Management for Scientists

Strategy and Strategic Management

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Chapter 5

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What We Will Learn

This chapter will introduce strategy to the reader, examining it from a business perspective. Scientists tend to be very rational people, and thus may well have difficulty in adopting a strategic approach. Thus we will examine the strategic management process, corporate planning, and discuss the importance and relevance, of mission, vision, goals and objectives.

The chapter will then look at some of the contributors to the body of work that is Strategic Management, examining strategic and competitor analysis, options and decisions and the growing importance of collaboration and partnerships, be they domestic or increasingly so International in nature.

The chapter concludes with a brief examination of ethics and social responsibility.

What is a Strategy?

Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment though its configuration of resources and competencies with the aim of fulfilling stakeholder expectations (Johnson, Scholes, & Whittington, 2008).

Stakeholders: Anyone with an interest in what an organisation is doing and how they are doing it.

Introduction

As can be seen from the above definition, a strategy is developed considering a wide and seemingly peculiar composition of different components and stakeholders, both internal and external to an organisation. Many defer to shareholders and shareholders owning many shares are sometimes referred to as 'blockholders'. It is worth noting that not all organisations define stakeholders in the same way. To some, only their shareholders are stakeholders while to others the category is broadened to include employees, local communities and even local wildlife.

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While taking into account the configuration of resources in a dynamic environment, this highly subjective field of study is a true reflection of the experiences, history and education of the strategist: The author of any strategy has a strong reliance on previous experience, and it is clear that wisdom and the ability to place the correct weights to different aspects of a situation, is incredibly critical to the strategic decision maker.

Thinkbox 1: Hotelling's Beach

Imagine a hot sunny beach exactly uniform across its length and 100 m long. People are spread exactly randomly (thus in average, uniformly) across the beach. If you were an ice-cream vendor, where would you place your stand? A scientist may think that the best place would be half-way, at point 50. If there were two sellers, the most logical places would be at points 25 and 75.

Firstly this is wrong, if there is only one seller then anywhere is equally good, you don't need to choose the middle. Secondly if there were two, the vendor at 25 would realise that he can maximise sales by creeping up to 35, to 50, and eventually to 74. But the vendor at 75 may see his rival approaching, and be forced to move down the beach, meeting his competition at around 50 (this is why you will often see all the banks on one particular street, or the shoe shops, etc., clustered together)

A third vendor arrives. Being a logical person he decides to place himself at the theoretical maximum, point 50. However, the battle between the first two has resulted in their placing themselves at points 49 and 51. So the new vendor harvests customers between 49.5 and 50.5 (1% of customers), while the previous two harvest 49.5% of the customers each. Being a logical person, the third vendor has chosen exactly the worst spot.

Imagine the two vendors have met at 49 and 51 and the third vendor has seen them, thus entering at 10 (a niche market). The vendor at 49 can relocate lower down, but every time they go to a lower number and gain customers from number 10, they lose exactly as many to the vendor at 51. Strategically the vendor at 49 can only gain by outflanking the opposition and jumping to 52.

The question that must next be asked is whether or not there is anything such as a successful strategy? If this is so, can this be replicated and applied to other situations and most importantly, how can we define success? Research shows that is any industry, some firms rise to the challenge and return outstanding results, and some will not (or even fail). What happens inside firms does not (in the short and medium term) affect the industry as a whole, but the inner workings are clearly of utmost importance to determine why firms perform differently. This could be, for example, managerial uncertainly or the pursuit of factional or personal interests. Certainly director, middle-managers and workers may well have conflicting aims. Thus the reality is that strategy is peculiar to the strategist, unique for its time and context as well as the environment in which it was developed. Strategy is something that is part of the human condition, every activity has a goal and a starting point and therefore, either consciously or unconsciously, a strategy (plan, roadmap) by which to get from one 'place' to another.

The documented history of 'strategic thought', however, has its roots in warfare because this discipline has traditionally directly contributed to existential threats, either from a survival or domination perspective. The repercussions of losing a war are still the threat of eradication of the way of life of a people, their language, customs, religion and freedom. The rewards for victory, on the other hand have always been alluring and deemed worth the risk (i.e. giving potential benefit to a people, resources and dominance).

Thinkbox 2: The Prisoners' Dilemma

Stemming from Game Theory, the Prisoners' Dilemma has many forms. At its most simple it has two people (A and B) who have committed major robbery, but the police cannot prove this without a confession. They have also committed a minor crime that can be proven. If neither confess they will receive three years each (i.e. a total of six years) in prison for the minor crime, if one confesses, then that person will get one year and the other 11 years (i.e. a total of 12 years).

Among scientists, around 66% think the best strategy is for neither to confess. Do you agree? What is your strategy?

