
CHAPTER 1

Strategic Management

Chapter Learning Outcomes

After reading this chapter, you should be able to:

- Discuss why managers need to examine the human resource implications of their organizational strategies.
- Discuss why human resource managers need to understand strategy.
- Understand the various terms used to describe strategy and its processes.
- Describe organizational strategies, including restructuring, growth, and maintenance.
- Define business strategy and discuss how it differs from corporate strategy.
- Discuss the steps used in strategic planning.
- List the benefits of strategic planning.

Chapter Summary

It is important that HR professionals appreciate the role of strategic planning in their organizations and understand the language and terminology of strategic planning. A strategy is a planned process whereby organizations can map out a set of objectives and methods of meeting those objectives. A strategy may be *intended*—one that is formulated at the beginning of the process—or *realized*—what actually happens. The strategy may also be *emergent*—that is, it is reactive, changing as necessary to deal with environmental changes. Corporate or company-wide strategies are concerned with the long-term view of the organization. Business strategies focus on one line of business, building a strong competitive position. A seven-step approach to strategic planning is introduced followed by a list of the benefits of undertaking this process. By understanding strategy language and models, the HR professional can work with executives to implement HR practices that enable strategy.

Class Outline

Instructor's Teaching Notes	Students' Learning Activity
<p><i>Introduction</i></p> <p><i>Strategic human resource management and corporate strategy</i> are introduced through the discussion of the Hudson's Bay Company (HBC).</p>	<p><i>Read</i> the chapter-opening vignette, "Strategic Management at the Bay."</p> <p><i>Strategy</i>: a declaration of intent, the formulation of organizational objectives, scopes, and action plans for gaining advantages.</p>

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<p><i>Strategy</i>: the formulation of organizational objectives, scopes, and action plans for gaining advantage.</p> <p><i>A Need for Strategic HRM</i></p> <p>By now, students will have taken several HRM courses and should have a good understanding of what is human resource management. This section addresses why HRM needs to be part of the organization's strategy to enhance profitability, customer satisfaction, employee performance, and organizational survival. Some examples of organizations that have had to look at strategic HRM mentioned in the chapter are FedEx and ToysRUs.</p> <p><i>Strategy Descriptions</i></p> <p>Strategic planning involves thinking about the future. Some unexpected events will change strategy, such as the Tohoku earthquake, a tsunami or economic recessions. Strategic planners focus on a shorter time horizon, like three to five years, and constantly evolve with changing conditions.</p> <p><i>Emergent strategy</i>: the plan that changes incrementally due to environmental changes.</p> <p><i>Intended strategy</i>: the formulated plan.</p> <p><i>Realized strategy</i>: the implemented plan.</p>	<p>See HR Planning Notebook 1.1—Descriptions of Strategy to review the various terms associated with strategy.</p> <p><i>Strategy</i>: a deal of intent (also tied to strategy as the formulation of organizational objectives, scopes, and action plans) as stated in the introduction.</p> <p><i>Strategic intent</i>: a tangible corporate goal—a point of view about the competitive positions a company hopes to build over a decade.</p> <p><i>Strategic planning</i>: the systematic determination of goals and the plans to achieve them.</p> <p><i>Strategy formulation</i>: the entire process of conceptualizing the mission of an organization, identifying the strategy, and developing long-range performance goals.</p> <p><i>Strategy implementation</i>: those activities that employees and managers undertake to enact the strategic plan and achieve the performance goals.</p> <p><i>Objectives</i>: the end, the goals.</p> <p><i>Plans</i>: the product of strategy, the means to the end.</p> <p><i>Strategic plan</i>: a written statement that outlines the future goals of an organization, including long-term performance goals.</p> <p><i>Policies</i>: broad guidelines to action, which establish the parameters or rules.</p>

