Strategic Management

Name

Institution

PART 1: ENVIRONMENTAL SCANNING

Amazon was once very unattractive and plain but was still the main bookseller for consumers like scholars and researchers on the web. Another company that was on the verge of growth in the American market during these times was Nike which made athletic shoes that were being imported from Japan. Today apart from the SWOT analysis, managers have put into effect the use of PESTLE analysis which aids in making effective organizational decisions. PESTLE analysis gives a business permission to conduct an analysis comprising of four external factors that may impact the organization's performance. The four factors as discussed in the pestle analysis include social, political, technological, and economical. Amazon has used all the four factors to capitalize on their strengths hence threatening their expanding markets. For example, when you look at the technological point of view, telecommunication technologies that are being used on the internet has constantly been increasing hence giving consumers the capacity to shop from the comfort of their cell phones, home computers, and laptops. The measure is relevant to Amazon as it increases the occurrence of use and internet sources by online shoppers.

Additionally, Amazon has fully integrated cloud computing into their business strategy hence providing them with alternative technology adaptation as well as cultural transitions (Babatunde & Adebisi, 2012). Cloud computing has given individuals the ability to gain access to applications at any time. Consumers have therefore been enabled to access every piece of data they need for their varying aspects of life at their fingertips ready for utilization. Amazon has been opting for internal improvement through the use of their customized cloud computing market to enhance their web services thus attracting more consumers into using their website. In summary, Amazon web services want to be the center of all data in the world.

The strategy being used by Amazon in cloud computing is mainly for influencing its consumers to use their huge databases as well as internal research in developing their strengths towards offering powerful tools. According to Babatunde & Adebisi, whenever an organization adopts cloud computing, they find themselves in a collective pool as the rest of other online operators. The online market is very dynamic and that is why they present a series of challenges for Amazon. It is therefore paramount that resilience and competence be maintained when addressing the challenges experienced at Amazon to fulfill their missions and visions. And that is why the PESTLE analysis is being used by the organization's decision-makers to identify the most significant opportunities or threats on the basis o external actors in the business's macro environment.

The PESTLE analysis being used by Amazon reveals the significance of the expansion o operations into other markets to support the worldwide growth o e-commerce businesses. However, Amazon needs to deal with competition that involves the large and aggressive companies such as Walmart as well as technology firms like Apple, IBM, Microsoft and Google that competes against the cloud services and technological products being offered by Amazon. Additionally, Amazon has its chips that they use in their cloud infrastructure hence making Intel

a very potential competitor. The PESTEL analysis also outlines a competitive landscape presenting opportunities that continue to grow the operations of Amazon including subsidiaries such as Whole Foods Market in diverse market segments.

The PESTEL analysis also focuses on the activities of the government as well as the varied effects it has on businesses and their macro-environments. Political factors such as political stability, governmental support, and government's efforts to curb cyber bullying are among Amazon's external factors that can lead to the expansion of the e-commerce industry. A politically stable environment allows the company to expand and diversify their businesses in other developed countries (Babatunde & Adebisi, 2012). For example, Amazon can expand its brick-and-mortar operations to complement its e-commerce business in the United States. Governmental support also facilitates the continued expansion of Amazon in all the relevant markets. However, that factor could be a threat to the company due to rising competition like the one involving Chinese online retail firms that are also targeting on expanding their operations worldwide. The government could as well improve conditions in businesses through fighting cybercrimes.

For Amazon to operate their online and non-online businesses they entirely depend on economical situations. Economical stabilities and the increase in disposable incomes in developing countries are among the economical opportunities that affect the growth of Amazon. However, a potential threat to Amazon could be China's economic recession.
Amazon is directly affected by technological advancements as technology is the center of their business. Rapid technological obsolescence and increasing IT resources efficiency are all technological opportunities that could increase the operations of Amazon. However, the rates of cybercrime that are on the verge of the increase could be a major threat. Also, the rapid

obsolescence in technology could be a possible threat to the company as it imposes pressure for the company to develop its technological assets continuously. For example, the continued heavy investment of the corporation in information technology could boost the competitive advantage of the business as protecting it from new investors in the e-commerce industry. Cybercrime has alternatively affected the integrity of Amazon as well as customers experience.

Amazon Company has remained the top player in the online retail market as it has shown resilience regardless of increasing competition from companies like Walmart. Amazon's PESTEL analysis identifies the major issues critical to the long-term success of the company. A major recommendation is expanding the operations o the company into developing markets that present high e-commerce growth potential and fast economic development. The company should also address security issues in the IT department by enhancing as well as continuing with its current strategies for IT integrity and security. The issues affect the confidence of consumers as well as the stability of the company's macro-environment. Additionally, based on PESTEL analysis of external factors, it is recommended that Amazon boost the strength of the brand through corporate social responsibilities strategies that tackle current issues linking the company to natural environments.

