ASSIGNMENT

NAME:

INSTITUTION:

INSTRUCTOR:

COURSE:

DATE OF SUBMISSION:

QUESTION 1

You are a strategic planning manager in a large international oil company. Explain what strategic style you would adopt and why. Cite relevant examples from the oil and gas sector. Refer to models learned on the course such as SWOT analysis, Porter's Five Forces

Contemporary companies operate in industries characterized by constant evolution of business environment. For example, the internet and computer industry, or even other technology-based industry, is synonymous with rapid changing environment due to invariable technological breakthroughs. Companies that fail to change in tandem with technological breakthroughs slide into oblivion due to efficiency differentials in the industry brought by adoption of new technology. Scholars assert that companies should, therefore, adapt their strategy to their aggressive environment in order to remain competitive. Nevertheless, it is difficult for strategic managers to align strategies with respective business environment due to the unpredictable and volatile nature of some business environments. For instance, companies in the computer industry operate in highly competitive business environment typified by constant superior innovations, which make it easier for these companies to gain or lose market base easily, making it impossible to predict business outlook. However, there are companies that operate in predictable environments, affording strategic managers those companies opportunity to match strategy with predicted environment; a good example of such industry is the oil and gas industry. Due to disparity in business environments, Reeves, Love and Tilmanns (2012) posit that different companies use different strategies depending on business environment predictability and influence on the changing environment.

Reeves, Love and Tilmanns (2012) point out four strategic planning styles that strategic managers use to choose strategy to deploy in their respective business environment. The strategic styles are namely, adaptive, classical, visionary and shaping. Companies operating in business environments which are predictable but whose control is difficult deploy classical strategic planning style. This form of strategic style is highly effective in mature and stable industries such as the oil industries. In this case, a company set an objective to control market share, which it deems favourable, and then engages in planning in an effort to capture and strengthen that market base. Due to globalization, technological innovations, intense competition and economic fears, technology industry is impulsive and unpredictable. Companies operating in the industry are constantly refining tactics and goals and promptly shifting resources to adapt to the reactive business environment. Reeves, Love and Tilmanns (2012) observe that companies operating in fast changing business environment are disadvantaged since predictions are often wrong and long term plans un workable. The only remedy is to engineer flexibility in their strategies by adopting adaptive planning strategy. Shaping is another strategic planning strategy that is highly effective in volatile and predictable industries. However unlike adaptive strategic planning style, companies deploying adaptive strategy try to influence the erratic business environment before their competitors in the industry (Reeves, Love and Tilmanns, 2012). Another distinction between the two, adaptive and shaping strategic styles, is that shapers move beyond the confinements of their company to attract new markets, technologies, standards and business mannerisms. However, just like companies deploying adaptive strategic planning style, companies using shaping strategic planning style, are flexible in their planning cycle, with short term planning successions. Lastly is visionary strategic planning style. In this style, companies predict the future and devise strategies to realise the desired end result (Reeves, Love and Tilmanns, 2012).

Companies operating in the oil industry operative in relatively stable business environments (Johnston and Johnston, 2006); though, there are changes in the oil industry they are predictable with few erratic cases. As a strategic manager in a oil company I know that business environment in the oil industry is shaped by geopolitical forces, weather conditions, discovery and exploitation of new oil resources, income levels, weather conditions and GDP's of economies of the world. These business shapers factors are beyond any of the oil industry players. Therefore, I will adapt a classical strategic planning style. In this strategic planning style, I will aim at consolidating my market share by engaging in formalized planning efforts, aligned to the predictable business environment, to capture and retain market position, which is favourable. Grant (2003) conjectures that companies such as Shell, Mobil, BP and Exxon operating in stable industries engage in formalized form of planning due to the relative stable environment that typify the oil and gas industry. The strategic planning process entails incorporating business environment expectations and planning priorities. Murray, Poole and Jones (2006) observe that due to the predictable nature of the oil and gas business environment, Shell pioneered the use of scenario simulation planning to predict the future, facilitating prior strategy development to confront the uncertainties. Consequently, Shell was not overwhelmed by uncertainty events which otherwise would adversely cripple its business operations. For instance, Shell using simulation planning was able to successfully predict two significant business environment events; namely, the fall of the Soviet Union and the rise of Muslim radicalism and drastic changes in oil prices in 1970 (Murray, Poole and Jones, 2006). The Shell management thereby used classical strategic planning style to ensure that they appropriately respond to the predicted changes in the oil industry in order to maintain their market share otherwise would have been adversely affected by those unfavourable changes in the long run.

