



**THE MINTZBERG'S DESIGN SCHOOL OF STRATEGY IN
STRATEGY FORMULATION FOR CO-OPERATIVES
-A CASE OF BAM CO-OPERATIVE IN NAIROBI, KENYA**

Jared Mark Ochieno Matabi

Phd Student at Pan Africa Christian University, Nairobi, Kenya.

ABSTRACT

Many co-operatives are facing challenges in developing business strategy. This paper shows a facilitative process and models for developing a strategy for a co-operative in Kenya's branding and marketing industry. The branding and marketing industry in Kenya is growing to the extent that it is attracting small and micro enterprises (SMEs). The SMEs environment has explicit and implicitly external and internal factors that determine their success. The industry's market conditions are competitive, even with key success factors for SMEs competencies. In Nairobi, SMEs in the branding and marketing industry have formed the Brand Ambassadors Marketing (BAM) co-operative society; as a business model for competitiveness with big companies. This paper explores the strategy development of BAM co-operative. The Mintzberg design school of strategy is applied in relation to Porter's value chain analysis, and five forces model, SWOT analysis and BSC. The focus areas of the strategy are: learning and growth of members and employees; internal business processes; markets and customers; and finance. Being a business model for selling branding products and services, the co-operative is to adopt a diversification market strategy based on RBV. This strategy paper will help the co-operative members to strategically build a sustainable youth-driven platform of productive SMEs for jobs creation in branding and marketing industry in Kenya. Furthermore, this paper may help strategic management practitioners and scholars have deeper understanding on strategy formulation methodology from the design school of strategy and strategy formulation and implementation tools such as Porter's value chain analysis and market forces model, SWOT analysis, BSC and RBV. However, design school of

strategy that was the basis of this paper, just endorses a prescriptive view of strategy formulation. Therefore, future strategy formulation processes, should be based on other schools of strategy.

Keywords: BAM Co-operative, SME, Strategy, SWOT, BSC, RBV, design school of strategy value chain analysis, Porter's five forces model

1.0 Introduction and background information

1.1 Introduction

This is a strategy paper for Brand Ambassadors Marketing (BAM) Co-operative Society Limited – a co-operative organisation for small and medium enterprises (SMEs) in branding and marketing industry in Kenya. The strategy was developed in a participatory manner with BAM co-operative leaders using qualitative methodology.

A total of 12 SMEs in Nairobi City County were identified to be in branding and marketing industry. The leaders facilitated the formulation of this co-operative strategy, to help the identified SMEs and owners to compete and succeed in the industry. The strategy formulation was based on the Mintzberg's (2008) design school of strategy and Porter's five forces model.

1.2 BAM Co-operative

BAM Co-operative was formed in 2016 by SME owners in the branding and marketing industry in Kenya. The co-operative envisions, “a leading youth co-operative for sustainable jobs creation in Kenya”. The co-operative mission is to “socially and economically empower the youth by mobilising and linking them to job opportunities in the branding and marketing industry”. The co-operative core values are: creativity and innovativeness, efficiency and effectiveness, professionalism and teamwork, and responsiveness and flexibility. Its organisation structure is as follows:

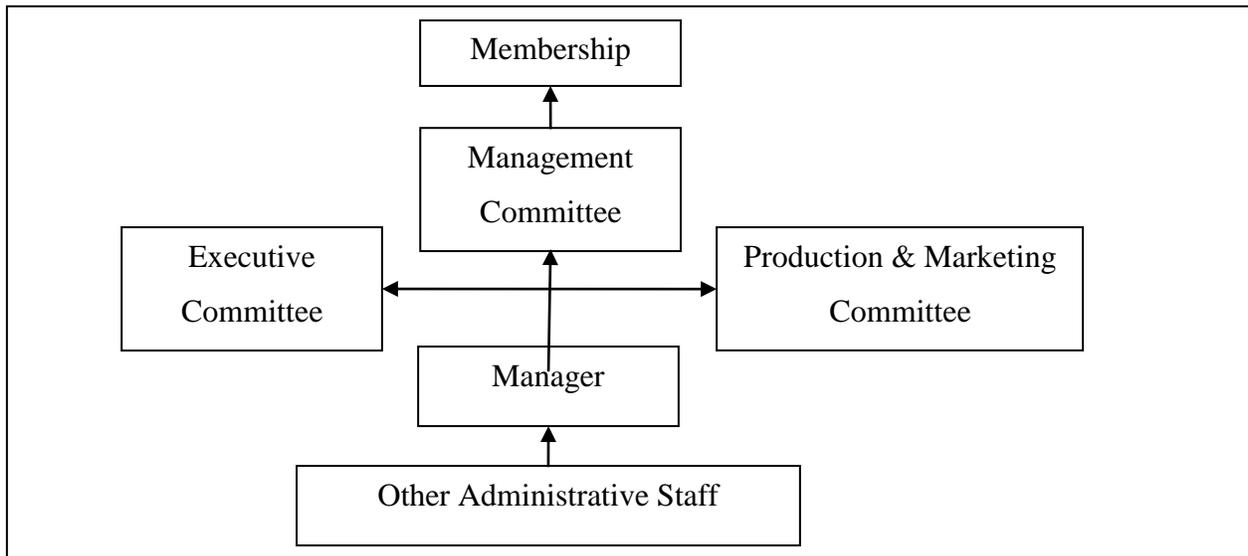


Figure 1.1: BAM Co-operative’s organisational structure

Source: Author

1.3 Organisation of strategy paper

This strategy paper is organised in six chapters, as follows: chapter 1 is the introduction and background information; chapter 2 is the literature review about the branding and marketing industry, and SMEs and the Mintzberg’s design school of strategy; chapter 3 is the methodology; chapter 4 highlights key findings about BAM Co-operative general description and analytical status; chapter 5, the discussion on the strategy formulation and implementation; and chapter 6, the conclusion.

2.0 Literature Review

2.1 The potential of small and medium enterprises and co-operative business model

According to the World Bank, SME is a venture that is employing up to 300 people with US\$15 million in annual revenue, and US\$15 million in assets. According to the Government of Kenya, SME is a business in both formal and informal industries, classified into farm and non-farm categories employing one to 50 workers. (Republic of Kenya, 2005, cited in Afande, 2015).

SMEs play an important role in economic growth and employment creation, especially in emerging economies (Abor & Quartey, 2010; Cobbold, et. al., 2008); Schlogl, 2004). Thus, being an attraction for both government and non-governmental organisations. In Kenya, for

instance, there are various policy papers developed to promote and develop SMEs (see Afande, 2015).

However, the SMEs' full potential remains untapped and unexploited (Schlogl, 2004). SMEs must therefore be stimulated and supported to flourish. The SMEs development strategy need to be changed This is critical for the economic objectives (economic growth and development, favourable balance of trade and payment and employment) and social objectives (poverty alleviation and improving standards of living) to be realised.

It is on this basis, that in Nairobi, SMEs in branding and marketing industry are grouping to utilise the co-operative business model.

2.2 The competitiveness of branding and marketing industry

Globalisation and technological advancement are shaping the organisational environment. For organisations to survive, compete and be successful, organisational branding and marketing of product and services is a critical component (Watchravesringkan et al., 2010; Keller, 2008). A necessary condition for value creation is a well-funded, well-designed, and well-implemented marketing program based on the assumptions of the brand value chain as illustrated in Figure 2.1.

It is worthwhile to note that, brands are key customer and shareholder value drivers requiring pro-active and consistent investment, management and measurement. Value creation involves more than initial investment. Each of the multiplier can increase or decrease market value from stage to stage. The brand value chain provides a detailed roadmap for tracking value creation enabling market research and intelligence efforts.

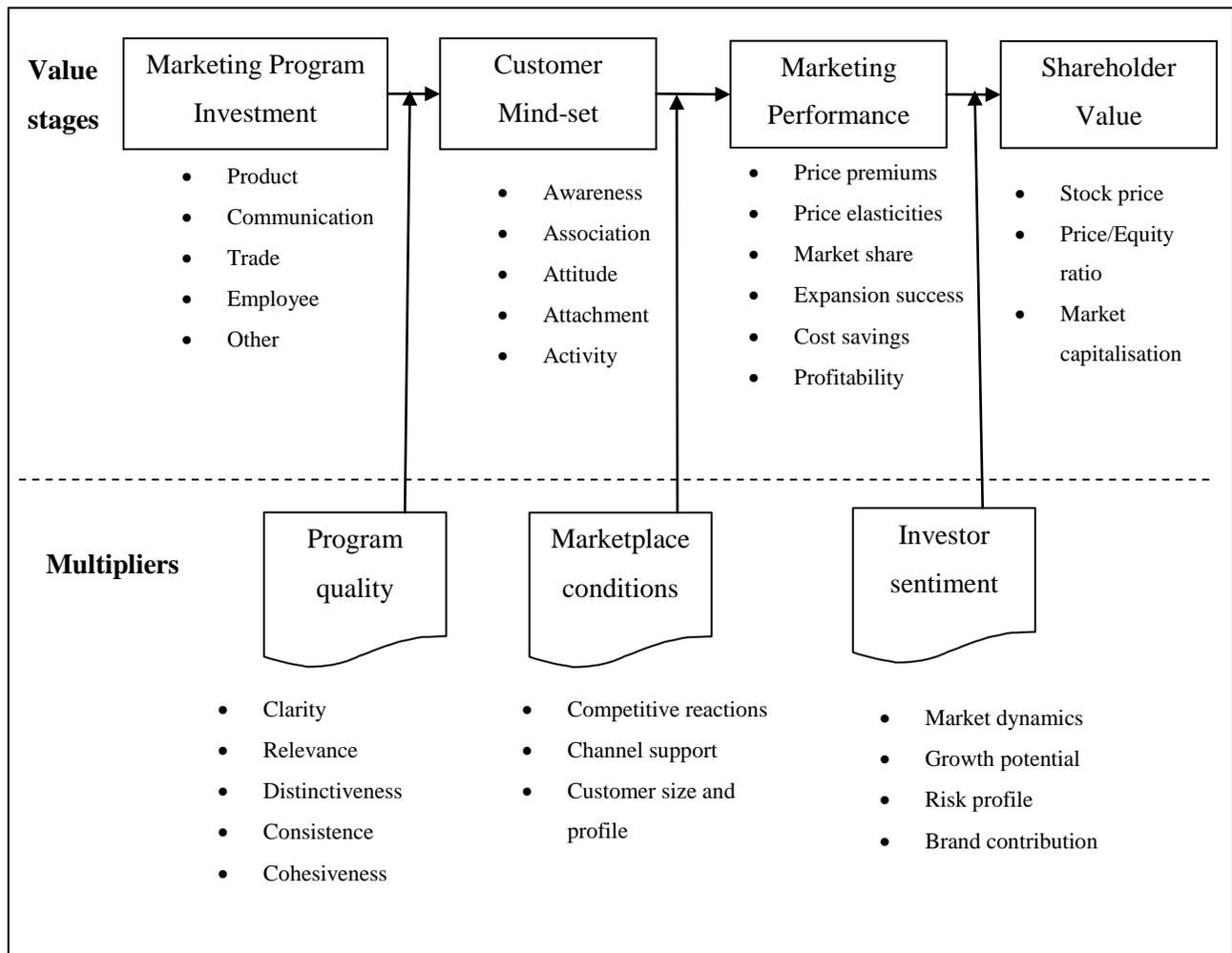


Figure 2.1: Brand value chain
Source: Adopted from Keller (2008)

In this regard, many market leaders today view their brand as a means to create competitive advantages (Mohammadian & Ronaghi, 2010; Fedorikhin, 2008). Brand is equity as illustrated in Figure 2.2. This quest is resulting to the outsourcing of branding and marketing services from independent entrepreneurs including the SMEs. To effectively compete with giant branding and marketing companies, some of these SMEs formed a branding and marketing co-operative – the BAM co-operative.