In the modern business standpoint, the science allows organisations to understand where they stand in a fiscal landscape, the potential they have to better the situation of their stakeholders and the threats to their existence. From this perspective, it can be understood clearly that, far from being a luxury, an understanding of strategy is critical to the survival of any organisation. Tellingly, the failure of organisations to plan well are a reflection of their lack of understanding of their capabilities, competition, markets and the threats they face, often leading to these organisations being eradicated, for example, Woolworths in the UK.

At its core, strategy allows direction and focus to fit into one framework, and the implementation of strategic management tools allows the implantation of a successful plan. A strategist needs: skills, aptitudes, experience, understanding and culture.

The Strategic Management Process

Strategic management fundamentally looks at identification, design and execution. In essence, the beginning of any analysis is an understanding of frame. In order for the strategist to correctly understand the scope of activity, they must have a clear vision of their 'universe', outlining what is relevant and what can be discarded from the discussion. From a business perspective the activities of any organisation are framed by the following:

- *Market*: Where does the organisation operate? Who is the competition? Who is the customer?
- *Law*: what are the limits of the organisations involvement in the marketplace?
- *Industry*: What factors characterise the industry in which the organisation operates? Is the industry growing?
- *Values*: How does the organisation wish to be seen in the world? How can organisational values be expressed?

Once there has been an understanding of the universe in which an organisation operates, the next step is to develop a Mission Statement. This outlines the overriding purpose of the organisation, creating expectations and reflecting the values of the stakeholders and is a clear and concise statement of what the organisation exists for; that is, 'to maximise shareholder return' or 'to provide housing for homeless people'.

Along with the mission statement comes the vision. The mission is how the vision will be successfully realised and outlines the aspirations for the organisation.

- What does it want to be?
- How does it want the world to be?
- Must be emotive and inspirational.

It must be noted that the vision can only truly be authored and approved by those who are responsible for the organisation.

Generic versus Specific Strategy

A common failing is adopting assuming a strategy can be copied, that is, not designed specifically to the organisation itself. For a strategy to be truly effective, it must be unique to the organisation from whence it came. A generic strategy is an incomplete strategy.

Generic Strategy

- For example, retention, growth, acquisition.
- Based on strategies that have worked in the past or present for other organisations.
- Copied.

Specific Strategy

- Tailor made for the case in hand.
- Requires design, awareness of all strategic considerations peculiar to the organisation in question.

Overall Scope

'If you know the enemy and you know yourself, your victory will not stand in doubt; If you know heaven and earth, you may make your victory complete' (Sun Tzu).

The Chinese general could not have framed the business world in any more concise way. Understanding the capabilities of an organisation will allow success as it will determine what an organisation can and cannot do. Clearly understanding competition, the customer and the industry will ensure business success.

Corporate Planning

> Corporate planning is a systematic approach to clarifying corporate objectives, strategic decision making and checking progress towards objectives. A corporate plan is a set of instructions to managers of an organization describing what role each department is expected to fulfil in the achievement of organization's objectives. (Gubbins, 2003, p. 98)

As with all self-analytical approaches, it is important to first understand orientation. Organisations and individuals within organisations can align themselves in many different ways, and an understanding of these will allow the strategist to understand exactly what needs to be done to achieve the goals they have set out and the scale of the challenge ahead (see Fig. 1). Alignments can be:

- *Reactive*: Retain the Status Quo. Change must come back to what we currently have.
- *Inactive*: Do nothing, lack imagination, motivated by fear of change, slow to change.

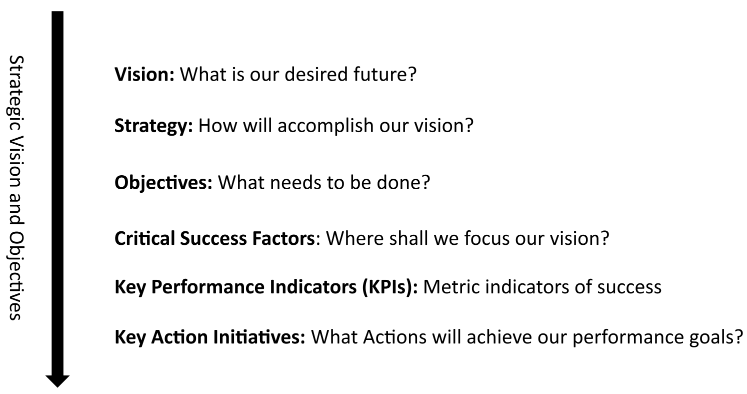

Fig. 1: Vision Objective Overview.

- *Preactive*: Acceleration of change, motivated by a belief the future will be better than the past.
- *Interactive*: Take into account past, present and future and will try to shape all into desired outcome.