Due to the predictable nature of the oil and gas business industry environment, it would be easier to use SWOT analysis as a strategic tool in the classical strategic planning process. SWOT analysis is a vital model in classical strategic planning style since it entails assessing the company's strength and weakness to the opportunities and threats facing the business environment. According to Walsh et al., (2011) SWOT analysis is a management tool that entails evaluation of a firms internal state, which is firm's strength and weakness, to the external business environment, which include threats and opportunities affecting the firms in the industry. Since the oil and gas industry business environment is shaped by geopolitical, economic, financial and climatic changes which are easily be predictable using simulation, economic and financial models, as a strategic manager I will assess the strengths and weaknesses of the corporation vis a viz the projected business environment to develop strategic plans that pre-empt business pitfalls posed by the predictable scenario. For example, oil companies that predicted and developed plans to curtail Muslim radicalism and Arab spring did not suffer from oil shortage that characterized the Arab Spring since they had put adequate strategic plans to tackle the oil shortage. The financial crisis that hit the world in 2009 was a predictable environment due to the predictable nature of economic and financial policies. Due to the fact that, it is beyond the control of oil and gas companies to dictate the macroeconomic environment of the world, strategic managers of oil companies would only engage in successive planning initiatives targeting favourable markets. Firstly by setting a goal in this case expanding market base and then implementing plans to strengthen the market position. Moreover the use of classical strategic style is effective in the oil and gas industry due to the predictable nature of threats and opportunities in the oil and gas business. Threats affecting business environment of gas and oil industry are majorly: geopolitical, economic and climate. These threats are predictable and strategic managers are able to develop strategies that mitigate their effects on business. Likewise, opportunities in the oil and gas industry can easily be discerned, such as market opportunities and discovery new oil fields. It is therefore evident that classical strategic style is the best strategic planning approach for my oil corporation to use due to the predictable oil and gas business environment that is foreseeable using simulation models and analyzed through SWOT analysis to pre-empt any uncertainty that poses threat to the corporation.

Porter's 5 competitive forces indicate that the oil and gas business is not subject to intense competition. Porter (1997) highlight that there are five forces that shape competition in an industry; namely, threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threats of substitute product or service and rivalry among competitors. Industries facing intense forces in the five domains of competition do not record attractive returns. Companies in industries experiencing intense competitive forces are in the airline and hotel industries However, companies in industries experiencing mild competitive forces in the five competitive spheres record superior profit. Companies in industries experiencing low or mild competitive forces are in the oil and software industries. Due to the stable and predictable nature of competition in the oil and gas industry, strategic managers are able to develop set goals and plans, and subsequently engage in successive planning to realise the goals; therefore, making classic strategic style the optimal strategic planning style in the oil and gas industry. This is unlike in industries characterized by intense competitive forces, making business environment unpredictable and highly volatile, thus making classic strategic style ineffective. Due to the fact that it is extremely difficult for a new entrant in the oil industry due to the high capital cost, I as a strategic manager will be able to analyze my competitors strategies and develop a strategy to counter them without the worry of another popping competitor. It is evident that due to the predictable nature and mild competitive forces as highlighted by Porter (1997) in the oil and gas business environment makes classical strategic style the best approach to adopt for oil corporations.

QUESTION TWO

Johnson, Scholes and Whittington (Exploring strategy, the key module text) have developed the "lenses " model of strategic analysis, compare and contrast their research with the BCG findings.

According to Graham (2008) strategy entails planning with a long term view of the business, with the view where the management would like the business to be in the long run. It thus entails understanding the organisations strength and weaknesses, its market position and the tactics of the competitors in the industry. There are three components of a strategy; namely, strategic planning or choice, strategic positioning or analysis and strategic implementation (Thompson and Martin, 2010). Strategic planning involves developing plans for strategic change. Strategic positioning entails identifying the position where the organisation stands, where the organisation need to be. Lastly, strategic implementation involves actualizing the plan through taking real and sustained initiatives. Strategy plays a critical role in aiding an organization gain competitive advantage in the competitive business environment (Kaplan and Norton, 2001). Different scholars hold views and models on strategic analysis that may be similar or contrasting.

