BUSINESS STRATEGY

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Executive Summary

The paper is based on the "Better a consistently applied mediocre strategy, than a series of ad hoc brilliant strategies" debate. The argument serves to solve the mystery concerning business strategies. In simple terms, a mediocre strategy is based on average results and it is either good or bad or both. Note that not all mediocre strategies are unfruitful. If the mediocre strategy is good, the business sees continuous success, but if it is bad, then the business is likely to have a horizontal performance curve or fall completely.

Ad hoc brilliant strategies are usually modifiable to meet consumer and client expectations. For instance, when a company offers a trial product to ascertain consumer confidence and understanding of the product and up on receiving positive reaction, mass produces the commodity with the assurance of gigantic sales, it is probably using the ad hoc strategy. On the other hand, a firm making a product or service in large quantities without consumer behavior studies and ends up having a dead stock is applying a bad mediocre strategy.

The debate is based on a video watched on You Tube, 'The Duck and the Lemonade Stand' that talks about a potential loyal customer, the duck who goes to a lemonade stand to ask for grapes for five days in row in vain. The lemonade stand manager refuses to add grapes to his menu even after a customer shows great interest. Asked in the fifth day if he has grapes, the lemonade stand owner becomes angry and decides to take the duck to a nearby grocery store and buys him the grapes from his own pocket to prevent him from coming back again to inquire about the availability of the same product. The lemonade stand operator uses bad mediocre strategy and his chances of going further with the business are pitiable. Ten more sources were utilized to support my argument against the statement.

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Introduction

Mahoney and McCue (1999) maintain that since 1989 various books have been authored to resolve the ever existing confusion about the choice of a working business strategy, but very few indeed explain the contextual, applicability and functionality differences between a consistently applied mediocre strategy and ad hoc brilliant strategy. Without any argument, there is a low level of deniability that the voluminous works on business strategies have enabled authors and consultants smile their way to the banks, rather than contributing to the knowledge base of business (Mahoney & McCue, 1999).

Mahoney and McCue (1999) continue to assert that no business owner or CEO is prepared to go down without putting up a strategic fight. A strategy is worthless if it is unworkable and unfruitful. Under the docket of corporate strategy, investment bankers and academics have authored periodicals and traditional business press in a bid to help managers and entrepreneurs, but such efforts have seen differential performance results. In a layman's language, strategy A can work well with managers X and Y, yet the latter can do well with strategy B; something the former may have nightmares with (Mahoney & McCue, 1999).

With that in mind, it is no offense to suggest that business ideas that have potential sustainability power, regardless of timing and the amount of effort should form a permanent armamentarium of strategic management. Managers must focus of design quality and consumer reaction to products and services and organizational objectives. Organizational resources are better optimized if managers walk and not talk their strategies. This is, however, not the end of the discussion.

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Back to the debate, “Better a consistently applied mediocre strategy, than a series of ad hoc brilliant strategies”. Until now the meaning of the phrase has not been elaborated, which is why taking the liberty of defining each and every word is the only way to do the debate some logical justice. “A consistently applied mediocre strategy” means the executive and manager uses a rigid not-so-good strategy in longevity. Perhaps this explains why some businesses remain average for the rest of their existence. When an executive or a manager is satisfied with non-expansive operation of their businesses and the narrow profits realized, they are probably unable to implement an effectively working strategy.

Running a business is not similar to the Olympics Games. Olympic Games have specified calendar, opening ceremony, talent diversity, winners and losers and single point of payoff. All this happens at a certain point in time. Business management is the polar opposite of the Olympics Games in the sense that there are no podium honors, no resting, and no personal coach or national flag. No people on TV and radio cheering up. The office, employees, business partners, clients, and customers are the things expected to be seen and dealt with on daily basis. Such resources demand a cutting-edge business model. It is up to the company’s hierarchy to do what is right for the right reasons; and that is to meet and exceed goals (“Success Strategy: 5 Ways to Beat Mediocrity”). Mediocre strategies have no sense of flexibility and fortunately, some executives and managers are beneficiaries. However, mediocre strategies present treasonable economic and development sabotage to the organization. Failure to deliver what one has been hired for is analogous to treason committed by an influential politician to the very government they are supposed to be protecting.

