

**HKU-HKJC ExCEL3**  
Workshop on Strategy and Accountability  
**睿智計劃**  
提升非政府組織的策略管理、會計及管治能力項目  
第三部門之策略實踐及問責機制工作坊



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Jan 7, 2014

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## Today's Agenda


- Part 1: Empowering Mission, Vision, and Strategy  
(願景、使命與策略)
- Part 2: Enhancing partnership and collaboration  
(加強合作及建立夥伴關係)



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Part 1: Empowering Mission, Vision,  
and Strategy  
(願景、使命與策略)

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## Learning Objectives

I divide these guiding questions into **three sessions**:

1. Vision and Mission
  - Why are we doing what we do?
2. Fitting external environment and internal capabilities
  - How can we do it better?
3. Performance measure
  - How can we confirm our impact?


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## Session 1: Vision and Mission

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## Vision and Mission (願景與使命)

Setting a long term direction for the NGO

- **Vision** must be clear
  - Are we really clear about our **motivation?**
- **Mission** must be doable
- **Core values** must be clearly communicated-internally and externally
- **Objectives** must be achievable

## Vision and Mission (願景與使命)



- A **strategic vision** describes management's aspirations for the future and delineates the company's strategic course and long-term direction
- The distinction between a strategic vision and a mission statement is fairly clear-cut:
  - A **strategic vision** portrays a firm's aspirations for its future ("where are we going")
  - A firm's **mission** describes its purpose and its present business ("who we are, what we do, and why we are here").

## IBM's Mission



- At IBM, we strive to lead in the creation, development and manufacture of the industry's most advanced information technologies.
- We translate these advanced technologies into value for our customers through our professional solutions and services business worldwide.




## Nestlé's Mission (雀巢集團)

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- Nestlé does not favor short-term profit and at the expense of successful long term business development.
- Nestlé is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and ethical values of its management and employees, therefore recruitment of the right people, and ongoing training and development are crucial.
- Nestlé recognizes that consumers have a legitimate interest in the company behind the Nestlé brands, and the way in which the Nestlé Company operates.

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## Walt Disney's Mission

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- Walt Disney's primary financial goals are to maximize earnings and cash flow from existing businesses and to allocate capital profitably toward growth initiatives that will drive long-term shareholder value.

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## The Salvation Army 救世軍

### Vision

ONE ARMY: We see a God-raised, Spirit-filled Army for the 21st century - convinced of our calling, moving forward together

We will...

- deepen our spiritual life
- unite in prayer
- identify and develop leaders
- increase self-support and self-denial

ONE MISSION: Into the world of the hurting, broken, lonely, dispossessed and lost, reaching them in love by all means

We will...

- emphasize our integrated ministry
- reach and involve youth and children
- stand for and serve the marginalized
- encourage innovation in mission

ONE MESSAGE: With the transforming message of Jesus, bringing freedom, hope and life

We will...

- communicate Christ unashamedly
- reaffirm our belief in transformation
- evangelize and disciple effectively
- provide quality teaching resources

### Mission

The Salvation Army, an international movement, is an evangelical part of the universal Christian Church.

- Its message is based on the Bible.
- Its ministry is motivated by the love of God.
- Its mission is to preach the gospel of Jesus Christ and to meet human needs in his name without discrimination.



## Po Leung Kuk 保良局

### • Vision

To excel as Hong Kong's leading charity organization, known and respected worldwide, and widely distinguished for service to the community.

### • Mission

To provide professional, quality and multi-faceted social services to the community, under modern and cost-effective management.



## Tung Wah Group of Hospitals 東華三院

### • Vision

To fulfill the needs of the society and to provide high quality services at low rates.

### • Mission

To heal the sick and to relieve the distressed; to care for the elderly and to rehabilitate the disabled; to promote education and to nurture youngsters; and to raise the infants and to guide the children.





**Diamond Cab 「鑽的」**

- **Vision**  
To create a truly inclusive society by having more and more barrier-free facilities and services available and to turn social issues such as disability and aging population into a motivation that advances our society.
- **Mission**  
To provide legal and decent point-to-point transportation for the wheelchair users in Hong Kong.



**Playtao Education**  
「遊樂道 • 無窮天地」

- **Vision**  
To bring future happiness to children through fun and active learning.
- **Mission**  
To empower children by raising their skills and exposure through multi-disciplinary, extra-curricular learning, while freeing up their parents to pursue employment and thus better the lives of the entire family.

|  <b>Goodwill Industries Vs United Way</b>  |  |  |
|--|--|--|
|  | Goodwill Industries  | United Way   |
| <b>Vision</b>  | Every person has the opportunity to achieve his/her fullest potential and participate in and contribute to all aspects of life.  | United Way envisions a world where all individuals and families achieve their human potential through education, income stability and healthy lives. |
| <b>Mission</b>   | Goodwill works to enhance the dignity and quality of life of individuals and families by strengthening communities, eliminating barriers to opportunity, and helping people in need reach their full potential through learning and the power of work. | United Way improves lives by mobilizing the caring power of communities around the world to advance the common good.                                 |

## Core Values (核心價值觀)



- A firm's **core values** are the beliefs, traits, and behavioral norms that the firm's personnel are expected to display in conducting the firm's business and pursuing its strategic vision and mission.

### Example: Core Values for Amazon

| Core Values for Amazon      |  |
|-----------------------------|--|
| ♦ <b>Customer Obsession</b> | We start with the customer and work backward.  |
| ♦ <b>Innovation</b>         | If you don't listen to your customers you will fail. But if you only listen to your customers you will also fail.  |
| ♦ <b>Bias for Action</b>    | We live in a time of unheralded revolution and instrumental opportunity—provided we make every minute count.   |
| ♦ <b>Ownership</b>          | Ownership matters when you're building a great company. Owners think long – term, please passionately for their projects and ideas, and are empowered to respectfully challenge decisions. |
| ♦ <b>High-Hiring Bar</b>    | When making a hiring decision we ask ourselves: "Will I admire this person? Will I learn from this person? Is this person a superstar?"  |
| ♦ <b>Frugality</b>          | We spend money on the things that really matter and believe that frugality breeds resourcefulness, self-sufficiency and intention.   |

Thompson, Peteraf, Gamble and Strickland (2014) Crafting and executing strategy: The quest for competitive advantage, 19e, McGraw-Hill Education



## Objectives (目標)



- **Objectives** are an organization's performance targets
  - the specific results management wants to achieve.