Case Study: Daimler and Chrysler 1990s 'Merger Fiasco'

In the 1990s German car manufacturer Daimler merged with the American Chrysler company. In theory it was a match made in heaven, a transatlantic presence for Daimler-Chrysler would all but guarantee dominance in both domestic markets. In a matter of years, the dream had turned into a nightmare with Daimler's culture dominating that of Chrysler to the point where Daimler sold off Chrysler a decade later.

How would things have been different had Daimler and Chrysler understood the orientation of employees and culture? Issues like formality, pay structure and operative procedure were harder to overcome, with the German culture proving so dominant that Chrysler became more and more irrelevant.

Corporate Planning Process

Corporate planning begins with gaining an understanding of the factors that are currently at play in any organisation. Russel Ackoff's guidelines to approaching the planning process involved five phases, each designed to allow the planner a clear approach to the problem at hand. Ackoff's Five Phases in Planning are:

- *Formulating the mess*: Understanding the system of threats and opportunities.
- *Ends planning*: What is the desirable future for the organisation?
- *Means planning*: Delineation of the way to reach the end.
- *Resource planning*: What do we need? How do we get it? How long will it take?
- *Design of implementation and control*: Who? When? Where? How do we measure and monitor?

While these are quite straightforward from a planning perspective it is the last that holds the challenges, especially when the strategy is a long-term one:

- How do we define progress?
- How do we define success?

If progress and success are not being achieved at the levels we planned for, how does this change our strategic outlook? Additionally, what are the metrics and tools we can use to measure and define progress?

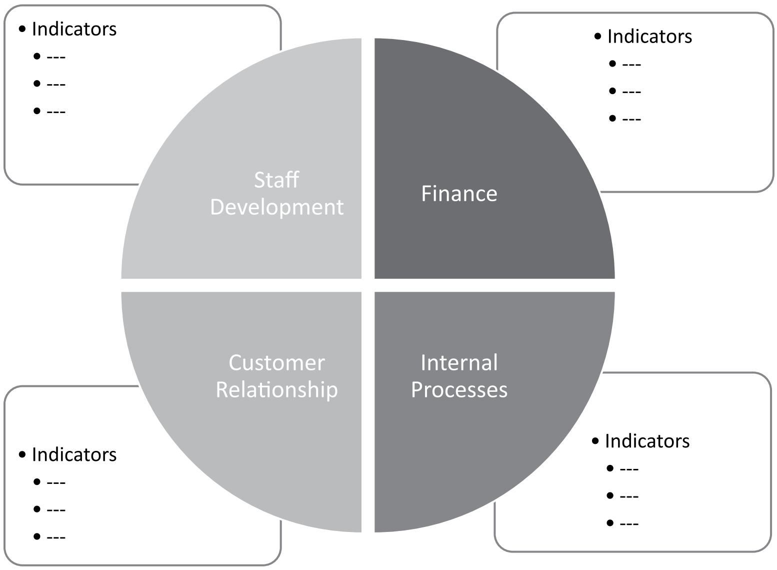

Fig. 2: Balanced Scorecard Template.

Balanced Scorecard

The Balanced Scorecard (Fig. 2) is a widely used tool that is designed to monitor performance in line with strategic aims. It measures what criteria are deemed important (these are called Key Performance Indicators). In using Balanced Scorecard designating what to measure is of critical import: this is a mix of financial and nonfinancial components and consists broadly of four perspectives

- *Financial*: To financially succeed how should we appear to our shareholders?
- *Internal Business*: To satisfy our shareholders and customer, what business processes must we excel at?
- *Learning and Growth*: To achieve our vision, how will we sustain our ability to change and improve?
- *Customer*: To achieve our vision, how should we appear to our customers?

Looking at Uncertainty

A large part of understanding the internal capabilities of an organisation is understanding how staff and the organisation as a whole will deal with uncertainty. There are a variety of tools that strategists can call upon to assist with this, all coming under the broad umbrella of scenario planning. At its core, scenario planning involves the skill of blending the known with the unknown and merging of many skill sets. Successful scenario planning is all about decisions, experience and the ability to ask the right questions (in military terms, we see this in war games) and forecasting. One can understand this better using an Uncertainty Matrix (Fig. 3).