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<p>Is it worth performing strategic HRM when plans will have to change for unforeseen circumstances? It is still effective to strategize, because incremental adjustments can be made when needed. These adjustments do not require changing the focus of the desired results but allow problems to be anticipated and enable the organization to maximize opportunities.</p> <p><i>Strategic Types</i></p> <p>The fundamental premise outlined in the chapter is that different organizational strategies require different human resource policies and practices. Before HRM strategies can be discussed, it is important to understand the different types of strategies that organizations formulate and implement.</p> <p><i>Corporate strategies:</i> company-wide strategies focused on the overall strategy for the company. These organization-level decisions focus on long-term survival.</p> <p><i>Restructuring Strategies</i></p> <p><i>Turnaround strategy:</i> an attempt to increase the viability of an organization.</p> <p><i>Divestiture:</i> the sale of a division or other parts of an organization.</p> <p><i>Liquidation:</i> the termination of a business and the sale of its assets.</p>	<p><i>Refer to HR Planning Notebook 1.2—Triggering Events to Stimulate a Change in Strategy to review some instances where issues like new management; changes in ownership; external environment fluctuations; performance; and rapid changes in technology can stimulate new strategic directions.</i></p> <p><i>See Figure 1.1—The Reality of the Strategic Process, which illustrates what happens when there are unforeseen changes that affect strategy. Important definitions of emergent, intended, and realized strategy in the diagram of these concepts. What is meant by incremental adjustments to the strategy is adjustments that do not require changing the focus of the desired results.</i></p> <p><i>Learning Activity</i></p> <p>In addition to the Hudson's Bay Company (HBC) scenario at the beginning of the chapter, students can find business articles to read and analyze.</p> <p><i>Incremental growth can be attained by expanding the client base, increasing the products or services, changing the distribution networks, or using technology.</i></p> <p><i>Acquisition:</i> the purchase of one company by another.</p> <p><i>Merger:</i> two organizations combine resources and become one.</p> <p><i>Stability strategies:</i> stabilizing the company can be done by maintaining the status quo rather than growing the company.</p>

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<p><i>Bankruptcy</i>: a formal procedure in which an appointed trustee in bankruptcy takes possession of a business' assets and disposes of them in an orderly fashion.</p> <p><i>Growth Strategies</i></p> <p><i>Incremental growth</i>: can be attained by expanding the client base, increasing number of products/services, changing the distribution networks or using technology.</p> <p><i>International growth</i>: can be attained by seeking new customers or markets, by expanding internationally.</p> <p><i>Acquisition</i>: the purchase of one company by another.</p> <p><i>Merger</i>: two organizations combine resources and become one.</p> <p><i>Stability strategies</i>: stabilizing the company can be done by maintaining the status quo rather than growing the company.</p> <p><i>Business Strategy</i></p> <ul style="list-style-type: none"> • Plan to build a competitive focus in one line of business. • Focus on one line of business as opposed to the overall corporation. • How to build a strong competitive position as opposed to determining if this is the business to be in. 	<p><i>Ask Students:</i></p> <ol style="list-style-type: none"> 1. What is the business? And its industry? <i>Ans.</i> Business: Department store: retail Industry: retail 2. What sort of strategy (e.g., downsizing, growth, restructuring, etc.) is it employing? <i>Ans.</i> Corporate growth strategy and business level strategy of differentiation, coupled with low cost. Opening new store concepts such as Home Outfitters and DealsOutlet.ca. 3. What are some of the internal and/or external factors influencing the business? <i>Ans.</i> <ul style="list-style-type: none"> • External factors: Competition from Walmart. • Recession. • Online shopping introduced. • Sold Zellers to Target. • Focusing on luxury market with Lord & Taylor and Saks Fifth Avenue. 4. What overall objective is the business/organization trying to achieve? <i>Ans.</i> Trying to survive and become profitable. <p><i>See HR Planning Today 1.1—Turnaround at McDonald's.</i></p> <p><i>Learning Activity</i> <i>Ask students</i> to write down their own definition of <i>strategy</i> without looking at the text. Provide the definition using PowerPoint slides.</p>