## Managerial implications

## What are we doing?





- Is our guiding vision clear to all of us? and does it have a long term direction?
- Are we doing it for the sake of **others** or **ourselves**?
- Are we motivated by **profit**, opportunities or perceived **social problems/need**?
- Are we **enthusiastic and passionate** about our vision and mission to a point where we are committed to overcome **challenges** and obstacles?

## In-class Exercise




- Write down your NGO's vision, mission, core values, and objectives
- See if there is a need to revise?
- If so, give it a go. In the next ten minutes, write it down

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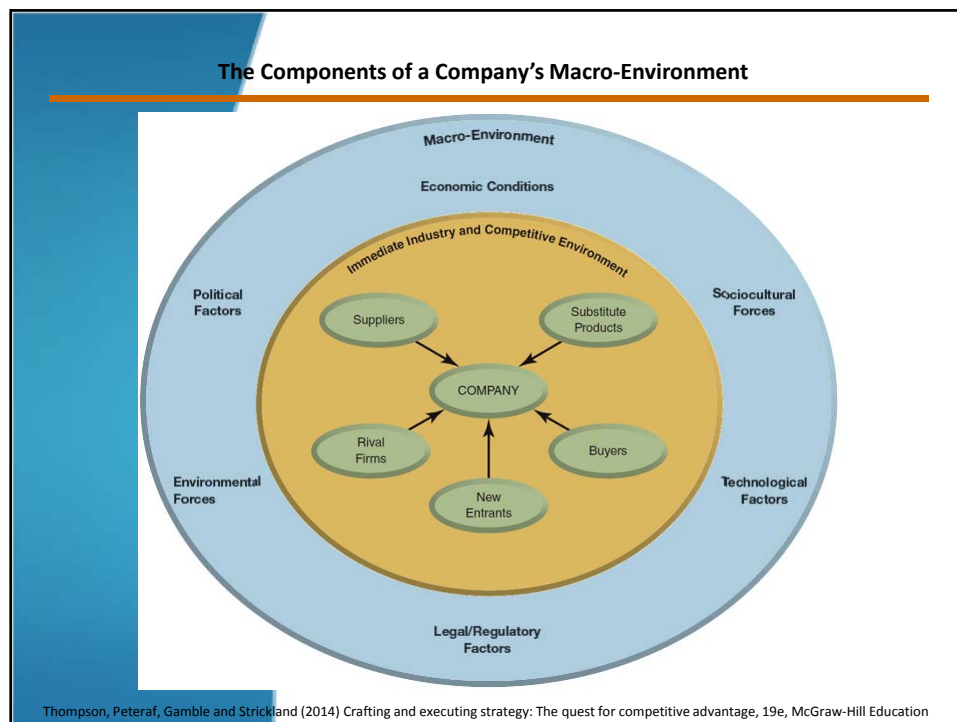
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## Session 2: Fitting external environment with internal capabilities


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**Fitting external environment and internal capabilities**  A HKU project supported by The Hong Kong Jockey Club

- Ask if we fully understand the **real need** of the society or community which we aim to serve
  - To achieve this, we use a strategic framework, PESTEL analysis
- Ask if the **need** we identified earlier still **exists**. If it has changed, how has it **changed**?
  - To achieve this, we use a strategic framework, Porter's five forces model



## Porter's Five Forces Model

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- The nature of competition is embodied in five competitive forces:
  - (1) The threat of new entrants
  - (2) The rivalry among the existing competitors
  - (3) The bargaining power of suppliers (supplier power)
  - (4) The bargaining power of buyers (buyer power), and
  - (5) The threat of substitute products or services.

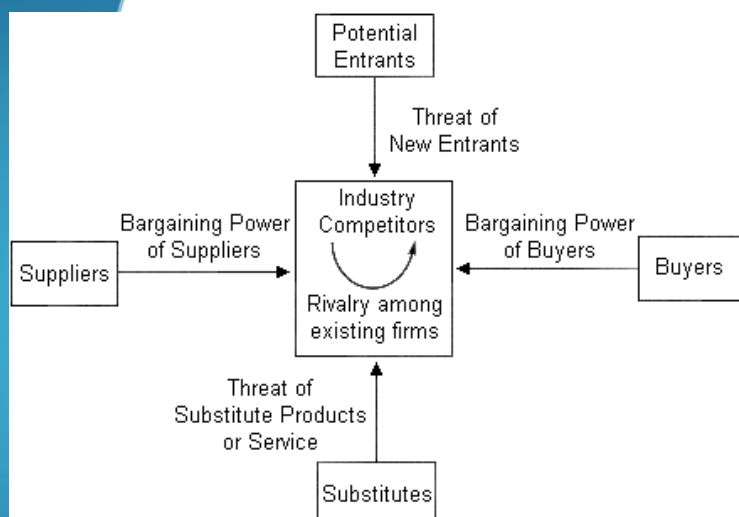
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## Porter's Five Forces Model



- The stronger each of these forces is, the more limited is the ability of established companies to earn greater profits.
- A strong competitive force can be regarded as a *threat* because it depresses profits. A weak competitive force can be regarded as an *opportunity* because it allows a company to earn greater profits.

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## 1. Threat of New Entrants



- A company's competitive position will be threatened by the entry of new competitors who offer the same products or services at lower prices or with some other advantages.
- The threat of new entrants is a function of the height of entry barriers, which make it costly for companies to enter an industry.