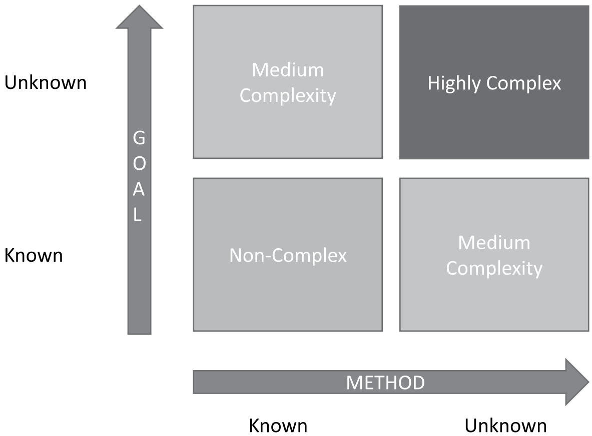

Fig. 3: Uncertainty Matrix and Complexity.

Strategic Management; The Johnson, Scholes and Whittington Approach

The objective of this approach is to achieve better alignment between corporate policies and strategic priorities. Strategic management is primarily concerned with creating systematic analyses of factors associated with internal and external environments. Together with scenario planning this should provide the basis for maintaining optimum management practices. Scenario planning techniques in turn consist of drivers and assumption's like 'What are we measuring and why is it important'? Together with some brainstorming the drivers can be brought together into a viable framework after which probabilities, patterns, connections can be sought to produce initial mini-scenarios. These can be drafted and even flow diagrams produced to identify the various issues arising.

The fundamental challenge that faces strategists is whether all approaches can be used in an organisation. This in turn depends on, for example, is the organisation Global, an SME? Is the marketplace in which it operates an evolving or static one? Added to these questions, it is important to keep in mind that there are levels of strategy at play and it is incumbent on the strategist to understand which levels best fit the requirement. The various levels of strategy can be formulated as:

- *Corporate level*: Overall purpose and scope of an organisation.
- *Business level*: How to compete successfully in particular markets.
- *Strategic business unit (SBU)*: Part of an organisation for which there is a distinct market for services and goods independent of any other SBU.
- *Operational strategies*: How the component parts of an organisation deliver effectively the corporate and business level strategies in terms of resources, processes and people.

Fundamentally strategic decisions are about the long-term direction of an organisation, encompassing the scope of an organisation's activities, how to gain advantage over competitors, addressing changes in the business environment, building on resources and competencies (capability) in view of the values and expectations of the stakeholders. Strategic decisions are likely to be complex in nature, made in situations of uncertainty and will affect operational decisions. Commonly decisions will require an integrated approach (both inside and outside an organisation) and involve considerable change (see the chapter on change management).

Self-awareness

Many organisations fall into the trap of defining themselves by their customers, their market or their competition. A lack of self-awareness is therefore fundamentally damaging to any direction they subsequently move in, indeed especially in smaller organisations it can be quite eye-opening to realise that many do not actually be aware of what their core competencies are. The two critical questions that see easy but must be answered accurately are (a) What business am I in? and (b) Where does value lie in my organisation?

Thinkbox 3: The Case of FIFA

One could be forgiven for assuming that FIFA is in the business of organising football tournaments. At one level they are; FIFA organises the World Cup tournament every four years. Nonetheless the value that it generates is through selling the tournament it organises to sponsors. How does increasing the number of teams participating affect the quality of the competition? How does the same change affect the attractiveness to sponsors?

Strategic Management Tools

In this section we will look at some of the tools of the trade. The first question that begs to be asked is why there are so many? Surely some are better than others. The answer is based in the nature of culture and human beings:

- Strategy is peculiar to the strategist.
- More art than science.
- Strongly influenced by culture, experience and environmental setting.

The tools presented are firstly 'internal', having to do with the structure of an organisation. They are the Johnson and Scholes Paradigm, the McKinsey 7-S model and Mintzbergs 5-Ps.

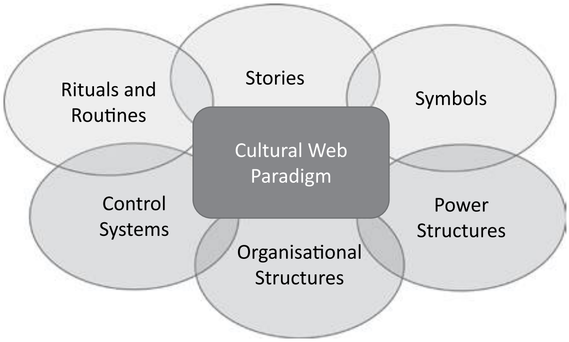

Fig. 4: The Johnson and Scholes Cultural Webb Paradigm.

Johnson and Scholes Paradigm 'The Cultural Web'

As with all such tools, the framework is used to conduct an analysis of where the culture, is, where it is desired to be and then to identify the difference between the two, thus determining what change needs to be put in place to come to a desired higher performance culture. The tool asks the question 'What determines the culture of an organisation' and sees the organisation through a prism of six interrelated criteria (Fig. 4).