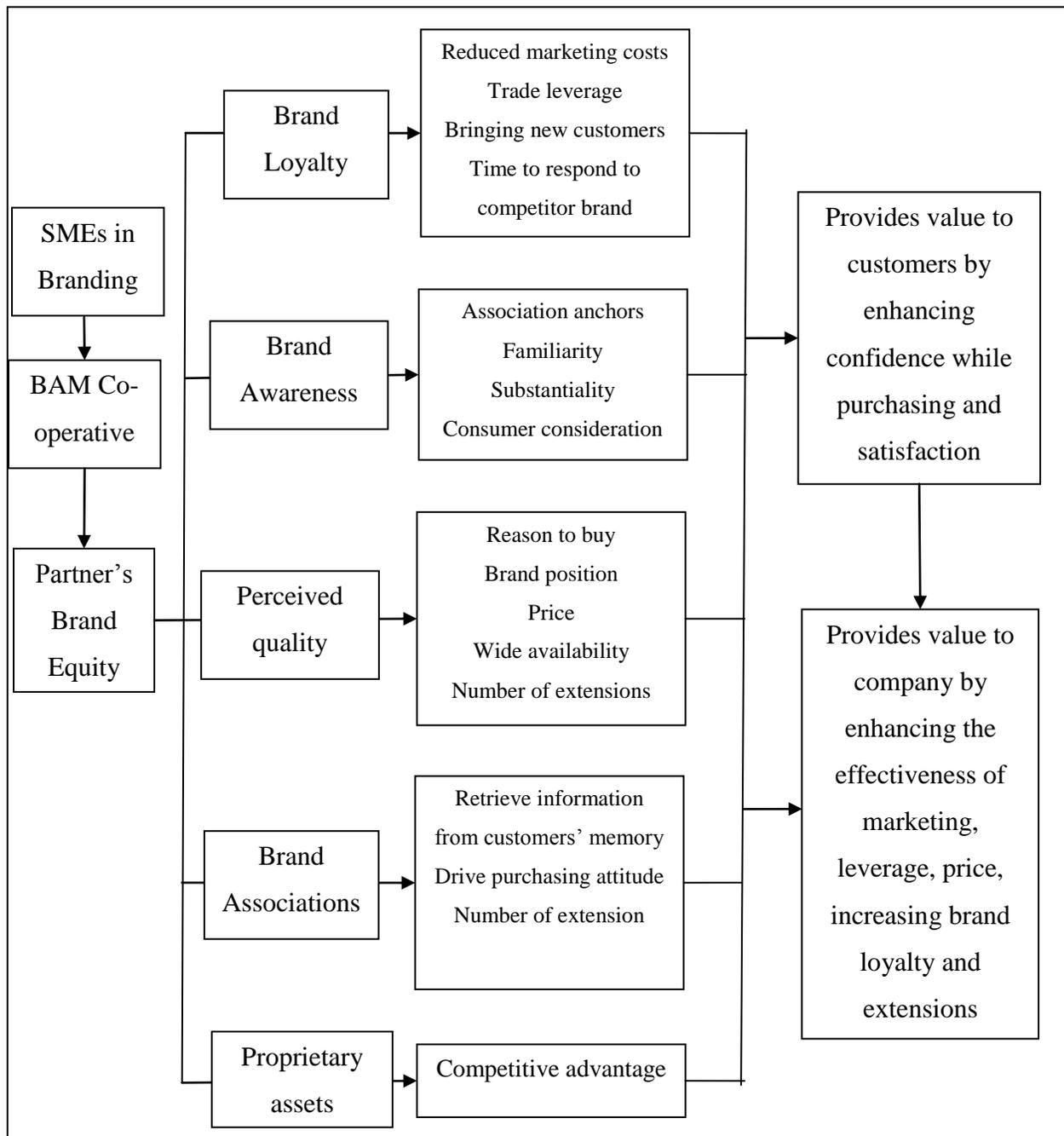


Figure 2.2: Brand equity and competitive advantage

However, BAM co-operative had not adequately developed a business strategy to aid the SMEs compete and perform. To develop a strategy, one of the Mintzberg's schools of strategy was to be applied – the design school of strategy.

2.3 The Mintzberg's design school of strategy

The design school is one of the ten strategic management schools of thought that was coined by Mintzberg and colleagues. The school views strategy formulation as a process of conception where the main challenge is to establish a fit between the organisation's internal

qualities and the available external opportunities. It places primary emphasis on the assessments of the external and internal situations of the organisation. The former revealing threats and opportunities in the environment, while the latter displaying strengths and weaknesses of the organisations. This is actually known as the SWOT analysis.

According to analysis of Sarbah and Otu-Nyarko (2014), the basic premises underlying the design school of strategy, include explicit or implicit internal and external environmental variables. The school connotes that: strategy formation should be a deliberate process of conscious thought; responsibility for that control and consciousness must rest with the top executive; the model of strategy formation must be kept simple and informal; strategies should be explicit, the best strategies result from a process of individualised design; the design process is complete when strategies appear fully formulated as perspective; and only after these unique, full-blown, explicit, and simple strategies are fully formulated can they then be implemented. The Figure 1.1 illustrate the basic design schools of strategy.

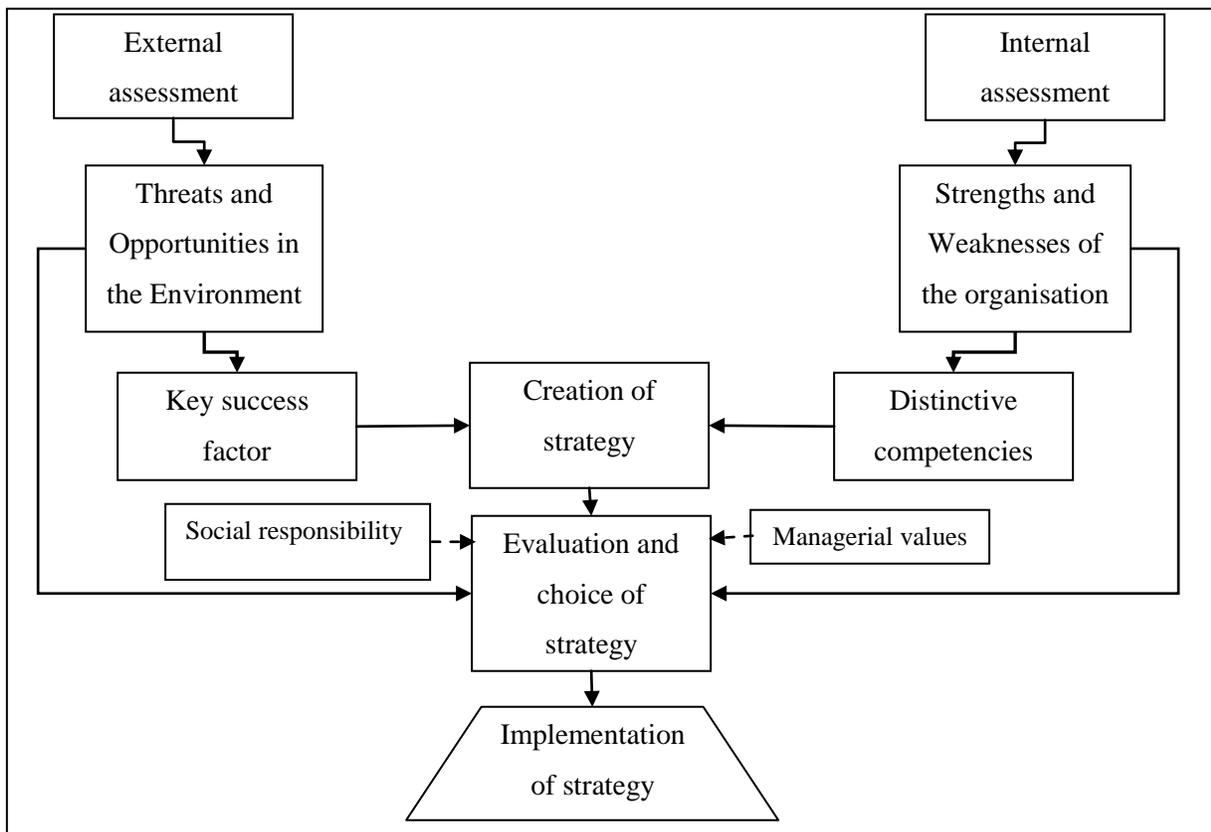


Figure 1.3: The basic design school of strategy

Source: Adopted from Mintzberg (1990)

the chairperson in particular. External assessment involves threats and opportunities, while the

internal assessment involves strengths and weaknesses. Social responsibility and managerial values also play a role in the formulation of the strategy. Once the alternatives have been configured, the best of them are chosen. After choosing a strategy, it is then implemented.

3.0 Methodology

3.1 Participants

This analysis was done with the participation of the 12 BAM SMEs and owners in organised workshops conducted in the months of March to June, 2017 using the qualitative methods.

3.2 Information collection

To gather the information that was used to inform the strategy formulation, focussed group interview was used. Focus group interview is “a type of a group interview where a small group of individuals are gathered together for the purpose of discussing one (or sometimes more) topic of interest” (Barrows, 2000, p.193, cited in Masadeh, 2012). The BAM Co-operative leaders participated in meetings and workshops to discuss their SMEs and co-operative status and performance.

The focused group interview covered all members of the BAM Co-operative (see Wall, 2001), to efficiently gain a large amount of information and particular opinions or attitudes in the limited time of the strategic planning. The method enabled the consultant to “probe” more deeply to attain in-depth insights into the SME business (see Masadeh, 2012).