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	<p><i>Note:</i> One effective way of relating concepts of strategy is to have students consider a game strategy in team sports. Stress the relative roles of the governing body and the senior management team vis-à-vis strategy. Students need to understand that HR professionals do not necessarily set corporate strategy; however, HR professionals do develop programs and practices to consistently support the overall corporate strategy.</p> <p><i>Learning Activity</i> Visit the website of your school to see if its strategic plan is accessible. Give students an example of what a strategic plan looks like at this corporate level.</p>
<p><i>The Strategic Planning Process</i></p> <p>A <i>strategic plan</i> describes the organization's future direction, performance targets, and approaches to achieve these targets.</p> <p><i>Steps in the Strategic Planning Process:</i></p> <ol style="list-style-type: none"> 1. Establish the mission, vision, and values. 2. Develop objectives. 3. Analyze the external environment. 4. Identify the competitive advantage. 5. Determine the competitive position. 6. Implement the strategy. 7. Evaluate the performance. 	<p>See HR Planning Today 1.2—Multiple Strategies.</p> <p>Review HR Planning Today 1.3—"The Person on a Bus Test" of Mission Statements.</p> <p>See Figure 1.2—The Strategic Planning Process.</p> <p>Review HR Notebook 1.3—Rate Your Organization's Mission Statement.</p> <p><i>Ask Students:</i> To discuss why it is so difficult to plan for the long-term future.</p> <ol style="list-style-type: none"> 1. What are some of the variables that might cause a change? 2. Ask them to provide some examples of unanticipated factors such as the economic instability in the European

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<p><i>1. Establish Mission and Values</i></p> <p><i>Mission statement:</i> an articulation of the purpose of the organization and the value it creates for customers.</p> <p><i>Vision statement:</i> the basic beliefs that govern individual and group behaviour in an organization.</p> <p><i>Values:</i> the basis beliefs that govern individual and group behavior in an organization.</p> <p><i>Note:</i> Having a values statement enables the organization to do the following:</p> <ol style="list-style-type: none"> Convey a sense of identity for employees. Generate employee commitment. Add stability to the organization. Serve as a frame of reference for employees. <p><i>2. Develop Objectives</i></p> <p><i>3. Analyze the External Environment</i></p> <p><i>4. Identify the Competitive Advantage</i></p> <p><i>Competitive advantage:</i> the characteristics of a firm that enable it to earn higher rates of profits than its competitors do.</p>	<p>Union on tourism in Spain, Greece, and Italy.</p> <p><i>Ans.</i></p> <ul style="list-style-type: none"> These may include decreased number of tourists due to the instability of the euro; and less demand for hospitality, which lowers prices. Tourism professionals need to diversify their market. One option would be catering to niche travellers interested in spas, cooking tours, or architecture classes. <p><i>Review HR Planning Today 1.4—Cara's Mission, Vision, and Value Statements.</i></p> <p><i>Ask Students:</i> Engage class in a discussion about the benefits of developing a strategy even if the organization must continually change it to accommodate unforeseen circumstances. Discuss the need for <i>incremental growth</i>.</p> <p>Students can relate to incremental adjustments that must be made when planning their own education plans and subsequent careers.</p> <p>A plan should move toward goal achievement; however, there must be flexibility and adaptability to adjust to internal and external environmental factors.</p> <p>Strategy can be viewed as a game plan or flight plan, like flying from Ottawa to Edmonton. During the flight, changes to the plan might be necessary to avoid unsafe weather patterns or to deal with passengers' urgent health issues.</p>