- *Stories*: Past events, 'hero' stories from the past, the reinforcement of desired behaviours.
- *Symbols*: Dress codes, parking, logos and work spaces.
- *Power Structures*: Where the real power lies in the organisation.
- *Organisation Structures*: The written (organisational chart) and unwritten (understood) lines of power.
- *Control Systems*: How the organisation is controlled, finance, HR, etc.
- *Rituals and Routines*: The day to day rituals, good practice as valued by management.

McKinsey 7-S Model

The 7-S Model states that in order to perform well seven elements (all beginning with 'S', see Fig. 5) must be aligned and mutually reinforcing. Any proposed change in one must take into account any changes to the other components and be considered worthwhile based on the effect on the whole.

The 7-S model deals with:

- *Hard Elements*: defined by reporting lines, tangible
  (1) *Strategy*: Plan to achieve competitive advantage over competition.
  (2) *Structure*: Structural reporting lines, who reports to who?
  (3) *Systems*: Daily procedures in place to get the job done.
- *Soft Elements*
  (4) *Skills*: Actual skills and competencies of the employees.
  (5) *Style*: Style of leadership.

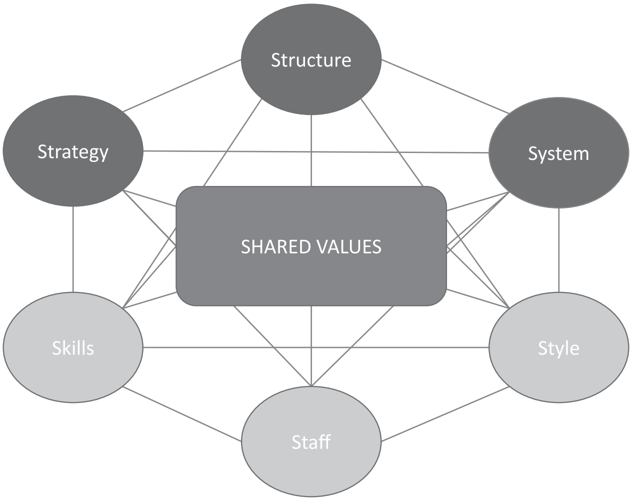

Fig. 5: The McKinsey 7-S Model.

(6) *Staff*: Employees and their individual capabilities.
(7) *Shared Values*: Core values and worth ethic of organisation.

In order for success to be obtained, there must be alignment of these values.

Mintzberg's 5-P's of Strategy

Mintzberg sees strategy (Fig. 5) as consistency of behaviour, either planned or otherwise and thus formulated his 5-P's of Strategy (1987). The elements (all beginning with 'P') are:

(1) *Plan*: Something managers are happy with, brainstorm and execute – PEST, SWOT, brainstorming, project and change management
(2) *Ploy*: Plot to win. Disruption, sabotage, taking a competitor's space – Impact and scenario analysis, game theory
(3) Pattern: Unintended successful actions – Unique selling proposition (USP) analysis, core competency analysis
(4) Position: Examining the 'fit' between internal and external
(5) Perspective: Orientation, culture

Putting it Together: The Sweet Spot

In all these models, in order to find the 'sweet spot', for any corporate strategy, it is important to understand the risks attached with too much change. As Fig. 6 shows the best corridor of activity is somewhere between an emergent and deliberate strategy.

It is worthy of note that no matter the quality of the theoretician, reality has its way of throwing a spanner in the works and what might have looked to be a perfect plan on paper often withers in the cold light of reality.

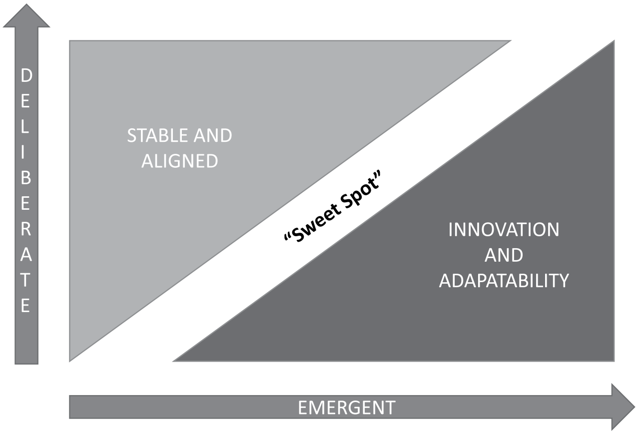

Fig. 6: Corporate Strategy 'Sweet Spot'.

The Environment: Strategic and Competitor Analysis

Understanding competition is also important when developing a strategy and it is critical to understand who an organisation is truly in competition with and what that means. In some cases, organisations have a natural advantage due to their sheer size and being part of a wider conglomerate of companies. In this regard, it is important to be careful when looking at competition. Some useful criteria are:

- What technologies have been employed by your competition?
- How successful were they?
- What was the impact on the industry?
- How easy/difficult are they to use?
- Is there anything specific about your competition that allowed them to use these technologies?
- How much do they spend on, for example, advertising?