3.3 Information analysis

SMEs success are being faced by different factors. These factors can be broadly categorised into two, external and internal factors. The Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis method was used to establish the status of the SMEs. According to Kotler (2009) “SWOT analysis is a way to observe the external and internal of marketing environment” (p. 51). SWOT analysis is not a new idea in the business world. The model emanates from the Harvard Business School (Delahaye, 2000).

By the understanding of Chang and Liao (2013) on the components of SWOT analysis; strengths and weaknesses of the SMEs situation or condition at present time propelling or hindering their progress – compared with their competitors – were analysed. Further, the opportunity and threats in the external environment, favouring or derailing SMEs present and future development, were also analysed.

Given that the primary aim of strategic planning is to bring an organisation into balance with the external environment and to maintain that balance over time (Sackett, et. al., 2005); this balance was accomplished by evaluating BAM SMEs' services with the intent of maximising SMEs performance, using SWOT analysis as a preliminary decision-making tool that sets the stage for the assignment.

The first step of SWOT analysis involved the collection and evaluation of key data of SMEs. The data included, gender and age of the entrepreneurs, number of employees in each SME, number of services offered and marketing, and current average financial status of the respective SMEs. Once the data was collected and analysed, the BAM SMEs' capabilities in these areas were assessed.

In the second step of SWOT analysis, data on the BAM SMEs was collected and sorted into four categories: strengths, weaknesses, opportunities, and threats. Strengths and weaknesses generally stemmed from factors within the BAM SMEs, whereas opportunities and threats as usual arose from external factors. According to Carpenter (2006) surveys are an effective means of gathering some of this information, such as data on an organisation's finances, operations, and processes.

Finally, the SWOT analysis was incorporated into the balance scorecard (Kaplan & Norton, 1992, cited in Kaplan, 2010) to determine which business strategies best meets the BAM Co-operative overall strategic plan. The SWOT analysis process promoted a better understanding of barriers to change, innovation, and the transfer of knowledge to practice; improved outcomes with value chain analysis; and more efficient allocation of BAM Co-operative resources based on the Resource Based View (RBV), with the Balanced Scorecard (BSC).

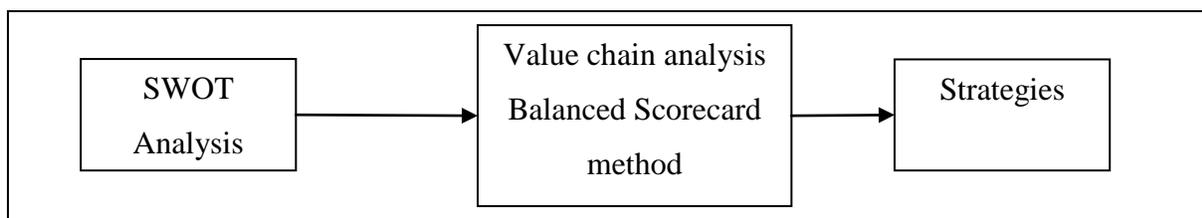


Figure 3.1: Strategic planning methodology

Source: Author

The strategy formation is illustrated in details by 'TOWS' matrix in Table 3.1 below.

Table 3.1: The TOWS Matrix of strategy formulation

	Strengths	Weaknesses
	1. 2.	1. 2.
Opportunities	Opportunity-Strength (OS) Strategies. Use the strengths to take advantage of opportunities 1. 2.	Opportunity-Weakness (OW) Strategies. Overcome weaknesses by taking advantage of opportunities 1. 2.
Threats	Threat-Strength (TS) Strategies. Use strengths to avoid threats 1. 2.	Threat-Weakness (TW) Strategies. Minimize weaknesses and avoid threats 1.

Source: Adopted from David (2011)

The findings on SMEs status and formulated strategies are highlighted and discussed in chapter 4 and 5, respectively.

4.0 Findings

There are various factors that are affecting the BAM Co-operative SMEs and owners in branding and marketing industry, most of which are already highlighted in the academic literature. They can be broadly categorised as internal and external factors.

4.1 Internal factors

Internal SME-based factors such as the availability of resources, personal knowledge, skills and abilities for pursuing entrepreneurial functions and the effective use of resources inside the SME (Nieman, 2006) have effect on the SME success.

4.1.1 SMEs demographics

BAM Co-operative and by extension member SME are affected by their own demographics for success and survival. It was acknowledge that the 12 identified BAM Co-operative and member entrepreneurs are small (see Baard & Van den Berg, 2004) and relatively young owners of averagely 22 years of age (see Davila, et. al, 2003). Given the youthfulness of the BAY members, these SMEs operate in the “Passive Learning Theory” (see Agaje 2004 &

Goedhuys, 2002 cited in Afande, 2015). They entered in the market without knowing their own potential growth, or distribution of their own profitability. But with continuous learning they are thinking to expand, because they think them now they had understated the actual levels of efficiency that would necessitate higher and more viable growth rates. Moreover, the BAY SMEs size growth was based on the “Stochastic and Deterministic Theory” (see Pier Giovanni, et al., 2002, cited in Afande, 2015), that is, growth by chance.

However, adopting the co-operative model, the BAY member SME are not seen as capitalist thereby attracting community networks (Miller, et al., 2003) including the development organisational like GC. Moreover, BAM Co-operative has competitive products and services for success and growth (Pretorius, et. al., 2005; Man, et al., 2002), thereby curbing youth unemployment.

4.1.2 SME owner-members

Most of the BAM Co-operative members, though younger (see Rwigema & Venter, 2004) are with college education, and have attitudes, commitment, values, knowledge, experience, capability, skills and abilities that helps tasks of starting, running and growing a business, to learn more about how to do so and to make them more efficient in how they act in running their enterprise and in performing complex tasks (Markman & Baron, 2003:284).

The BAM Co-operative members have previous branding industry experience as casual employee with other companies (Barreira, 2004) and this can help them build BAM Co-operative image. Essentially the members have the need for achievement. They have internal locus of control as they can take their own initiative to start own SMEs and now the co-operative. They have high self-efficacy, self-confidence, self-esteem. They are good resource mobiliser, risk takers, adaptable and flexible, alert to opportunities; creative and innovative, optimistic; energetic (Gurol & Atsan, 2006; Botha, 2006; Rwigema & Venter 2004; Mueller & Thomas, 2001). With the official registration of the BAM Co-operative in 2017, internal strengths override weaknesses.

4.2 External factors

The uncontrollable external environment in which these BAM SMEs operate, present variables which may facilitate or inhibit entrepreneurship at start-up and during the SMEs lifecycle (Simpson, et al., 2004). They include socio-demographics, markets (local, international, emerging and established markets), cultural, economic, political, institutional,

legal, productive, technological, infrastructure and other physical factors of that particular environment (Guzman & Santos, 2001; Viviers et al., 2001).

4.2.1 National economy

BAM Co-operative and its member SMEs are being affected by various in a national economy factors (Nieman, 2006, Gurol & Atsan, 2006) of Kenya. The opportune of such factors are: low interest rates that is now at 14% to increase accessibility of the capital; high unemployment that will increase the co-operative membership; ability to deal with the technological changes since they are young entrepreneurs (see Ligthelm & Cant, 2002; Viviers, et al., 2001). The threatening of such factors are the: high density of the branding and marketing industry making it more competitive, high inflation rate at 9% in March 2017; high exchange rate weakening the Kenya shilling for possible import of materials; high and complex taxation regime (Clover & Darroch, 2005; Robertson, et al., 2003; Ligthelm & Cant, 2002; Viviers, et al, 2001).

4.2.2 Political institutions

BAM Co-operative and its member SMEs are also being affected by the political institutional factors. The great opportunity is the legal, regulatory and policy framework and environment that recognise the youth and entrepreneurship (Finmark, 2006; Clover & Darroch, 2005, p.242); cost of compliance are reducing (Rwigema & Venter, 2004; Strydom & Tustin, 2003); government support with such as Uwezo Fund, Youth and Women Enterprise Development Funds (see Nasser, et al., 2003). However such other factors like judiciary, bureaucracy that are exhibiting corruption are a threat. Sometimes, services like grants or procurement opportunities are complicated, inflexible or inadequate for actual SME needs (Fielden, et al, 2000; Luiz, 2002); political instability, especially during the election times.

4.2.3 Market opportunity factors

BAM Co-operative and its member SMEs are further affected by the branding and marketing industry-specific factors such as the complexity of market conditions, the interest or actions of consumers, competitors, intermediaries and suppliers (Nieman, 2006; Dahlqvist, 2000; Ligthelm & Cant, 2002; Viviers, et al., 2001). The Porters' Five Forces Model (2008) in Figure 4.1, illustrates this complexity.

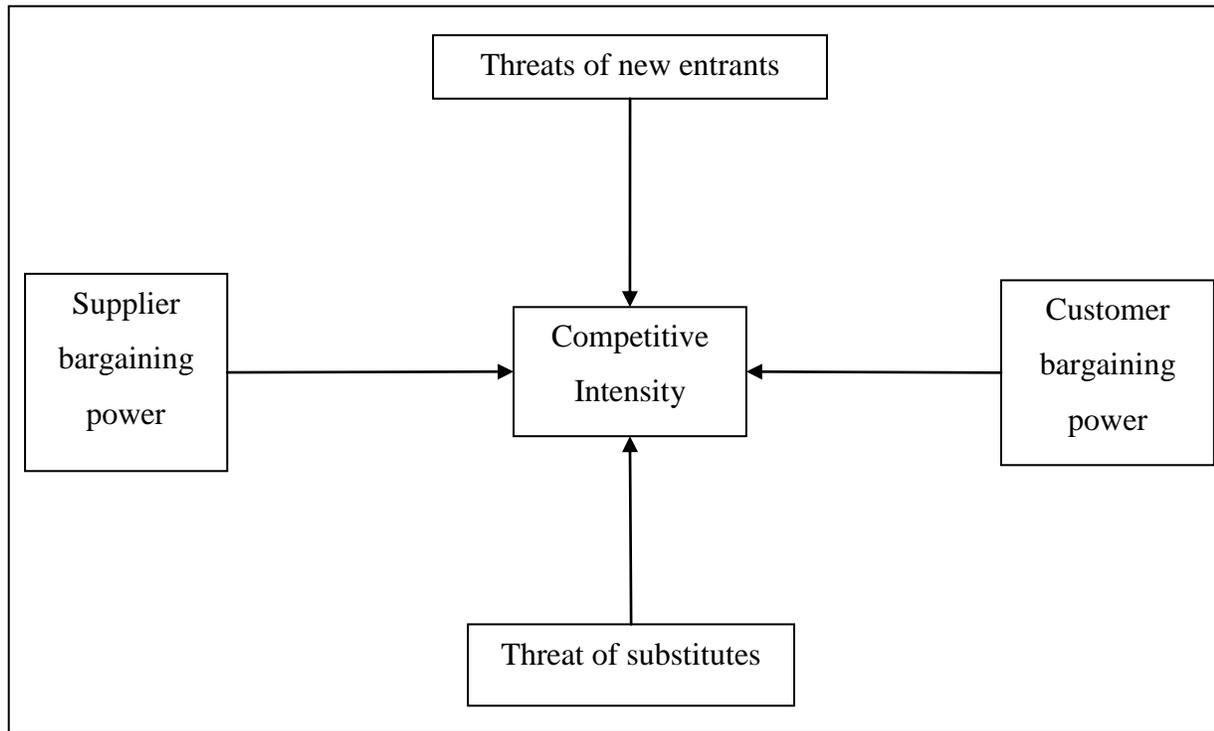


Figure 4.1: Porters Five Forces Model of Competition
Source: Adopted from Porter (2008)