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<p><i>Tangible assets:</i> future economic resources from which an organization benefits, e.g., land, inventory, building, location, cash, and technology.</p> <p><i>Intangible assets:</i> future economic resources that have been generated from past organizational events. These assets lack substance and form. Examples are human capital, reputation, goodwill, trust, and copyright.</p> <p><i>Capabilities:</i> a complex combination of people and processes that represent the firm's capacity to exploit resources purposely integrated to achieve a desired result.</p> <p><i>Core competencies:</i> resources and capabilities that serve as a firm's competitive advantage.</p> <p><i>Dynamic capabilities:</i> the ability to adapt and renew competencies in accordance with changing business environments. SWOT analyses is part of the assessment for business factors externally, including looking at an organization's <i>Strengths, Weaknesses, Opportunities, and Threats</i></p> <p>5. <i>Implement the Strategy</i></p>	<p>See HR Planning Notebook 1.4—Creating Organizational Values.</p> <p>Review HR Notebook 1.5—Examples of Hard Objectives.</p> <p>Refer to the Hudson's Bay Company case and the businesses that are described in the newspaper articles discussed earlier.</p> <p><i>Ask Students:</i> Are they adopting long-term strategies that will restructure, grow, or stabilize the business? Review definitions and examples of each of the restructuring, growth, and stability strategies in the text.</p> <p><i>Incremental growth can be attained by</i> expanding the client base, increasing the products or services, changing the distribution networks, or using technology. Procter & Gamble uses these methods.</p> <p>Review Figure 1.2—The Strategic Planning Process. As a class, roughly plan the building of a bakery using the figure.</p> <p><i>Ask Students:</i> How would you prepare if you were the HR manager and your company was going through one of the events that trigger change listed in the chapter?</p>

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<p><i>Michael Porter's Model of Competitive Strategies</i></p> <p>Porter made a major contribution to the field of strategic management by grouping the many ways in which organizations can compete:</p> <ol style="list-style-type: none"> 1. <i>Low-cost provider strategy</i>—The goal of this strategy is to provide a product or service at a price lower than that of competitors while appealing to a broad range of customers. 2. <i>Broad differentiation strategy</i>—An organization employing this strategy seeks to differentiate its products from competitors' products in ways that will appeal to a broad range of customers. 3. <i>Best-cost provider strategy</i>—The goal of this strategy is to give customers more value for their money by emphasizing a low-cost product or service and upscale differentiation. 4. <i>Focused or market niche strategy based on lower cost</i>—Offer a low-cost product to a select group of customers. 5. <i>Focused or market niche strategy based on differentiation</i>—The organization tries to offer a niche product or service customized to the tastes and requirements of a very narrow market segment. <p><i>Value proposition:</i> statement of the fundamental benefits of the products or services being offered in the marketplace.</p>	<p>Divide students into three groups. Assign each group one of the business applications outlined in the HR Planning Today features.</p> <p><i>Group One: McDonald's</i> Refer to HR Planning Today 1.1—Turnaround at McDonald's. Have students review and discuss this description of McDonald's turnaround attempts. Since most students have been consumers or employees of McDonald's, this is an example to which they can relate.</p> <p><i>Group Two: Cara Operations</i> Refer to HR Planning Notebook 1.2—Triggering Events to Stimulate a Change in Strategy</p> <p><i>Group Three: "Person on a Bus Test"</i> Refer to HR Planning Today 1.3—The "Person on a Bus Test" of Mission Statements</p> <p>Refer to HR Planning Notebook 1.4—Creating Organizational Values</p> <p><i>Ask Students:</i></p> <ol style="list-style-type: none"> 1. Do you think these mission statements and organizational values are important to businesses and meaningful to customers? 2. Why or why not?
<p><i>Strategic implementation:</i> the process by which a strategy is put into action.</p> <ul style="list-style-type: none"> • <i>Program</i>—The steps or activities necessary to accomplish a goal. 	<p><i>Learning Activity</i></p> <p>Compare and contrast <i>business</i> and <i>corporate strategies</i>.</p> <p><i>Corporate Strategy</i></p> <ul style="list-style-type: none"> • Should we be in business?

