Chapter 11
Competitive and collaborative strategies

Learning objectives

- To distinguish between open and closed systems
- To identify the three environments which impact on the change process
- To compare and contrast two different classes of strategic interventions: competitive and collaborative
- To describe two types of interventions within each category
- To describe the impact of networks on global commerce

Activities

Review questions

(See text p. 418)

1. **What is the difference between ‘open’ and ‘closed’ systems?**
   Systems are ‘... unitary wholes composed of parts or subsystems; they serve to integrate the parts into a functioning unit ...’ (see text, Chapter 5, p. 138).
   
   A closed system is one that is independent and requires nothing to sustain its existence (e.g. a machine).
   
   An open system is one that requires the constant flow of inputs to sustain its existence. For example, human beings need air, food and water to survive. An open system is dependent on its environment and exposed to constant change.¹

2. **There are three types of environments to consider when designing an OT change process. What are they? (Give examples.)**
   The three types of environments to consider when designing an OT change process are:
   
   - the general environment (e.g. technological, legal and regulatory, political, economic, and social and ecological forces)
   - the task environment (e.g. customers, suppliers, competitors, producers of substitute products or services, labour unions and financial institutions)
   - the enacted environment (i.e. employee perceptions and representations of the general and task environments).
3 What is the difference between general and task environments? Give three examples of each.

The general environment consists of all external forces that can influence an organisation, including technological, legal and regulatory, political, economic, social and ecological components. Good examples are found with the rapid changes in IT which most organisations experience daily, changes to legislation, the Global Financial Crisis and the recent changes in weather patterns possibly due to global warming.

The task environment consists of the specific individuals and organisations that interact directly with the organisation and can affect goal achievement: customers, suppliers, competitors, producers of substitute products or services, labour unions, financial institutions and so on. Good examples include new customers and suppliers with different systems, IT related to B2B arrangements, the different uses of IT, for example using a Facebook market application, and regulations and other stressors placed on organisations by banks.

4 The two environmental dimensions – information uncertainty and resource dependence – can be barriers to successful change. How may they be managed?

Information uncertainty happens when ‘… managers experience uncertainty when they perceive the environment to be unpredictable and this occurs when they lack the information that they feel they need to make sound decisions’. When information is knowable, managers experience a low level of uncertainty. However, information can never be perfect. Too much information is difficult to sift through to glean what’s important. Too little information leaves one open to assumptions and guesswork. The key is to determine what is needed. To this end, goals and objectives are important, and scoping out the aim of information gathering.

Resource dependence refers to ‘… likely sources of influence from the environment’. It can be managed by undertaking an analysis of the general and task environments. In this way, it is possible to understand those external resources on which the organisation depends. Organisations should act to lower dependence on these resources, as they expose the organisation to risk.

5 Distinguish between competitive and collaborative strategies. What type of environment would be beneficial for each?

Competitive strategies are the choices organisations make to improve their competitive situation, including integrated strategic change and mergers and acquisitions.

Collaborative strategies help organisations deal with environmental dependence and uncertainty as well as included alliances and networks. Examples may include
bargaining, contracting, co-opting and creating joint ventures, federations, strategic alliances and consortia (see text p. 402).

6 **Select two of the competitive strategies. After explaining the characteristics of each, compare and contrast them.**

Competitive strategies include integrated strategic change, mergers and acquisitions. Integrated strategic change is a comprehensive OT intervention aimed at a single organisation or business unit. It suggests that business strategy and organisation design must be aligned and changed together to respond to external and internal disruptions.

Mergers and acquisitions represent a second strategy of competition. These interventions seek to leverage the strengths (or shore up the weaknesses) of one organisation by combining with another organisation. This complex strategic change involves integrating many of the interventions previously discussed in this text, including human process, techno-structural and human resource management interventions.