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## 1. Threat of New Entrants



- Following are the key sources of barriers to new entry:
  - (a) Brand loyalty
  - (b) Absolute cost advantages (e.g., favorable access to raw materials)
  - (c) Scale economies
  - (d) Regulations to entry (e.g., licensing)
  - (e) Capital requirement (e.g., physical facilities)
  - (f) Exclusive access to suppliers and distribution channels (e.g., shelf space)
  - (g) Potential retaliation from the existing companies

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## 2. Rivalry among existing firms



- The degree of rivalry involves the extent to which competition within an industry is intense. The degree of rivalry is determined by the following factors:
  - (a) Competitive structure (As the number and the size of competitors within an industry get larger, the competition becomes more intense)
  - (b) Demand Condition (As the growth rate of demand gets larger, the competition becomes less intense)
  - (c) Exit Barriers (As the barrier to exit from an industry becomes higher, the competition becomes more intense due to over supply)
    - e.g., specialized assets, strategic barriers, emotional barriers

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## 3. Supplier Power



- Supplier power allows suppliers to squeeze industry margins by increasing prices offered to buyers.
- The bargaining power of suppliers is determined by the following factors:
  - (a) Small number of suppliers relative to buyers
  - (b) High level of dependence on a supplier
  - (c) No effective substitutes
  - (d) High switching cost (high cost of switching suppliers)
  - (e) High possibility of a supplier's (forward) integration

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## 4. Buyer Power



- Buyer Power allows buyers to squeeze industry margins by pressing firms (suppliers) to reduce prices or to increase the level of services or quality of products offered without recompense.
- The bargaining power of buyers is determined by the following four major factors:
  - (a) Small number of buyers relative to suppliers
  - (b) High level of dependence on a buyer
  - (c) High switching cost
  - (d) High possibility of a buyer's (backward) integration

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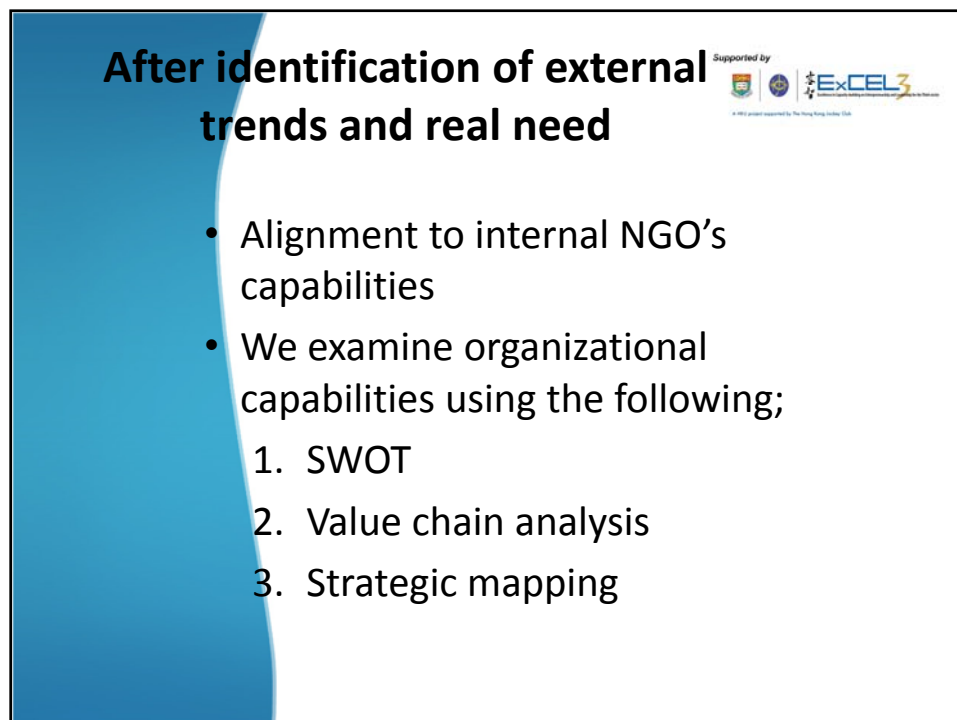
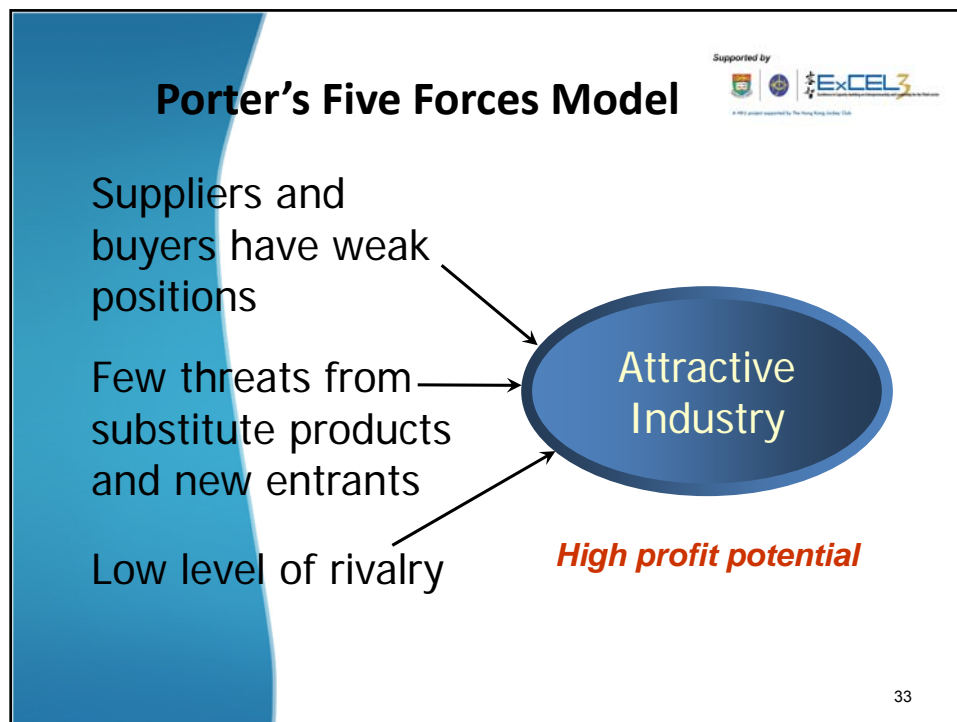
## 5. Threats of substitutes