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<ul style="list-style-type: none"> • <i>Procedures</i>—The steps required to get a job done. <p><i>Benefits of Strategy Formulation</i> Mention each of the following benefits identified in this chapter:</p> <ul style="list-style-type: none"> • Clarity • Coordination • Efficiency • Incentives • Change • Career development <p>6. <i>Evaluate the Performance</i></p> <p><i>Sample Statements</i></p> <p><i>Chapters/Indigo</i> To inspire our customers and those they care about with life-enriching products and experiences. www.chapters.indigo.ca/en-ca/our-company/mission</p>	<ul style="list-style-type: none"> • What business should we be in? <p><i>Business Strategy</i></p> <ul style="list-style-type: none"> • How should we compete? • Should we compete by offering products at prices lower than those of the competition or by offering the best service? • How to build a competitive position and the best way to compete for customers in that line of business. • Business strategy is the action plan for managing a single line of business. • Business strategy is all about means and ends. <p><i>Refer to HR Planning Today 1.2—Multiple Strategies.</i></p> <p><i>See HR Planning Today 1.4—Cara's Mission, Vision, and Value Statements. Read about the components of the company's strategic plan using the steps in the strategic planning process. See also Figure 1.2—The Strategic Planning Process.</i></p> <p>Organizations try to become (or remain competitive) based on their <i>core competence</i>. Walmart's core competence is related to its distribution channels and inventory management, resulting in low prices. Kimberly-Clark is the best in the world at producing paper-based consumer products and specializes in category-killer brands (where the name of the product is synonymous with the name of the category, e.g., "Kleenex") (Collins, 2001).</p>

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<p><i>Greenpeace</i> Greenpeace is an independent campaigning organization, which uses non-violent, creative confrontation to expose global environmental problems, and to force the solutions that are essential to a green and peaceful future. Greenpeace's goal is to ensure the ability of the earth to nurture life in all its diversity.</p> <p>Therefore, Greenpeace seeks to:</p> <ul style="list-style-type: none"> • Protect biodiversity in all its forms. • Prevent pollution and abuse of the earth's ocean, land, air and fresh water. • End all nuclear threats. • Promote peace, global disarmament and non-violence. <p>www.greenpeace.org/international/en/about/our-core-values</p> <p><i>Lockheed Martin Canada</i> “Our mission at Lockheed Martin Canada is to deliver solutions to our customers' most challenging and complex problems by applying innovative approaches provided by our highly skilled and experienced Canadian-based workforce and fostering an environment where we are a valued and trusted partner with all our stakeholders starting with our customers and extending throughout our supply chain.” www.lockheedmartin.ca/ca/who-we-are/mission-statement.html</p>	<p><i>Have students discuss</i> HR Planning Today 1.5—Culture as a Competitive Advantage.</p> <p><i>Ask:</i> What is Southwest Airlines' business strategy? How is Southwest's culture a competitive advantage for the company?</p> <p><i>Ask Students:</i> To consider examples of businesses that are familiar to them.</p> <ol style="list-style-type: none"> 1. What are their <i>core competencies</i>? 2. What role do HR managers have in supporting core competencies with human capital? <p><i>Learning Activity</i> Have students look up the strategic plan for their university or college on the institution's website. If this is not available, have students explore the website of a public organization to find a current strategic plan.</p> <p><i>Note:</i> Values statements appear somewhat intuitive to the students. However, if the students have to generate their own values statements, it becomes more challenging.</p> <p><i>Review</i> the purpose of a values statement:</p> <ol style="list-style-type: none"> 1. Conveys a sense of identity for employees. 2. Generates employee commitment to something greater than themselves. 3. Adds to the stability of the organization as a social system. 4. Serves as a frame of reference for employees to use to make sense of