Customer Awareness

While competitive awareness has the potential of being misleading, the same cannot be said of customer awareness. It goes without saying that selling to the customer is the lifeblood of the organisation and is the criteria between success and failure. In this respect, it is also important to understand whether there is any synergy between how an organisation wishes to be viewed by customers and how it actually is perceived by customers. It is important to understand that customers think about products and services in relation to OTHER products and services from other firms.

Exercise: Compare Microsoft and Apple using the following criteria:

- How new is the product/technology? How is the industry perceived?
- Where does it fit into the customer mindset?
- Who is the target customer?
- How important is brand?

Tools for Analysing the Environment

As we looked at from an internal perspective in the previous section, so tools also exist that help to analyse an organisation as it looks out onto the world. Converting 'noise' into something useful requires the correct approach. There are many tools we can use to enhance our analysis of the marketplace and the role of the organisation within it. Games Theory is often used to calculate what are called 'Nash equilibria' as discussed in the chapter on organisational structures (Chapter 4). Here we will briefly look at SWOT, Porter's Five Forces, Ohmae's 3-C's, PESTEL, Ansoff's Contingent Strategic Success Paradigm, Porter's Generic Strategies, Bowman's Strategy Clock, Treacy and Wiersmas Value Disciplines Models as well as the theories of Philip Kotler.

SWOT

- *Strengths*: What are our strengths over competition? What do we do better? How does the market see our strengths? What is our USP?
- *Weaknesses*: Where is there scope for improvement? What should we avoid doing? What type of activity is harmful to sales? Where are we perceived as weak?
- *Opportunities*: Trends, observations, opportunities, for example, demographics.
- *Threats*: What do competitors do? What stops me internally from doing what I want to do (e.g. cash flow)? Is technology working against my position? Obstacles.

Classically SWOT is used to see if an organisation can inhabit a market. However, SWOT is so versatile that it is used in many roles; swot on people, competitors, products, etc.

PESTEL

PESTEL analysis examines the market by examining the effect of macroenvironmental factors on an organisation. It is similar to SWOT but looks at a market in much broader (macro) terms. The acronym stands for political, economic, social, technological, environmental and legal.

Porter's Five Forces

Porter's Five Forces model examines any market place from the following perspectives:

- *Competitive Rivalry*: How do your competitors rank when it comes to services versus your own?
- *Supplier Power*: How much control over prices do suppliers have?
- *Buyer Power*: How likely/easy is it for buyers to drive down price?
- *Threats of Substitution*: Customers finding a different way of doing what you do.
- *Threat of New Entry*: How difficult is it for potential new competitors to enter your market?

Classically Porters five forces is used to ascertain if a market actually does exist at all. Subsequent work has added a sixth force (pressure groups) and some authors add many more.

Ohmae's 3-C's

Kenichi Ohmae's 3-C model states that nosiness will need to focus on three key factors for success. It is a balance of these which will allow a sustainable competitive advantage (Fig. 7).

Ohmae's assertion is that competitive advantage can only be attained by designing a strategy that incorporates the 3 'C's: customer, competitor and company. Furthermore, Ohmae asserts that streamlined corporate management is attained when there is a balance (without surplus or waste) of the following elements:

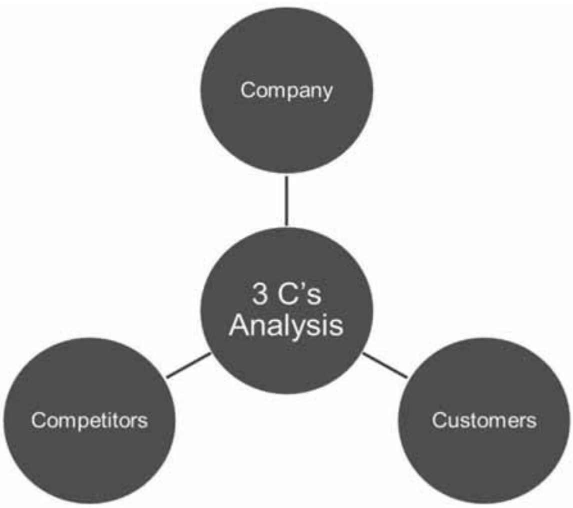

Fig. 7: Ohmae's Strategic Triangle.

- *Hito (people)*: Management talent allocated.
- *Mono (things)*: PP&E, technology, know-how and functionality.
- *Kane (money)*: Resources required are allocated to specific ideas created by the team.