7 **Explain what is integrative strategic change and give current examples.**

Integrative strategic change is ‘... a deliberate, co-ordinated process that leads gradually or radically to systemic realignments between the environment and a firm’s strategic orientation, and that results in improvement in performance and effectiveness’ (see text p. 327). For additional information on ISC, please see text Chapter 9.

ISC has four stages – performing a strategic analysis, exercising strategic choice, designing a strategic change plan and implementing the plan. ISC is an inclusive process. Current examples could include Google’s Creative Lab and 3M’s continued policy of differentiation.

8 **Why would an organisation choose to merge rather than acquire another company?**

A merger refers to two independent organisations integrating and becoming one new organisation. An acquisition refers to one organisation purchasing another where the latter becomes subsumed within the former.

A merger is likely to occur where the two organisations become equal partners in the new entity. An acquisition is likely to occur where the purchased organisation is markedly smaller than the buying entity. (However, ‘reverse takeovers’, where the buyer is smaller than the organisation being purchased, are known.)

9 **Explain the difference between mergers and acquisitions. Why is this significant when considering a change process?**
Mergers occur when both organisations in the transaction have an equal amount to offer the new organisation and the sharing of power post-merger will be equal. That does not mean that systems and processes will change, and one organisation may require more change than another.

Acquisition results in a stronger organisation taking over through purchase (in some form) the business assets of another organisation. In this scenario the power base lies with the acquiring company and usually the systems and processes of that company supersede those of the acquired organisation.

The significance lies in the transfer of power from one organisation to another – acquisition, or having the new organisation benefiting from the value of both organisations – merger.

Have students identify the advantages and disadvantages of each.

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<tr>
<th>Mergers</th>
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<td>Disadvantages:</td>
<td>Disadvantages:</td>
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10 What is meant by transorganisational systems? Give four current examples.

Transorganisational systems are groups of organisations which join together in an alliance or association to advance the aspirations of all organisations in the group. Transorganisational systems (TSs) are functional social systems existing intermediately between single organisations on the one hand and societal systems on the other. These multi-organisation systems can make decisions and perform tasks on behalf of their member organisations, although members maintain their separate organisational identities and goals. This separation distinguishes TSs from mergers and acquisitions.

Professional organisations such as the Australian Law Society deals with the professional affairs of lawyers who work for many different firms, Athletics Australia has a Disability Action Plan to meet the needs of individual disabled athletes across
many codes, Apple & Pear Australia Ltd. (APAL) is the peak industry body representing commercial apple and pear growers in Australia, and the World Trade Organisation represents a group of countries currently negotiating for fairer, and towards free, trade.

11 What are the advantages and disadvantages of alliances? Give examples where appropriate.

An alliance is a relationship between one or more – typically two – organisations. ‘An alliance is a formal agreement between two organisations to pursue a set of private and common goals through the sharing of resources, including intellectual property, people, capital, technology, capability and physical assets’ (see text pp. 405-06).

Additional activity

Divide students into groups of three to five, and ask them to evaluate the advantages and disadvantages of alliance development application stages.

Advantages may include leveraging off one another (‘two heads are better than one’), bringing in different things (e.g. money and skills) and the ability to achieve more.

Disadvantages might include mismatched cultures or goals and an imbalance of involvement and resources.

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<th>Alliances</th>
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<td>Advantages:</td>
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12 What would the problems be if managers network change?

Planned change in existing networks derives from an understanding of the ‘new sciences’, including complexity, nonlinear systems, catastrophe and chaos theories. From these perspectives, organisation networks are viewed as complex systems displaying the following properties:vi

- A network is sensitive to small differences in its initial conditions. How it was established and formed – the depth and nature of trust among the partners, who was included or excluded, and how the network was organised – play a key role in its willingness and ability to change.
- Networks display ‘emergent’ properties or characteristics that cannot be explained through an analysis of the parts. That is, network members may behave in one way while members of the network but in other – maybe opposite – ways when outside the network.

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• Without an understanding of the ‘whole’ system, the nature of interdependencies within the system, and timely and complete information, each part – acting in its own self-interest – destroys itself.

