



”Sustainable Business Strategy”

EMM 5212

Week 1

Hasnul Suhaimi

HASNUL SUHAIMI

Current Position :

- Lecturer MMUI, IPMI
- Practitioner Lecturer, SBM ITB
- Commissioner, PT Petrosea, PT Tripatra
- Executive & Business Coach (ICF PCC, EPC)

Former Position :

- Advisor, Bukalapak.com (2016 - 2020)
- Chairman of BOC PT POS (2017 - 2019)
- Advisor, Mandiri University GB (2015 - 2017)
- CEO , XL (2006-2015)
- CMO-CEO, Indosat (2002-2006)
- CEO, IM3 (2001-2002)
- CMO, Telkomsel (1998-2000)



Education :

- Master of Business Administration, Hawaii - USA
- Bachelor – Electronics Engineering , ITB Bandung

Award :

- Telecom Asia CEO of The Year 2011
- CEO of The Year, Frost & Sullivan Asia Pasific ICT Awards, 2011
 - Top 20 Most Admired CEO (Warta Ekonomi), 2013
- Best CEO of The Year (Selular Award) 2011, 2012, 2013

Week 1- May 27

May 20	1	When Does It Pay to Be Green? <ul style="list-style-type: none"> • Greening as a Commitment • Greening as a Core Competence • The Frontiers of Corporate Environmentalism • Methodological Challenges in <i>When It Pays To Be Green</i> 	CLO1	1			2	1	4	Renato J. Orsato 2009, <i>Sustainability Strategies, When Does It Pay to Be Green?</i> Chapter 1
	2	Strategic Management Essentials Case	CLO1	1		2	1	1	5	David & David 2017, Strategic Management, Chapter 1 Case: Danone Changing the Food System

Please send your PPT to group WA one day before class

Presentation 30 minutes, Discussion 30 minutes

Week 2
 June 3 → June 8

May 27	3	What Are Sustainability Strategies? <ul style="list-style-type: none"> • What Sustainability Strategies are not • Competitive Advantage: Positioning <i>and</i> Capabilities • Competitive Environmental Strategies • Beyond Competition: Sustainable Value Innovation • The Sustainability Strategies Portfolio 	CLO1			2	2	4	Renato J. Orsato 2009, <i>Sustainability Strategies, When Does It Pay to Be Green?</i> Chapter 2	Group 1
	4	<ul style="list-style-type: none"> • <u>External & Internal Analysis</u> 	CLO2	1	2	1	1	4	David & David 2017, Strategic Management, Chapter 6 & 7	Group 2
		<ul style="list-style-type: none"> • Case 							Case: Facebook facing off against Tencent	Group 3

Please send your PPT to group WA one day before class

Presentation 30 minutes, Discussion 30 minutes

Week 3 - June 10

June 3	5	Strategy Generation & Selection Group Project	CLO2	1			2	2	5	David & David 2017, Strategic Management, Chapter 8 Group Project Preparation	Group 3 In Class
	6	Eco-Efficiency <ul style="list-style-type: none"> • From Resource Productivity to Eco-Efficiency • Eco-Efficiency at the Firm: <i>Lean Thinking</i> • Eco-Efficiency beyond Borders: Industrial • Symbiosis • Eco-Efficiency in the Skies: Carbon Credits <i>When Eco-Efficiency Pays</i>	CLO3	1			3	4	8	Renato J. Orsato 2009, <i>Sustainability Strategies, When Does It Pay to Be Green?</i> Chapter 3	Group 2
June 10	7	Beyond Compliance Leadership <ul style="list-style-type: none"> • Reputation and its Risks • <i>Green Clubs</i>: Reputation Insurance? • <i>When Beyond Compliance Leadership Pays</i> 	CLO2	1			2	2	5	Renato J. Orsato 2009, <i>Sustainability Strategies, When Does It Pay to Be Green?</i> Chapter 4	Group 1

Please send your PPT to group WA one day before class
 Presentation 30 minutes, Discussion 30 minutes

June 3	5	Strategy Generation & Selection Group Project	CLO2	1			2	2	5	David & David 2017, Strategic Management, Chapter 6 & 7 Group Project Preparation
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June 10	7	Beyond Compliance Leadership <ul style="list-style-type: none"> Reputation and its Risks <i>Green Clubs</i>: Reputation Insurance? When <i>Beyond Compliance Leadership</i> Pays 	CLO2	1			2	2	5	Renato J. Orsato 2009, <i>Sustainability Strategies, When Does It Pay to Be Green?</i> Chapter 4

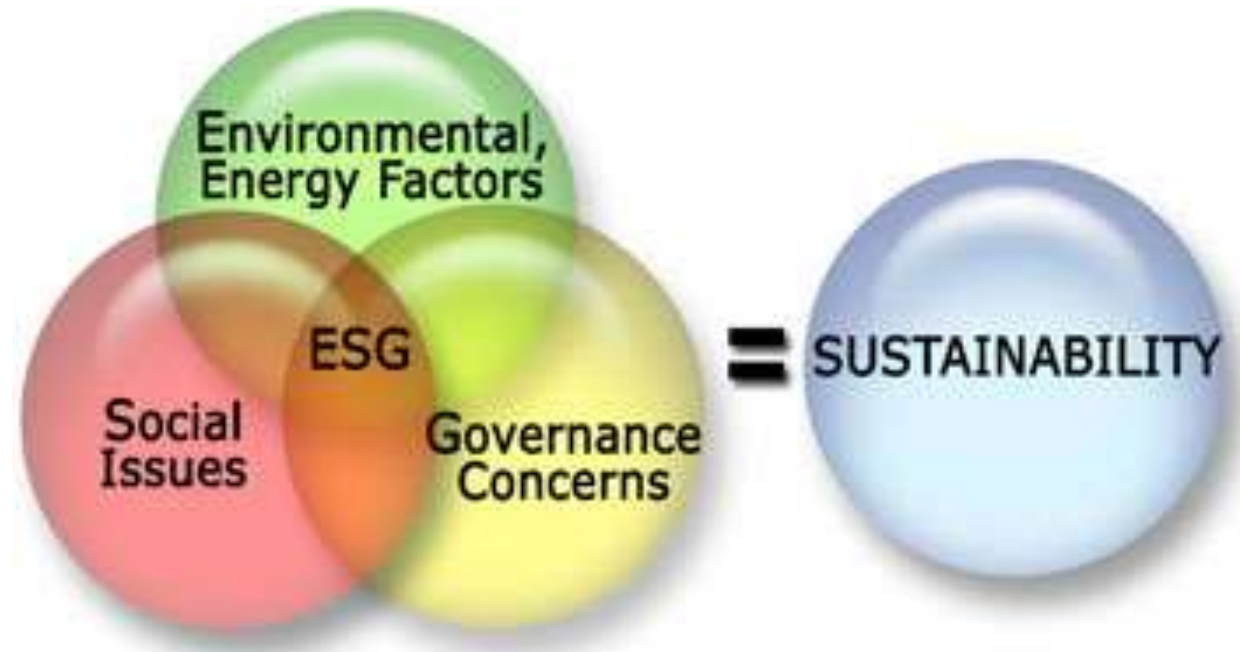
MAY 2023						
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JUNE 2023						
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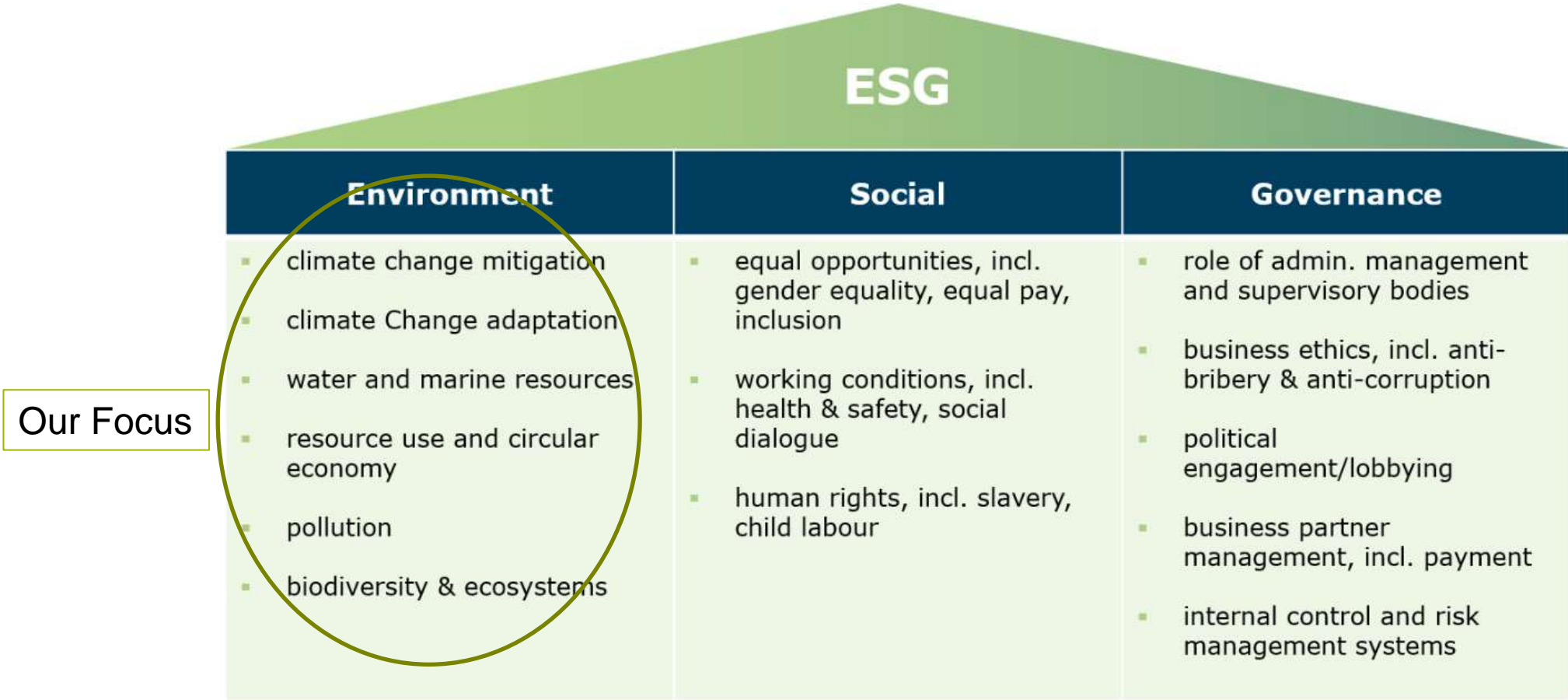
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sustainability



Sustainability = Going concern = Profitability

The EU sustainability reporting follows the classic ESG categories and includes the following aspects:



Danone: Changing the Food System

• *The food system that we've built over the last century is a dead end for the future. We depend for two thirds of our food, on this planet, on only nine plants today. And 40% of our lands are already degraded.* "... In a nutshell, we have broken the cycle of life."

—Emmanuel Faber, Chairman
and CEO Danone

“Danone: Changing the Food System” (the Goals)

Problems in the agricultural and food production systems:
high carbon emissions, environmental degradation, and large amounts
of food waste.

Danone’s CEO Emmanuel Faber sustainability goals by 2050:

- zero net carbon emissions
- 100% of its packaging renewable, compostable, or recyclable

Is it possible? Is it too ambitious?|

“Danone: Changing the Food System” (the Efforts)

Danone embraced the **One Planet. One Health vision** to address natural resource depletion, the commoditization of food, losing consumers' trust, and growing inequalities. One initiative is sourcing project using **Cost Performance Model (CPM) contracts**:

- The CPM contracts were introduced in 2010 to address price volatility and provide stability for both farmers and Danone
- The contracts were based on the **farm's feed, fixed, and other costs, and included bonuses linked to productivity, quality, and sustainability targets.**
- Despite the low market price, Danone chose to pay up to 8% more than the market price
- By the end of 2018, 43% of the milk collected in Europe and the U.S. came from producers with CPM contracts.
- One good example: the McCarty Family Farm in Kansas, which found the CPM contract aligned with their values and provided financial freedom to pursue their goals.

“Danone: Changing the Food System” (the problems)

In 2019 Danone planned to renew the CPM contracts to include sustainability criteria such as CO2 footprint, animal welfare, and feed autonomy in the incentives because **Danone believed that consumer demand for sustainably-produced food would eventually increase**, but,

- When milk prices started to rise again, some farmers chose to return to market prices.
- Small farms struggled to survive, while healthy & sustainably-produced food too expensive to produce.
- consumer tastes were changing, but majority of consumers were still reluctant to pay higher prices for sustainable products.
- Danone should also **manage the desired long-term ambition while meeting the company’s short-term financial target**

Exhibit 1 Danone Key Financial Figures

a) Consolidated Income Statement, 2013–2018 (in EUR millions, unless otherwise stated)

	2013	2014	2015	2016	2017	2018
Sales	21,298	21,144	22,412	21,944	24,812	24,651
Cost of goods sold	(10,977)	(11,056)	(11,212)	(10,744)	(12,630)	(12,729)
Selling expense	(5,425)	(5,209)	(5,677)	(5,562)	(5,831)	(5,640)
General and administrative expense	(1,707)	(1,743)	(1,944)	(2,004)	(2,229)	(2,220)
Research and development expense	(275)	(272)	(307)	(333)	(342)	(335)
Other income (expense)	(105)	(202)	(380)	(278)	(243)	(164)
Recurring operating income	2,809	2,662	2,892	3,022	3,537	3,562
Other operating income (expense)	(681)	(511)	(682)	(99)	192	(821)
Operating income	2,128	2,151	2,210	2,923	3,729	2,741
Cost of net debt	(193)	(179)	(152)	(146)	(263)	(231)
Other financial income	52	5	1	67	137	48
Other financial expense	(122)	(137)	(134)	(214)	(311)	(165)
Income before tax	1,865	1,839	1,925	2,630	3,292	2,393
Income tax expense	(604)	(599)	(626)	(804)	(842)	(716)
Net income from fully consolidated companies	1,261	1,239	1,299	1,826	2,450	1,678
Share of profit of associates	289	14	99	1	109	762
Net income	1,550	1,253	1,398	1,827	2,559	2,440

b) Sensitivity of Net Income to Changes in Prices of the Two Main Categories of Raw Materials Purchased by Danone, 2013–2018 (in EUR millions)

<i>Gain (loss)</i>	2013	2014	2015	2016	2017	2018
Increase of 5%						
Liquid milk, milk powder, and other milk-based ingredients	(167)	(191)	(166)	(119)	(127)	(123)
Plastics, including PET	(78)	(77)	(78)	(78)	(77)	(83)
Decrease of 5%						
Liquid milk, milk powder, and other milk-based ingredients	165	191	166	119	127	123
Plastics, including PET	78	77	78	78	77	83

“Danone: Changing the Food System” (the Questions)

1. Is Danone’s Concern for Sustainability Genuine or just marketing gimmick?
2. Is Sustainability a Good Strategy?
3. Who are Responsible for Sustainability? What are their roles?

