KnowledgEquity – Global Strategy and Leadership – FAQs

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Module 1 – FAQs

The map on page 15 shows a section "customer jobs" in the customer profile. Could you explain the text on pages 14 and 15?

(Reshaping the value proposition (page 14))

When you develop a value proposition you need to develop high-value customer jobs. A customer job is an important issue your customers are trying to solve in their work or in their lives. As a provider these are jobs that you aim to provide a solution for and therefore fix the customer pain point.

The key is to think beyond the functional tasks and consider the social and emotional tasks too. For example, a company delivers pre-packed food ingredients with instructions for easy cooking family meals. The functional job is to get dinner on the table. The social and emotional jobs might be about the parent spending time with their kids cooking dinner, rather than dragging kids around the supermarket buying all the ingredients.

The author Alexander Osterwalder explains that to help focus on the right customer jobs you can assess them against criteria including whether they are important, tangible, currently unsatisfied and potentially lucrative. He also states that the customer jobs process is an iterative one and that what you first write down might not be what you end up with later on as you workshop the value proposition.

When a company expands into a new market overseas, is this always a strategic stretch?

(Strategic fit and stretch (page 17))

It may be but it is not an automatic conclusion, so it depends on an analysis of the information available. For instance, in the first webinar, we discuss Bunning's failed expansion into the UK market. They use their current resources (including sending over the own management team to the UK), to implement an acquisition of Homebase. Considering Table 1.2, the strategy was a strategic fit between the market opportunities and their resources. It does not matter that they were entering a different geographic market. There was a market need for hardware in the UK so they were not creating a new market need or differentiating on competencies.

Woolworths operates grocery stores in Australia. They decided to enter the retail hardware market only in Australia. The customers are similar but not always the same (e.g. Around 65% of women do the grocery shopping but it is the opposite in retail hardware). Both grocery and hardware require logistics systems and other functions that are similar, but the marketing, product portfolio mix, pricing strategies, and other functions are different. The resources required to implement were not part of Woolworth's core competencies. Therefore, this was a strategic stretch. The approach is to match the resources available to the market opportunity and decide if it requires new resources or current ones to be utilised in a different manner. That helps separate fit from stretch.

Strategic fit or stretch: What does ‘risk-reduction through portfolio’ and ‘investments by corporate centre’ mean in Table 1.2? (page 18)

As you’d be aware, risk is reduced through adding items to an existing holding of items – for example, shares. If you hold shares in one organisation, you can reduce your total risk – the ‘portfolio risk‘ - by adding shares in other organisations.

Organisations similarly aim to reduce their risk. They can reduce their risk by adding more products or businesses to their portfolio of products or businesses – for example, if one product’s sales reduce, they have more products that may offset the revenue fall which is a fit opportunity. A stretch approach is about adding new competencies (whether built internally or brought in from outside the organisation) to an existing portfolio of competencies which will allow them to base a competitive advantage on in the future. For example, a manufacturer with competencies in fabricating plastic parts intending to gain competencies with 3D printing of some of those plastic parts.

Investments by corporate centre are about the central senior management of the organisation making decisions on how they will invest the organisations’ resources. That could be a fit strategy as per the more usual types of strategies of their business units or their subsidiaries, such as adding another subsidiary office in a market they already operate in. Or they could undertake a stretch strategy where they invest in their strategic capabilities or core competencies that will allow them to be successful. An example is Apple – they were originally known as a computing company. Their capabilities in electronics, miniaturisation and design allowed them to invest in developing products outside of computers such as the iPhone and iPod.

Module 2 – FAQs

What is the reasoning behind a high level of fixed costs meaning that a company is more willing to discount to utilise capacity?

(Intensity of industry rivalry (page 123))

Fixed costs are fixed because whatever the volume of production, the same costs will be incurred over a period of time. For example, rent, insurance on the premises, loan repayments etc. The total cost of production is the fixed costs plus the variable costs, which are the material and labour costs involved in producing each unit of product or service. This means that the average cost per unit will be reduced if there is a greater volume of production, because the fixed costs per unit reduce as volumes increase.