Johnson, Scholes and Whittington (2008) opine that strategy can be viewed in three forms of "lenses"; namely, strategy by design, strategy by experience and strategy by ideas. On the other hand, Reeves, Love and Tilmanns (2012) assert that organisations should plan strategies using the following four styles; namely, adaptive style, shaping style, classic style and visionary style. Johnson, Scholes and Whittington (2008) explain that strategy by design refers to the view that strategic managers develop strategies based on logical analysis of external and internal constraints and forces affecting an organisation using analytical processes to position an organisation in the competitive business environment. Strategy by experience lens refers to the notion that strategies are influenced and based on past strategies (Johnson, Scholes and Whittington , 2008). In this case strategy is therefore an incremental change rather than a fundamental change influenced by lived experiences and organisational change. Strategy as an idea is based on the notion that strategy does not emanate from the top levels of management but from ideas within the business environment (Johnson, Scholes and Whittington , 2008). Scholars assert that this explains why some companies are more innovative than others. Reeves, Love and Tilmanns (2012) in distinguishing the four styles of strategic planning explain that classical strategic style is utilized by companies in predictable business environment, whereby the company sets a goal and works towards it by successive planning. Adaptive strategic style is adopted by companies in volatile and unpredictable environments, the companies constantly review their tactics to survive in the reactive environment. Shapers are like adapters, they operate in volatile and unpredictable environment, but they shape the environment to their advantage. Lastly, visionary companies predict the future business environment and shape it through innovations.

There are certain similarities between postulations by the two sets of scholars on strategic analysis. Both strategic models concur that strategic planning is an indispensable tool for gaining competitive advantage in the competitive business environment. That is why there is need to adopt strategies in an effort to realise business goals and objectives, and strategies shape the future. The second agreement between the two schools of thought on strategic analysis is that strategies are borne from ideas that are actualized as tactics, both in predictable and unpredictable business environment. It is for this reason that in predictable environment, strategic managers develop tactics which are long tem in view to aid in business development.

Similarly in volatile and unpredictable business environment, strategic managers develop tactics but continuously refine them to adapt to the reactive business environment to bring about desired outcome. Thirdly, strategies are4 shaped by prior lived experiences. In both school of thoughts postulated by Boston Consulting Group and Johnson, Scholes and Whittington (2008), future strategies are shaped by past and present business environment. That's why Johnson, Scholes and Whittington (2008) point out that strategy can be viewed through the lens of experience, which describe lived experiences of strategic managers and organisation culture. On the same note, Johnson, Scholes and Whittington (2008) posit in visionary and shaping strategic styles that an organisation controls and influences the future business environment by predicting the path to realise it, in this case visionary strategic style. On the same view, shaping strategic style involve shaping the unpredictable business environment to realise the desired goals. Lastly, both researches agree that strategy involve logical and directive planning process to optimize economic performance. In that respect, strategy helps organizations to position themselves in the dynamic business environment.

The two models of strategic analysis have stark contrast. The one postulated by Boston Consulting Group and authored by Reeves, Love and Tilmanns (2012) highlight the styles that organizations operating in predictable and unpredictable environment use to respond to the respective fast changing environments to bring about the desired outcomes. While the strategic model posited by Johnson, Scholes and Whittington (2008) illustrate the different dimensions that strategies can be viewed from; namely, experience, ideas and design. Another difference between the ideas floated by the two groups is that Reeves, Love and Tilmanns (2012) exemplify the environment that the four distinct types of strategic styles can be deployed. For example, the classic strategic management style is synonymous with predictable and stable business environment like in mature industries such as the oil industry while adaptive and shaping strategic styles are used in volatile and unpredictable business environment like in the software and computing industry. This is in sharp contrast to the three lenses postulated by Johnson, Scholes and Whittington (2008) that does not define the type of environment, either predictable or unpredictable, that the three “lenses” of ideas, experience and design view strategic analysis from. The third contrast is that the three “lenses” model highlight that ideas for implementation of strategy comes from within the organization and at all hierarchies of an organization not from the top echelon of management. However Boston Consulting Group insinuates that strategic planning is the mandate of senior management only. It is evident that the two ideas have more similarities than contrasts in analyzing the use of strategy in organization planning.

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