• Random changes in networks may simply be chaotic patterns that are not understood. These patterns cannot be known in advance but represent potential paths of change that are the result of the complex interactions among members in the network.

• Conversely, changes in member goals and strategies, the ratio of costs and benefits in network membership, and so on can affect the willingness and ability of members to contribute to network performance.

13 Are networks the current fad or fashion in management theory? Why or why not?

Networks ‘... involve three or more organisations that have joined together for a common purpose ...’ (see text, p. 409). Though some business clubs and unions were formed at the beginning of the industrial revolution, they are currently a fad albeit with a useful purpose in extending business networks. They are particularly popular at the moment because of the extent of social networking using sites such as linkedin.com and facebook.com to extend the range of business contacts and the business message, e.g. sending an advertisement for a position ‘viral’.

Additional activity

Divide students into groups of three to five, and ask them to brainstorm a list of networks with which they are familiar. Examples may include student associations, business associations, sporting clubs, political associations, lobby groups, mothers’ clubs, knitting clubs or music clubs. Friendship groups are also a type of network even though the common purpose may not be as evident. Once they compile a list of networks, have students identify their advantages and disadvantages.

Advantages may include that they reinforce core purpose, bring people together to succeed in a common goal, raise money for a common project and gather likeminded people together. Disadvantages may include that they exclude some members, provide limited or biased information, promote groupthink and lack diversity.

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<th>Networks</th>
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Discussion and essay questions

(See text p. 419)

1 ‘Some environments are rapidly changing and complex, and so require organisational responses different from those in environments that are stable and simple.' Do you agree with this statement? Why/why not?

Environmental uncertainty is defined by the amount of complexity and the rate of change in an organisation’s environment (see table below).

<table>
<thead>
<tr>
<th>Rate of change</th>
<th>Low</th>
<th>High</th>
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<tbody>
<tr>
<td>Low</td>
<td>Low uncertainty</td>
<td>Moderate uncertainty</td>
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<tr>
<td>High</td>
<td>Moderate uncertainty</td>
<td>High uncertainty</td>
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This table can be interpreted as follows:

- Low uncertainty means that the marketplace is simple, there are few competitors and customers demand little of the industry so the rate of change is slow.
- Moderate uncertainty means that competition and customer demand are apparent and that changes in products and services are emerging but are slow to be realised.
- High uncertainty means that there is high competition (rivalry), consumer demand and technology changes in products and services.

Additional activity

Divide students into groups of three to five, and ask them to use the model to identify different kinds of organisations and industries they might find in each segment and the environmental responses demanded by each segment.

2 Explain the importance of the activities (uniqueness, value and difficulty to imitate) in enhancing an organisation’s performance.
Choose an organisation that you are familiar with and describe how these activities give it a competitive advantage.

Arrange students into groups of three to five, and have them select an organisation to investigate. They should then discuss the importance of competitive strategies – uniqueness, value and difficulty to imitate – in protecting competitive advantage.

Additionally, ask students to identify which intervention strategies might be relevant to protecting these advantages. For additional information on intervention strategies, refer students to Figure 5.4 (see text Chapter 5, p. 160).

<table>
<thead>
<tr>
<th>Importance to organisational performance</th>
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<tr>
<td><strong>Uniqueness</strong></td>
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<tr>
<td>• Market dominance</td>
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<td>• Attract new customers</td>
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<td><strong>Value</strong></td>
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<tr>
<td>• To customers</td>
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<td>• To stakeholders</td>
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<tr>
<td><strong>Difficulty to imitate (copy)</strong></td>
</tr>
<tr>
<td>• Protects investment</td>
</tr>
<tr>
<td>• Copyright, patents</td>
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<tr>
<td>• Market dominance</td>
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3 Investigate further Cumming’s transorganisational systems (TSs) theory. How does this theory differ significantly from other change approaches? How would OT interventions assist organisations that intend to enter such an arrangement?