Ad hoc brilliant strategies are tailored to meet specific objectives. 'The Duck and the Lemonade Stand’ is a classic case of how important it is for a business person to listen to what

the consumer needs. The duck, for that matter went to the lemonade stand five times with the view to buy grapes and unluckily the preferred product is not in store. Lessons are there to be learned, but the lemonade stand manager holds opposite perspectives. Going to the lemonade stand almost half a dozen times asking for the same product means that the duck is a loyal customer. The duck asks and asks and asks until the lemonade guy takes him to a nearby store and buys him grapes to ensure that he does not come back again. The hugest blunder a businessman would make is directing his customer to a competitor, something that the lemonade seller did without thinking twice. To labor this point, the businessman committed a suicidal act by chipping money from his pocket to buy the duck grapes. In a logical business scenario, grapes should have been made available before the very next day.

From such a scenario, it can be inferred that the lemonade stand owner is running his business based on a mediocre strategy. Sticking to manufacturing, distributing or retailing a product people are not familiar or not in need of is a poor business strategy ("Success Strategy: 5 Ways to Beat Mediocrity").

Dell manufactures PCs in small numbers to test consumer product reaction and if the sales prospects are good, mass production is done to anticipate to the demand. Whatever the strategy a manager chooses; consumer behavior studies must be conducted because surprises do not serve businesses well.

To make the debate make more academic sense, it is indeed invaluable to discuss the various business strategies and their contexts of application. Undertaking such an effort will add an argumentative dimension to the essay.

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The Concept of Strategy

Nickols (2010) enthuses that hundreds of management books, periodicals, articles and other sources define strategy using four dimensions: plan, pattern, position and perspective. (1) a plan explains how a manager moves from here to there in a bid to make things work; (2) a pattern are specific actions over a certain period of time (Apple, Inc. makes and sell extremely expensive but quality products and services, a 'high end strategy'); (3) a position is a reflection of decisions to provider certain products or services in specified markets (Chinese companies offer products and services that target customers from developing countries; Chinese phone brands such as Alcatel, Huawei, and Tecno are tailor made to suit the needs of developing nations); and (4) a perspective stands for the vision and direction, a view what the company wants to become (Samsung Electronics had a vision of rivaling even the best electronics companies in the world. In the USA – the home of Apple, Inc., Samsung Galaxy smartphones and tablets upset the iPhones and iPads occasionally). This was and is still the perspective of Samsung Electronics. After all, the survival index of a company is directly proportional to its competitive advantage (Kitching, Blackburn, Smallbone, & Dixon, 2009).

Again, going back to the 'The Duck and the Lemonade Stand', it is decent to decry the lack of competitive advantage the lemonade stand owner is exhibiting. He knows more than anybody that grocery stores offer grapes at; of course, more expensive prices and yet refused to sell the fruits even after the duck comes out five times asking for the same product. The types of strategies discussed below expand the knowledge sphere of effective business management.

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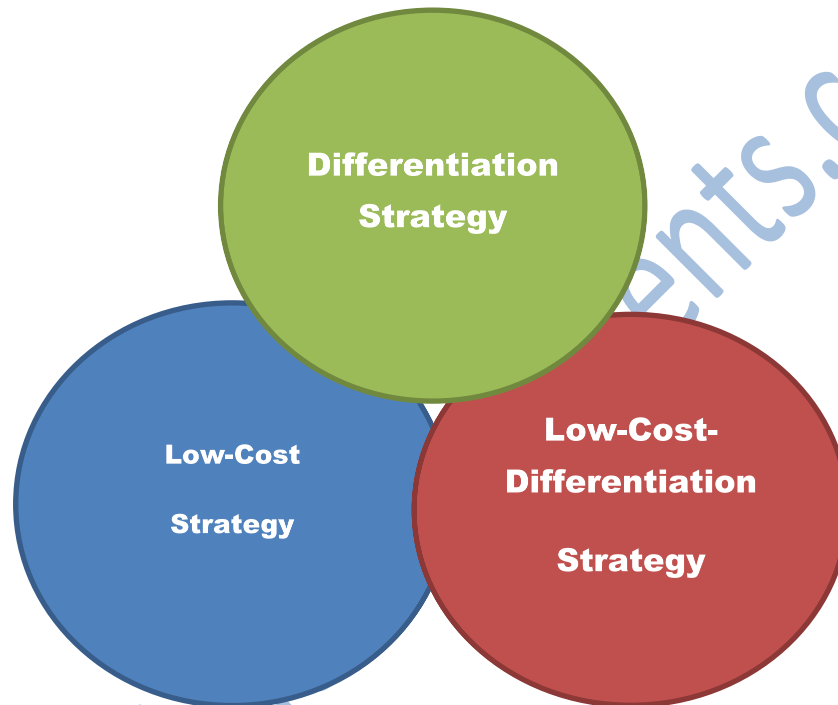
Types of Business Strategy

Different strategies enhance understanding of organizational marketing and competitive infrastructures at three different angles of view. The following are the three types of business strategies.