The more intense the competition in a branding and marketing industry, the less attractive the industry is, because the intensely competitive industries are less profitable. Competition may save consumers money, but it costs firms money; given powerful buyers and suppliers, and threats of new entrants and substitutes

The BAM Co-operative is still young in the industry, with complex and changing trends for predictability (Markman & Baron, 2003, p. 297; Ligthelm & Cant, 2002; Shane & Venkatarman, 2000) but there is high growth potential for BAM Co-operative (Andries & Debackere, 2006) . There is poor market segment selection (Strydom & Tustin, 2003; Shane & Venkatarman, 2000), but the BAM Co-operative member SMEs are becoming more knowledgeable (Nasser et al., 2003).

There is market attractiveness, given that there is high market demand for supply of the product and services by BAM Co-operative and its members. Such products included branded t-shirts, umbrellas, information and communication material; and such services are promotional activities of corporate products such as for Airtel Communication Company. However, these BAM SMEs are operating in an intensified competition and unknown competitive rivals, requiring the analysis of the role of competitors and counter-competition

intelligence and actions are crucial for the survival of an SME (see Ligthelm & Cant, 2002; Shane & Venkatarman, 2000). Interestingly, the BAM Co-operative is able to access both corporate, institutional and individual markets (Finmark, 2006; Czinkota & Ronkainen, 2003; Tustin, 2003), given their location in Nairobi City County (Tustin, 2001; Dahlgvist, et al., 2000; Berry, et al., 2002) for future and competitive business operations.

4.3 Summary

The characteristics of BAM SMEs are diverse. In composition, location and co-operative model, they exhibit creativity and innovativeness, flexibility and responsiveness than the established branding companies such as “Topas Creations” and “Creative Trance”. Moreover, there are success factors in political and legal framework and development organisation.

However, there are still market pressures (technological advances and changing customer needs); and market constraints (unfavourable national economy and political institutions) to sustain their competitiveness in market (Singh, et. al., 2008). Therefore, BAM Co-operative needs to strategize on how to simultaneously compete along different dimensions, including design and development of product and services, production, distribution, communication and marketing (Leachman et al., 2005; Chiarvesio et al., 2004).

Some of the competitive distinctiveness may be as highlighted by Singh and colleagues (2008): quality, cost, delivery, reliability and speed, innovation and flexibility to adapt itself to changing market demands (Carpinetti et al., 2000); or the optimisation of the quality to price ratio, for operational excellence (Fleury & Fleury (2003; Lau, 2002). In essence, competitive distinctiveness need to be decided keenly because they set the organisational direction for adoption of different processes or management practices including: top management support (Egbu et al., 2005; O’Regan et al., 2005), organisational culture (O’Regan, et. al., 2006), total quality management (Prajogo, 2007; Demirbag, et al., 2006), development of alliances to build stronger relationship (Cagliano, et al. 2006; Chen and Huang, 2004; Varis, et al., 2004), vendor development (Humphreys, et al., 2004), supply chain management to serve the roles of suppliers, distributors, producers and customers (Hong and Jeong, 2006), clean production and total productive maintenance (Brah and Chong, 2004; Chan, et al., 2005), innovation and knowledge management (Vargas & Rangel, 2007); research, development and technology management (Mosey, 2005); and, information technology applications (Koh & Simpson, 2005; Blackwell et al., 2006).

These determine the SME performance – not just the financial indicators such as profit, market share, sales, and growth rate; but the overall ratio of output to input. According to Vargas and Rangel (2007), SMEs performance has direct co-relation with their internal capabilities – the ‘soft’ strategic focus (methods and processes that support the SME) (Garengo, et. al., 2005), and ‘hard’ strategic focus (externally acquired equipment, in house development of machinery and innovation in raw materials) (Vastag & Montabon, 2001); and a strategy of continuous improvement, innovation and change.

For continuous improvement, BAM Co-operative needs to monitor and evaluate and benchmark itself (see Denkena, et al., 2006; Ribeiro & Cabral, 2006; St-Pierre & Delisle, 2006; Sousa, et. al., 2006), with other key players in the branding and marketing industry using such methods as the BSC (Kaplan & Norton, 1992, cited in Kaplan, 2010) as used in the subsequent chapter 5. Figure 4.2 illustrates this scenario.

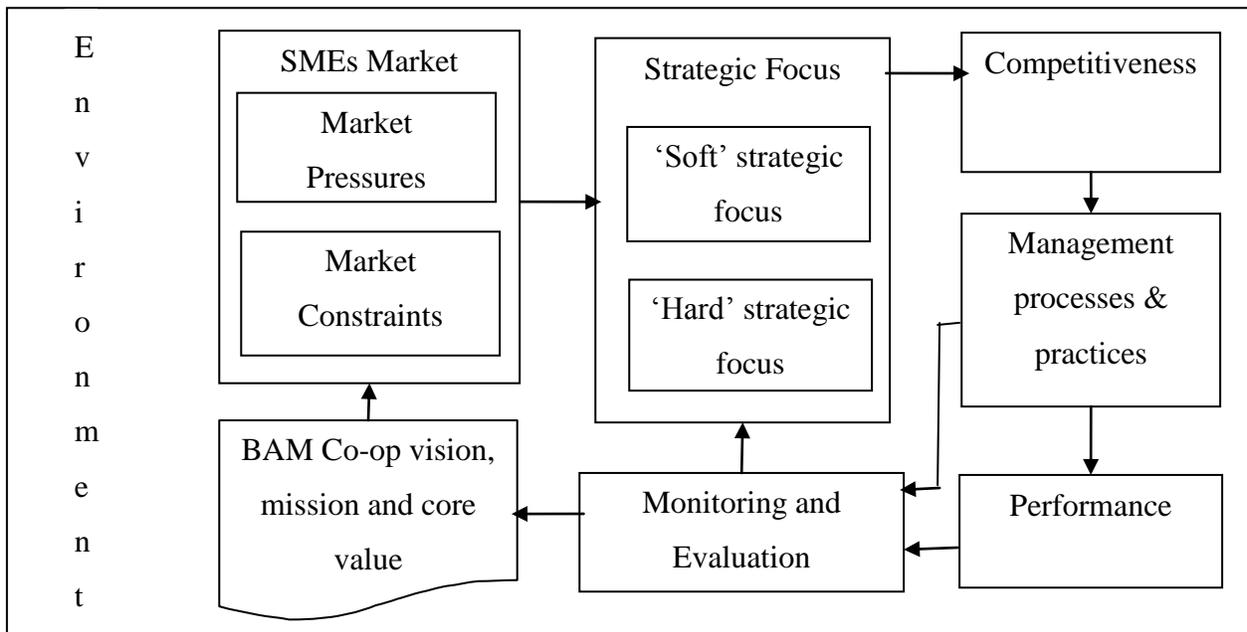


Figure 4.2: Conceptual framework

Source: Author

5.0 Discussion

5.1 Performance measurement

The BAM Co-operative is newly formed and it comprised of young SMEs owners. The co-operative was yet to develop strategies for performance and competitive advantage. Essentially, the co-operative has more of intangible value (human, information and social

capital) than noticeable tangible value (financial). This development of strategies through the BSC (Kaplan, 2010). BSC helps organisations to answer the following four questions: 1) how do customers see us? (market and customer focus); 2) what must we excel at? (internal business process focus); 3) can we continue to improve and create value? (learning and growth focus); and, 4) how do we view our shareholders? (financial focus).

BSC is a tool for performance measurement through established strategic objectives and strategy maps, the strategy management system and identified future opportunities. It integrates budgeting, resource allocation, target setting, and reporting, and feedback on performance into ongoing management processes (Mackay, 2005). The BSC comprise of quadrants that give equal consideration to both long term and short term financial performance, customer issues, internal business processes and organisational learning and growth as illustrated in Figure 5.1. In relation to the BAM Co-operative's SWOT analysis in chapter 4, the latitude of these viewpoints covers the whole of the BAM Co-operative's current and future activities, both internally and externally. This is illustrated in Figure 5.2.