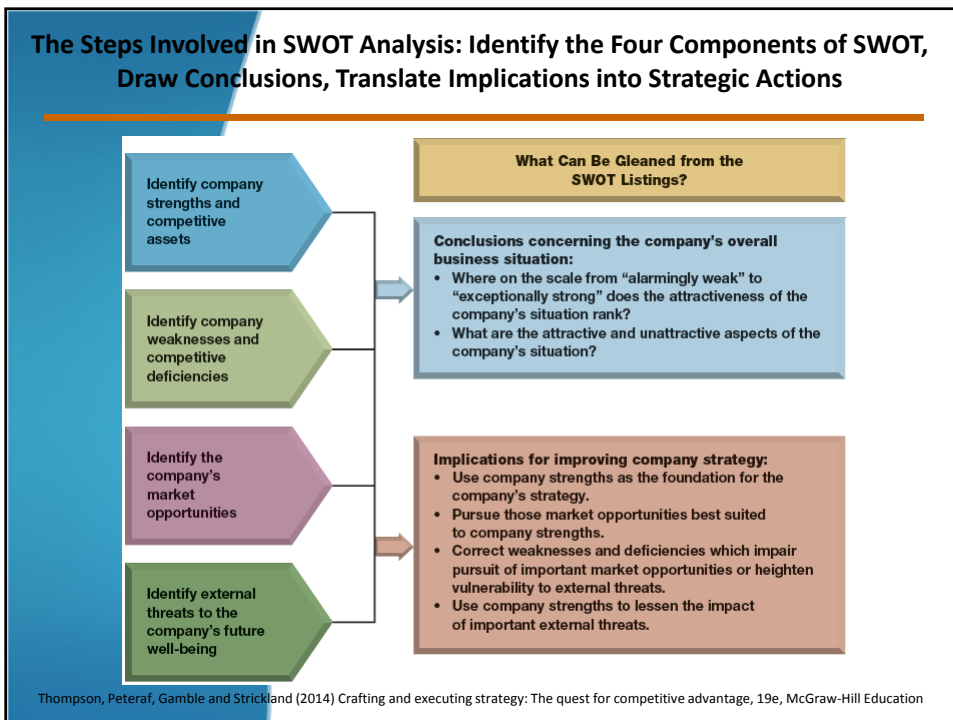
- Substitutes involve the products of different business or industries that can satisfy similar customer needs in the industry.
- Following are some examples:
  - metal vs. plastic body frame of a car
  - videotape vs. LD vs. VCD vs. DVD
  - cassette tape vs. CD-RW
  - CD vs. MD vs. MP3
  - sugar vs. high-fructose corn syrup (HFCS)
  - dial-up telephone vs. mobile phone vs. IP telephone

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# The SWOT analysis




## Resources

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| Tangible Assets  | Intangible Assets  |
|--|--|
| Substantive (e.g., land, physical assets, capital, etc.) | Knowledge based (e.g., skill, brand, technology, etc.)         |
| Easy to acquire in a market                              | Difficult to acquire in a market                               |
| Value to be depreciated by use                           | Value to be increased by use                                   |
| Can be used only in one time in one place                | Can be used repeatedly and in multiple places at the same time |

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## Capabilities

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- A subset of resources that enable a firm to take full advantage of other resources
  - e.g., marketing skill, cooperative relationships, teamwork

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## Resources & Capabilities

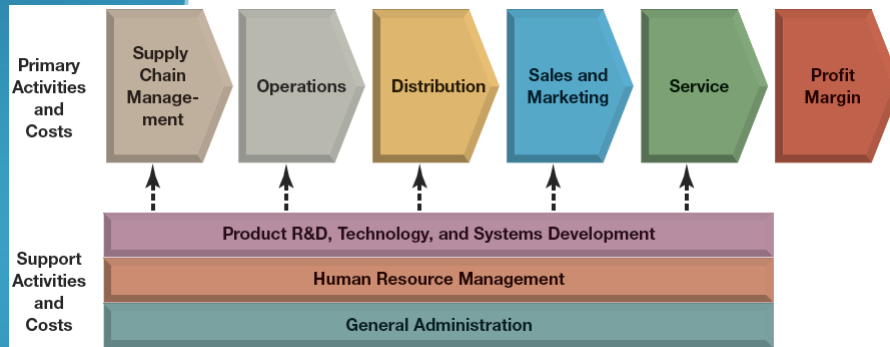


- Financial resources
  - Money that firms use to conceive of and implement strategies
- Physical resources
  - Physical technology used in a firm
- Human resources
  - Training, experience, intelligence, and insight of managers and workers in a firm
- Organizational resources
  - Formal planning, controlling, and coordinating systems, informal relations among groups

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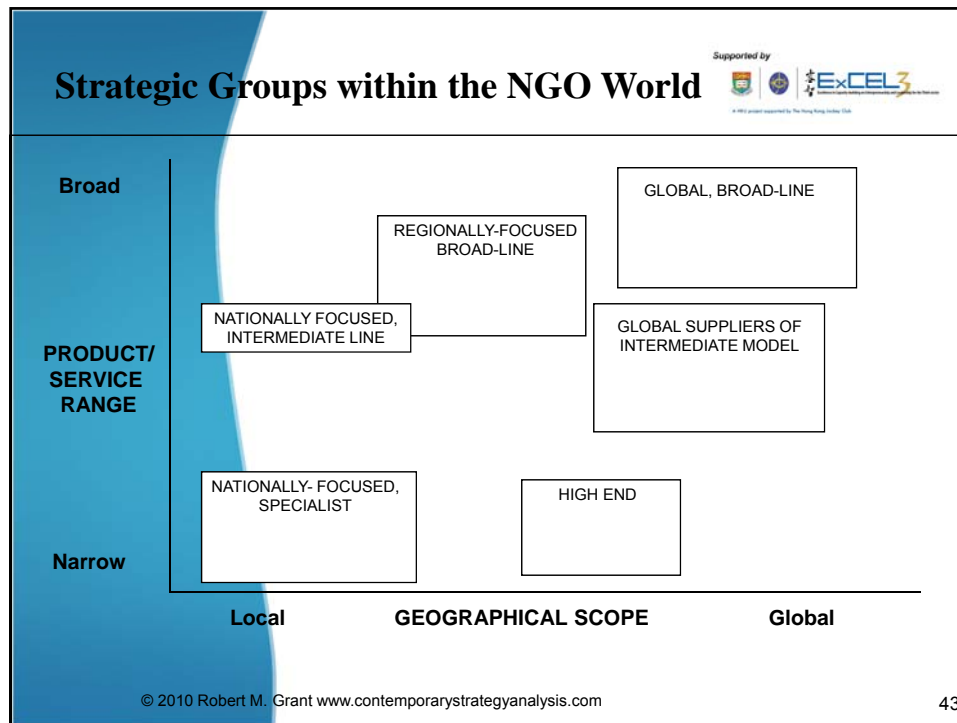
## The Value Chain Analysis