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	<p>organizational activities and as a guide for appropriate behaviour.</p> <p><i>Using HR Planning Notebook 1.4—Creating Organizational Values</i>, give the students 10-15 minutes to develop a new values statement for their school.</p> <p><i>Note:</i> Consensus on a values statement will not materialize in this time, so this is an important lesson to the students about the difficulty in articulating a values statement that will serve an organization.</p> <p><i>Using HR Planning Notebook 1.5—Examples of Hard Objectives</i>, explain to the students the difference between hard and soft goals. Generally, <i>hard goals</i> are measurable or more quantitative, whereas <i>soft goals</i> are not easily measured and are qualitative in nature.</p> <p>Most strategy texts suggest there are only three competitive positions; cost, differentiation, and focus. Porter provides two additional hybrid strategies.</p> <p><i>Note:</i> It is important to reinforce with the students that the strategy implementation phase often receives the least attention because managers assume the plan will just implement itself. The “actionable” items of the strategic implementation process include the program and procedures. These need to be logically determined so that they are sequenced correctly.</p> <p><i>Learning Activity</i></p>

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	<p>Divide students into groups of five and have them review one of the five competitive strategies listed. Each student will identify the example in the chapter and/or his or her own example of this type of business strategy with a real company. Each student should explain the strategy and example to each of the group members.</p> <p>Resource-based View <i>Ask Students:</i> What are the four criteria that lead to competitive advantage? <i>Ans.</i></p> <ol style="list-style-type: none"> 1. Are the resources and capabilities valuable to the firm? 2. Are they rare? 3. Are they inimitable (they cannot easily be copied by competitors)? 4. Can they be organized by the firm (the firm can explore the resources)? <p><i>Learning Activity</i> <i>Ask Students:</i> To brainstorm if this list is comprehensive or if they can suggest additional benefits of strategy formulation.</p> <p><i>Ask Students:</i> About the idea that everything does not always go as planned. These errors in strategic planning appear obvious, but they occur.</p> <p><i>Review Figure 1.3—An Overview of the Organization of the Textbook. This forms the framework for the Strategic Human Resources Planning course.</i></p>

DISCUSSION QUESTIONS

1. Identify companies currently operating under these corporate strategies: restructuring—turnaround, divestiture, liquidation, and bankruptcy; and growth—incremental, international, and mergers and acquisitions.

Ans.

In Turnaround: Superior Cabinets: A strong comeback

<https://www.bdc.ca/en/articles-tools/business-strategy-planning/define-strategy/pages/turnaround-plan-how-company-did-it.aspx>

In Divestiture: Norges Bank Investment Management (NBIM), will shed all investments in oil and gas names.

<http://business.financialpost.com/commodities/energy/divestment-by-worlds-largest-wealth-fund-would-be-us2-86b-hit-to-canadian-oil-and-gas>

In Liquidation: Carrillions Canadian operation

<https://www.theglobeandmail.com/report-on-business/carillions-canadian-operations-continue-uninterrupted-amid-british-parents-liquidation/article37619857/>

In bankruptcy: Nine West Holdings filed for bankruptcy as flagging sales and too much debt felled the shoe and clothing company controlled by Sycamore Partners.

<https://www.thestar.com/business/2018/04/06/nine-west-files-for-bankruptcy.html>

In growth: Loblaw Companies Limited

<http://media.loblaw.ca/English/media-centre/press-releases/press-release-details/2018/Loblaw-Reports-2018-First-Quarter-Results-and-a-93-Increase-to-Quarterly-Common-Share-Dividend1-Announces-National-Roll-Out-of-E-commerce/default.aspx>

International growth Nutrien Ltd. potash manufacturer

<http://www.cbc.ca/news/business/potash-agrium-nutrien-merger-1.4469690>

Merger and Acquisition: Enbridge Inc's C\$61 billion acquisition of Spectra Energy Corp, a Texas-based natural gas and crude oil pipeline company

<https://www.osler.com/en/resources/regulations/2017/the-mergers-acquisitions-review-canada-elevent>

Fastest-Growing Canadian Companies

<http://www.canadianbusiness.com/profit500/2017-ranking-p500/>

General Information

<https://www.bdc.ca/en/articles-tools/business-strategy-planning/define-strategy/pages/turnaround-plan-how-company-did-it.aspx>

2. Review these three mission statements and assess whether they meet the “person on a bus” test.
 - To provide book lovers and those they care about with the most inspiring retail and online environments in the world for books and life-enriching products and

services.