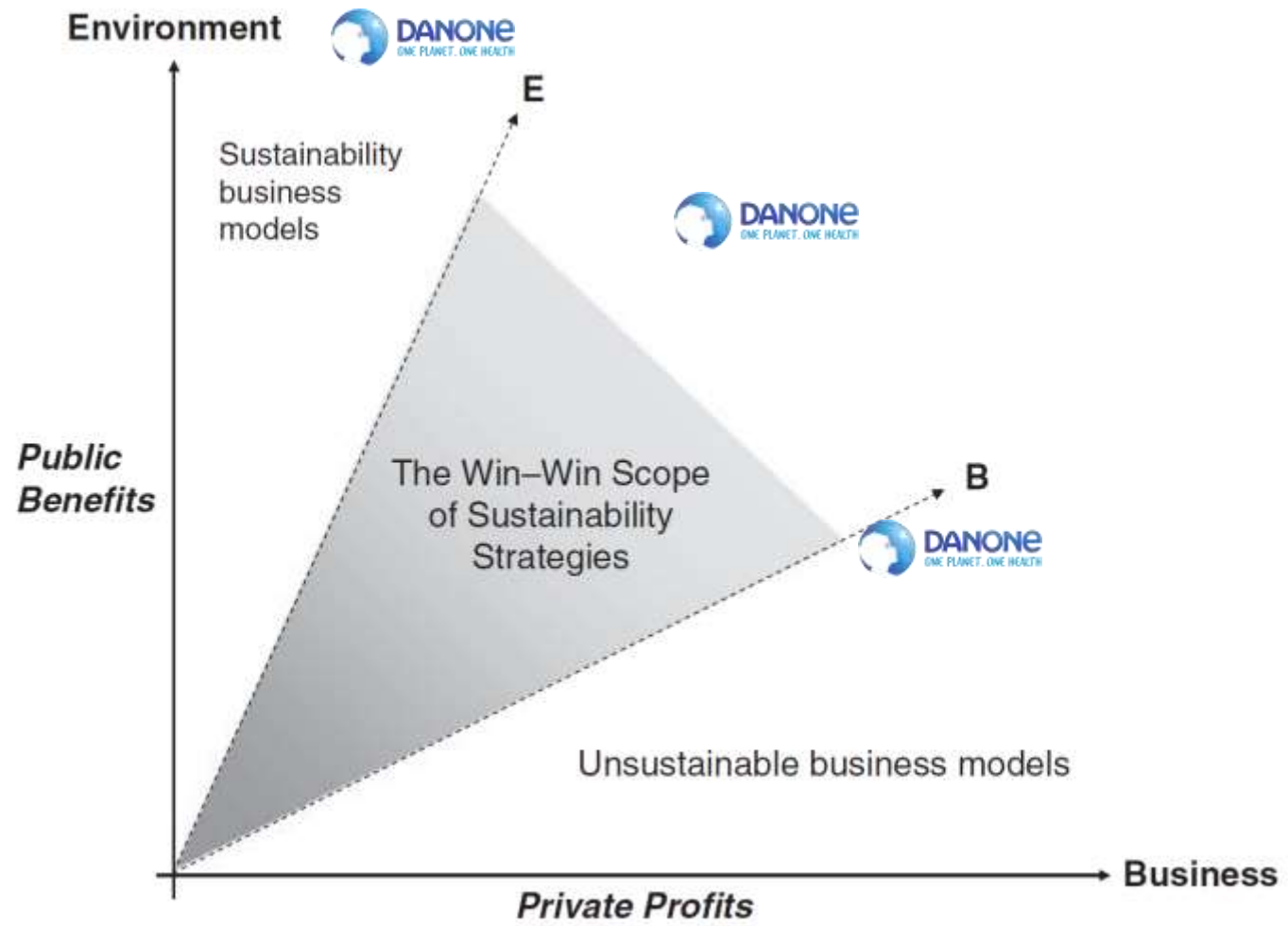


FIGURE 1.1 The Scope of Corporate Environmentalism²⁴

1. Is Danone's Concern for Sustainability Genuine or just marketing gimmick?

1. Danone is genuine: lack of communication about sustainability efforts on product packaging, the financial sacrifices made for sustainability, and major business decisions aligned with Danone's mission.
2. Danone is less than genuine: the selective nature of sustainability goals, the possibility of sustainability as a marketing ploy, and the potential for sustainability to distract from poor financial performance.

Danone's consistent leadership in sustainability, early adopter among large Corporations, Faber's principled decisions including giving up E28 mill retirement benefits

2. Is Sustainability a Good Strategy?

1. Good strategy: sustainability will be necessary for survival, it attracts talent, benefiting small farms, fostering innovation, and maintaining credibility in the industry, and Danone's financial performance has been reasonable.
2. Not a good strategy: higher costs for sustainably-produced products, potential negative impact on financial performance, and the lack of objective metrics to measure environmental impact, return on equity, share price increase, mediocre performance compared to peers, and growth of assets and debt.

Potential benefits of sustainability considering growing consumer demand for sustainable products

3. Who are Responsible for Sustainability? What are their roles?

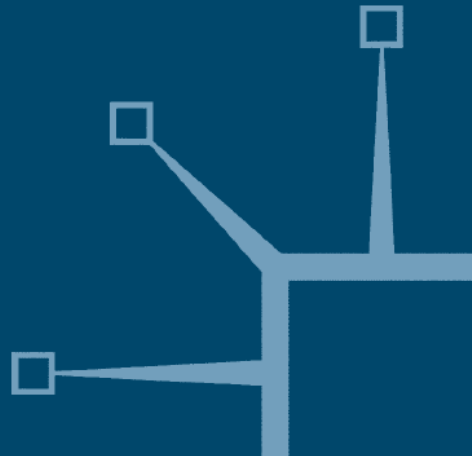
1. Consumers in driving businesses towards sustainability and the need for clear environmental standards and price considerations.
2. Governments driving change through policy and imposing universal sustainability standards.
3. Companies: to prove that sustainability and profitability can coexist, provide consumers with sustainable options, and make decisions with significant environmental impact.

Multiple entities including society at large need to work together to make society more sustainable.

SUSTAINABILITY STRATEGIES

When Does It Pay to Be Green?

Renato J. Orsato



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WHEN DOES IT PAY TO BE GREEN?

1

WHEN DOES IT PAY TO BE GREEN?

Is there possibility of business to profit from environmental investments ?

Can they become sources of competitive advantage or generate new market spaces?

Research shows profitability of environmental investments or eco-investments is similar to other issues in business:

- it is conditional to specific circumstances,
- depends on “the economic fundamentals of the business,
- the structure of the industry in which the business operates,
- its position within that structure,
- and its organizational capabilities”.

Overall, *when it pays to be green* remains an open question.





1970s 1980s

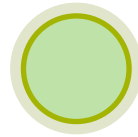
Sporadic attention

Environmentalism struggled to survive.



1992 UN Conference

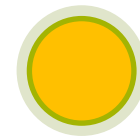
More serious and systematic manner



End 20th, early 21st century

Evidences were scarce

The focus on social issues (CSR)



2004, 2006

Kyoto protocol, climate disruptions

The most pressing issue for humankind



Environmentalism Cycles

1970s and 1980s,
Scarcity, pollution and biodiversity loss triggered **only sporadic attention** Environmentalism struggled to survive.

1992 in the UN Conference on Environment and Development (UNCED) Environmental issues started to be treated in a more serious and systematic manner

End of the 20th century, and early years of 21st century, empirical evidences of environmental protection and restoration were scarce, the result was another downturn for environmentalism, **the focus shifted to social issues (CSR)**

2004, ratification of the Kyoto protocol, influenced by climate disruptions as an impact of global warming, such as the Hurricane Katrina in New Orleans in 2005, and the personal crusade of Mr Al Gore, the Nobel Peace Prize awardee in 2006, **legitimized climate change as the most pressing issue for humankind in the new millennium**

Definition:

Corporate environmentalism, “the practices taken by any organization in order to reduce the environmental impact of processes, products and services along the entire life cycle”.



sustainability

Commonly accepted definition of sustainability or sustainable development, by the Brundtland Report: “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs”

Difficulty: to bring the concept of sustainable development to an operational level.



CASE STUDIES

IN
THE ENVIRONMENT

Case Studies - Opportunities and limitations of corporate environmentalism **to bring the concept sustainable development to an operational level to achieve** *“when it pays to be green”*.

1. GREENING AS A COMMITMENT: TETRA PAK
2. GREENING AS A CORE COMPETENCE: CITY BEE – THINK CITY

GREENING AS A COMMITMENT: TETRA PAK



Tetra Pak a global supplier of packaging systems for liquid food products committed to in sustainability:

1. continuous improvement in development, sourcing, manufacturing and transportation activities
2. all Tetra Pak packages have to be suitable for recycling.
3. supports customers in finding solutions for packaging material waste,
4. facilitate local collection and recycling activities for post-consumer carton packages.
5. endorses principles in the areas of human rights, labor and the environment via International organizations, such as:
the United Nations Global Compact, NetAid, and the International Business Leaders Forum (IBLF)

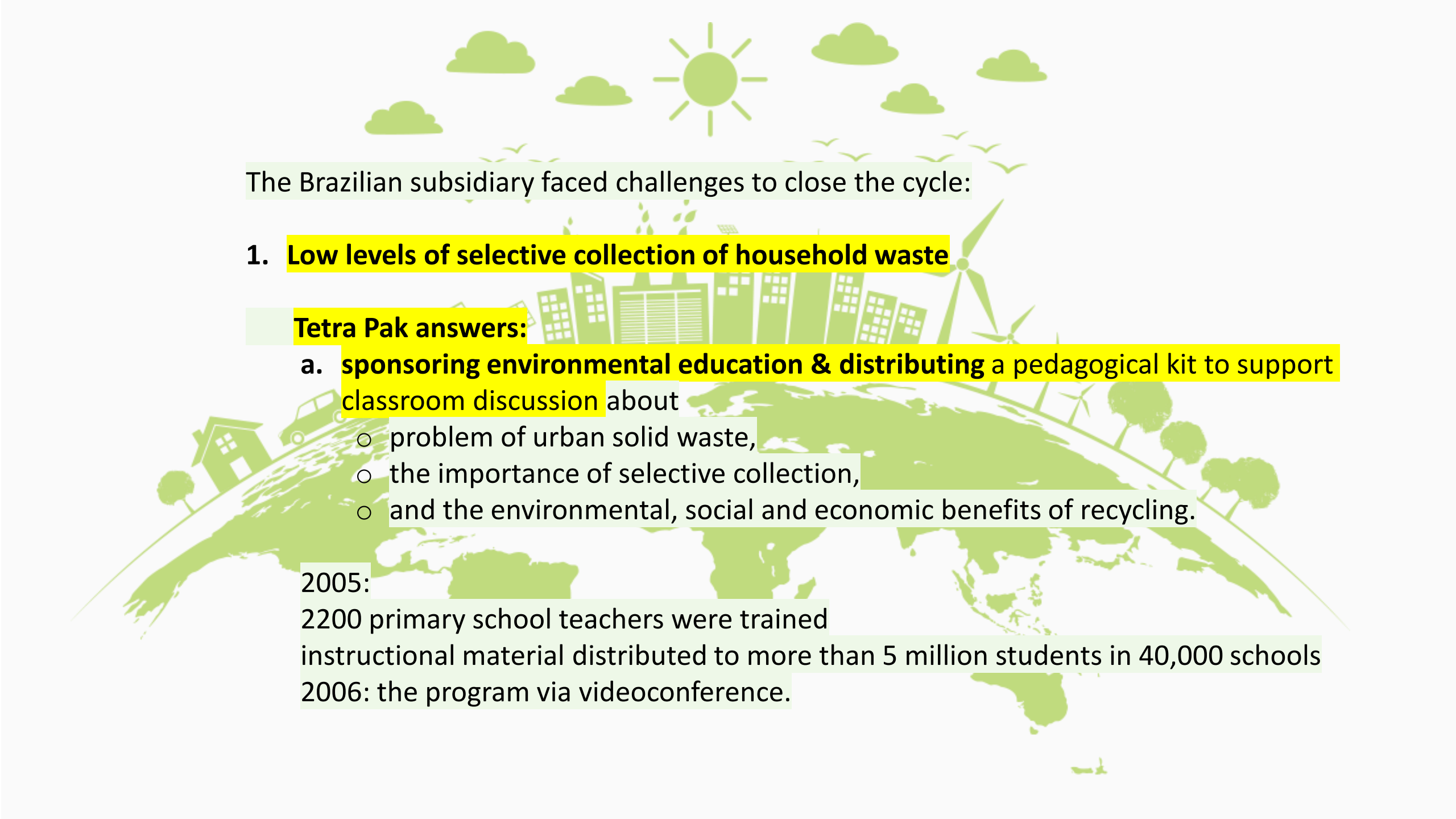
But total recycling process very difficult

Aseptic technology for long-life packaging, six months without refrigeration or preservatives.