PART 2: STRATEGY FORMULATION

A company can follow either or all of the three generic strategies that include cost leadership, differentiation, and focus (Alkhafaji & Nelson, 2013). In the same way, Amazon's vision is to provide a wide variety of products as well as fulfillment services besides the affordable prices that require the achievement of economy of scale and economy of scope beside customer happiness.

The sketch below illustrates the main business strategy of Amazon.
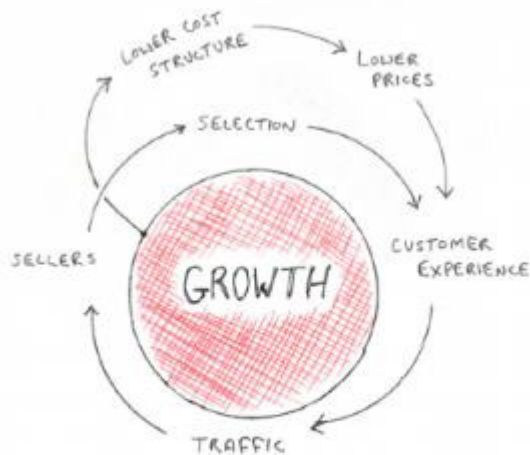
Figure 2 - Amazon's Business Strategy
(CBInsights,2018)

Also, as part of Amazon's customer-centric strategies, its proposition and value creation starts with its symbol representing a smile from A-to-Z for customers. It also continues with variety and product availability along with lower prices to create value and deliver it as well. The value chain of Amazon seeks to provide extraordinary customer experience that differentiates it from other companies by creating a unique competitive edge and loyalty amongst other competitors. Through its prime retention program, Amazon boosts the experiences of customers as well as enabling personalized services that are valued extensively by all Amazon staff.

The figure above is the Value Chain Analysis of Amazon. In the figure, technology stream plays a significant role in driving and enabling the business strategies of Amazon. For example, the efficient in-house computing cloud of Amazon is innovated for the sole purpose of managing their business functions as a cloud service. In short, the technology stream has been formulated as an AWS tech stack that has been smartly enhanced and shifted out to serve through various B2N and B2C customers. The services majorly optimize the operating costs of IT infrastructures by the creation of new revenue streams (Alkhafaji & Nelson, 2013). Similarly, Amazon's fulfillment mainly uses robotics fulfillment systems in maximizing the efficiency of operations and reducing idle time through cost-cutting by Circa 20% that likely translates to an approximate of twenty-two million dollars on cost savings for the fulfillment centers that regards Amazon executive Dave Clark.

Amazon has a good sense of technology use that drives its major business strategies by making its customers happy and achieving the scope and scale of the economy. Also, Amazon highlights principal competitive factors like convenience, price, and selection including reliable

and fast fulfillment in retail industries. Hence, the highlighted competitive factor equalizes the major factors driving customer shops from Amazon. It is therefore evident that Amazon knows its customers better based on its knowledge systems and experience curve as illustrated in the diagram below.
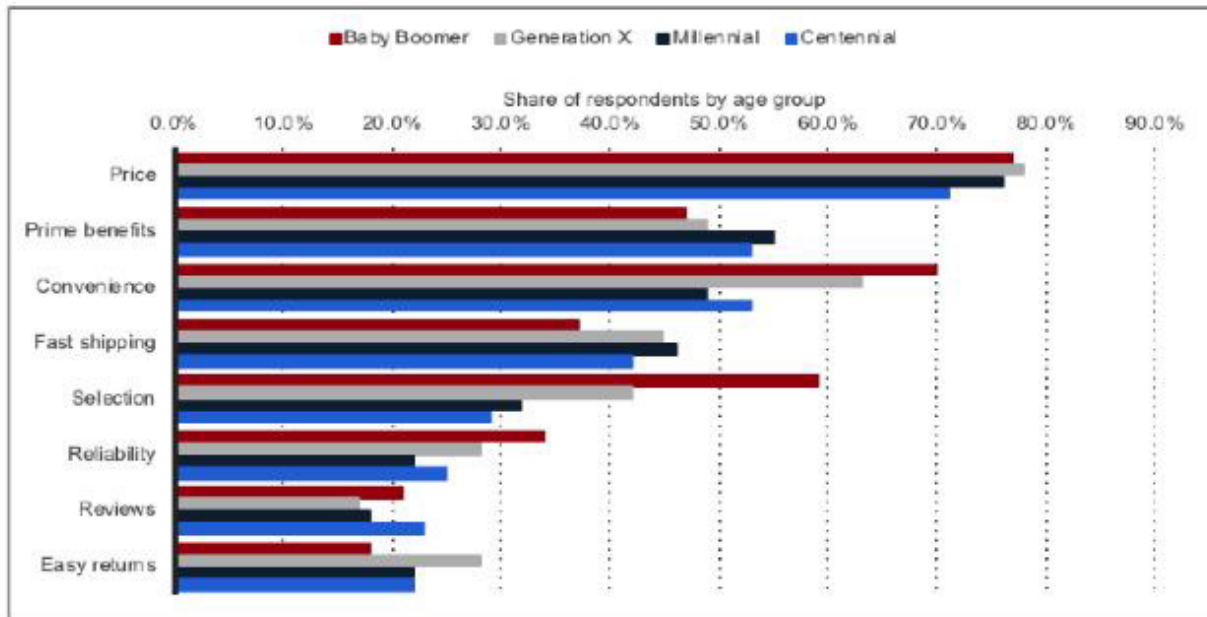
In the annual report released by Amazon in 2017, they define their competitors in a large spectrum from online or offline retailers, telecom and technology producers, fulfillment service providers to media producers, media publishers and digital content. In consideration of the above competitors' statements and business strategies provided by Amazon, it is very clear that they have a strategy to become an offline retail giant besides being an online retail giant. Amazon also aspires to become the leader across all industries like telecom, web search, technology and logistics services as well as platform providers, digital marketing, content producer, digit al media and electronic devices by beating their competitors like Google, Microsoft, Netflix, Apple, and Walmart.