Igor Ansoff

Ansoff's view of the world was that it is fundamentally one of environmental turbulence, from the changes in technology, to government involvement (legislation and regulations), Ansoff developed a Paradigm that addressed these issues.

In Ansoff's Contingent Strategic Success Paradigm, he looks at the world as ever evolving, stressing the importance of real-time strategic management and a constant awareness of change and the importance of understanding how this change affects strategic decision making.

Ansoff's Product-Market Growth Matrix (also known as the Ansoff Matrix, see Fig. 8) analyses a market and product and examines what type of strategy should be undertaken for the product, based on whether the product is new or old and in what type of market the product will be launched. The tool allows the decision maker to understand the repercussions of launching a product to a market by clearly indicating the best strategy involved.

Porter's Generic Strategies

Porter's Generic Strategies (shown in Fig. 9) allow the decision maker to understand the implication of their decisions based on how they see the market place and their products. Porter surmises that in order to gain strategic advantage, one of the major generic focusses must be utilised (a) cost leadership (decreasing costs, increasing profits, charging middle of the road prices), (b) differentiation (good products, clear communication, high R&D) and (c) focus strategies

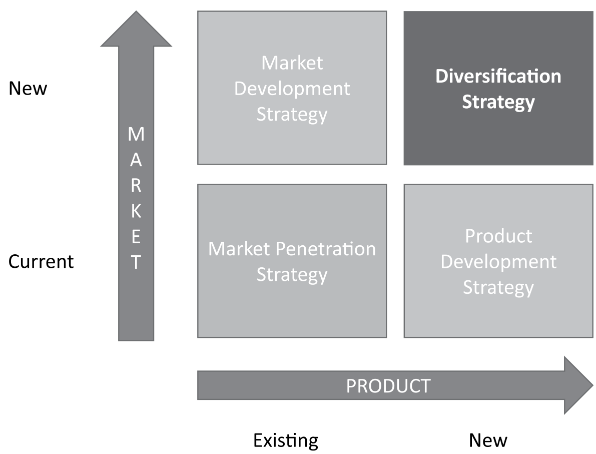

Fig. 8: Ansoff Matrix.

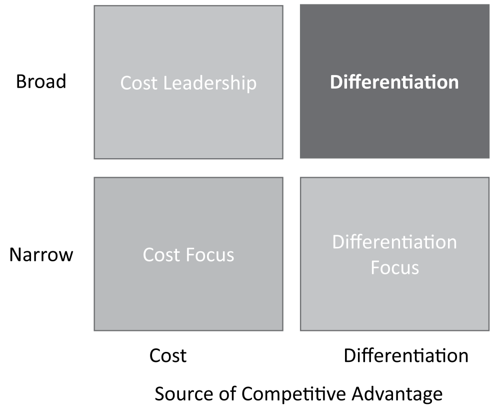

Fig. 9: Porter's Generic Strategies.

(investigate niche markets). However, Porter also explains that these factors often need to be augmented by other approaches as alone they aren't enough to sustain growth.

Bowman's Strategy Clock

Bowman's strategy clock (Fig. 10) builds fairly directly on Porter's generic strategies by looking into more depth regarding which outcomes are more and less desirable.

As Fig. 10 illustrates, points 6, 7 and 8 (Risky High Margin, Monopoly Pricing and Loss of Market Share) are undesirable positions that will lead to failure. Thanks to this more in-depth analysis, this tool can be used to better understand the repercussions of a strategic decision. Positions 3, 4 and 5 are considered desirable, but position 2 can be unexpectedly beneficial.

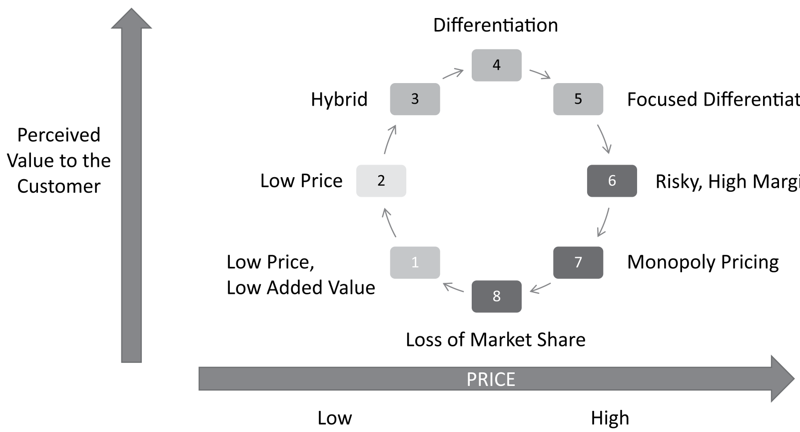

Fig. 10: Bowman's Strategy Clock.