TSs refer to groups of organisations that have joined together for a common purpose, including alliances and networks. They are functional social systems that are somewhere between single organisations and societal systems. These multi-organisation systems can make decisions and perform tasks on behalf of their member organisations, although organisations maintain their separate identities and goals. It is the maintenance of this separation which differentiates the TSs theory from other transorganisational systems such as mergers and acquisitions. Key TS features include:

• under-organisation
• loosely coupled relationships
• dispersed leadership and power
• tenuous commitment and membership.

**Additional activity**
Students can also examine how potential intervention strategies might cope with these issues. For additional information on intervention strategies, refer students to Figure 5.4 (see text Chapter 5, p. 160).

4. *‘Competitive strategies are not appropriate for not-for-profit or governmental organisations.’ Do you agree with this statement? Explain your answer.*

No, definitely not. To establish a competitive advantage, organisations must achieve a favoured position vis-à-vis their competitors or perform internally in ways that are unique, valuable and difficult to imitate. Although typically associated with commercial firms, these competitive criteria can also apply to not-for-profit and governmental organisations.

Not-for-profit and for-profit charitable social enterprises are doing business in the same competitive market as for-profit organisations. The competitive tensions are the same and to remain in business, not-for-profit organisations must be able to break even including accounting for their cost of capital.

Any organisation must develop activities that are unique, valuable and difficult to imitate in order to enhance the organisation’s performance by establishing a competitive advantage over its rivals.

5. *‘In collaborative strategies, as the numbers of organisations increase, the scope and complexity of the problems and issues that need to be addressed increase.’ Discuss.*

Each organisation brings its unique contribution to the collaboration, that includes its own culture – ‘way of doing things’, ethics and morality to the business. The common interest must carry more value than the self-interest of the organisation for collaborations to be successful.

Secondly, when new partners to the collaboration join at a later date after inception, they will interrupt the emergent qualities that the whole collaboration has begun to develop. New partners to the collaboration need to be bringing a distinct competitive advantage to the collaboration for the addition to be considered. It is not usually a case of ‘the more the merrier’ unless the collaboration has a distinct set of rules which members must follow. Refer to Chapter 11, p. 402 for the attributes of collaborative organisations.
Applications—Critical thinking questions

These questions are ideal for organising students into groups of three to five to debate the issues. You could extend the debate by being flexible and responsive to their comments. There are no right or wrong answers for these questions as they are intended to challenge students to think about how theory might be applied to actual organisations and situations.

11.1 India outsourcing offers future vision

1. **What is the greatest impact on businesses with this type of outsourcing arrangement? If training is no longer valued, whose role is it to prepare employees for such a transition?**

The greatest strategic impacts are the loss of internal skills, the decreasing opportunity to do internal succession planning and the loss of on-going skills development for junior staff. There will also be operational issues of timeliness and appropriateness to the environment in which the home business is operating.

The responsibility for the career development of employees lies with the individual foremost and the profession secondly, to ensure that juniors are able to transition, i.e. get the required amount of practice and experience to become senior staff. Individual employers in the home country will eventually find a need to reintroduce the junior task roles as the competitive environment attains balance. That balance seems a long way off given the disparity in salaries, but individual juniors will eventually take lower paid jobs in order to get the experience.

The responsibility for the host country, in the example it is India, is definitely with the employer who is selling a particular service which requires particular skills. Fortunately for India there is huge competition for places in legal firms no matter what the position. Many of these graduates will no doubt seek to move to better paid positions, possibly in other countries, when they are proficient.

2. **What do you think will be the future of such an organisation? Explain your answer with examples.**

Organisations like Pangea3 will survive in their current form while there is a market for the skills they are selling. In relation to sales in India, that business model could be the model of the future as the middle class grows at an alarming speed. In relation to business which is outsourced from other countries, there will be some attempts for the market to rebalance to assure the continuation of the profession. However much of the documentation in legal systems is standardised, especially between countries which have legal systems based on the English system.
There are examples in Australia and New Zealand in the clothing manufacturing sector where large numbers of jobs have been lost (forever) as outsourcing has moved to China and the skill sets have not be maintained or developed.