As an executive or business owner, think about how the product or service you intend to offer will make a difference in the lives of the potential customers. Corporate strategy and competitive strategy are products of the differentiation, low-cost and lo-cost-differentiation strategies (also known as Porter's Generic Strategies); therefore, there no room for confusion. It is necessary to talk about this because there are countless sources that hold that the only types of strategies are: general strategy, corporate strategy and competitive strategy. This sends air of confusion to readers as they struggle to know which the real three types of strategies are.

Nonetheless, it is up on the executive to determine the priorities of the organization they are representing and apply the most effective strategy to establish a competitive advantage. A company is said to be in possession of competitive advantage if and only if the offerings are daring enough to compel customers abandon the product or service they have been using for years for the new one ("Chapter 7: Business Unit Strategies").

To be honest, it is not easy to pull loyal customers to new products or services especially the ones they are not familiar with. Decide on the strategy. Is it a low-cost strategy that would allow customers acquire products at friendlier prices than competitors? Is it a differentiation strategy that invests heavily on the innovation and development of new products and services; something customers have not seen anywhere before? And if it is a combination of the two, at what proportion will the constituent strategies be applied? Having such questions in mind gives an executive a define path of strategy (Kitching, Blackburn, Smallbone, & Dixon, 2009; "Chapter 7: Business Unit Strategies").

Porter affirms that the low-cost-differentiation strategy is difficult to combine. Differentiation strategy is innovation-based. The budget of producing an innovative product or services requires research and numerous tests to ascertain price validity. These concerns obey Porter's rule that 'differentiation efforts tend to erode a low-cost structure by raising production, promotional, and other expenses". Is it not worth discussing the three strategies separately for better understanding?

Low-Cost (Cost Leadership) Strategy (Without Focus).

Companies dealing with low-cost strategy more generally offer fundamental, non-luxury products and services for a wide market consisting of price-sensitive customers. With over three

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billion people living under USD2.5 a day, majority of customers tend to buy affordable products and services as they take no issues with to do with quality of products or services. As far as the product or service being offered gives them what they want, they have no time to think about brand quality or/and durability. For instance, smartphones are no longer luxuries; they are basic human needs and a customer would rather purchase a China-made underpriced Huawei phone than spending extra $600 on an iPhone. To them, quality and product longevity is never a factor to consider.

Cost leadership companies focus on low initial investment and low operating costs. The organizations also maintain low production, distribution, advertising, and operational costs since they deal with suppliers who sell items at the cheapest prices ("Chapter 7: Business Unit Strategies").

Coca-Cola sells its soft drinks at a relatively cheap prices compared to PepsiCo. As a result, Coca-Cola products outsold PepsiCo's in Mexico (a low-cost customer base), enabling the former to rake a whopping $15 billion in sales in 2003; of course, more than 50% more than what PepsiCo generated. Having studied the market dynamics in Mexico, Coca-Cola established thrice as many bottling and distribution centers in the Hispanic country. Low-cost but voluminous sales of Coke stamped Coca-Cola's dominance in Mexico ("Three Types of Strategy"; "Chapter 7: Business Unit Strategies").

Global retail heavyweights such Carrefour and Wal-Mart have utilized economies of scale to cut costs to be able to offer low-price goods and services. Wal-Mart and Carrefour rapidly expands their distribution networks and insist on common sourcing throughout the globe; therein, reducing costs and improving margins ("Chapter 7: Business Unit Strategies").

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Considering that the online shopping business generates over $140 billion annually in the US alone, Wal-Mart chooses to offer free shipping of products to compete with other online stores like Amazon and eBay ("Chapter 7: Business Unit Strategies").

Low-cost strategy can devastate the financial books of organizations as they decrease margins. Air Iran – acquired by Southwest in 2011 – embarked on a low-cost strategy to beat Delta, but the success enjoyed (by Air Iran) was short-lived as the company began to fall drastically a few years later ("Chapter 7: Business Unit Strategies").

Differentiation Strategy (Without Focus)

Businesses using this strategy offer distinguishable goods and services to fend off competition. They create new product and new market opportunities and have the most advanced technological know-how. The Google Self-Drive car, when it fully becomes a commercial produce, will be an instant success because most customers desire to possess what others do not. Consequently, customers will be willing to pay higher for the car. From this example, it is undeniable that differentiation strategy increases the cost of a product or a service due to the massive innovation efforts put ("Chapter 7: Business Unit Strategies").