Six layers of three different materials:

- long-fiber duplex paper (75 percent by weight),
- low-density polyethylene (20 percent)
- and aluminum (5 percent).





The Brazilian subsidiary faced challenges to close the cycle:

1. **Low levels of selective collection of household waste**

Tetra Pak answers:

- a. **sponsoring environmental education & distributing a pedagogical kit to support classroom discussion about**
- problem of urban solid waste,
 - the importance of selective collection,
 - and the environmental, social and economic benefits of recycling.

2005:

2200 primary school teachers were trained

instructional material distributed to more than 5 million students in 40,000 schools

2006: the program via videoconference.

b. The Cooperatives 1997–2005:

- more systematic approach to the problem
- sent 4 million brochures to municipalities and cooperatives of collectors.
- donated 30 press machines to cooperatives

Result: aseptic cartons representing 6 to 10 percent of the income of collectors by 2005.

Cooperatives and the Sustainable Development Goals

A CONTRIBUTION TO THE POST-2015 DEVELOPMENT DEBATE



2. The Manufacturers reluctant to use the fiber from aseptic cartons

addressed by showing manufacturers the technical advantages of the fibers aseptic packaging. The fibers are new and, therefore last longer

3. To find use for the blend of Pe/Al.

- After a few years of trial and error, the blend Pe/Al was used for the production of roof tiles and boards. This business is profitable. The initial investment in equipment is about US\$58,000 and revenues of US\$45,000 per year are feasible.
- The Pe/Al is also used as raw material in plastic products, such as buckets, brushes and handles for tools.

4. Until 2004 no technical ways of separating the layers of polyethylene from aluminum

After 10 years of R&D became possible via the use of **thermal plasma technology**.

Overall impact

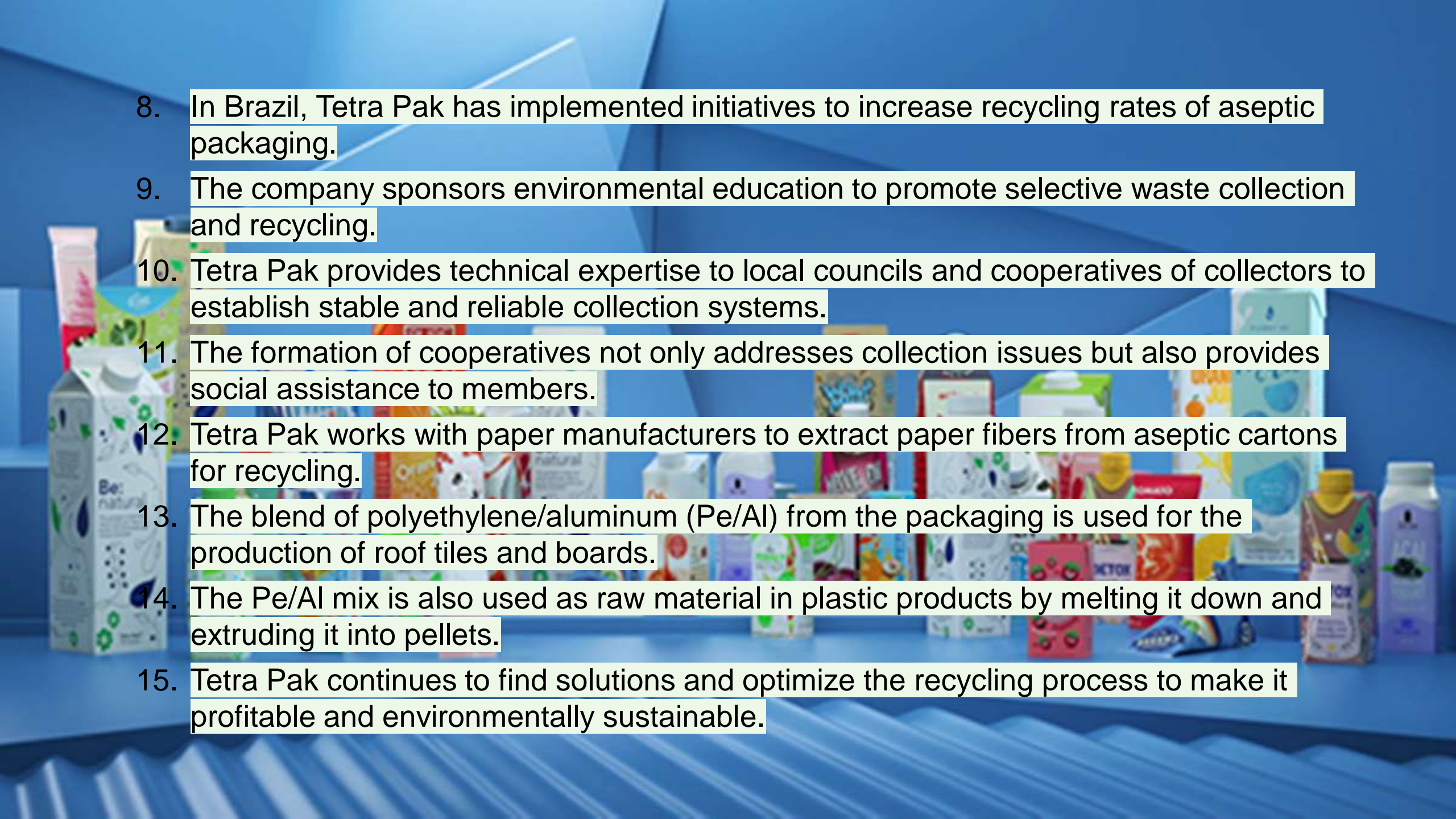
Tetra Pak efforts to close the aseptic carton cycle resulted in great increases in recycling rates, reduction in environmental impact, and have generated new sources of wealth and alleviated poverty.

The implementation of the Plasma plant represented an opportunity for Tetra Pak to obtain a return from the US\$1.2 million per year, but Tetra Pak does not have the intention to profit from the plasma technology.

The efforts to close the material cycle are part of the overall philosophy of the group toward excellence in corporate environmentalism.



1. Tetra Pak is a global supplier of packaging systems for liquid food products, operating in 165 countries.
2. The company is committed to running its business in a sustainable manner and sets goals for continuous improvement.
3. All Tetra Pak packages are designed to be suitable for recycling, and the company supports customers in finding solutions for packaging material waste.
4. Tetra Pak endorses principles in areas such as human rights, labor, and the environment through organizations like the United Nations Global Compact and NetAid.
5. The company pioneered the use of aseptic technology for packaging, which keeps food safe and fresh without refrigeration or preservatives.
6. Aseptic packaging consists of six layers of three different materials: long-fiber duplex paper, low-density polyethylene, and aluminum.
7. Tetra Pak faces challenges in the recycling process due to the multi-layered packaging material.

- 
8. In Brazil, Tetra Pak has implemented initiatives to increase recycling rates of aseptic packaging.
 9. The company sponsors environmental education to promote selective waste collection and recycling.
 10. Tetra Pak provides technical expertise to local councils and cooperatives of collectors to establish stable and reliable collection systems.
 11. The formation of cooperatives not only addresses collection issues but also provides social assistance to members.
 12. Tetra Pak works with paper manufacturers to extract paper fibers from aseptic cartons for recycling.
 13. The blend of polyethylene/aluminum (Pe/Al) from the packaging is used for the production of roof tiles and boards.
 14. The Pe/Al mix is also used as raw material in plastic products by melting it down and extruding it into pellets.
 15. Tetra Pak continues to find solutions and optimize the recycling process to make it profitable and environmentally sustainable.

GREENING AS A CORE COMPETENCE:

THINK
nordic



In 1991, Bakelittfabrikken, with know-how in thermoplastic molding, led the consortium to establish PIVCO.

It produced a unique vehicle for urban and suburban eco-friendly transportation. *City-Bee*, later renamed *Think*,

Think Innovation:

less than half suppliers, reduced number of components
minimal environmental impact:

- aluminum in the space-frame,
- thermoplastic in the body
- space-frame mounted on a folded-welded steel platform the floor of the car, bypassed the high investments in press shop
- body is produced with same process to manufacture boats.
- Color is added during the molding process, bypasses most polluting processes
- thermoplastic panels are both rustproof and recyclable;
- modular approach facilitates the disassembly and recycling of the material.

The production paradigm lowers the capital necessary to set up, 5000 units per year sufficient to break-even point (vs 100,000 units for Mercedes-Benz's *Smart ForTwo* car)

Similar to principles used in McDonald's eateries, *Think factories* could be established anywhere in the world on production (and expansion) volumes of 5000 units per year.

However, such innovation and savings were countervailed by the high costs of the nickel-cadmium battery pack,

The price in Norway was $\text{NOK} 25,000$, of which $\text{NOK} 7,500$ was due to the battery pack

.



In October 1998, the financial crisis and the refusal of the Norwegian government to continue investing forced the factory close down and the declaration of bankruptcy.

Two weeks later, the company was bought back by the PIVCO management team, BF and its employees.



1999, PIVCO was rescued by Ford Motor , renamed it to Think Nordic, **to lead the development of environmentally friendly vehicle technology in Ford**

March 2002 Ford produced 1005 *Think City*, one of the largest fleets of EVs on the road. The car was sold in 14 countries: Norway, Denmark, Sweden, some selected cities in Europe and the United States

August 2002, however, **Ford were pulling out of Think Nordic, concentrate on hybrids and fuel cells.**



2003, Think Nordic bought by Kamkorp Microelectronics, **to compliment its competences in drivetrains and microelectronics as innovative transportation.**

Shortly after launched *Think Public*, specific use in urban centers and closed areas.

2006, investment group InSpire acquired all its assets. Relaunched the new *Think City* model (Ford) (A306). InSpire has access to new and advanced technology, and exploit partnership and license production opportunities around the world.

The group **has invested in renewable energy, fuel cells and other technologies**, which will have significance for *Think*.

The high fuel prices and a growing concern over the effect of conventional transport on climate change have once more revamped the interest for eco-friendly vehicles. Think Nordic has products that address these issues but, considering its bumpy history, will it ever realize its business potential?

- The Personal Independent Vehicle Company (PIVCO) was established in 1991 to develop and produce an electric vehicle (EV) called City-Bee, later renamed Think.
- PIVCO purchased the majority of parts for the Think from established suppliers in the auto industry, reducing the number of components used.
- The Think incorporated several innovations in design and manufacturing to minimize environmental impact, including the use of aluminum in the space-frame and thermoplastic in the body.
- The thermoplastic body panels were produced using a process similar to boat manufacturing, eliminating the need for painting and reducing pollution.
- PIVCO aimed to reach the break-even point with an annual production volume of 5,000 units, significantly lower than traditional car manufacturers.
- The production system involved establishing joint ventures close to target markets to apply the EV development and manufacturing principles.



- The high cost of the nickel-cadmium battery pack used in the Think presented a challenge, as it accounted for a significant portion of the vehicle's weight and price.
- PIVCO faced financial trouble and went insolvent in 1998, but was later rescued by Ford Motor Company in 1999 to comply with zero emissions regulations in California.
- Ford acquired 51% of PIVCO and later the remaining 49%, leading to the production of the Think City and making it one of the largest fleets of EVs on the road.
- Ford eventually pulled out of Think Nordic in 2002 to focus on other alternative technologies.
- Think Nordic was bought by Kamkorp Microelectronics in 2003, and later by the investment group InSpire in 2006.
- The new owners relaunched the Think City model and focused on technology development, renewable energy, and partnerships for global production.
- The growing concern over climate change and high fuel prices renewed interest in eco-friendly vehicles, providing potential business opportunities for Think Nordic.