### 11.2 Virtual conferencing – is your organisation game?

1. **The successful use of technology in this circumstance is dependent upon other businesses being similarly equipped. What would be the problems when this is not the case? What would be your recommendation/s?**

   The organisations which are not technology ready may find that they are excluded from some of the decision-making of the group. It just becomes ‘too hard’ to deal with organisations in different ways. On some occasions the peak organisation will require members to respond in a particular manner. In the health sector for example, most responses to proposals for contracts are required to be submitted electronically and contenders will be required to demonstrate certain levels of technology.

   The difficulty for smaller organisations is that their level of expenditure may be greater than their larger collaborators. On occasions, the larger organisations may feel that it is more cost effective for them to pay for the smaller organisations to have the technology. This was the case with the New Zealand Health Service which provided each general practitioner with a desktop computer in order to introduce new data collections processes. This has resulted in New Zealand having the most computerised primary health service in the world.

   Virtual conferencing is the next ‘must have’ technology and the decisions to use it are based not only on the expediency of use of human resources but in the attempts by many countries to lower their carbon footprint and reduce expensive travel costs. Refer students to Application 1.2, Chapter 1, p. 11.

### 11.3 Hands across the globe

1. **What are the advantages and disadvantages of entering into the type of alliance described in the application?**

   The application cites advantages in getting referred work from across the globe, from firms who the home country knows and has had an opportunity to do due diligence on the firm and its operations. So trust is pre-established. Some knowledge transfer and dissemination is also undertaken by the network, ensuring that all parties are current and at the same or similar levels.

   A further advantage is the firms have easy access to world experts when required. Clearly, this is a cost effective way to have global networks which far
outweighs the potential cost of an independent network. Disadvantages include the need to use network change management strategies when there is a change in membership.

Ask students to list the advantages and disadvantages of different industry or professional networks and report back to class.

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<tr>
<th>Advantages</th>
<th>Disadvantages</th>
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2 **Choose another industry and explain if there is a possibility for such a relationship to be entered into there.**

Other industries which use the same network system include engineer consultants. All partners benefit from the knowledge and skills across many countries. Not only are they called to consult, but also contract to provide advice on an ongoing basis in relation to the specific areas of expertise each firm has.

11.4 **Organic growth is back**

1 **What is the ‘personal grief cycle’ and how does it compare with the description in the application?**

The personal grief cycle is based on the work of the late Elisabeth Kubler-Ross, a medical doctor, who first described dying as a process in her 1969 book ‘On death and dying’. She identified five stages of the grieving process: denial, anger, bargaining, depression and acceptance. The phases do not always come in the order stated. Refer to the additional reading list below.

The process has been expanded to include any grieving scenario, including the loss of jobs or the change in working environments. People ‘grieve’ for what was familiar to them and comfortable within their daily work.

2 **Is the focus on M&A a fad or a fashion? Why/why not? Explain your answer.**

Mergers and Acquisitions were a tool used by organisations to fuel the share market prior to the GFC. In that sense, it was a fad and was popular at the time as shareholders could see (sometimes large) increases in the growth of companies. However, since the GFC, collaborative approaches have been the flavour of business
co-operation. These have been needed as organisations attempt to manage the downsizing of many sectors and attempts to stay afloat during times of crisis.

**Additional suggested reading**


**References**


\(^v\) G. Varney, Personal conversation, Academy of Management Conference, Seattle, Wash., 1 August 2003. For Varney’s OD bibliography, see www.cba.bgsu.edu/mod/html/od_bibliography.html


J. Barney, Gaining and Sustaining Competitive Advantage (Reading, MA: Addison-Wesley, 1996).