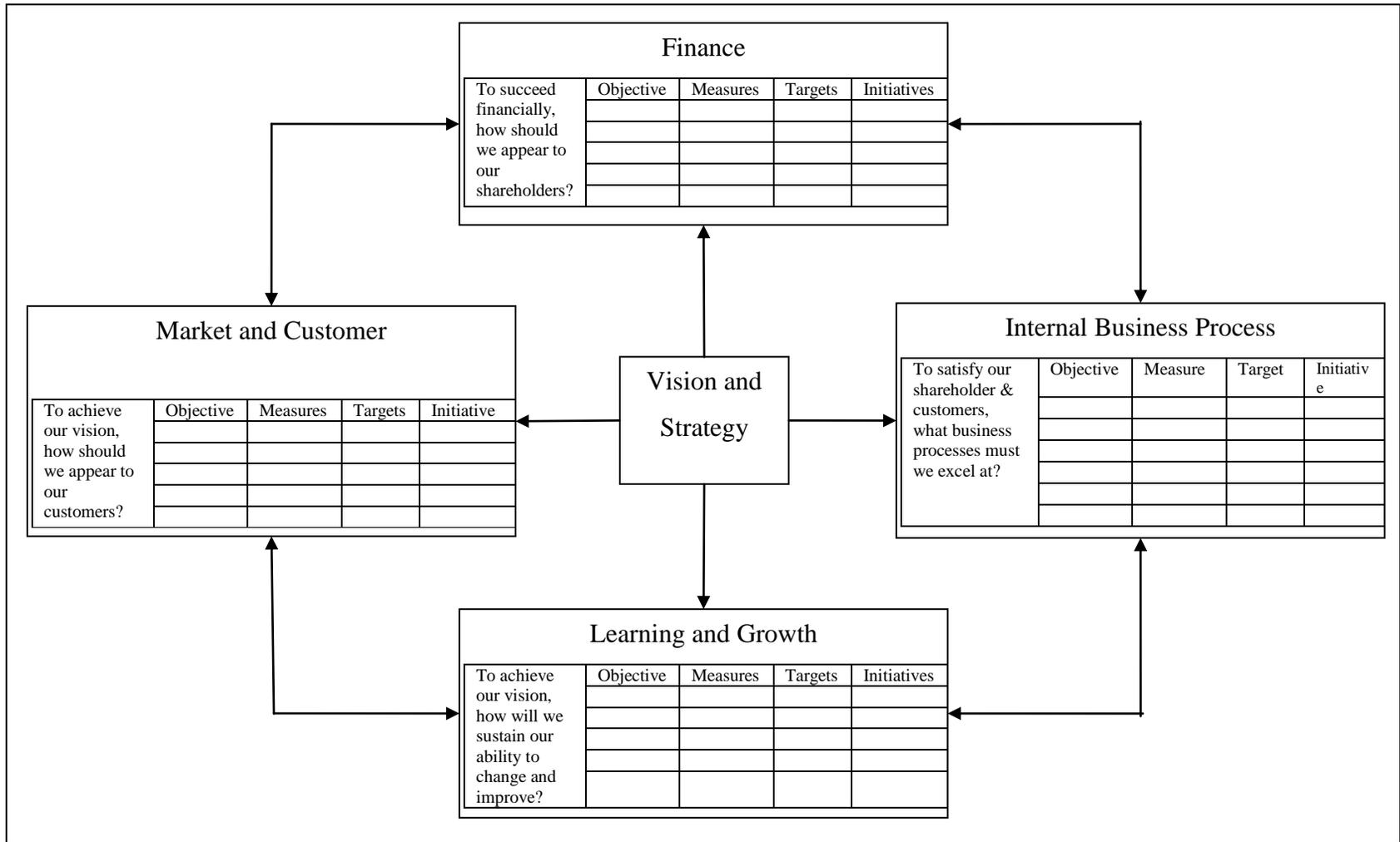


Figure 5.1: The BSC quadrants
Source: Adopted from Kaplan (2010)

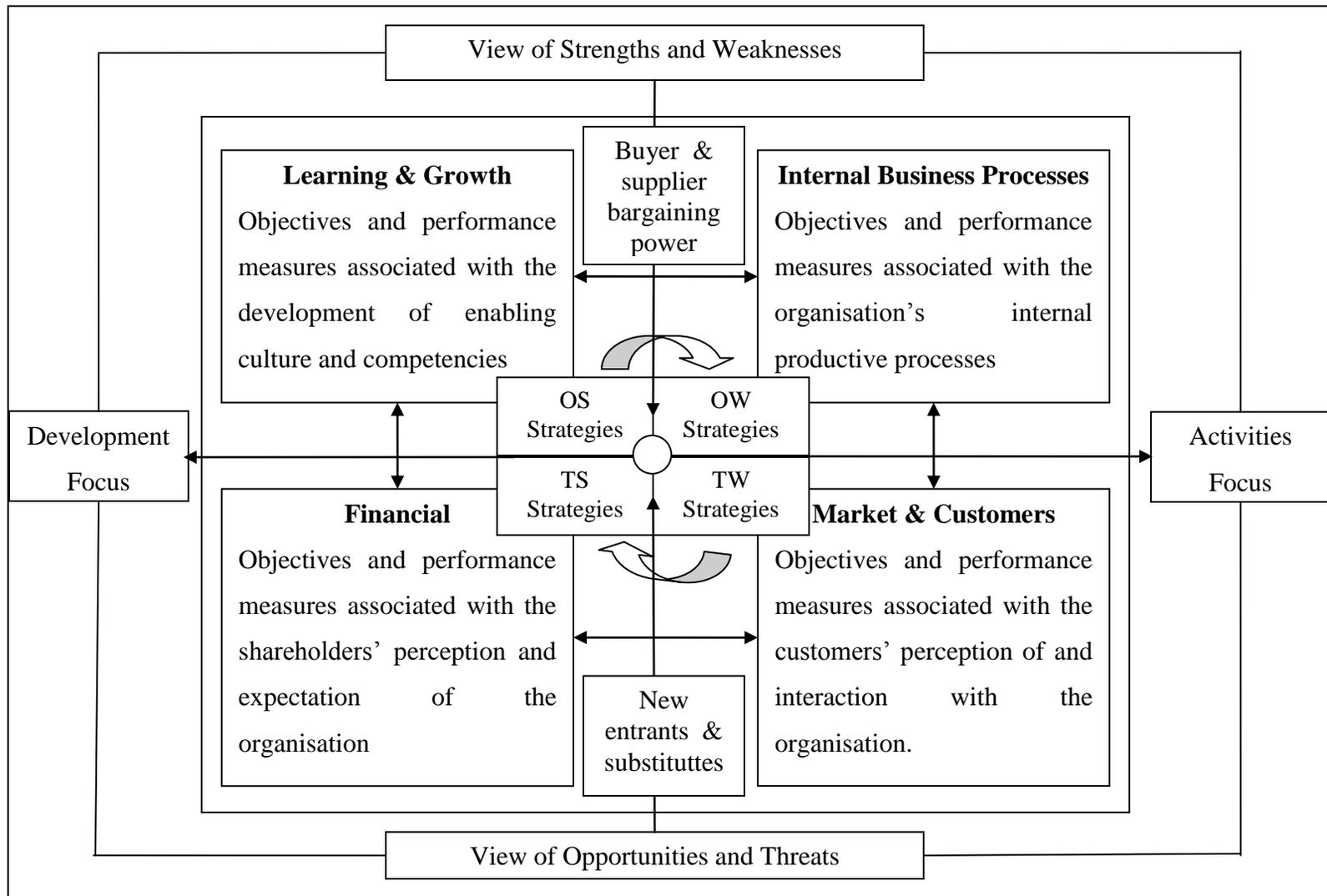


Figure 5.2: Balance scorecard, Porter's five forces model and SWOT analysis

Source: Author

5.3 Strategic objectives

Based on the layout of the performance measurement of BAM Co-operative, the strategic objectives were set in respect to each of the four BSC focus areas (Kaplan, 2010). This is to ensure that the co-operative has capabilities in terms of value, rarity, inimitability, and non-substitutability, to achieve sustainable competitive advantage.

Under financial focus, there are objectives for sustained shareholder value creation (revenue growth, productivity, and risk management). Under market and customer focus, there are objectives for acquisition, satisfaction, and retaining customers, and building the market share; Under internal process focus, there are objectives for value proposition – the unique mixture of product and service price, quality, availability, ease and speed of purchase, functionality, relationship and service to differentiate the co-operative from its competitors for its targeted customers, meeting the financial objectives for productivity improvements. Finally, under the learning and growth focus, objectives are describe the goals for members and employees, information systems, and organisational alignment. Table 5.1 below, indicate the BAM Co-operative strategic objectives and measurements.

These strategic objectives and measure do not conflict but complement and result into each other. All the strategic objectives are interlinked linked in cause-and-effect relationships, starting with member-employees, through business processes for markets and customers, resulting in the higher financial performance, which is invested to continue the cycle. This is illustrated in Figure 5.3. The result is the strategy mapping.

Table 5.1: Identified strategic objectives

Learning and Growth Focus		Internal Business Process Focus	
Objective	Measures	Objective	Measures
To increase valuable members and employees with competence in branding and marketing	<ul style="list-style-type: none"> • Employee and member retention index • Skill and technology measures related to branding and marketing competence 	To continually challenge competitor products in the market place, competing on product reliability and production logistics capabilities	<ul style="list-style-type: none"> • Time to market for next • generation of products and services • Production defect rates • Stock replenishment cycle times
To maximise productivity	<ul style="list-style-type: none"> • Volume of sales per member per week 	To compete on product and service delivery channel mix, to create and capture a unique supply value chains	<ul style="list-style-type: none"> • Volumes of transactions conducted through each of the delivery channels • Percentage of supplier's revenue dependent on the co-operative services • Benchmarking index for supplier of outsourced activities
To develop a skilled and informed workforce aligned to the co-operative organisation principles	<ul style="list-style-type: none"> • Trainings per member per quarterly • Information availability survey index • Peer evaluation measures 		

	within and between teams		
Financial Focus		Market and Customer Focus	
Objectives	Measures	Objective	Measures
To achieve a higher return on investment to create higher shareholder value	<ul style="list-style-type: none"> Return on Capital Employed (ROCE)/Return on Investment (ROI) (Capital Employed = Fixed Assets + Stock + Debtors – Creditors) Value added measures 	To dominate the major markets and grow our business in a selected target group	<ul style="list-style-type: none"> Market Share Customer acquisition from target group
To see significant revenue from new product and services	<ul style="list-style-type: none"> Revenue growth on selected product lines 	To satisfy the targeted customers with increased image	<ul style="list-style-type: none"> Customer Satisfaction Survey Results Marketing expenditure as a percentage of sales
To maximise profitability per transaction and reduce costs for improved cash flow	<ul style="list-style-type: none"> Unit Costs Credit rating Creditor days 	To build customer recognition and increase the number of repeat purchases	<ul style="list-style-type: none"> Corporate image survey Customer Retention over time

Source: Adopted from Mackay (2005)