If the fixed costs for an organisation are high, and they have spare production capacity, there is a great incentive for them to discount their price to sell more units. The organisation could discount their price yet make more profit per unit. This is because the reduction in average cost per unit due to the higher production volumes because of the higher sales, could be greater than the discount on the price.

Any sales price above the marginal (variable) cost will make a contribution to paying off the organisation’s fixed costs.

Module 3 – FAQs

In figure 3.4, suppliers are shown in the Crowd quadrant. It seems that suppliers would always be here. Is this correct or can they be classified another way?

(Suppliers in the power-interest grid (page 155))

Suppliers could be in another quadrant. In many cases, suppliers don't have a great interest in a company's strategy however, the airline industry is an example that differs. For commercial airlines, there are predominately two suppliers, Boeing and Airbus. They compete fiercely for buyers and there are not many to compete for. Buyers tend to "update fleets" rather than buy only a plane now and then. Therefore Boeing have a strong interest in the strategy of Qantas, or Singapore, or any large airline. They don't have a great deal of power to change Singapore Airline's strategy. They do not dictate what routes they fly, their pricing structure, the services they offer. But these two suppliers would be classified as Subjects and not the Crowd.

The SG says in defining customers as a strategic driver we need to consider markets. It discusses markets as geographic only on page 162 and applies this in Table 3.3. In Module 2, the SG discusses market segmentation and here it provides more detail about different criteria to use to segment markets. It also says that markets are "less likely to be defined in geographical terms. Do these sections align?

(Different definitions/applications of a market (pages 126 and 163))

It is helpful to think of the headings under Section 3.3 on page 163 as follows:

Industry and Markets = Industry and Geographical Markets

Customers = Customer Markets

It is correct that lines between geographical markets are more blurred now due to globalisation. Ecommerce alone enables companies to sell globally. Amazon sells products in most countries across the world.

Although in the section Industry and Markets, it only discusses geographics, customer markets are also applicable. Table 3.3 has a column for customers. You can view these as customer markets. It's important to understand that industries, markets, customers, products, channels are all interlinked. In the webinars we make the point early on, that the original definition of the industry is critical to how you then break it down further. Markets can be defined as customer or product markets, or geographical markets.

The study guide states that Figure 3.14 depicts knowledge transfer however the terms in the green boxes in the figure are not explained. How do we interpret this figure?

(Knowledge Conversion (page 187))

Figure 3.14 shows how knowledge evolves. Imagine a master builder, or a baker, or metal worker, or chef. They just 'know how to do stuff' after years of practice. This is 'tacit knowledge' for the individual. It's often hard to teach or explain. So, the master gets an apprentice, and the apprentice just watches, and slowly learns by observation and copying. It is very time consuming and hard work.

If someone studies the expert, or the expert is good at explaining they can start sharing that knowledge to more people. (Look at the 'how to' videos on YouTube for car repairs or cooking etc). This is labelled externalisation. Organisations can also sit down next to experts and get them to write out step by step processes and instructions (systematisation). So, this starts pushing the 'tacit individual knowledge' upwards towards the 'explicit' boxes.

Once an organisation has the documents / workflow / knowledge, it trains up a team of workers. As employees practice this they get really good at it and it becomes 'tacit' knowledge (routinisation). If you have ever done a role where it happens 'automatically' just by practice then this is a good example.

Module 4 – FAQs

On page 218 in the study guide states "one of the ways to grow in an existing market is to gain a higher concentration of the market." In Module 2 (page 118), it says with high concentration, there are very few suppliers. Do these statements contradict each other?

No, they do not contradict each other. We can use the word concentration to indicate either situation. Most of us think of a high concentration of salt in water as a lot of salt. A high concentration of the market is to have a high level of share of that market. In module 2, they use the term concentration to mean there are fewer of the objects, in this case suppliers, buyers or industry participants. Neither use of the term is incorrect so just remember its meaning in the Five Forces concept and how it is used in other situations.