THE FRONTIERS OF CORPORATE ENVIRONMENTALISM

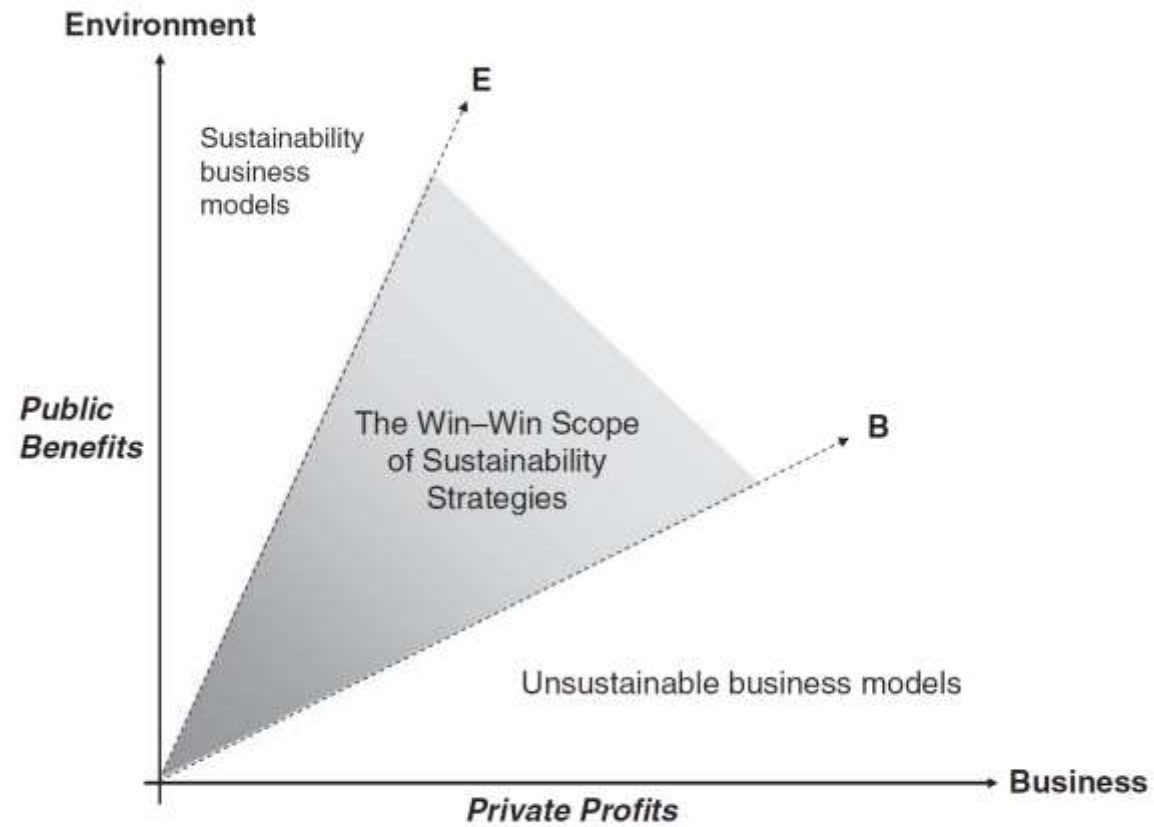


FIGURE 1.1 The Scope of Corporate Environmentalism²⁴

Corporations should consider shareholders' expectations of economic value creation but it does not mean that they should not try to push the upper boundary (Line E) as far as possible.

After all, innovations can generate returns from areas that were formerly considered unprofitable, as the plasma plant for the recycling of aseptic cartons suggests in the Tetra Pak case.

Several models or frameworks were developed, depart from the constraints faced by the planet (air pollution, water scarcity, loss of biodiversity, etc.), and prescribe what business should do to reduce its environmental impact

What managers should not expect, however, is that such actions will always create economic value.

Tetra Pak and Think Nordic are examples of companies that have been trying to cover the wider possible scope of corporate environmentalism, represented by the win-win zone.

On top, it somehow have impact in increasing the market value of the company.

Achievements in Brazil and in many other countries increased the reputation of Tetra Pak as a leader in social and environmental responsibility.

Brown and Dacin asserted, “what consumers know about a company can influence their beliefs and attitudes toward products manufactured by that company”.





FUNDAMENTALS

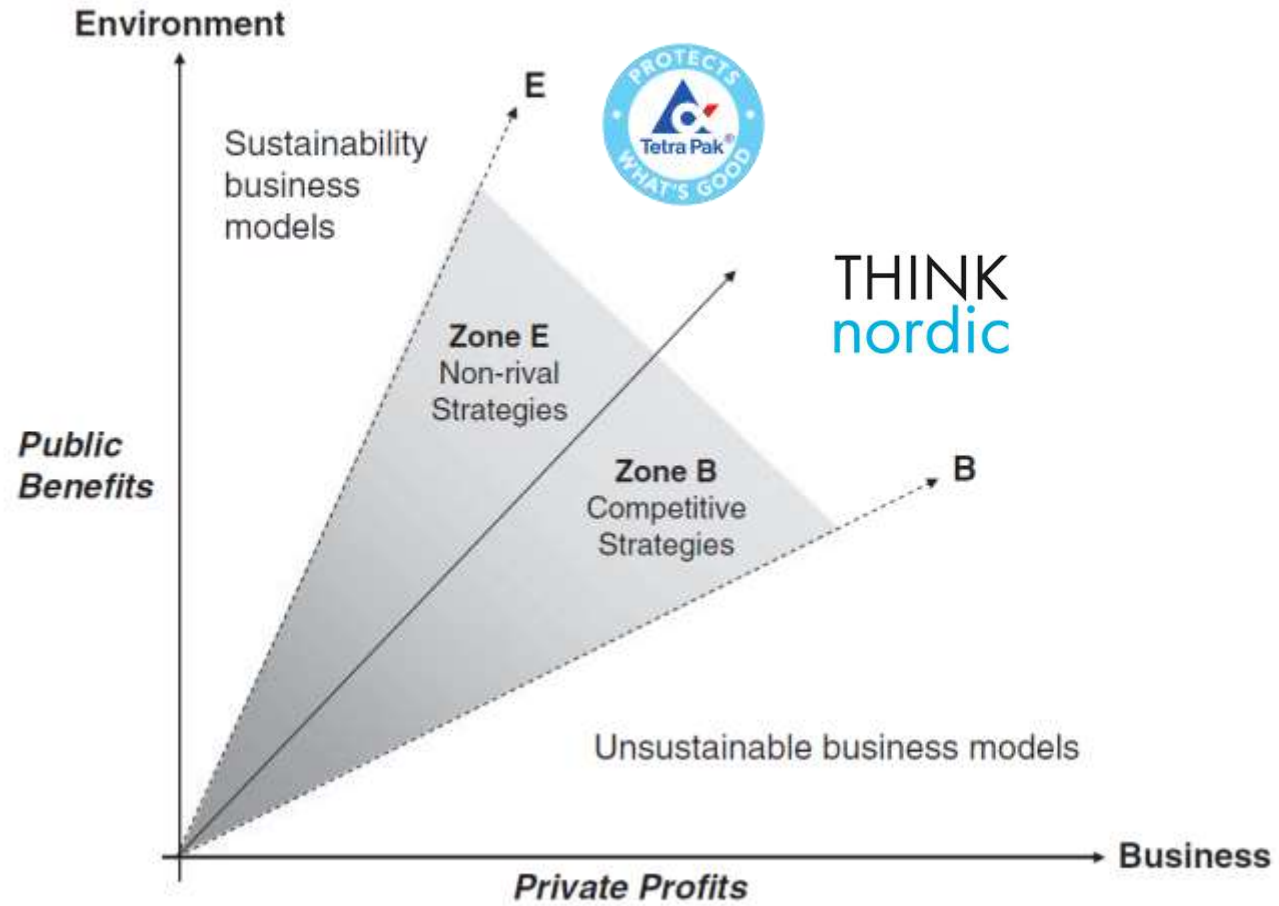


FIGURE 1.2 Competitive and Non-competitive Strategies³⁰

Tetra Pak's actions somewhere in Zone E, the *non-rival* or *non-competitive* nature:

Clear public benefits (vertical axis).

- increasing levels of recycling
- creating of jobs and better social conditions

but did not result in direct tangible *private profits* for Tetra Pak (horizontal axis).

The non-rival aspect also means that the actions do not compete with similar actions taken by other companies operating in the same industry.



In the Think Nordic case , corporate environmentalism is closely coupled with the core competences of the business.

Even though the car produced by Think Nordic is electric, it competes not only in the niche of electric cars but also with conventional cars powered by Internal Combustion Engines (ICEs). In this respect, the environmental advantages of EVs face direct competition from motoring attributes of conventional cars, such as speed, range and road performance


For this reason, the environmental strategy is, in fact, a *competitive strategy*, defined by Zone B.

The logo for Think Nordic, featuring the word "THINK" in a bold, black, sans-serif font above the word "nordic" in a blue, lowercase, sans-serif font.

The methodological challenges to answer the question *when it pays to be green?*

we need to decouple the terms of the question and consider:

- ❑ When: a clear timeframe, and the context in which the company operates
- ❑ Pays: quantitative and qualitative data, as well as the tangible and intangible value created by the eco-investment;
- ❑ Green: a clear definition of the type of eco-investment.



While the scope for corporate environmentalism is vast, only a few actions toward environmental protection will generate economic returns or competitive advantages. The non-competitive actions is gain of a business is achieved at another business' loss (the *zero-sum*game).

For most eco-investments to generate market advantages, they need to compete with alternatives – green or otherwise – in the marketplace. Taken as a whole, the first step toward answering *when it pays to be green* requires us to focus on the competitive nature of eco-investments.

But, Kim and Mauborgne, the authors of *Blue Ocean Strategy*, would even argue that companies should simply avoid competition by creating new market spaces. Why should companies fight for existing markets if they can create new ones?

SIXTEENTH
EDITION

STRATEGIC MANAGEMENT

Concepts

A COMPETITIVE ADVANTAGE APPROACH

GLOBAL
EDITION

Fred R. David

Francis Marion University
Florence, South Carolina

Forest R. David

Strategic Planning Consultant

PEARSON

Boston Columbus Indianapolis New York San Francisco Amsterdam
Cape Town Dubai London Madrid Milan Munich Paris Montréal Toronto Delhi
Mexico City São Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo

1

Strategic Management Framework

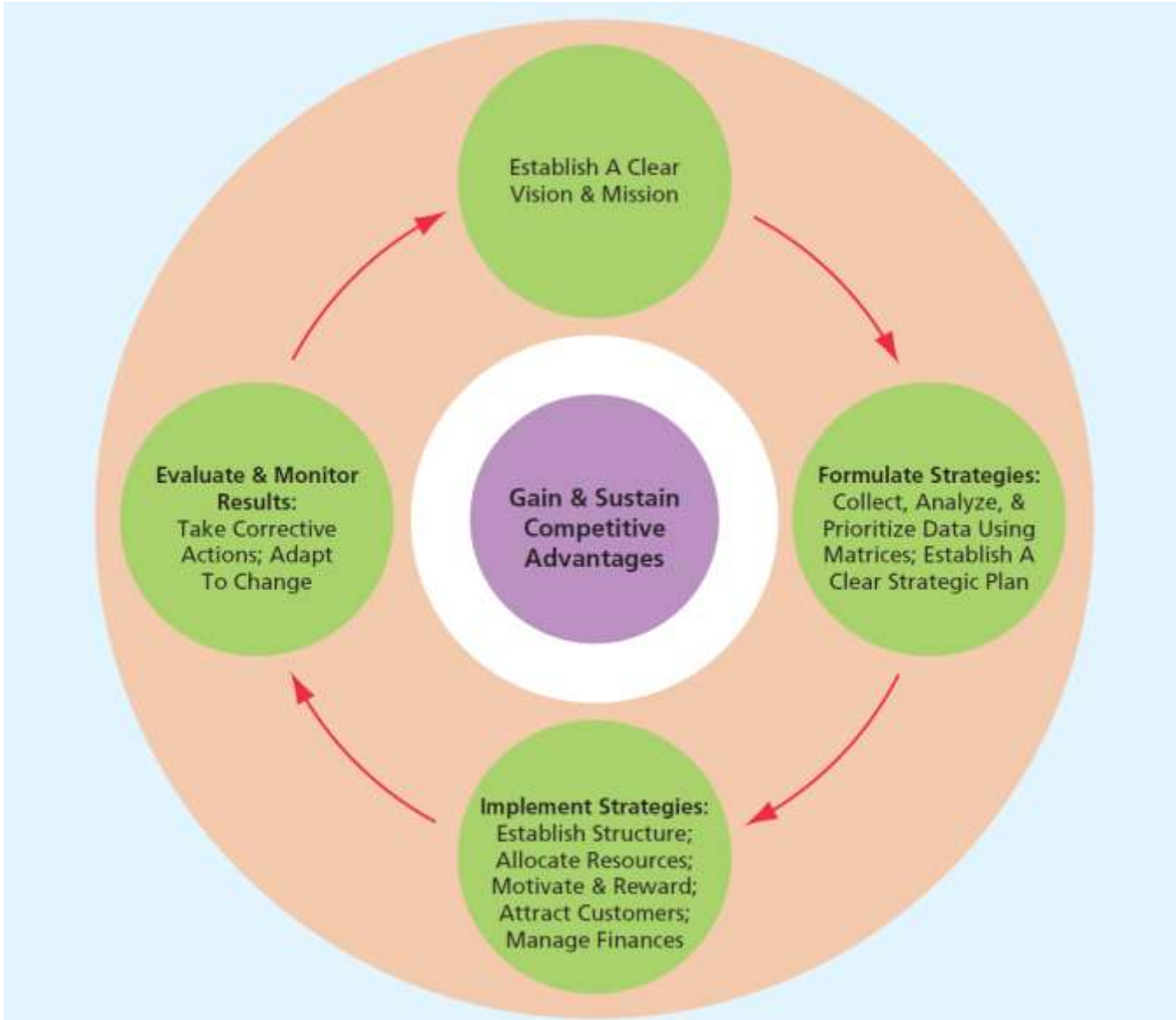


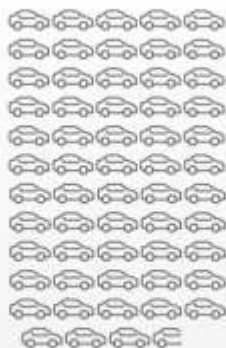
FIGURE 1-3
How to Gain and Sustain Competitive Advantages



CHART OF THE WEEK January 2020

Tesla Now Worth More Than Ford and GM Combined

Despite selling a fraction of the vehicles, Tesla's valuation is leaving its U.S. competitors in the dust

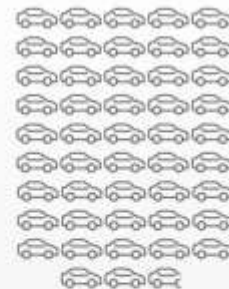


U.S. UNIT SALES (2019)
2,936,366



U.S. UNIT SALES (2019)
192,250

= 50,000 units



U.S. UNIT SALES (2019)
2,389,343

Source: Company reports, Market cap from Jan 23, 2020

visualcapitalist.com



Tesla is now the world's most valuable automaker

June 2020

U.S. VEHICLE SALES IN 2019



Tesla's market cap has shot up by over 375% over the past year, and the company is now the most valuable automaker on the planet.