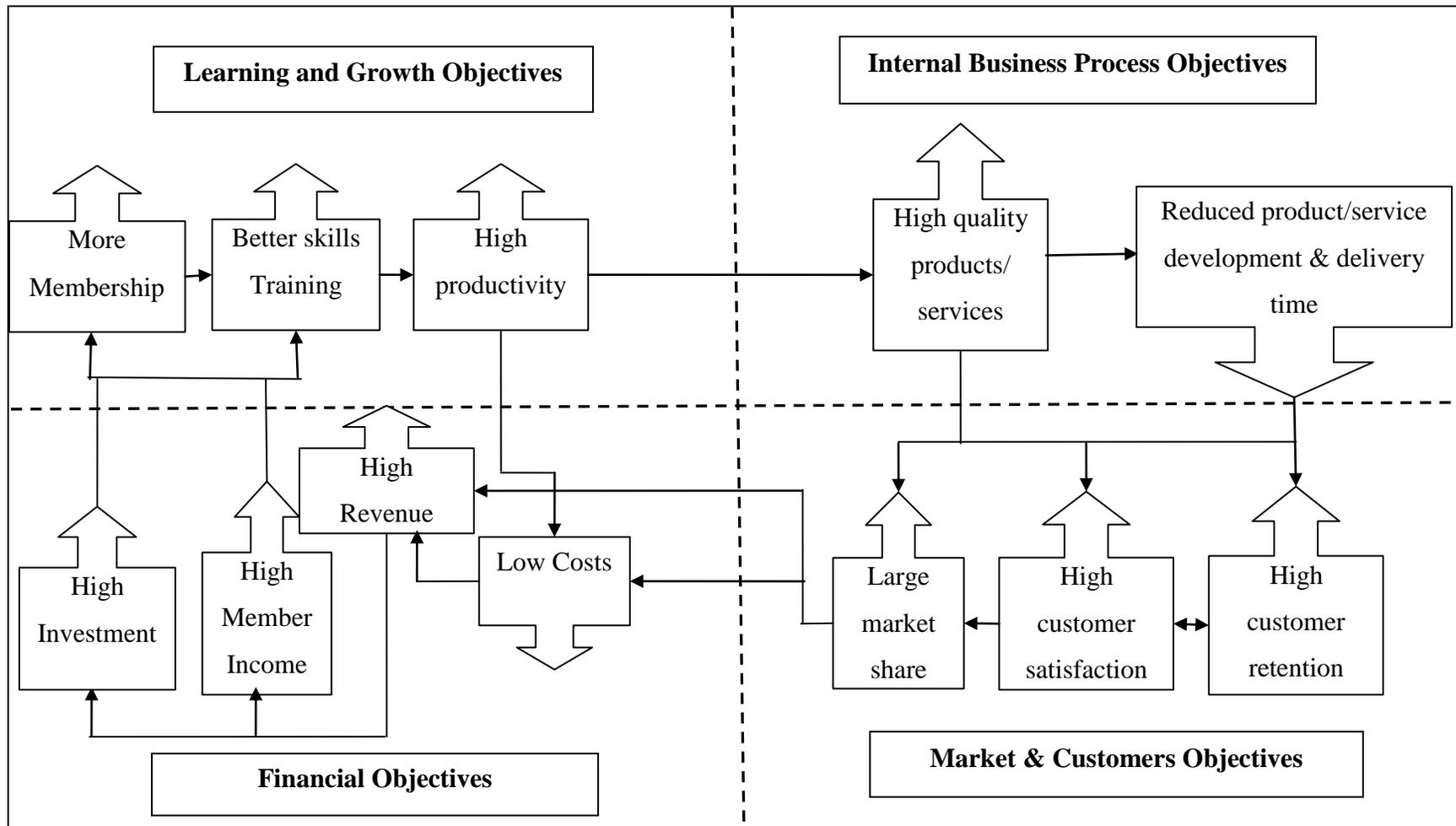


Figure 5.3: The inter-link between balance scorecard measures, the Porter's five forces model and SWOT analysis flow, and strategic objectives

Source: Author

5.4 Strategy mapping

There are causal relationship between the strategic objectives and measures. The BAM Co-operative's member-employees who are well trained in quality branding and management will increase quality reduce process cycle times and defects. The efficient processes will lead to shorter times in serving customers, thus timely delivery, and limited defects experienced by customers. The quality improvements experienced by customers will lead to higher customer satisfaction, retention, and spending; which in turn will determine higher revenues and margins and competitive advantage (see Kaplan & Norton, 2004).

In essence, these requires the determination and matching of two issues: resources and competencies to establish the threshold capabilities and distinctive capabilities for competitiveness (see Ainuddin, et. al., 2007; Sirmon, et al., 2007). The co-operative advantage will be both in terms of: cost Advantage (able to deliver the same benefits as their competitors but at a lower price); and, differentiation advantage (able to deliver benefits that surpass their competitors). This is illustrated in Table 5.2.

Table 5.2: The relationship between organisational resources and competencies

	Resources	Competencies
Threshold capabilities: Required to compete in the market	Threshold resources	Threshold competencies
Distinctive capabilities: Required to achieve competitive advantage	Distinctive resources	Distinctive competencies

Source: Author

Resource are the stocks of available factors (all assets, capabilities, organizational processes, organisation attributes, information, and knowledge) that are owned or controlled by the organisation which are converted into final products or services (Zott & Amit, 2007), while competencies are the organisation's ability to deploy resources (Kabue & Kilika, 2016).

According to the SWOT analysis and BSC of BAM Co-operative, the weakest links were the internal factors exhibited by the limited learning and growth focus, and the weak business processes focus. This makes the individual member SMEs unable to enhance the value proposition from the market and customer's focus, which would enhance financial focus. In this case, the co-operative is to adopt a diversification market strategies for new products or services and customers, as illustrated in Table 5.3.

Table 5.3: Ansoff matrix for market strategies

	Existing products and services	New products and services
Existing markets	Market penetration	Product or service development
New markets	Market development	Diversification: Horizontal, Vertical, Concentric, Conglomerate

Source: Adopted from Ansoff (1987)

In mapping of strategic objectives and actions; BAM Co-operative is defined by productivity and growth strategies for long term member-shareholder value and the realisation of the vision. The developed co-operative strategy is productive and growth oriented on all focus areas of learning and growth, internal business processes, markets and customer, and finance. This is illustrated in Figure 5.4.

The co-operative is recognised to operate in the standard cycle market of branding and marketing industry of Kenya. The relevance of the co-operative strategy is to: expand into new products or services and markets through diversification to gain market power; gain access to complementary resources; establish economies of scale; overcome trade barriers; meet competitive challenges from other competitors; pool resources for very large capital projects in respect to RBV; and learn new business techniques (see Sroka, 2013).

The developed strategies exhibit consistency in goals and policies; consonance between the external environment responses and to the critical changes occurring within them; competitive advantage in the selected areas of focus; and feasibility for efficiency and success in implementation.

5.5 Strategic activities

Given its internal environment, BAM Co-operative needs to develop a value chain of activities for its member-SMEs to operationally best add value and maintain a competitive advantage in the branding and marketing industry (Porter, 1998, cited in Sarbah & Otu-Nyarko, 2014). BAM Co-operatives need to focus on the operational effectiveness of inimitable activities that enable it to perform better than its competitors. The co-operative was to undertake activities aimed at “value creation” and “transaction cost economies”. This will enable the co-operative to configure its value chain activities, which are able to create unique value for customers, reduce its costs of carrying out these activities and reduce the cost of its customers’ transactions. Figure 5.5 below indicates examples of how BAM Co-operative will create value and reduced costs in its branding and marketing value chain activities.

5.6 The strategy management system

For successful management and execution of the co-operative strategy through the four BSC focus areas, the following leadership and management processes are proposed (Kaplan & Norton, 2001; 2006): mobilisation of change through the co-operative management committee leadership; translation of the strategy; alignment of the co-operative and its members to the strategy; motivation of members to make strategy their everyday job; and instilling corporate governance to make strategy a continual process.

These are to be undertaken through an integrated and comprehensive closed-loop management system that links strategic planning with operational execution, as illustrated in Figure 5.6. The system integrates strategy development, planning, alignment, operational planning, operational control, and strategy control. This is inevitable if the co-operative is to realise its performance and competitiveness (see Sirmon, et. al., 2007; Ray et al., 2004).

The executive sub-committee of the management committee (see Figure 4.1) led by the chairperson, will be the Office of Strategy Management (OSM) (Kaplan & Norton 2005). The OSM will be responsible for the new processes that translate and cascade the co-operative strategy, link it to operations, and organise the strategy review and strategy testing and adapting meetings (see also Figure 4.2). Further, OSM will integrate and co-ordinate activities that align the co-operative strategy and operations across functions and co-operative main business units of products and services.

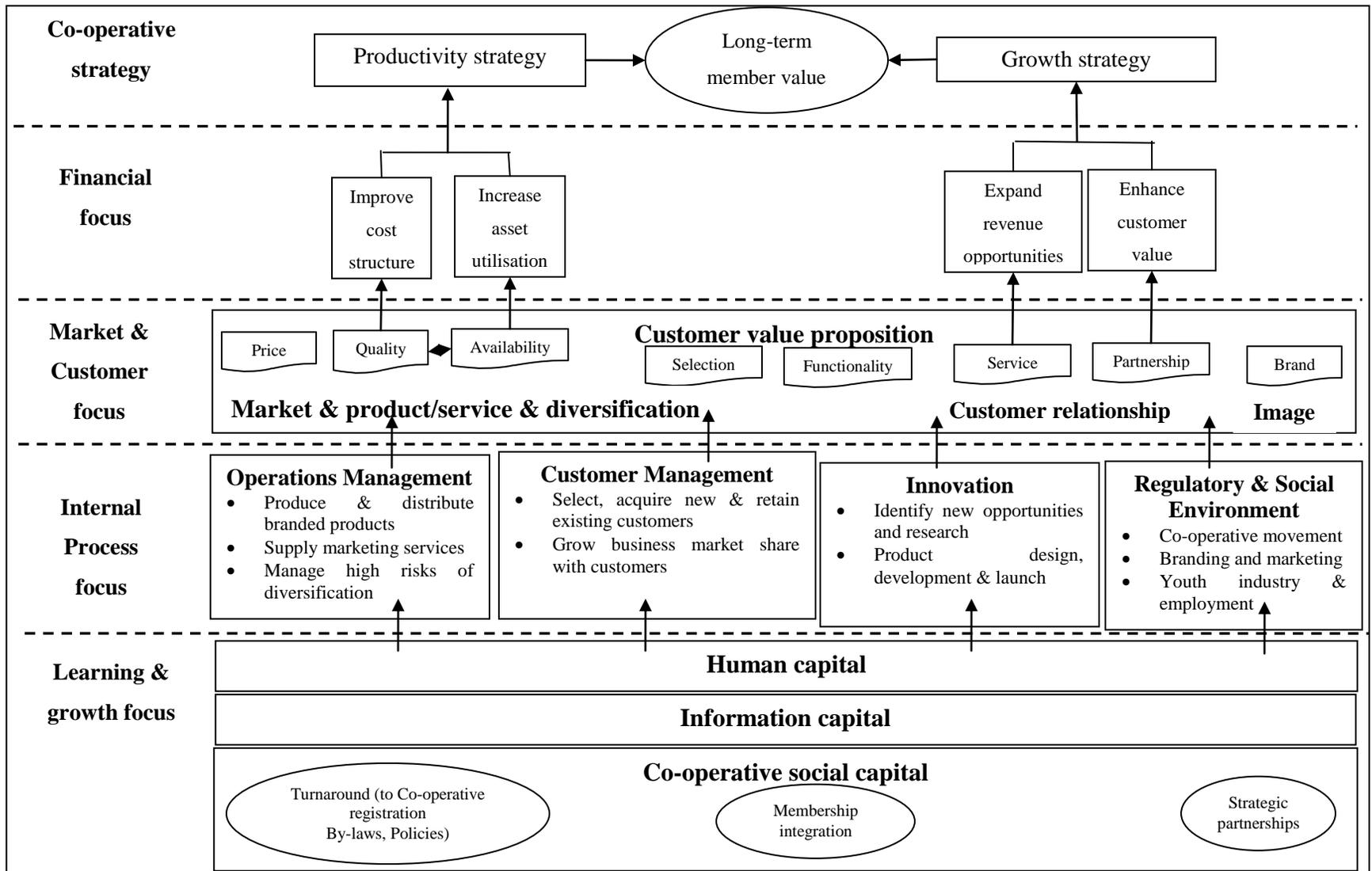


Figure 5.4: Strategic link between intangible value of co-operative and critical processes to the value proposition and customer and financial outcomes