Boyd Williams Real Estate Company, which operates in Meridian, a city in Mississippi with 40,000 people, differentiates his company from its competitors by using a mobile office. He takes his office to the offices, homes, hotel lobbies and restaurants to allow potential buyers to view full-color pictures of virtually every home in the market. Tangibly, there is nothing that impresses customers more than efficiency and convenience of transactions ("Business Level Strategies"; "Chapter 7: Business Unit Strategies").

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Low-Cost-Differentiation Strategy

There is no science economy that explains how employing the low-cost strategy and the differentiation strategy at ago works and that is why Porter took the liberty of advising business executives against using the low-cost-differentiation strategy. This is because one strategy could act in antagonism toward the other. Differentiation strategy is a high budget gamble as technology and marketing financial obligations are through the roof.

Not everybody holds similar judgment. Some think the two strategies are not mutually exclusive and that businesses can start with one; probably the differentiation strategy and then shift to low-cost strategy on later stages of development.

McDonald's is among a few companies to have successfully used the two strategies simultaneously. McDonald's originally used the differentiation strategy to stand out from the rest. The global fast-food leader was a from-store-to-store model of consistency in terms of service friendliness and cleanliness and every customer loved to eat at McDonald's (differentiation strategy). This enabled the company to go global, establishing tens of branches overseas and put it in a position to control the supply price of potatoes, beef and other items. It started to buy the products at the lowest possible prices (low-cost strategy). The company is now taking pleasure in having over 1,200 stores in Europe ("Chapter 7: Business Unit Strategies").

I again say that I strongly disagree with the notion that "Better a consistently applied mediocre strategy, than a series of ad hoc brilliant strategies". Applying a mediocre strategy in consistency means the business may remain average forever. It is time business executives think outside the box and take the organization to unclimbable heights within the shortest time possible. In the early 1970s, Toyota was at par with Peugeot, Volvo, Ford, and Mercedes Benz

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and although all these automotive companies are still doing great, the Japanese car manufacturer holds all the cards. It is even the most selling brand in the United States, the reason being the company's refusal to act averagely. Realizing annual net profits of over $15 billion over the last 7 years in a row is something that Toyota continues to take pride in.

Ad hoc brilliant strategies serve executives and businesses better. Whether the executive employs the low-cost strategy, differentiation strategy or a combination of the two, the capability of determining the feasibility and productivity of a strategy is what separates great companies from good ones. Needless to say, mediocre strategies are generic and repetitive and do not focus of meeting specific consumer needs.

Conclusion

Mahoney and McCue (1999) maintain that since 1989 various books have been authored to resolve the ever existing confusion about the choice of a working business strategy, but very few indeed explain the contextual, applicability and functionality differences between a consistently applied mediocre strategy and ad hoc brilliant strategy. The discussion of the types of strategies materially takes us back to 'The Duck and the Lemonade Stand' situation. It is fair to lament the use of a non-working mediocre strategy by the lemonade stand operator. The stand operator elects to sell his favorite products, not what his customers need. Mediocre strategies have no sense of elasticity. Looking at the video, any rational person would feel for the business man. The lemonade stand risks the prospects of remaining a terribly small business for the next two decades if the owner continues to ignore the desires of loyal customers like the duck (Teece, 2010; Ritson, 2011).

Ad hoc strategies follow consumer trends and tend to produce what the consumer needs. Apple, Inc., Facebook, Inc., McDonald's, Toyota, Amazon, Samsung Electronics, Dell Computers, and other gigantic organizations offer products and/or services that fulfil consumer desire.

Ad hoc strategies are all about researching to know what the customer is in need of. Boyd Williams Real Estate Company analyzed the real estate business and saw the potential of improving sales in the mobile office program. This is a brilliant idea as it makes the customer feel appreciated and that his or her time is worth something more important than moving in person to inquire for and view real estate property. Boyd Williams Real Estate Company has since become an enviable company in Mississippi and some businesses are now utilizing the office mobility advantage ("Business Level Strategies"; "Chapter 5: Business Level Strategy").

All business ideas are brilliant, but having the wrong policies on the table with regard to the choice of a strategy definitely is a recipe for catastrophe. Managers should engage with more flexible business strategies to accommodate the constantly evolving consumer behavior and preferences. Use a cutting edge technology and up to date information to exploit the market.

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