Volkswagen's market cap is slowly climbing back up after being cut in half during the COVID-19 market crash.

Ferrari's valuation has been in increasing steadily over the past five years.



Ford's valuation has been in steady decline over the past five years.



Nikola – a company focused on electric trucks – has yet to produce a vehicle, but already has a market cap comparable to Ford.

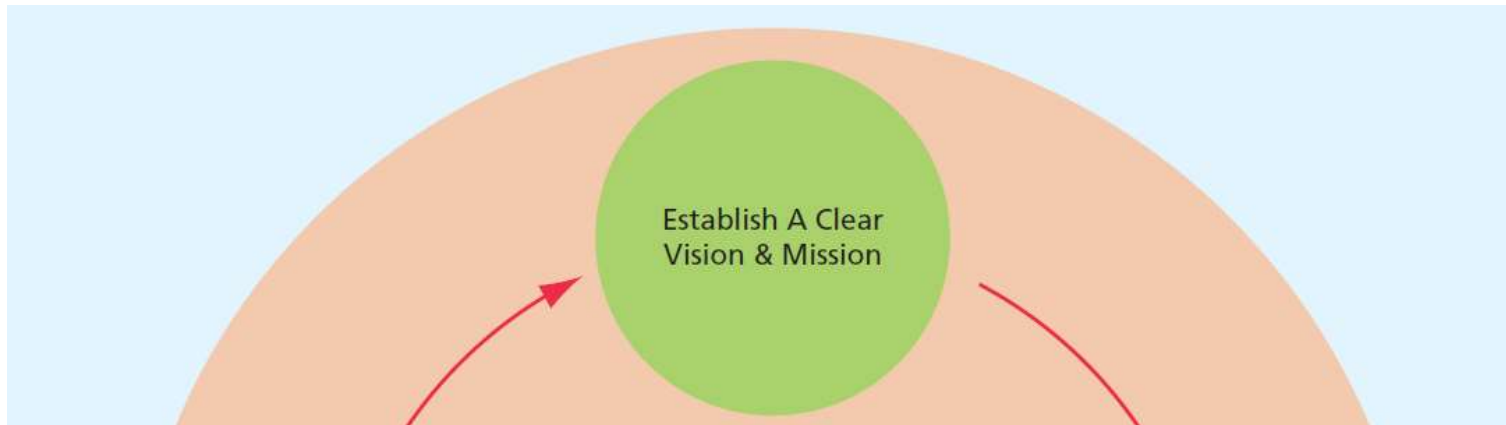


visualcapitalist.com

Source: YCharts (June 16, 2020)

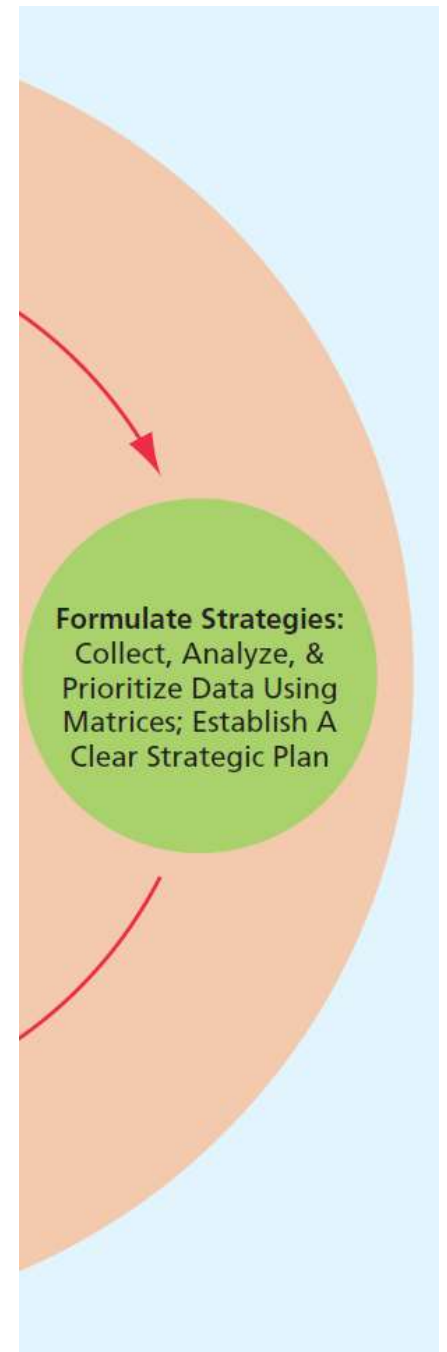
- **Vision.** What do we want to accomplish ultimately?

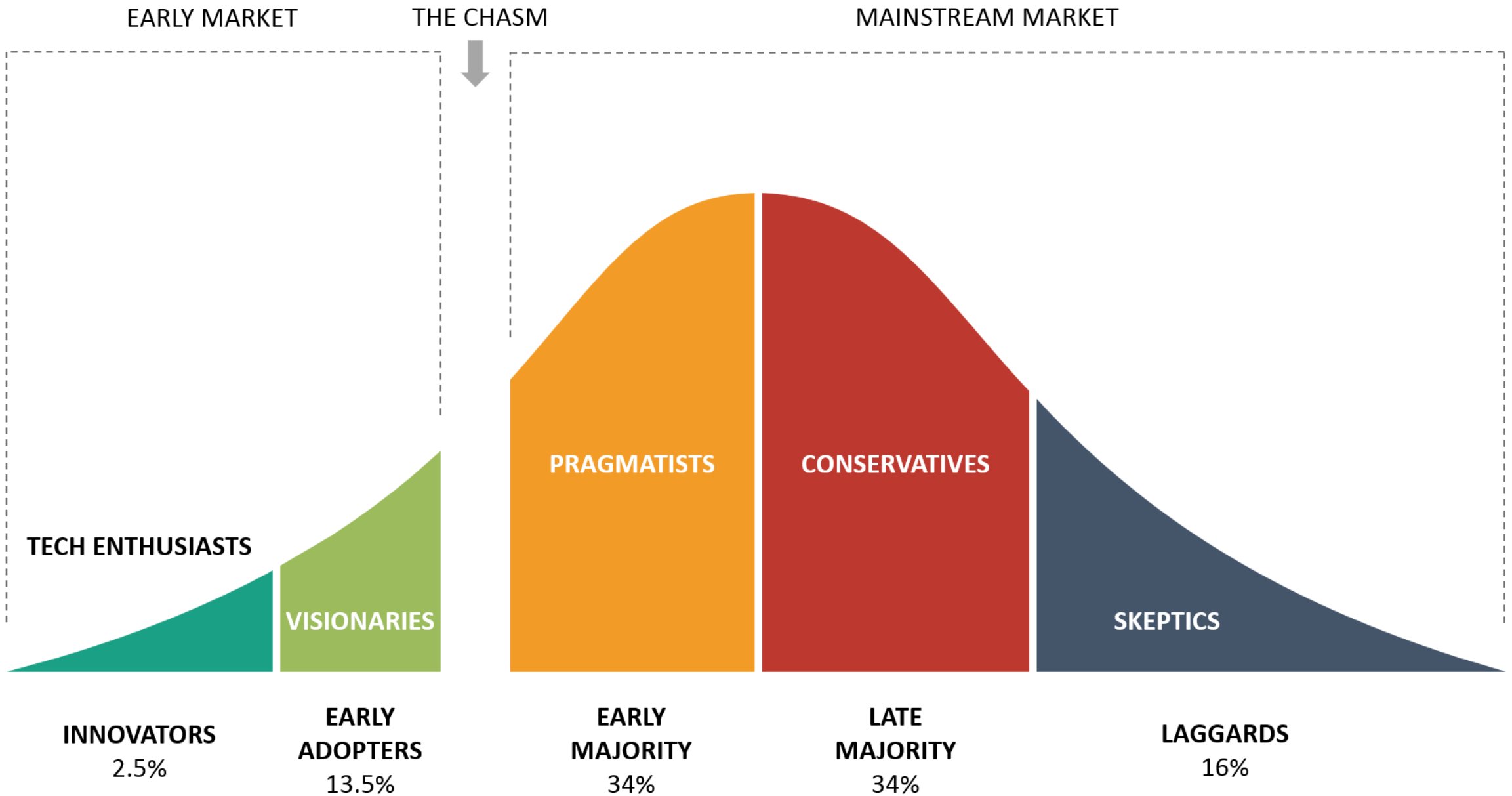
Tesla's vision is *to accelerate the world's transition to sustainable transport.*



Strategy: Tesla's master plan, Elon Musk 2006

1. Build sports car.
2. Use that money to build an affordable car.
3. Use *that* money to build an even more affordable car.
4. While doing above, also provide zero-emission electric power generation options.
5. Don't tell anyone.





Execution

Step 1: 2008, the Roadster, \$110,000 sports coupe faster acceleration than Porsche or Ferrari. 2,500 sold

Step 2: 2012 Model S, four-door family sedan, \$73,500. 2013 Car of the Year, highest score of any car ever tested by Consumer Reports (99/100). More than 250,000 sold S worldwide.

Model X, crossover between SUV and a family van with futuristic falcon-wing doors \$100,000 launch 2015. By end of 2018 more than 100,000 sold





Roadster



Model X



Model S



Model X



Model 3



Step 3: 2016, Model 3, compact luxury sedan \$35,000.

500,000 preorders, end of 2018, delivered more than 100,000 globally

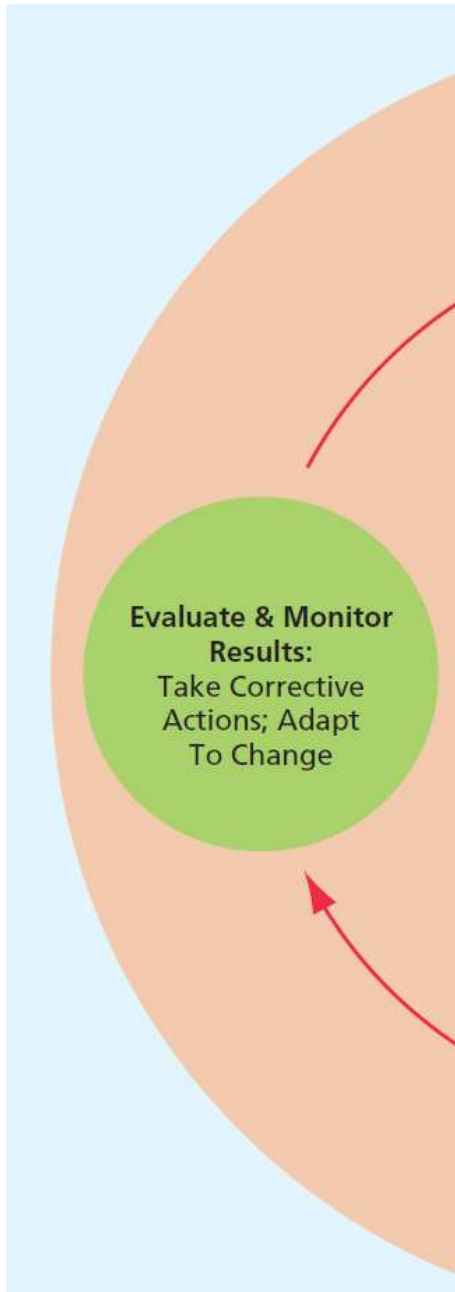
2019, launched Model Y, compact SUV, smaller \$39,000 for 230 miles high-end version \$60,000 with 280 miles range).

Step 4: to provide zero-emission electric power generation options.

Acquired SolarCity, more than \$2 in 2016.