- X is dedicated to building a world-class national resource enabling Canadians to know their country and themselves through their published heritage, and to providing an effective gateway to national and international sources of information.
- X is an independent campaigning organization that uses nonviolent, creative confrontation to expose global environmental problems and to force the solutions essential to a green and peaceful future.

Ans.

Yes, the above all meet the “person on a bus” test as they are clear and show what the mission is for the organization.

3. The focus in this chapter (and in strategy literature) is on private companies. Check the websites of government departments and identify at least ten strategies (often called *plans* or *mission statements*). Can you identify any that correspond to some of the models of business strategies? Can you create a model or typology for public-sector organizations? To start, consult J. Tomkins, “Strategic Human Resources Management in Government: Unresolved Issues,” *Public Personnel Management*, Vol. 31, No. 1 (2002): 95–110.

Ans.

Examples include

<https://www.chapters.indigo.ca/en-ca/our-company/mission/>

<http://www.librariesforall.eu/en/best-practices/library-and-archives-canada-multicultural-resources-and-services>

<http://www.greenpeace.org/international/en/about/our-core-values/>

SUGGESTED ANSWERS TO EXERCISES

Ans.

Students should identify two companies working in the same sector, for example, Coffee Bean & Tea Leaf and Starbucks. They can prepare a table similar to the one below to compare and contrast the various differences.

Coffee Bean & Tea Leaf	Starbucks
1. Differentiation strategy	1. Differentiation strategy
2. Mission, vision, and values	2. Mission, vision, and values
3. Resources, capabilities, and core competencies	3. Resources, capabilities, and core competencies

Coffee Bean & Tea Leaf	Starbucks
<p>Resources—Long history including customers, diverse cafes at malls, airports, university campuses and military bases etc.</p> <p>Capabilities—High volume in international market</p> <p>Core competencies—Personal blends, unique flavours</p>	<p>Resources—Financial, human (although financial resources have been strained with the flattening of the high-priced beverage market)</p> <p>Capabilities—High consumer customization, increased training of employees to deliver customized product</p> <p>Core competencies—Beverage and food tied to relaxing environment and longer stays</p>
<p>4. Practices</p> <p>Focuses on experiences in different locations, and consistent standards that bring customers to their different locations.</p>	<p>4. Practices</p> <p>Starbucks focuses on the experience to rationalize high-priced beverages that are customized to each consumer, and lower volume.</p>

CASE STUDY: LOBLAW COMPANIES LTD.

Question

1. Conduct a SWOT analysis for Loblaw. As a group, assess the company against the strengths, weaknesses, threats, and opportunities contained in the SWOT matrix below.

Ans:

<p>Strengths</p> <ul style="list-style-type: none"> • Cost control and efficiencies due to economies of scale for products, not employees. • Differentiated private-label products like President's Choice and Joe Fresh. • Canada's largest food distributor. • Proven capability in food-retailing sector. • Well-established supply chain. • Strong reputation and corporate image. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Poor external environment scanning for upcoming competitors like Walmart. • Behind on the technological strengths of inventory management systems used by competitors. • Wages and salaries escalation increasing faster than those of competitors—wage inflation due to unionized employees.
<p>Opportunities</p> <ul style="list-style-type: none"> • Brand banners like Fortinos, No Frills, Provigo, Zehrs, Wholesale Club, Atlantic Superstore, and Great Canadian Superstore will help to achieve 5 percent growth per year. • Serve additional customers beyond Loblaw stores. • Growth strategy. • Expand product line. 	<p>Threats</p> <ul style="list-style-type: none"> • Walmart—This industry giant has achieved enormous economies of scale, worldwide penetration, lower costs, and technological advancements, and therefore has caused Loblaw to lose market share nationally and internationally. • Sobeys, Metro, Costco, and Canada Safeway are more regionalized threats that can cater to local tastes.

<ul style="list-style-type: none">• Control costs through private-label brands like President's Choice, No Name, Organics PC, and Joe Fresh.	
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