Module 5 – FAQs

Question 5.5 – The answer shows in the second column the strategic drivers. It also mentions product and service competencies and operational competencies but are these strategic drivers?

(Strategic drivers (MOSM page 306, answer: page 552))

No, they are not strategic drivers, they are referencing organisational and people levers. These are relevant because the organisation needs to understand which levers to pull (which competencies, capabilities and resources they need) to successfully deliver the strategy. The levers are listed first in each row (right column) and the driver is listed below. Note that two of the drivers also cross reference with Ansoff's product-market matrix however, here we are only linking to the strategic drivers of industry, markets, products, customers and competitive advantage.

The trouble with strategy is that normal words can have a technical meaning (eg market development in the Ansoff model has a specific meaning, which of course is very different to the meaning of market penetration) and they can have an ordinary meaning (e.g. market development is used in the answer to Question 5.5 as meaning to make gains in their existing domestic market).

Question 5.5 – The second strategic option is to focus more on the domestic market. The answer states this is market development however, if they already operate in this market, why is it not increasing market penetration?

If we consider Ansoff's product-market matrix then yes, it more likely that this option relates to market penetration and not new market development. The case facts state that 2.9 million domestic tourists visited the ACT. Therefore, it appears incorrect to conclude that the domestic market is a new market. If we consider markets as a strategic driver, then they want to develop this market further. The table using Ansoff terminology confuses the application of the strategic drivers from Module 3.

The Ansoff model uses a technical meaning for the term "market development". But note that in this question, it is not using the Ansoff model. Here, 'market development' is being used more generally meaning to just develop the market further and gain more customers.

The same issue arises for the fourth listed strategic option – It would be 'market penetration' as an Ansoff classification but 'market development' is being used to say it is a market strategic driver.

In Figure 5.9 (page309), the strategic driver in the blue box is moving into new markets to include supplementary services. In question 5.5 the answer stipulates that this strategic option is about new product development. Which is correct?

We can separate these statements so that one refers to the product-market matrix (Ansoff), and the other refers to a strategy of operating in a different industry (but selling to the same group of customers).

This is a similar issue that arises in Question 5.5. The Ansoff model is a model for taking a certain perspective and names and defines the four quadrants. If you are asked about the Ansoff model and this strategic option, then the strategic option would be diversification, or if the same market being aimed at, product development.

But this is not an Ansoff question. Figure 5.9 is aiming to show an example of how - specifically - the market strategic driver links to the strategic option and the org and people driver.

If the option of starting a five-star restaurant is a new product and we believe it is a new market, then it is a diversification strategy. However, if we take the answer to question 5.5 as correct, then it is product development. If we interpret it this way, then the driver shown in Figure 5.9 will be products and not markets.

Figure 5.9 is specifically showing how the market strategic driver, the strategic option and the organisation & people lever are linked. The "Expand into the hospitality industry ...." strategic option would likely impact the industry, product, channel and competitive advantage strategic drivers as well as the market strategic driver, and any or all of these drivers could have been used to come up with very similar links to the organisation and people drivers".

Module 6 – FAQs

In Figure 6.4, for each of the resulting issues, is it only associated with the one empty box space in the grid?

(Managing change (page 384))

This figure is a graphical representation of a model. You will experience inertia in change if there is not a compelling case. You may also experience inertia if adequate resources are not supplied. You will also experience significant frustration. The grid is showing us key issues and key likely causes. They are not the only causes but are common ones that will result in that change issue. If you are asked a question on this table you can assume the empty box equates to the most likely issue.

Technology insight 6.5 describes dashboards. They appear very similar to the balanced scorecard and so how do we tell the difference between them?