Tesla becomes the first fully integrated clean-tech energy company that combines solar power, power storage, and transportation,

Step 5: “Don’t tell anyone” —a humorous statement added by Elon Musk



Tesla market value

Oct. 24, 2016 to Oct. 25, 2021



Tesla Inc Share price



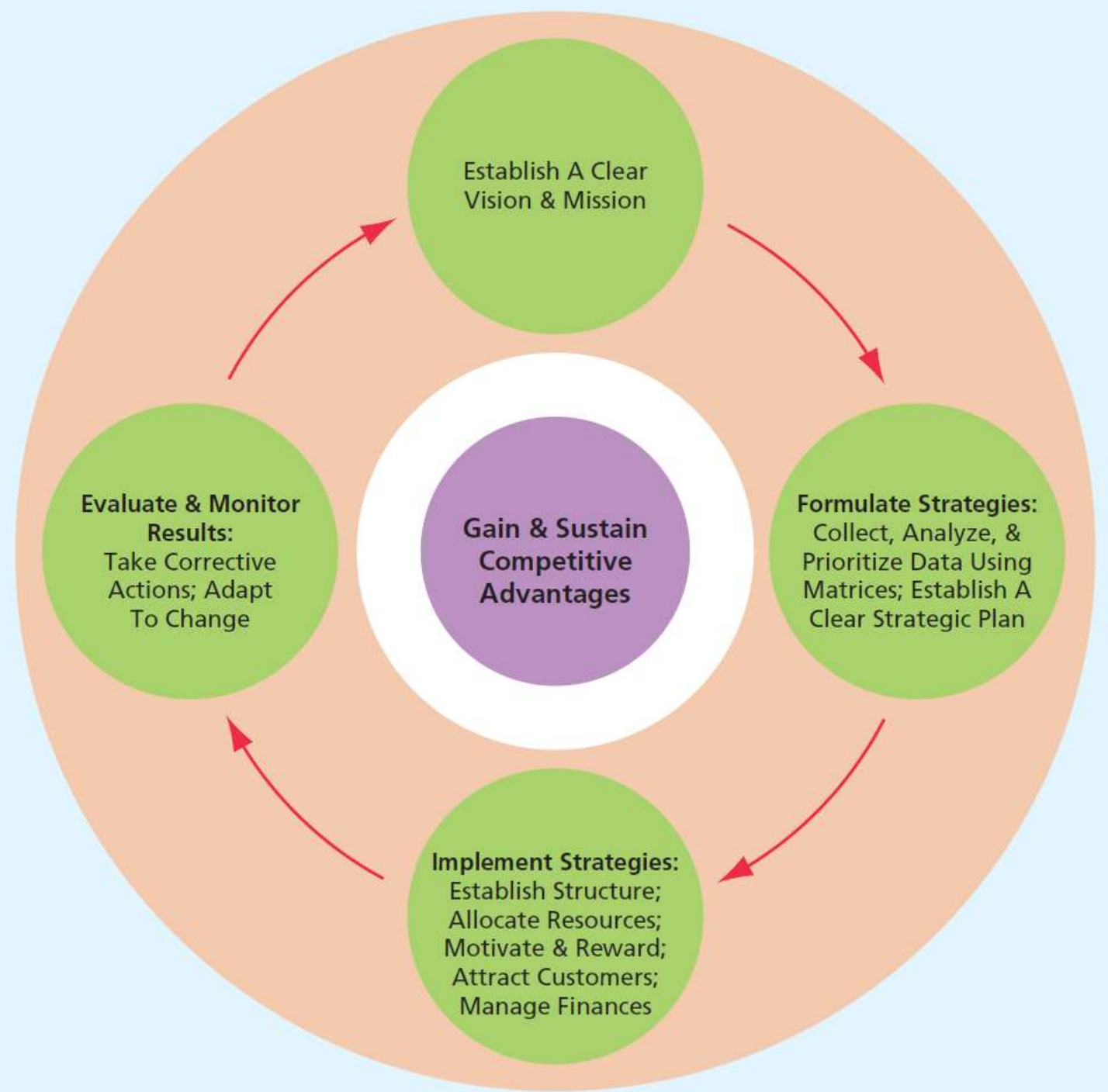
<https://www.hl.co.uk/shares/shares-search-results/t/tesla-inc-usd0.001>

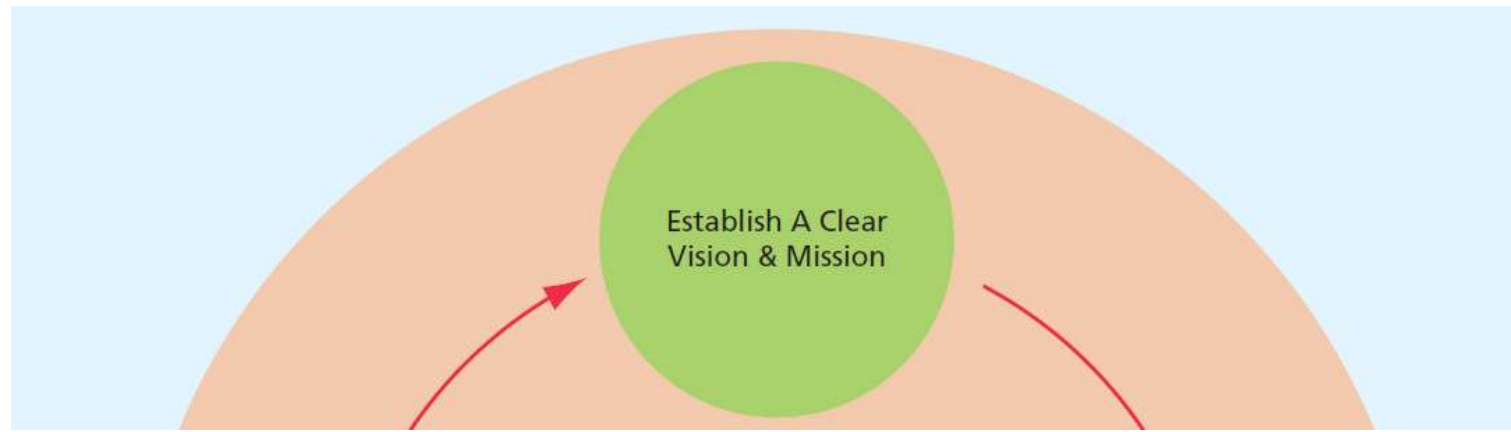
In contrast to Tesla's success, the big-three U.S. automakers—Ford, GM, and Chrysler—struggled during the first decade of the 21st century, with both GM and Chrysler filing for bankruptcy protection.

What should they do?



Strategic management is the integrative management field that combines *analysis*, *formulation*, and *implementation* in the quest for competitive advantage.





Vision. What do we want to accomplish ultimately?

Mission

Key Market: the target audience

Contribution: the product or service

Distinction: what makes the product unique or why the audience should buy it over another

■ External Analysis.

What effects do forces in the external environment have on the firm's potential to gain and sustain a competitive advantage? How should the firm deal with them?

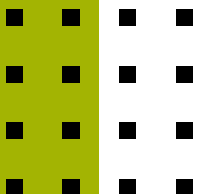
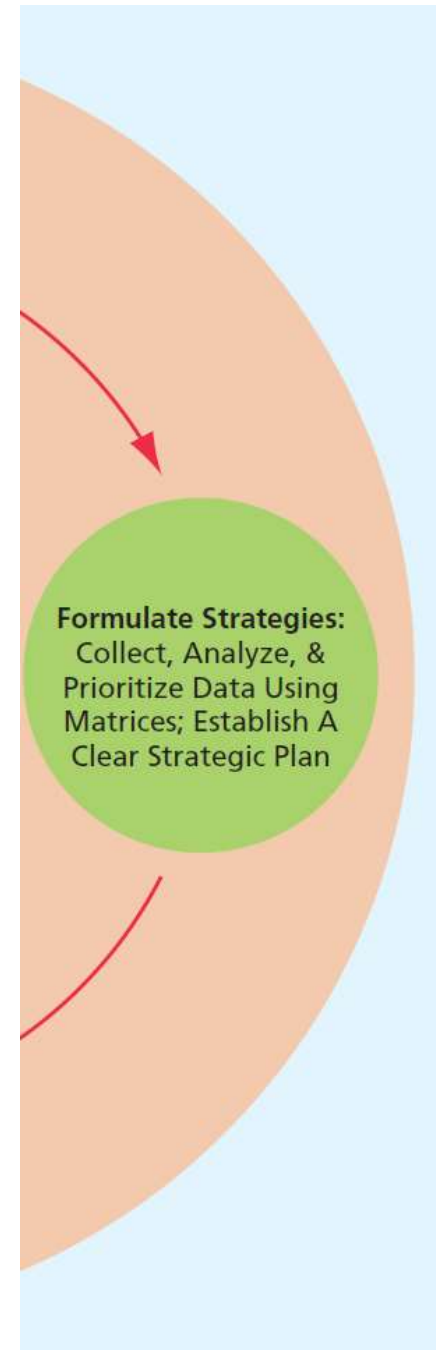
■ **Internal Analysis.** *What effects do internal resources, capabilities, and core competencies have on the firm's potential to gain and sustain a competitive advantage? How should the firm leverage them for competitive advantage?*

■ Competitive Advantage, Firm Performance, and Business Models.

How can one assess and measure competitive advantage?

What is the relationship between competitive advantage and firm performance?

How does the firm make money?





- Things you **cannot control**
- Close enough that may impact your business

External
Opportunities
dan Threats



Political

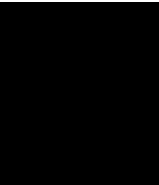
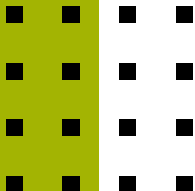
Economic

Social

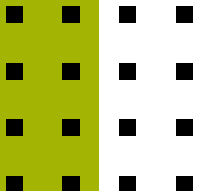
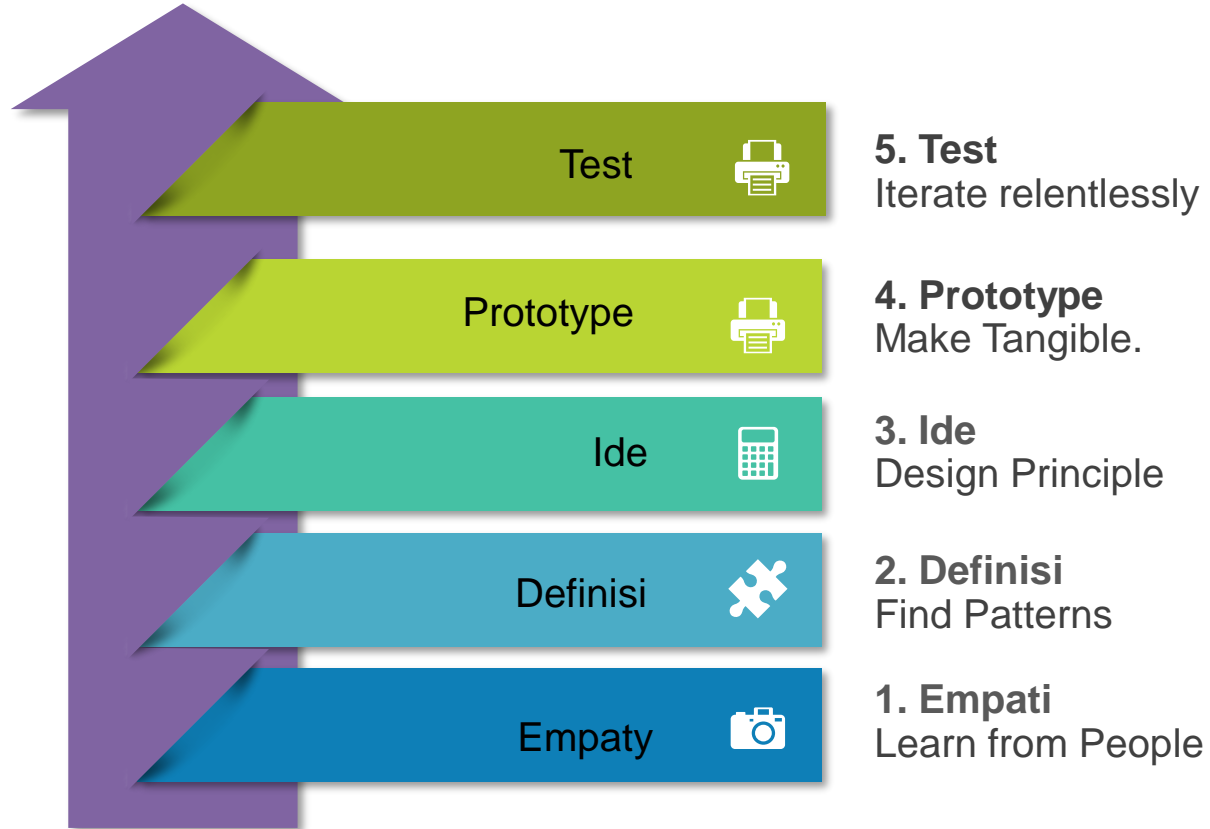
Technological

