt, 2006, p. 962), Value Chain (Hussey, 1999, p. 85-87), and the BCG matrix (Gilligan & Wilson, 2012, p. 368-373) which can all be utilised to position products and orient an entire strategy when used in collaboration with one another.

Descriptive schools are more attractive in the business context because they are not bound by any laws, therefore, they hold greater mobility and flexibility in the ever-changing environment of business which points to the need for managers to hold an adaptable approach to strategy that is able to keep ahead of the changing influential factors which is known as logical incrementalism (Morden, 1999, p. 119). The evolutionary perspective views the strategic process as more emergent and non-teleological which is arguably better for the business due to the fact that it holds greater mobility; the essential goal of the strategic management of a company should be to manage it in such a way that choice is maximised in order to achieve successful management (Pettigrew et al., 2010, p. 190-191). If a strategy limits a company's choices and its overall mobility then the wrong strategy has been chosen for that circumstance.

Two measures that can be taken to structure group decision-making are PESTEL (Angwin et al., 2017, p. 34-48) and SWOT (Angwin et al., 2017, p. 115-119) which remain the primary formulators of a company's overall position in a market and act as necessities for understanding a company's capabilities in the context of the market, hence the high importance for these two methods. However, both PESTEL and SWOT hold limitations to their method with SWOT failing in the prioritisation of the issues it raises, its inability to provide solutions to the issues it identifies, and despite its ability to excel in providing information, not all of the information is useful (Queensland Government, 2017). In the case of PESTEL, despite its investigation of six external factors, the method still does not hold the ability to encompass the entirety of the external environment due to the vastness of that environment and the range of events simultaneously occurring within it.

Furthermore, due to the dependence of PESTEL on current affairs, it is easy for information, especially regarding the political, legal, and economic factors, to be misinterpreted even if one's resources are reliable because these are spheres in which there always exists a bias and so the true reality is hard to distinguish which makes the usability of the information derived from the PESTEL to be inconsistent (Frue, 2018).

Finally, the context of a decision is the primary influencer on the nature and effectiveness of the managerial decision-making process and the way that strategic planning should be approached is via a context-first route in which local, regional, national, and international contexts are provided to the decision-making process. After this, the listing of advantages and disadvantages to the decision should occur followed by the consideration of the extent of the benefits and consequences of the decision. Finally, this process should be applied to all the possible decision choices rather than just one or two and ideally, time should be given in order for new decision choices to arise.

(1,310 words)

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