(Dashboards versus Balanced Scorecard (page 398))

Generally, a balance scorecard (BSC) is not regarded as a dashboard. Dashboards do not have to measure performance across four perspectives, and they don't necessarily provide an overall strategic view of the organisation. They can be used by project managers to manage actions in detail, or by senior management to monitor a large change program. They may be heavily numbers focused or very visual – there are many ways to represent the tracking of performance. Management might include dashboards in the monthly Board report but they will be separate from the BSC.

What is the difference between group inertia and habits and security?

(Resistance to change (page 405))

Both terms are discussing the status quo that we, as humans, feel secure with. Group dynamics requires several people to feel the same way about their values, their needs, their behaviour. A union is one example in an organisation that displays group dynamics. An organisation may want to implement a strategy that changes the working conditions of employees. If many of them are in a union, then they will likely have the same beliefs about the working conditions they should receive. They will likely show resistance to the change as a group. Habits and security are at an individual level.

Module 7 – FAQs

Design thinking is discussed in detail in Module 4 and mentioned again in Module 7. Why is CPA's Figure 7.9 different to the IDEO's table in Module 4? Which is correct?

(Design thinking (page 442))

Both Table 4.12 and Figure 7.9 are explaining the same concept. The key difference is in Figure 7.9, CPA has split the experiment into prototype and test, and renamed evolution to implementation. If you see a question on the stages of design thinking, refer to table 4.12, because Figure 7.9 does not name the columns as stages.

Question 7.10, in the answer it states that for Architectural, Buzzfeed added to the value chain by instant messaging links of popular stores from other websites, and used curators to provide summaries of stories. Does this align with the value chain approach more than architectural? Considering disruption, how is collating news stories disruption when traditional news companies have been doing this for a long time?

(Question 7.10 (solution, page 447))

For architectural, they did create their own platform which is quite different to other news services. They utilised IP with their algorithms (hence building a moat more than storming a hill). This changed where readers got their news from, and possibly has influenced them to seek news from sources they would not have in the past. They may have also influenced news providers as Buzzfeed became a more powerful platform.

In relation to disruption, Buzzfeed caught on to was using data analytics to provide a better service to the customer. We could get our news from one source and feel it was the news we wanted to read. They may have been collaborating early on by taking news from a range of sources but soon they became their own offering and were taking the incumbent organisations head-on.

Example 7.9 (page 456) I tried to apply the different responses to disruption but could only come up with the milk strategy. How do you apply the concept to this example?

If we are only considering the present situation in the example, then the milk strategy is the main strategy. The first business owner is buying in bulk and the example of the second business owner is running an e-commerce store. They are attempting to disrupt the current business strategy by competing directly with the larger players however, we need to keep in mind the example is discussing regional retailers who do not have the financial or operational resources to aggressively compete with disruptors. The example says that retailers may not survive so we can consider the exit strategy as a future option.

If we are discussing potential future strategies they could use then they could disrupt the current business strategy by giving up the shopfront and joining the online disruptors. The third strategy is the exit strategy.

Note that it would be difficult to find a real example that applied many different approaches, however the taxi industry is perhaps one. They first attempted to block Uber. At the same time, they are obviously still running and trying to milk their current strategy. Some taxi companies have disrupted their current business strategy by investing in their own apps that are like Uber's. It is difficult for them to retreat to a strategic niche unless they all try to become high-end limousine taxis. The exit strategy is probably where most operators are looking to these days.

Example 7.11 (page 460) It is difficult to apply the preceding concept about the characteristics of emerging national markets.

The concept of socio-political institutions is well covered in this example, however, other issues are infrastructure, raw materials, low-income conditions and distribution channels are not covered. If you consider other companies and industries when you read the business news you will find examples of characteristics of emerging markets. Another link you can make to this example is about the concept of different business conduct standards from the end of Module 4.

Question 7.12 (page 460) The suggested answer has a table with a column heading: case facts, but it does not supply any.

For Question 7.12, the case facts were omitted and this will be rectified in the next update.