Legal

Environmental



Design Thinking: Understanding Customers



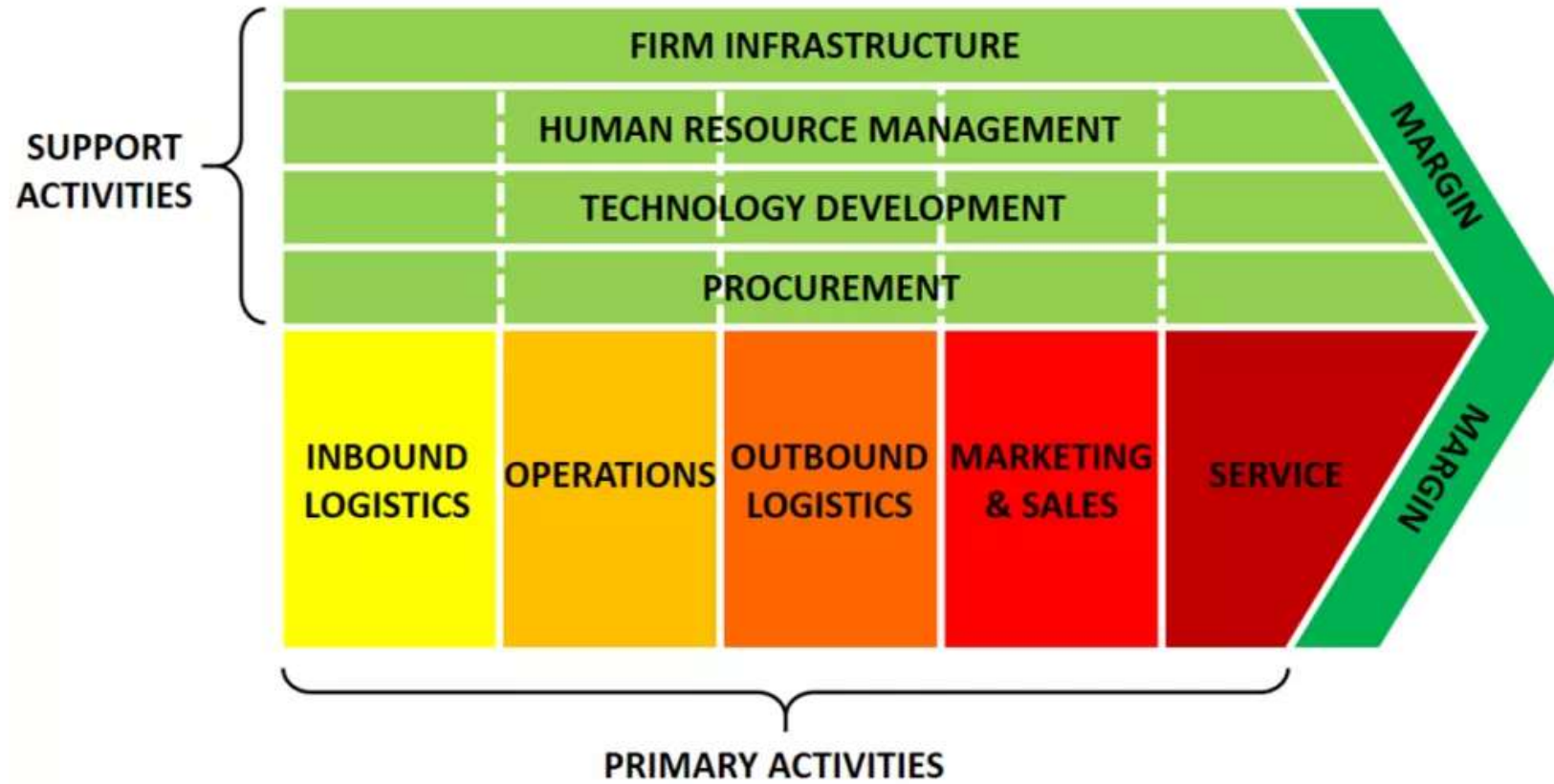
	Opportunities	Threats
➤ Politics		
➤ Economy		
➤ Social Trend		
➤ Technology		
➤ Legal		
➤ Environment		
➤ Customer analysis:		
➤ Product Lifecycle:		
➤ Competitor Analysis:		
➤ Industry Attractiveness:		



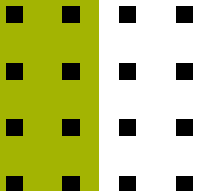
- Things under **your control**
- Resources

Internal
Strengths dan
Weaknesses

Michael Porter's Generic Value Chain



	Strengths	Weaknesses
<ul style="list-style-type: none">■ Company<ul style="list-style-type: none">○ Management○ Marketing○ Finance & Accounting○ Production & Operations○ R&D○ Information Systems○ Value Chain■ Strategic Partners:■ Competitive benchmarking:		



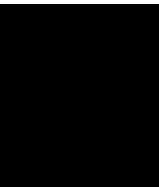
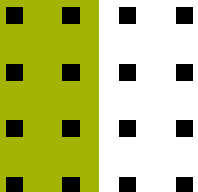
Strategy is a set of goal-directed actions a firm takes to gain and sustain superior performance *relative* to competitors



Corporate Level Strategy



Corporate level strategy: Corporate level strategy is a long-range, action-oriented, integrated and comprehensive plan . It is used to ascertain business lines, expansion and growth, takeovers and mergers, diversification, integration, new areas for investment and divestment and so forth

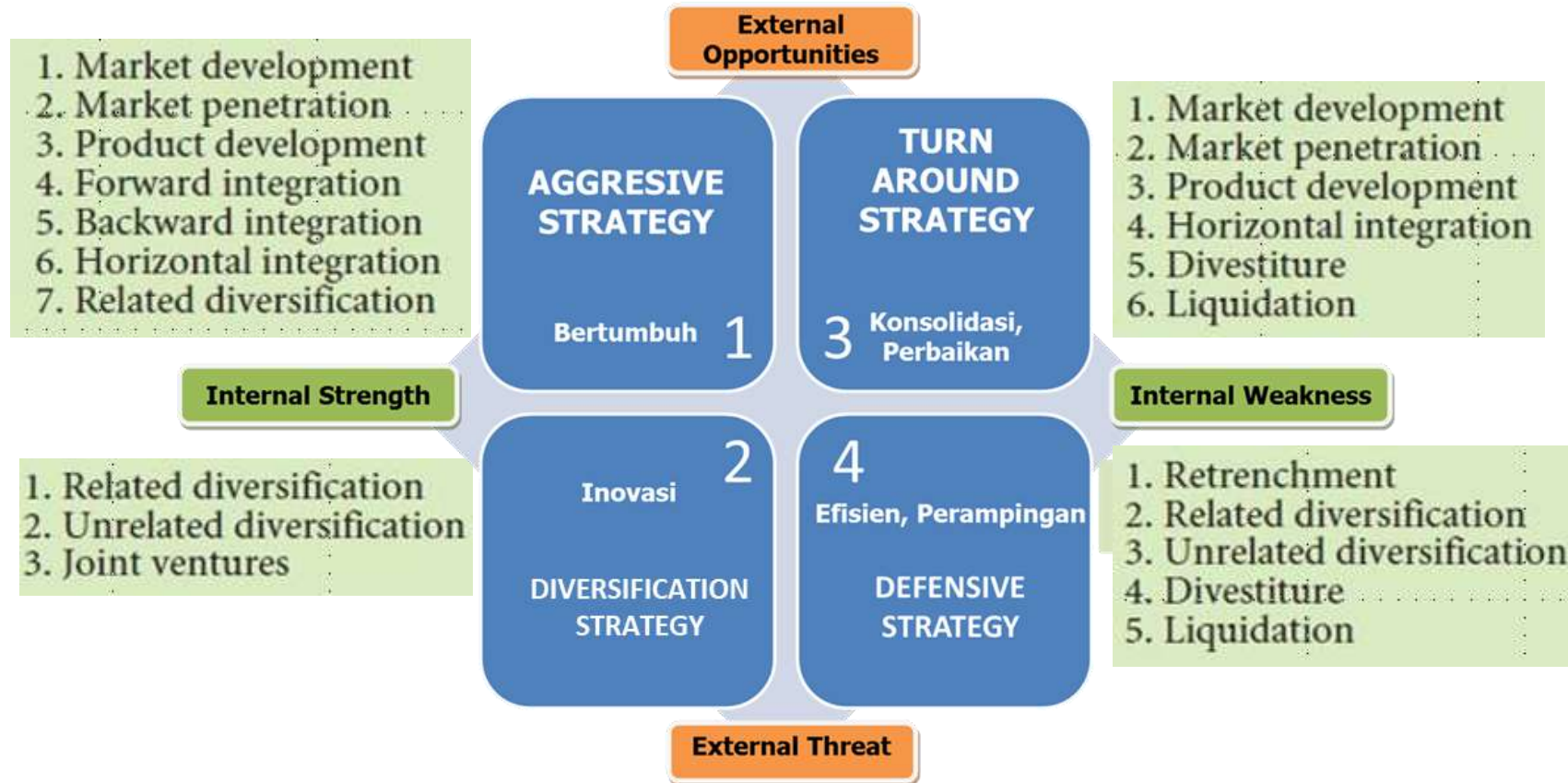


Corporate Strategy with TOWS

<p>EXTERNAL FACTORS (EFAS)</p>	<p>INTERNAL FACTORS (IFAS)</p> <p>Strengths (S) List 5 – 10 <i>internal</i> strengths here</p>	<p>Weaknesses (W) List 5 – 10 <i>internal</i> weaknesses here</p>
<p>Opportunities (O) List 5 – 10 <i>external</i> opportunities here</p>	<p>SO Strategies</p> <p>Tancap Gas</p> <p>Aggressive Strategy</p>	<p>WO Strategies</p> <p>Pelan 2</p> <p>Turn-Around Strategy</p>
<p>Threats (T) List 5 – 10 <i>external</i> opportunities here</p>	<p>ST Strategies</p> <p>Jalur lain</p> <p>Diversification Strategy</p>	<p>WT Strategies</p> <p>Berhenti</p> <p>Defensif Strategy</p>

Corporate Strategy

Grand Strategy



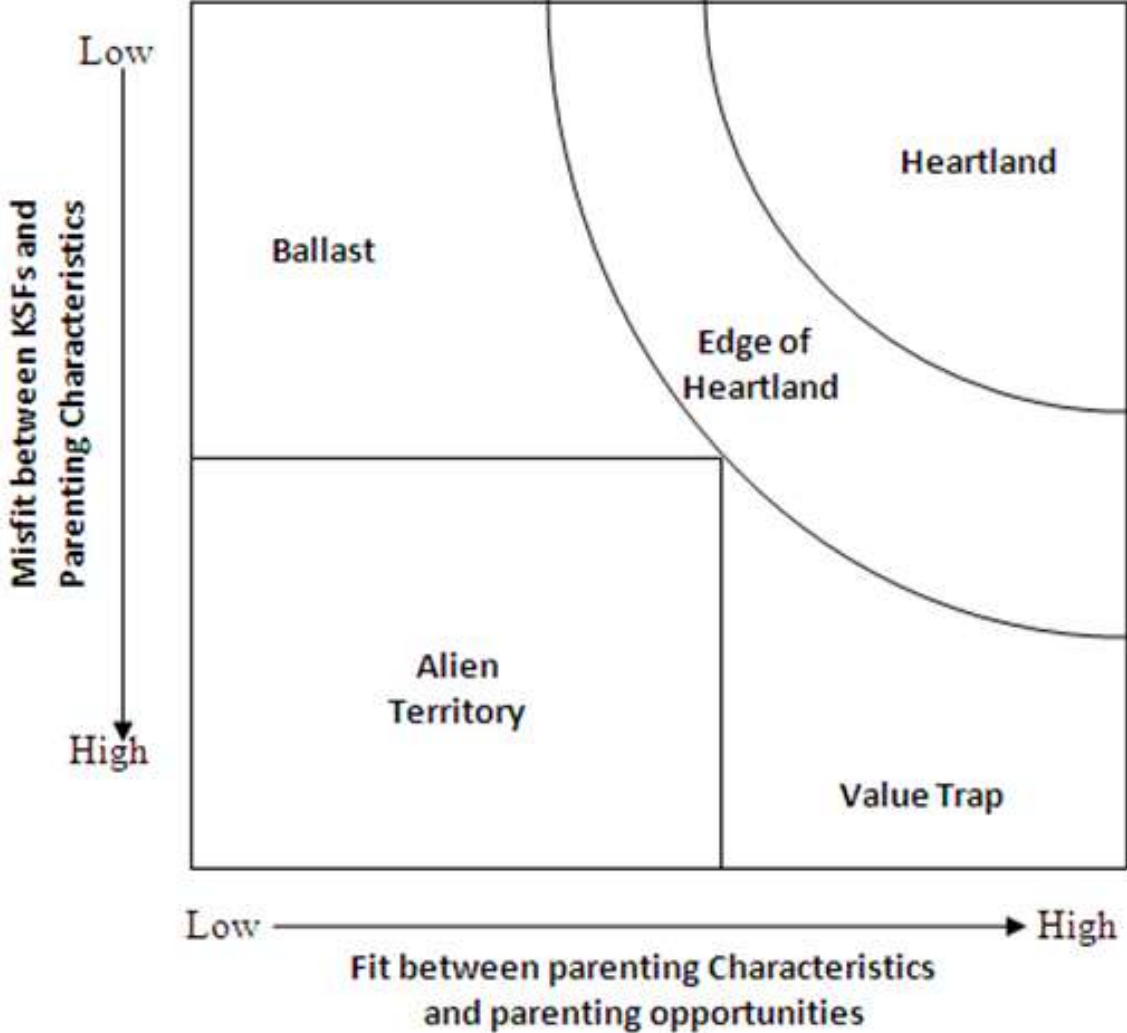
Portfolio Strategy: BCG Matrix

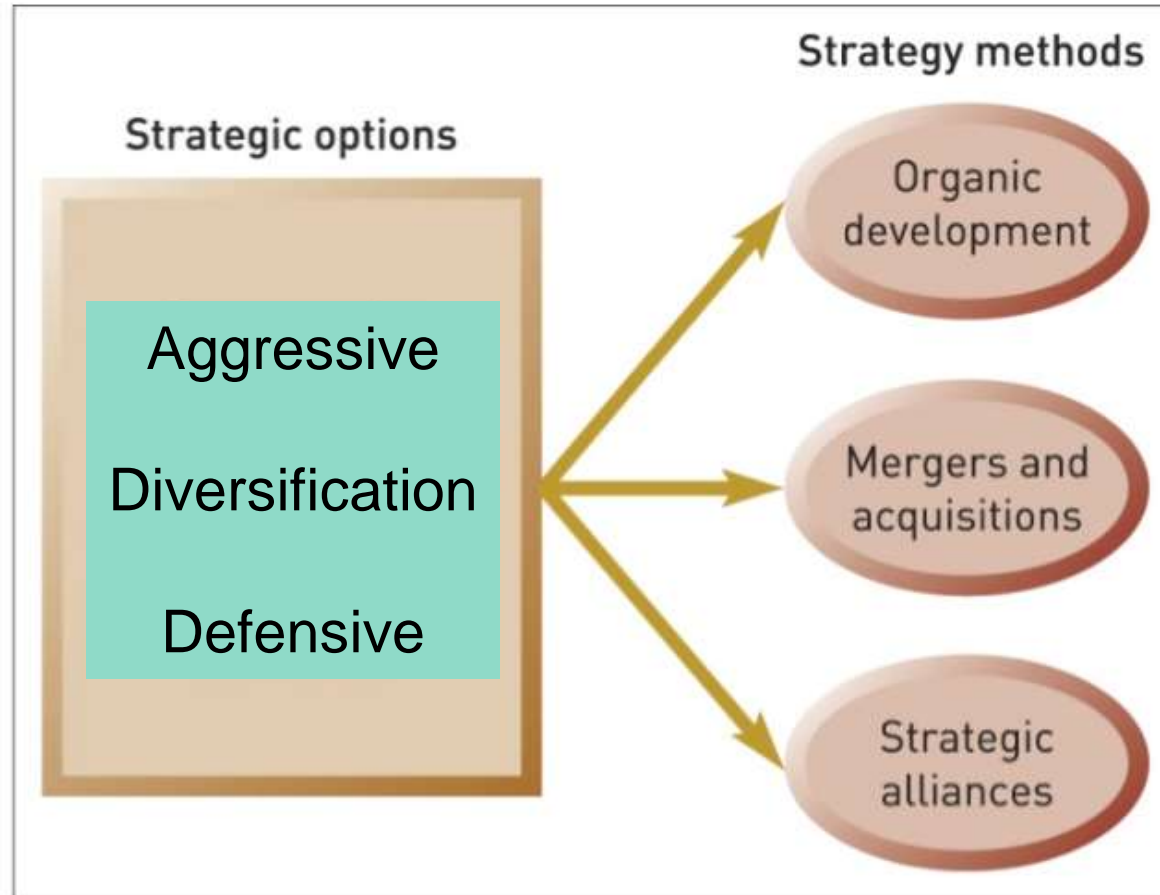


GE McKinsey matrix



Parenting Matrix

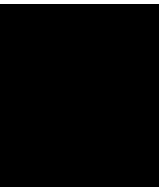
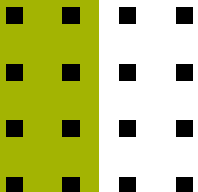