## A Representative Company Value Chain




Thompson, Peteraf, Gamble and Strickland (2014) *Crafting and executing strategy: The quest for competitive advantage*, 19e, McGraw-Hill Education

## The Strategic Mapping



## In-class Exercise

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- Identify some external trends, changes that affect your organization
- Is your organization capable of responding to the identified trends/changes?
- Are there any internal areas that may require some special focus/attention?
- Draw a strategic position map for your organization

## Managerial implications


### **Fitting** external environmental needs to internal capabilities

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Linking the SWOT, value chain analysis and strategic mapping frameworks, together they should inform whether we have what it takes to fill the(se) social gap(s)?

- If so, how can we **enrich our strength** to seize perceived opportunities
- If not, or in the areas that do not, how can we **mitigate our weakness** and overcome threats


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## Session 3: Measuring performance

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Before we measure, we need to know; how to constantly monitor; and that improving is critical, as performance is not constant; change is.

Today's success, does not imply future success



## Constant monitoring process



- Continuous improvement
  - People, capability development, organizational structure
- Incremental change: Best practices, benchmarking, TQM,
- Monitoring, revising, changing (require data collection, e.g. six sigma)
- Radical change if needed: business process reengineering


## INSTITUTING BEST PRACTICES AND EMPLOYING PROCESS MANAGEMENT TOOLS



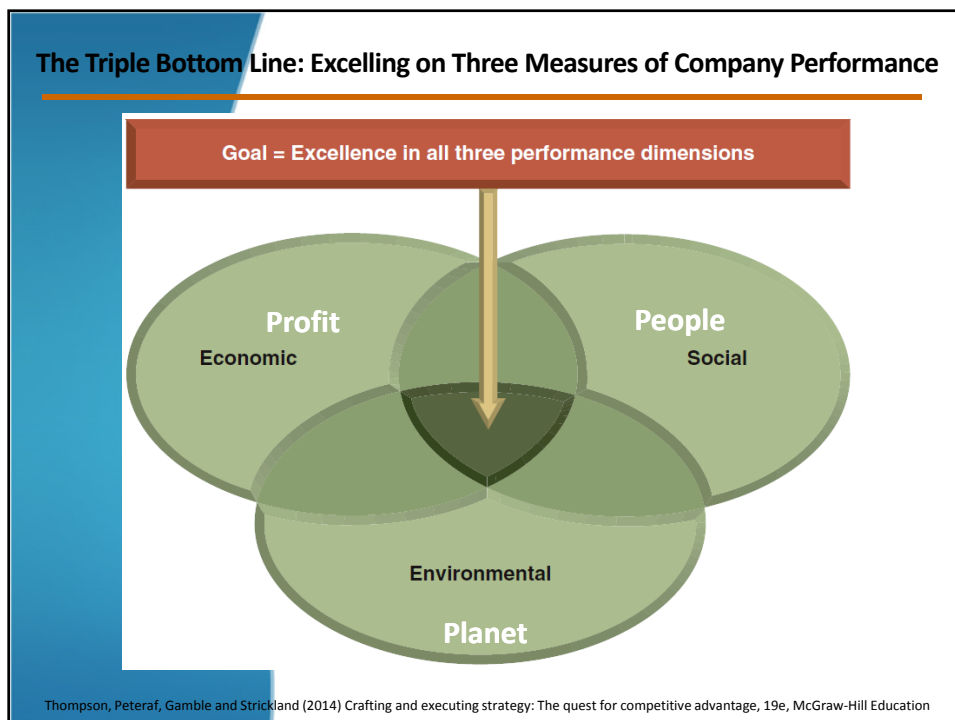
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## Triple bottom lines


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- Social: People
  - Our employees happy and motivated and the work climate suitable
  - Work/life balance?
- Environment: Planet
  - Sustainability
- Economic: Profit
  - Resource allocation
  - Return on Investment
  - Financially responsible




 Foreverland  
 遊樂道 無窮天地

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## Playtao Education 「遊樂道 • 無窮天地」

- Playtao Education is a social enterprise initiative that aims to address Hong Kong's growing education needs, with a special focus on children of low income family.
- **Social Impact**
  - Improvement in Playtao students' academic attitude, interpersonal relationships and behavior.
  - Creates the opportunity for mothers of low-income children to take up full-time employment.
  - Top students learn about the condition of their less-privileged counterparts through hands-on involvement in teaching and program design.

Source: Company Website



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## Session 2: Enhancing partnership and collaboration (加強合作及建立夥伴關係)