Thinkbox 4: Scherer Position 2

As an economist, Scherer's approach is based on markets with few, big players. Scherer was influenced by Joseph Schumpeter (see the chapter on entrepreneurship). His approach is predicated on the manner by which the collective market share of the big players determines the nature of the market due to their sheer size and presence, indicating major 'tipping points'. From a STEM perspective, Scherer is interesting because of his belief that advancing standards of living depends on technological innovation. He is known for his strategic proof that pharmaceutical companies can make higher profits by selling medicines for lower price in poorer countries; see Scherer on https://www.youtube.com/watch?v=kYIcwNVk5y8

Treacy and Wiersma

The Value Disciplines Models (Fig. 11) developed by Treacy and Wiersma examines takes into consideration operational excellence, product leadership and customer intimacy as the criteria through which an organisation can attain strategic superiority over its competition:

- Operational excellence
  – Cost, efficiency volume.
- Product leadership
  – New products, markets, techniques, trend setters, innovators.
- Customer intimacy
  – Relationship driven, efficient operations as markets mature, CRM.

There are many examples of these products that, although they were regarded as technologically superior, have failed. The Value Disciplines Model states that

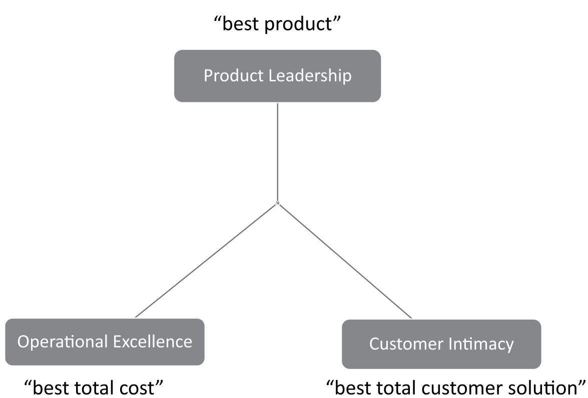

Fig. 11: Value Disciplines Model.

excellence must be shown in one of the above value disciplines, while acceptable threshold standards must be met on the others in order to control the market and even realise gradual improvements of value over time. In order for this to be achieved an organisational model that supports the choice must be designed and implemented.

Kotler

Kotler's view of markets is that they are essentially chaotic in nature and that this situation, far from easing will only get more evident as time goes on. Kotler is known for his views on marketing but is actually an economist, he points out that economic instability means that all organisations will need to have a good understanding of turbulence and risk, preparing for this by examining scenarios and vulnerabilities to cope with this. In some regards, there are companies that are already aware of this, for example, many multinational organisations buy in one currency and sell in another, there are strategies in place that address (in this case) the risk of currency fluctuations.

Ethics

As ethics is concerned with the issue of right and wrong on an individual level, it is clear that the decisions that business make, although within the law, also have such implications. Organisations, for instance, have a duty of care towards the data that they hold on their customers even outside of regulatory requirements.

This also applies to the environment and to their treatment of people both inside and outside the organisation. As mentioned earlier, strategy is about stakeholders and the definition of who these are, can go a long way understanding the ethical ramifications of any strategy. If an organisation develops a strategy with all stakeholders in mind, then the strategy will differ if those stakeholders include, for instance, the inhabitants of the town in which it is headquartered. This example is one concrete difference between German companies, and their British counterparts. In some German companies, major decisions are still made with consultation of local communities, unlike in the UK where sometimes only major shareholders are consulted. On the one hand, this offers UK companies a great deal more autonomy when making decisions, but on the other can often cause a great deal of anguish in communities affected by these decisions.

Thinkbox 5: Arms-length Means Distance

Very recently the UK government has approved plans to build a third runway at Heathrow. This will be built by a special-purpose company co-owned by Heathrow, the airlines and other investors. Do you think their aims correspond with those of the local community and why?

The power of an organisation can be harnessed for ethically dubious purposes as articulated by Edward Bernays, a man widely accredited as being the 'Father of Modern PR', in his book Propaganda, (written in 1928) where he says:

> The conscious and intelligent manipulation of the organized habits and opinions of the masses is an important element in democratic society. Those who manipulate this unseen mechanism of society constitute an invisible government which is the true ruling power of our country. We are governed, our minds are molded, our tastes formed, our ideas suggested, largely by men we have never heard of. This is a logical result of the way in which our democratic society is organized. Vast numbers of human beings must cooperate in this manner if they are to live together as a smoothly functioning society. (Bernays, 2004)

In this warning lies a deep truth, realised by Russian Troll Farms and those who harness the power of fake news to influence democratic elections worldwide: strategy, when used properly (or wrongly) is a powerful tool.

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