Business Level Strategy



Business level strategies: the combined set of moves and actions taken with an aim of offering value to the customers and developing a competitive advantage, by using the firm's core competencies, in the individual product or service market.

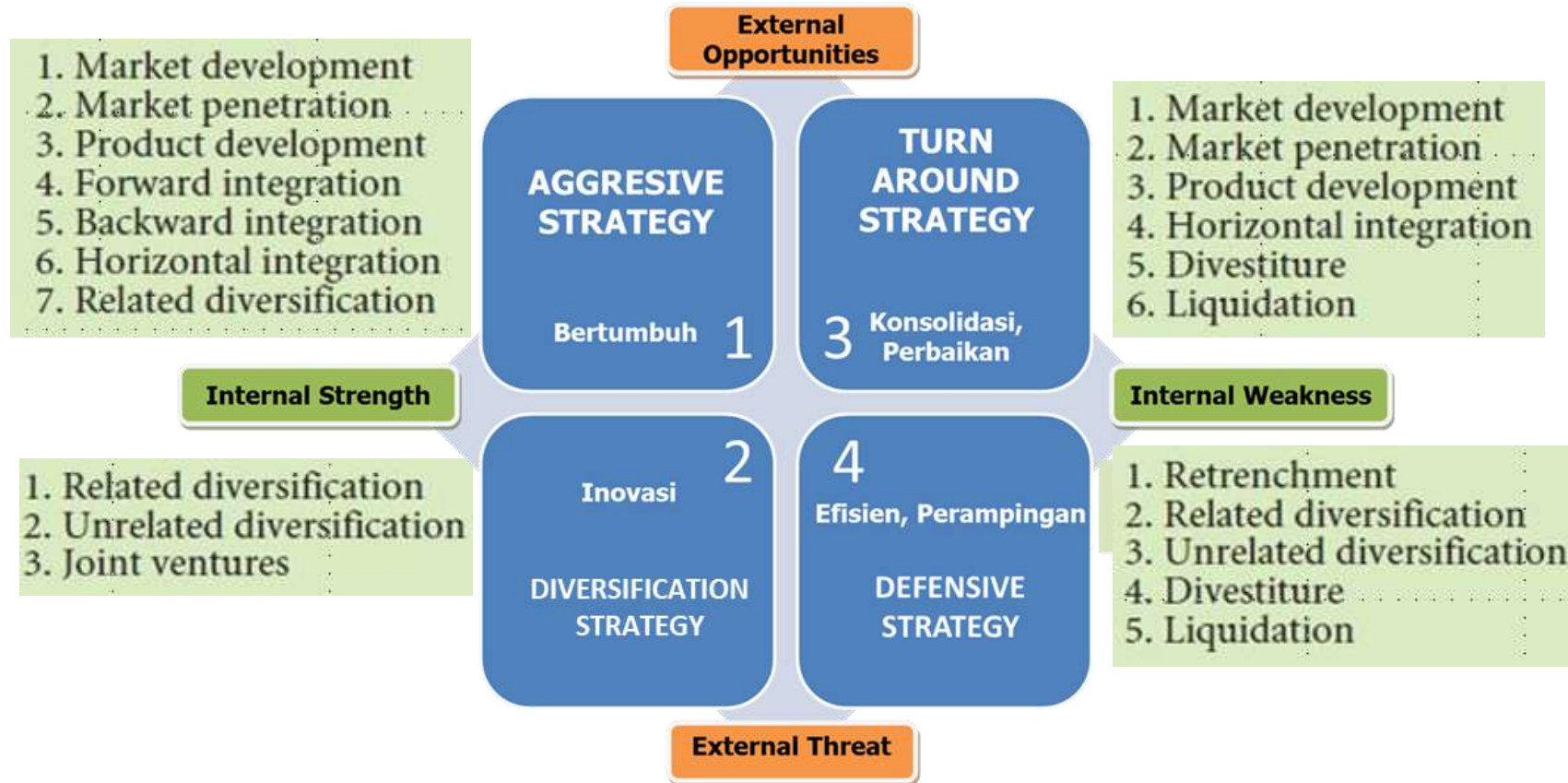


Business Strategy with TOWS

<p>INTERNAL FACTORS (IFAS)</p> <p>EXTERNAL FACTORS (EFAS)</p>	<p>Strengths (S) List 5 – 10 <i>internal</i> strengths here</p>	<p>Weaknesses (W) List 5 – 10 <i>internal</i> weaknesses here</p>
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Corporate Strategy

Grand Strategy



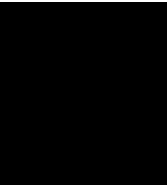
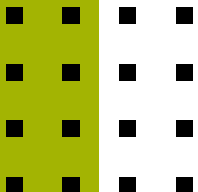
Contoh Turn-around Strategy



Jakarta, CNBC Indonesia - Direktur Utama PT Krakatau Steel (Persero) Tbk Silmy Karim meraih penghargaan dalam kategori Special Award for CEO on Turnaround dalam penghargaan Anugrah BUMN 2020 di The MAJ Senayan, The Terrace, Jakarta.

Dalam pemaparan di penjurian Anugrah BUMN 2020, Silmy menjelaskan bahwa Krakatau Steel mampu menunjukkan perubahan ke arah yang positif sebagai hasil dari restrukturisasi dan transformasi yang dilakukan. Kesepakatan restrukturisasi keuangan terbesar di Indonesia dengan total lebih kurang US\$ 2 miliar yang dilakukan Perseroan mulai awal 2019 menghasilkan penghematan sebesar US\$ 685 juta selama sembilan tahun ke depan.

JAKARTA, KOMPAS.com - PT **Krakatau Steel** (Persero) Tbk hingga Agustus 2021 terus membukukan laba bersih sebesar Rp 800 miliar.



Contoh Diversification Strategy

Jakarta, CNN Indonesia -- PT **Pertamina** (Persero) Tbk mempersiapkan dana **investasi** sebesar US\$8 miliar atau Rp115,84 triliun (mengacu kurs Rp14.480 per dolar AS) untuk pengembangan Energi Baru Terbarukan (**EBT**).



Pertamina akan mengembangkan proyek gasifikasi dan New Renewable Energy (NRE). Nicke memastikan Pertamina masih tetap menjadi perusahaan energi namun dengan pengembangan kepada sektor hilirisasi untuk tetap bertahan di tengah perkembangan EBT.

"Kilang sekarang akan dikembangkan ke petrochemical dan prospeknya luar biasa, kedua adalah gasifikasi, akan kami dorong di EBT. Tiga hal ini akan kami kembangkan," katanya.

<https://www.cnnindonesia.com/ekonomi/20210714191356-85-667786/pertamina-siapkan-investasi-rp1158-t-untuk-energi-terbarukan>

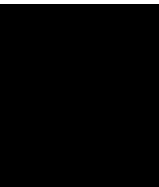
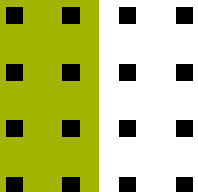
Contoh Defensive Strategy

"Kertas Leces kan didemo terus, Direktur Utamanya saja enggak tahu gimana penanganannya. Memang Kertas Leces susah sekali untuk direvitalisasi,...," ujar Dahlan di Gedung DPR, Jakarta, Kamis (10/10/2013). "Bahwa di dunia ini tidak semua membutuhkan kertas. Keputusan lama adalah Leces dimatikan dan manajemen harus berunding sama karyawan.," paparnya.



PT Kertas Leces (Persero)

Dalam laporan 2019, Kertas Leces disebut telah berhenti beroperasi sejak 2015. Penyebabnya karena pasokan bahan baku tidak tersedia, dan tidak memiliki bisnis yang terintegrasi. Selain itu, alat produksi mesin pulp dan kertas sudah berumur tua mengakibatkan operasional tidak efisien.

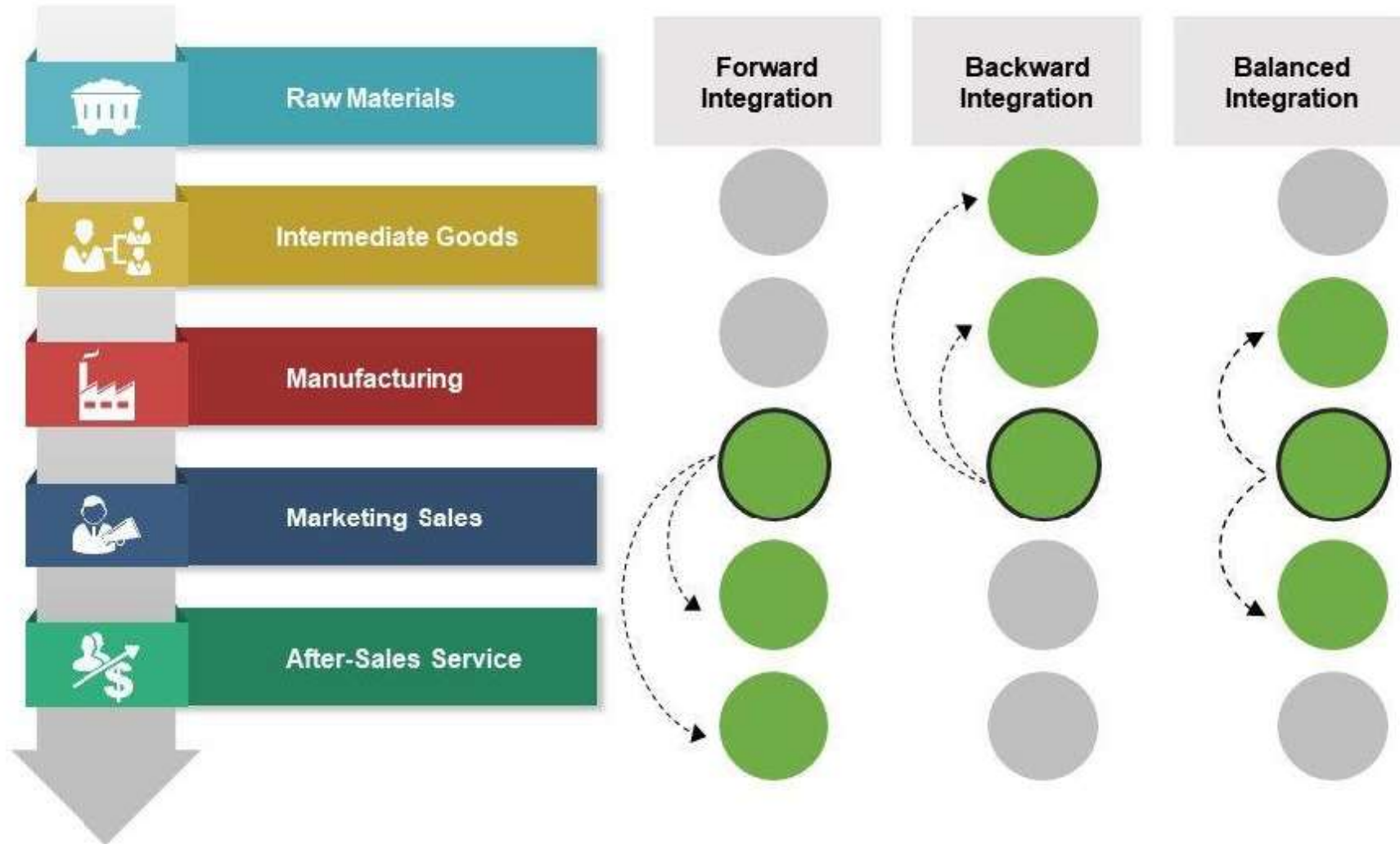


Opsi Growth Strategy

Ansoff Matrix



Contoh Vertical Integration



The 5 Generic Competitive Strategies (Michael E Porter)





Question Time