Source: Adopted from Kaplan (2010)

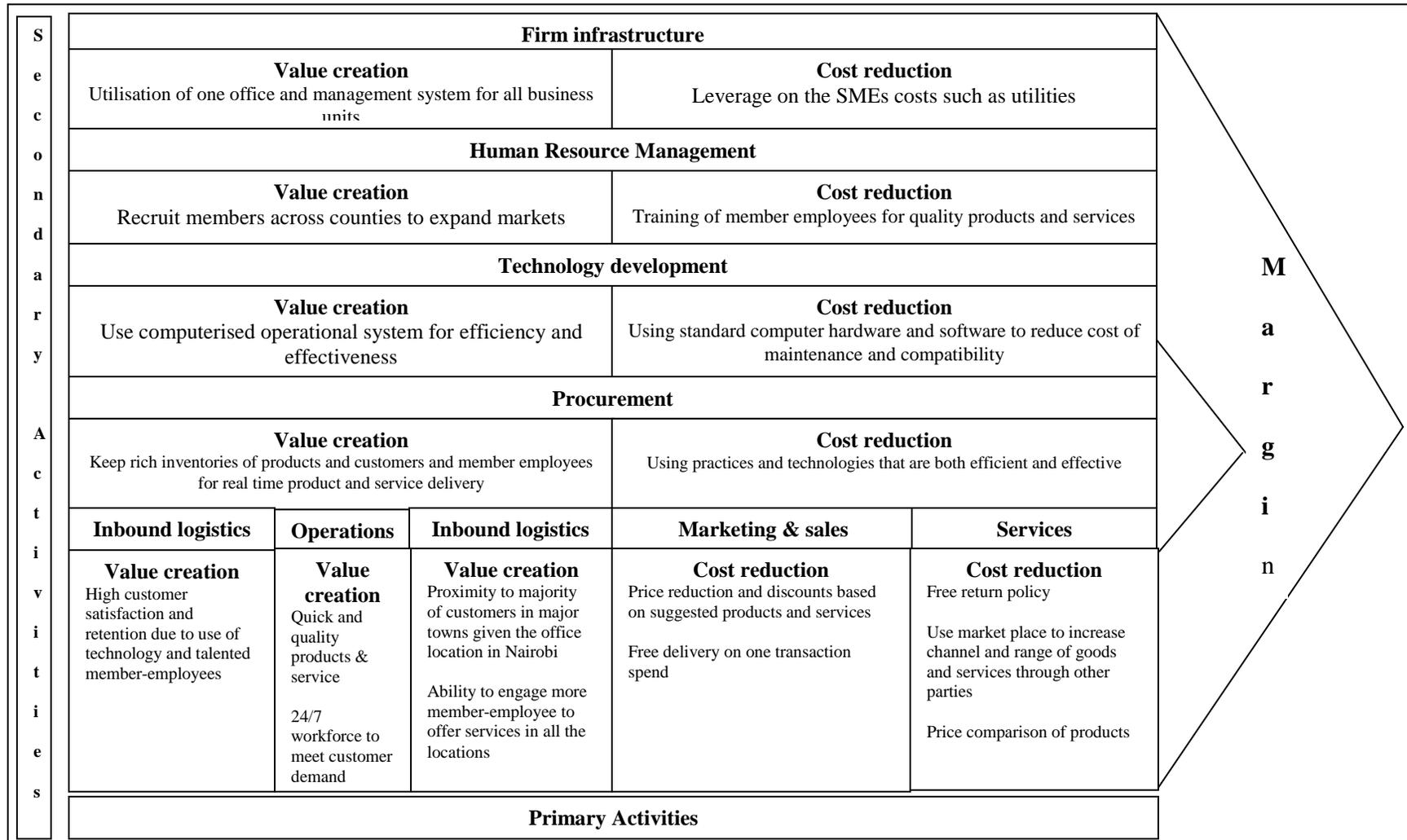


Figure 5.5: BAM Co-operative value chain
Source: Adopted from Porter (1998)

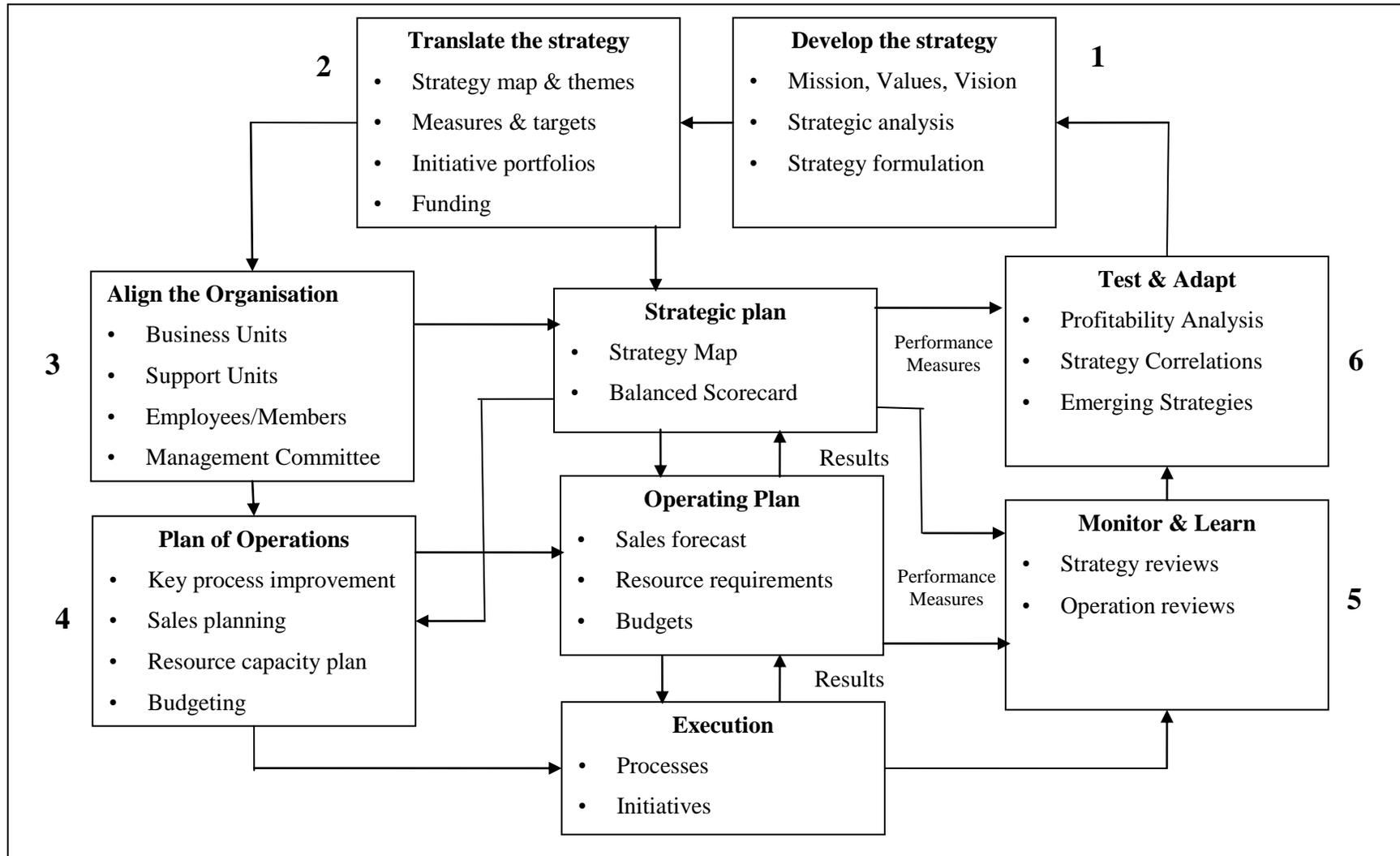


Figure 5.6: A strategy management system
 Source: Adopted from Kaplan & Norton (2008)

6.0 Conclusions

6.1 Summary of findings and implication

The branding and marketing industry is growing to the extent of attracting SMEs. The SMEs environment is in explicit and implicitly external and internal factors that determine their success. The industry's market competition is high for individual SMEs in the branding and marketing industry, irrespective of key environmental success factors and competencies. This calls for the SMEs to develop co-operative strategies – through the BAM Co-operative society.

This strategy paper is based on the Mintzberg's design school of strategy, SWOT analysis, Porter's value chain analysis and five forces model, RBV and BSC. The focus areas of the strategy are: learning and growth of members and employees; internal business processes; markets and customers; and finance. From the four focus areas: strategies, strategic objectives and measurements, and activities are developed and chosen. The strategy illustrates utilisation and the relationship of organisational resources and competencies to achieve competitive (cost and differentiation) advantage in respect to RBV. Being a business model for branding products and services, the co-operative is to specifically adopt among others, diversification market strategy. The office for strategy management is the co-operative's executive sub-committee.

This strategy will help BAM Co-operative to strategically build a sustainable youth-driven platform of productive SMEs for jobs creation in Kenya's branding and marketing industry. Furthermore, this strategy paper may help strategic management practitioners and scholars have deeper understanding on strategy formulation methodology from the Mintzberg's design school of strategy; and development and implementation of competitive and performance strategy for co-operatives from Porter's value chain analysis and market forces model, SWOT analysis, BSC and RBV.

6.2 Limitations and future strategic planning studies

The design school of strategy represents the most influential view of the strategy-formation process. However, it just endorses a prescriptive view of strategy formulation, being potentially more concerned with how strategy should be formulated rather than how it actually is, with no clarity on the organisational strengths and weaknesses. Learning played no part in this approach assuming that the environment is stable, predictable and understood. This imply that the used strategy formulation approach is inflexible, and the organisational structure must follow it (Sarbah & Otu-Nyarko, 2014). Therefore, future strategy formulation studies, should be based on other Mintzberg schools of strategy.

The strategy paper originality is in its building of the methodology of strategy development for co-operative organisations using the Mintzberg design school of strategy; and consolidation of the strategy formulation tools including Porter's value chain analysis and market forces mode, SWOT analysis, BSC and RBV.