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## Guest Speaker



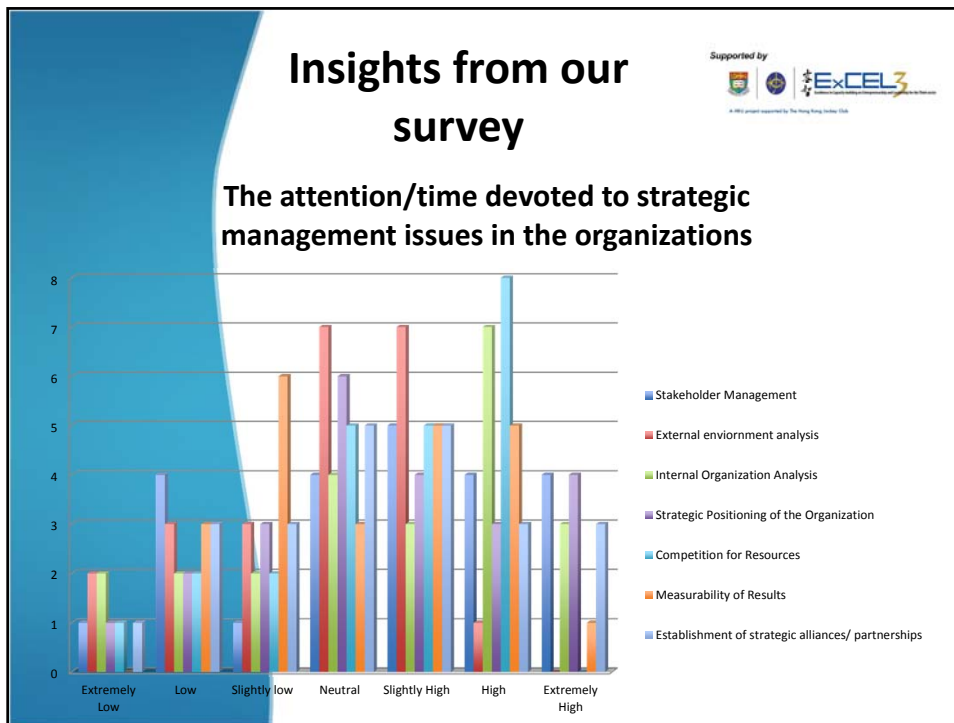
- Dr. Ilex Lam
- Founder, “I Enterprise” and “I Florist”
- Director, Fullness Social Enterprise Society
- 林家強博士
- 「大同企業」、「愛火花」社企創辦人
- 豐盛社企學會董事

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## Strategy



- Developing an organization’s strategy = deciding where an organization wants to **be** and setting out the steps to get there
- Operations are what firms **do** on a day to day basis to get there.
- Often non-profit managers spend all their time **doing** in order to cope with underfunded and under-resourced conditions, essentially operating in crisis mode, without developing a true strategy.



## Who: Determining the Customers to Serve



- Market segmentation
  - A process used to cluster people with similar needs into individual and identifiable groups.



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## What: Determining Which Customer Needs to Satisfy



- Customer needs are related to a product's benefits and features.
- Customer needs are neither right nor wrong, good nor bad.
- Customer needs represent desires in terms of features and performance capabilities.

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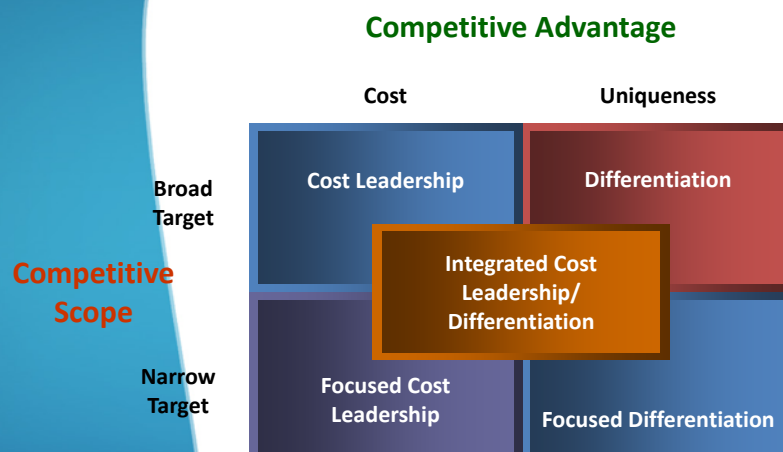
## How: Determining Core Competencies Necessary to Satisfy Customer Needs



- Firms use core competencies to implement value creating strategies that satisfy customers' needs.

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## Strategic Positioning



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## Low cost strategy

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- Lower cost is the ability of a firm to design, produce, and market a comparable product more efficiently than its competitors.
- A firm pursuing low cost strategy produce comparable products at lower cost.
  - E.g., Many Chinese electronic appliances firms achieve cost advantage against foreign competitors by employing low-wage but highly productive labor forces and modern process technology purchased or licensed from foreign suppliers.

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## Sources of Cost Advantage

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- Economies of Scale
  - average cost per unit falls as quantity increases until the minimum efficient scale is reached
  - are a cost advantage because competitors may not be able to match the scale because of capital requirements (barrier to entry)

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## Sources of Cost Advantage



- Learning Curve Economies
  - A firm gets more efficient at a process with experience
  - the more complicated/technical the process, the greater the experience advantage

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## Sources of Cost Advantage



- Differential Low-Cost Access to Productive Inputs
  - Productive inputs are any supplies used by a firm in conducting its business activities
    - E.g., labor, capital, land, and raw materials
  - A firm that has differential low-cost access to one or more of these factors is likely to have lower economic costs compared to rivals.

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## Sources of Cost Advantage



- Technology-based Cost Advantages
  - Technology
    - Machines, computers, and other physical tools that firms use to manage their business
  - Firms with the latest manufacturing technology will enjoy cost advantage compared to similar-sized firms that do not have the latest technology

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## Low cost strategy



- Cost saving actions required by this strategy:
  - Building efficient scale facilities
  - Tightly controlling production costs and overhead
  - Minimizing costs of sales, R&D and service
  - Building efficient manufacturing facilities
  - Monitoring costs of activities provided by outsiders
  - Simplifying production processes

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## Differentiation Strategy



- Differentiation is the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service.
- Differentiation allows a firm to command a premium price (due to greater perceived value of goods), which leads to superior profitability.
  - E.g., German machine tool producers compete with differentiation strategies (high product performance, reliability, and responsive service)

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## Bases of Differentiation



- Attributes of a Firm's Products or Services
  - Product Features
  - Product Complexity
  - Timing of Product Introduction

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## Bases of Differentiation



- Relationship Between a Firm and its Customers
  - Product Customization
  - Consumer Marketing
  - Product Reputation

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## Focus Strategies



- An integrated set of actions taken to produce goods or services that serve the needs of a particular competitive segment (narrow competitive scope)
- Examples of specific market segments:
  - Particular buyer group—youths or senior citizens
  - Different segment of a product line—professional craftsmen versus do-it-yourselfers
  - Different geographic markets—East coast versus West coast

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## Focus Strategies



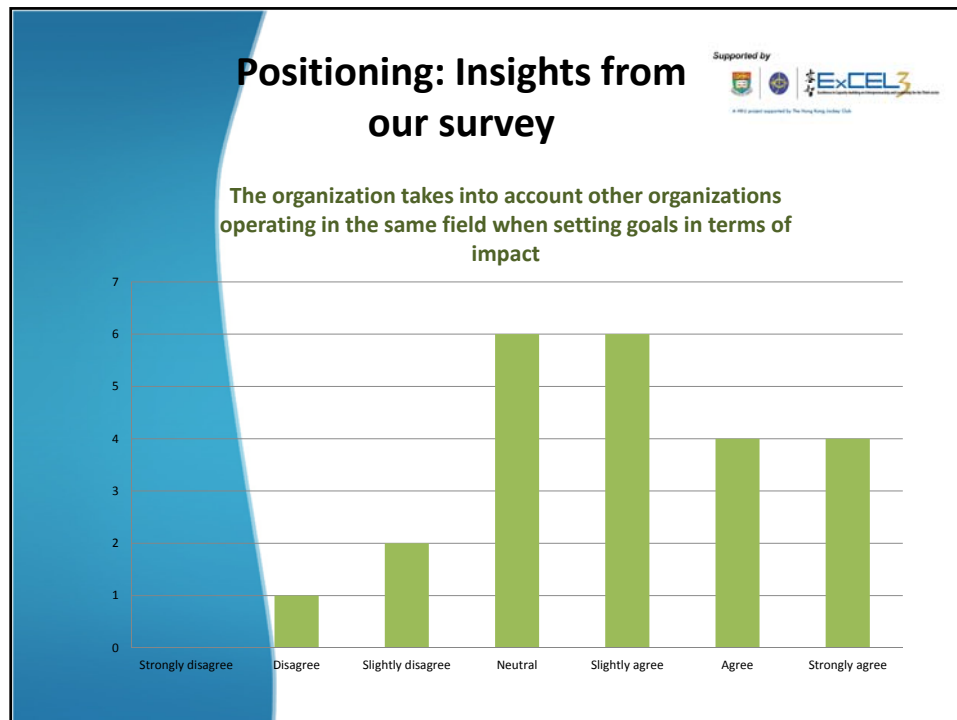
- Types of focus strategies:
  - Focused cost leadership strategy
  - Focused differentiation strategy
- Factors that drive focused strategies:
  - A firm may lack the resources needed to compete in the broader market
  - A firm is able to serve a narrow market segment more effectively than can its larger industry-wide competitors

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## Strategic Positioning



- Focused vs broad target market
  - Segmentation
- Differentiating services from others in the same target market
  - Uniqueness
  - Complementarity
  - *Example: Food banks*
- Positioning in “user market” and in “donor market”
  - ⇒ Crowded markets
  - ⇒ Positioning and clear strategy are crucial



## Strategic positioning

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- Need for long-term focus and strategy
- Strategy needs to be re-evaluated on a regular basis:
  - Track trends in the environment
    - Change in demographics
    - Economic changes
    - New organizations entering the same market segment
    - Legal and regulatory changes
  - Evaluate resources and capabilities

⇒ Adjust strategy and positioning if necessary to ensure alignment of vision, mission, external environment and resources and capabilities.

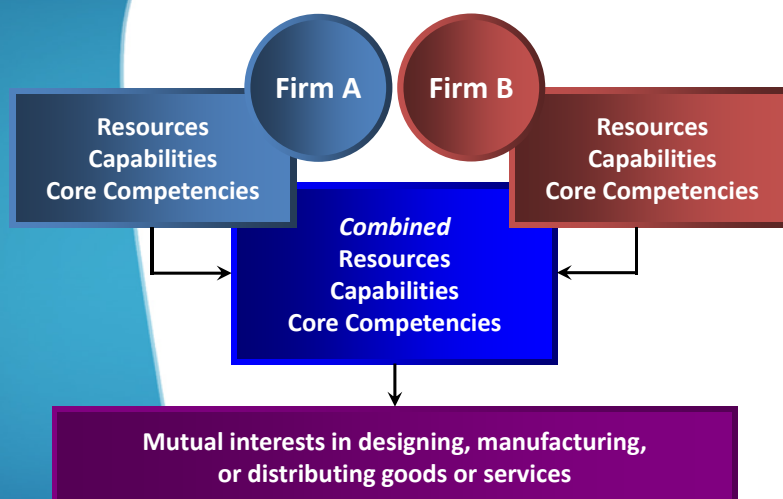
## Partnership and Collaboration



- Strategic Alliance
  - Two or more independent firms cooperate in the development, manufacture, or sale of products or services

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## Strategic Alliance



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## Three Types of Strategic Alliances



- Joint Venture
  - Two or more firms create a legally independent company by sharing some of their resources and capabilities
- Equity Strategic Alliance
  - Partners who own different percentages of equity in a separate company they have formed
- Nonequity Strategic Alliance
  - Two or more firms develop a contractual relationship to share some of their unique resources and capabilities

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## How Strategic Alliances Create Value



### Improving Current Operations

#### Exploiting economies of scale

- a partner brings increased market share and/or manufacturing capacity

#### Learning from partners

- a partner brings technology and/or market knowledge

#### Risk and cost sharing

- a partner bears a portion of the risk and/or cost of the alliance

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## How Strategic Alliances Create Value

### Facilitating Entry and Exit

Low-cost entry into new industries

- a partner provides instant access and legitimacy

Managing uncertainty

- alliances may serve as 'real options'

Low-cost entry into new geographic markets

- partners provide local market knowledge, access, and legitimacy with governments and customers

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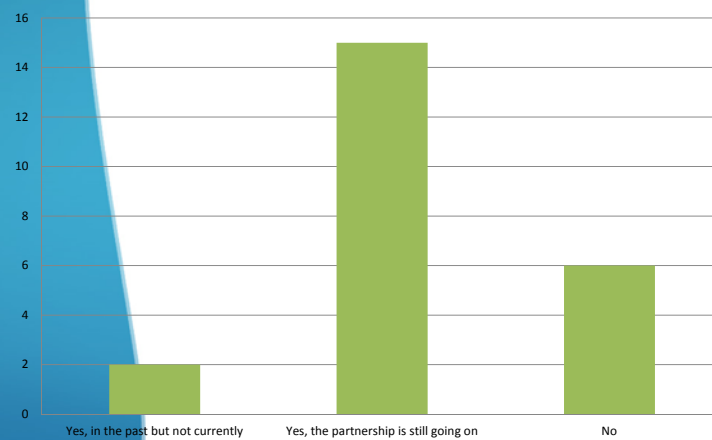
## Collaboration: insights from our survey