References

- Abor, J., & Quartey, P. (2010). Issues in SME development in Ghana and South Africa. *International Research Journal of Finance and Economics*, (39), 218-228.
- Afande, F.O., (2015). Factors Influencing Growth of Small and Microenterprises in Nairobi Central Business District. *Journal of Poverty, Investment and Development*, 9, 104-138.
- Ainuddin, R. A., Beamish, P. W., Hulland, J. S., & Rouse, M. J. (2007). Resource attributes and firm performance in international joint ventures. *Journal of World Business*, 42, 47–60.
- Ansoff, I. (1987). *Corporate Strategy*. London: Penguin.
- Barrows, C. W. (2000). An exploratory study of food and beverage training in private clubs. *International Journal of Contemporary Hospitality Management*, 12, (3) 190-197.
- Carpenter, D., (2006). SWOT team solves supply chain issues. *Mater Manage Health Care*, 15(4), 40–42.
- Chang, C.W. & Liao, C.C. (2013). Applying SWOT analysis to explore Taiwan foundry industry management strategy. *International Journal of Innovation, Management and Technology*, 4 (1), 144-146.
- David, F.R., (2011). *Strategic management: Concepts and cases* (13th ed). Upper Saddle River, NJ: Pearson Education, Inc.
- Delahaye, B. L. (2000). *Strategic Human Resource Development*. Milton: John Wiley & Sons.
- Denkena, B., Apitz, R. & Liedtke, C. (2006). Knowledge based benchmarking of production performance. *Benchmarking: An International Journal*, 13(1/2), 190-9.
- Deros, B.M., Yusof, S.M., & Salleh, A.M. (2006). A benchmarking implementation framework for automotive manufacturing SMEs. *Benchmarking: An International Journal*, 13(4), 396-430.
- Egbu, C.O., Hari, S., & Renukappa, S.H. (2005). Knowledge management for sustainable competitiveness in small and medium surveying practices. *Structural Survey*, 23(1), 7-21.

- Fedorikhin, A., (2008). Beyond fit and attitude: The effect of emotional attachment on consumer responses to brand extensions. *Journal of Consumer Psychology*, 18 (4), 281-291.
- Garengo, P., Biazzo, S. & Bitici, U.S. (2005). Performance measurement systems in SMEs: A review for a research agenda. *International Journal of Management Reviews*, 7(1), 25-47.
- Hicks, B.J., Culley, S.J. & McMahon, C.A. (2006). A study of issues relating to information management across engineering SMEs. *International Journal of Information Management*, 26(4), 267-89.
- Kabue, L.W., & Kilika, J.M., (2016). Firm resources, core competencies and sustainable competitive advantage: An integrative theoretical framework. *Journal of Management and Strategy*, 7(1), 98-108.
- Kaplan, R. S. (2010). Conceptual Foundations of the Balanced Scorecard. Harvard Business Review. *Working Paper*, 10-074.
- Kaplan, R. S. & Norton, D.P. (2008a). Mastering the Management System. *Harvard Business Review (January)*: 62-57
- Kaplan, R. S. & Norton, D.P. (2008b). *The Execution Premium: Linking Strategy to Operations for Competitive Advantage*. Boston: HBS Press.
- Kaplan, R. S. & Norton, D.P. (2006a). *Alignment: Using the Balanced Scorecard to Create Corporate Synergies*. Boston: HBS Press.
- Kaplan, R. S. & Norton, D.P. (2006b). How to implement a new strategy without disrupting your organisation. *Harvard Business Review (March)*: 100-109.
- Kaplan, R. S. & Norton, D. P. (2005). The Office of Strategy Management. *Harvard Business Review (October)*: 72-80.
- Kaplan, R. S. & Norton, D.P. (2004a). *Strategy Maps: Converting Intangible Assets into Tangible Outcomes*. Boston, HBS Press.
- Kaplan, R. S. & Norton, D.P. (2004b). Measuring the Strategic Readiness of Intangible Assets.
- Kaplan, R. S. & Norton, D.P. (2003). *Strategy Maps*. Boston: HBS Press.
- Kaplan, R. S. & Norton, D.P. (2001). *The Strategy-focused organisation: How balanced scorecard companies thrive in the new competitive environment*. Boston: HBS Press.
- Keller, K.L. (2008), *Strategic brand management: Building, measuring, and managing brand Equity*. Upper Saddle River, NJ: Prentice-Hall.

- Koh, S.C.L., Demirbag, M., Bayraktar, E., Tatoglu, E. & Zaim, S. (2007). The impact of supply chain management practices on performance of SMEs. *Industrial Management & Data Systems*, 107(1), 103-24.
- Koh, S.C.L., & Simpson, M. (2005). Change and uncertainty in SME manufacturing environments using ERP. *Journal of Manufacturing Technology Management*, 16(6), 629-53.
- Kotler, P. (2009). *Marketing Management*. Jakarta: Erlangga.
- Liao, J., Welsch, H. & Stoica, M. (2003). Organisational absorptive capacity and responsiveness: An empirical investigation of growth-oriented SMEs. *Entrepreneurship Theory & Practice*, 28(1), 63-85.
- Liu, P.L., Chen, W.C. & Tsai, C.H. (2004). An empirical study on the correlation between knowledge management capability and competitiveness in Taiwan's industries. *Technovation*, 24(12), 971-7.
- Loh, T.C. & Koh, S.C. (2004). Critical elements for a successful enterprise resource planning implementation in small and medium sized enterprises. *International Journal of Production Research*, 42(17), 3433-55.
- Mackay, A., (2005). *A Practitioner's guide to the balanced scorecard*. London: CIMA
- Man, T.W.Y., Lau, T. & Chan, K.F. (2002). The competitiveness of small and medium enterprises: A conceptualization with focus on entrepreneurial competencies. *Journal of Business Venturing*, 17(2), 123-42.
- Masadeh, M.A., (2012). Focus Group: Reviews and Practices. *International Journal of Applied Science and Technology*, 2(10), 63-68.
- Mintzberg, H., Ahlstrand, B., & Lampel, J. (2008). *Strategy safari: A guided tour through the wilds of strategic management* (2nd ed). New York: The Free Press.
- Mohammadian, M., & Ronaghi, M. H. (2010). *Brand promotion Strategies and techniques*. Tehran: Ketabe Mehraban press.
- Morgan, A., Colebourne, D. & Thomas, B. (2006). The development of ICT advisors for SMEs business: An innovative approach. *Technovation*, 26(8), 980-7.
- Mosey, S. (2005). Understanding new to market product development in SMEs. *International Journal of Operations & Production Management*, 25(2), 114-30.

- Noori, H. & Lee, W.B. (2006). Dispersed network manufacturing: adapting SMEs to compete on the global scale. *Journal of Manufacturing Technology Management*, 17(8), 1022-41.
- Nunes, M.B., Annansingh, F., Eaglestone, B. & Wakefield, R. (2006). Knowledge management issues in knowledge-intensive SMEs. *Journal of Documentation*, 62(1), 109-19.
- O'Regan, N., Ghobadian, A. & Sims, M. (2006). Fast tracking innovation in manufacturing SMEs. *Technovation*, 26(2), 251-61.
- O'Regan, N., Sims, M. & Ghobadian, A. (2005). High performance: Ownership and decision-making in SMEs. *Management Decision*, 43(3), 382-96.
- Oyeyinka, B.O. & Lal, K. (2006). Learning new technologies by small and medium enterprises in developing countries. *Technovation*, 26(2), 220-31.
- Porter, M.E. (2008). The Five Competitive Forces that Shape Strategy. *Harvard Business Review*, 86 (January), 78-93.
- Porter, M.E., (1998). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: The Free Press
- Prajogo, D.I. (2007). The relationship between competitive strategies and product quality. *Industrial Management & Data Systems*, 107(1), 69-83.
- Ray, G., Barney, J. B., & Muhanna, W. A. (2004). Capabilities, business processes, and competitive advantage: Choosing the dependent variable in empirical tests of the resource-based view. *Strategic Management Journal*, 25, 23–37.
- Ribeiro, L.M.M. & Cabral, J.A.S. (2006). A benchmarking methodology for metal casting industry. *Benchmarking: An International Journal*, 13(1/2), 23-35.
- Sackett, K., Jones, J., & Erdley, W.S. (2005). Incorporating healthcare informatics into the strategic planning process in nursing education. *Nursing Leadership Forum*, 9(3), 98-104.
- Sarbah, A. & Otu-Nyarko, D. (2014). An Overview of the Design School of Strategic Management (Strategy Formulation as a Process of Conception). *Open Journal of Business and Management*, 2, 231-249. <http://dx.doi.org/10.4236/ojbm.2014.23029>
- Singh, R.K., Garg, S.K., & Deshmukh, S.G., (2008). Strategy development by SMEs for competitiveness: A review. *Benchmarking: An International Journal*, 15(5), 525-547

- Sirmon, D. G., Hitt, M. A., & Ireland, R. D. (2007). Managing firm resources in dynamic environments to create value: Looking inside the black box. *Academy of Management Review*, 32(1), 273–292.
- Sousa, S.D., Aspinwall, E.M. & Rodrigues, A.G. (2006). Performance measures in English small and medium enterprises: survey results. *Benchmarking: An International Journal*, 13(1/2), 120-34.
- Sroka, W, (2013). Cooperative strategies and their benefits – Theory verses research results. *Cieplaka 1c, 41- 300 Dąbrowa Górnicza*, 44-48
- St-Pierre, J. & Delisle, S. (2006). An expert diagnosis system for the benchmarking of SMEs performance. *Benchmarking: An International Journal*, 13(1/2), 106-19.
- Vargas, D.M. & Rangel, R.G.T. (2007). Development of internal resources and capabilities as sources of differentiation of SME under increased global competition: a field study in Mexico. *Technological Forecasting and Social Change*, 74(1), 90-9.
- Vastag, G. & Montabon, F. (2001). Linkages among manufacturing concepts, inventories, delivery service and competitiveness. *International Journal of Production Economics*, 71(1/3), 195-204.
- Vos, J.P. (2005). Developing strategic self-descriptions of SMEs. *Technovation*, 25(9), 989-99.
- Watchravesringkan, K., Karpova, E., Hodges, N.N., & Copeland, R. (2010). The competitive position of Thailand’s apparel industry: Challenges and opportunities for globalization. *Journal of Fashion Marketing and Management*, 14(4), 576-597.
- Wall, A. L. (2001). Evaluating an undergraduate unit using a focus group. *Quality Assurance in Education* 9, (1) 23-31.
- Zott, C., & Amit, R. (2007). Business Model Design and the Performance of Entrepreneurial Firms. *Organization Science*, 18(2), 181-199. <http://dx.doi.org/10.1287/orsc.1060.0232>