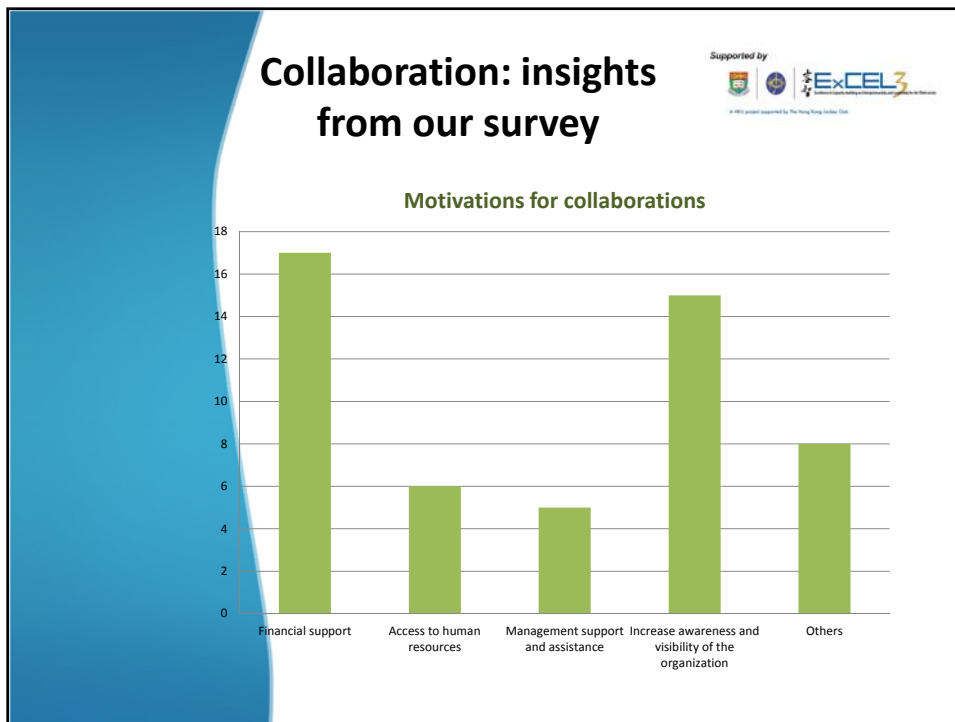
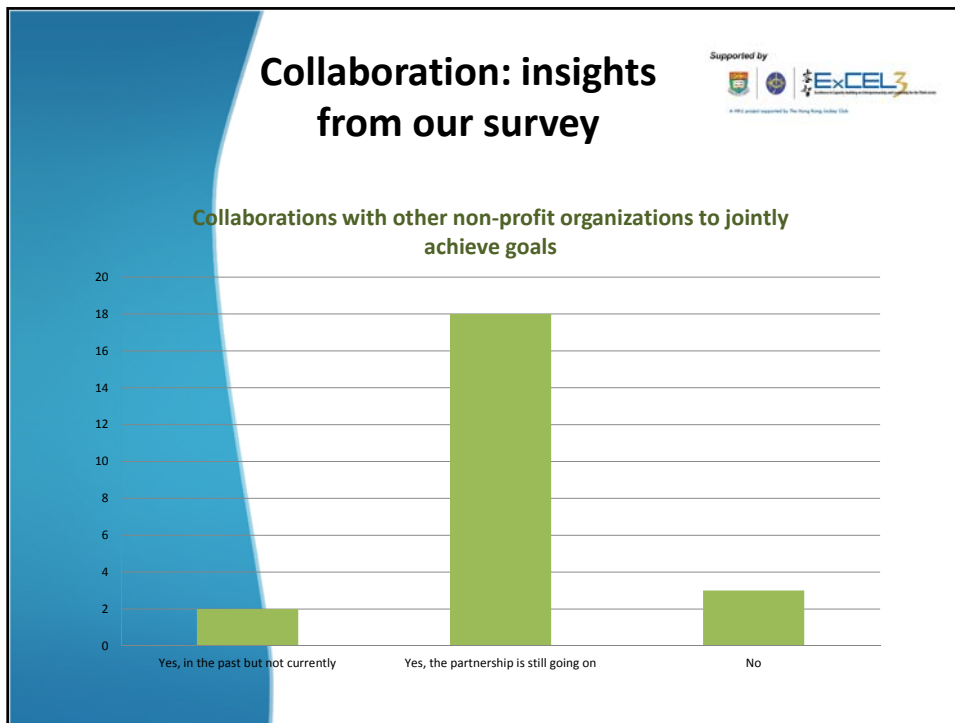
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Collaboration with for-profit organizations to jointly achieve goals





## The importance of collaboration




- Why collaborate?
  - Creating awareness
  - Getting resources
  - Improve efficiency and/or impact
  - Lobbying
- Types:
  - Non-profits
  - Joining umbrella organizations
  - For profits: informally or more formally

## The importance of collaboration (2)



- Risks associated with collaborating
- Finding suitable partners
- Formal vs informal collaborations


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## Conclusion

- Hope we are all **clear** about our own answer to the questions we set out at the beginning of this session
  - Why are we doing what we do?
  - How can we do it better?
  - How can we confirm our impact?
- More importantly, we understand
  - **The importance of a clear vision** guiding our strategic moves
  - **The criticality of fit** between external and internal, thus fully appreciate **all strategic options**
  - Making confident **strategic decisions**
    - That aim to be **accountable** and **responsible** to the identified social needs
  - Strategic moves **positively impact our community**

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## Conclusion

- Firms should choose **the strategic positioning**
  - competitive scope, or target segments (narrow vs. broad).
  - Differentiation vs low cost strategy
- Firms should choose the **right partners**

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