Amazon's organizational structure is carefully designed to execute better than their competitors to attain a sustainable aggressive advantage through the use of skilled and talented C-level specialists and management teams. This is because the teams are valuable and posses rare resources enabled and also influenced by the internet as well as information technology stacks like EC2 and S3. Amazon has R&D, HR teams, product development, technology, and operations management organized according to their technologies instead of front office sales team contrary to classical retailers. Amazon Go physical stores with no sales staff have its shelves and checkouts controlled using smart systems like RFID and beacons, cameras and smartphones. The kind of technology may likely affect as well as shape the whole food store operations of Amazon.

Organizational change is required for technological implementation as it will result in maximum efficiency of operations, processes, and fulfillment centers. Additionally, it provides products that are outstanding along with a vertically incorporated number of suppliers' ecosystem in the world. Amazon has huge footprints in many big markets has it has never ignored any international market. In the international markets, it has been able to thrive through the use of leverages like information, communication and internet technologies, as well as building sets of distinctive and intangible assets (Alkhafaji & Nelson, 2013). Later, the intangible assets are classified as intellectual assets then divided into human resources, information assets, and relationship skills.

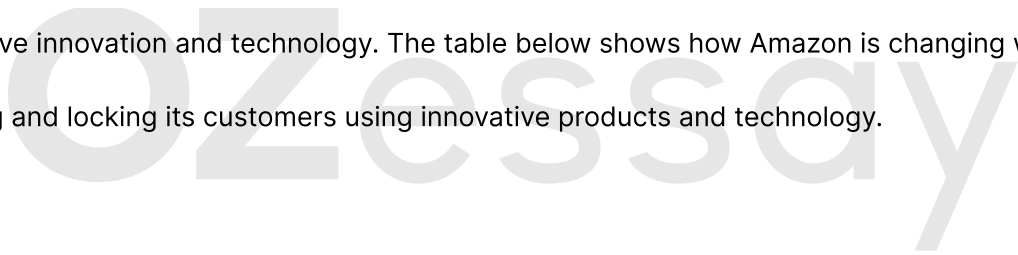| amazon	Value Creation		Value Sustainability		
	Value Rarity	Imitation	Substitution	Transfer	
Information Asset					
IT Infrastructure	High	High	Difficult	Medium	Medium
Information Repository	High	Medium	Medium	Medium	Medium
Information Capability					
Technical Skills	High	Medium	Easy	Easy	Easy
IT Management Skills	High	Medium	Medium	Easy	Easy
Relationship Skills					
Externally-Focused	High	Medium	Difficult	Medium	Medium
Spanned	High	Medium	Difficult	Medium	Medium

The diagram above illustrates how Amazon promotes their intellectual assets using human resources at an organizational and individual level through enabling their employees and the entire value chain with information assets like CRM, AWS, automated and optimized supply chain as well as warehouse and equipment.

Amazon has a founding strategy that believes digital commerce radically reshapes its marketplace based on JeffBezos's three ideas. The three ideas are diversification strategy that enables limitless inventory, retention strategy that boosts customer care and lastly lowest prices that allows for higher margins. The diagram below shows Amazon's strategy triangle.
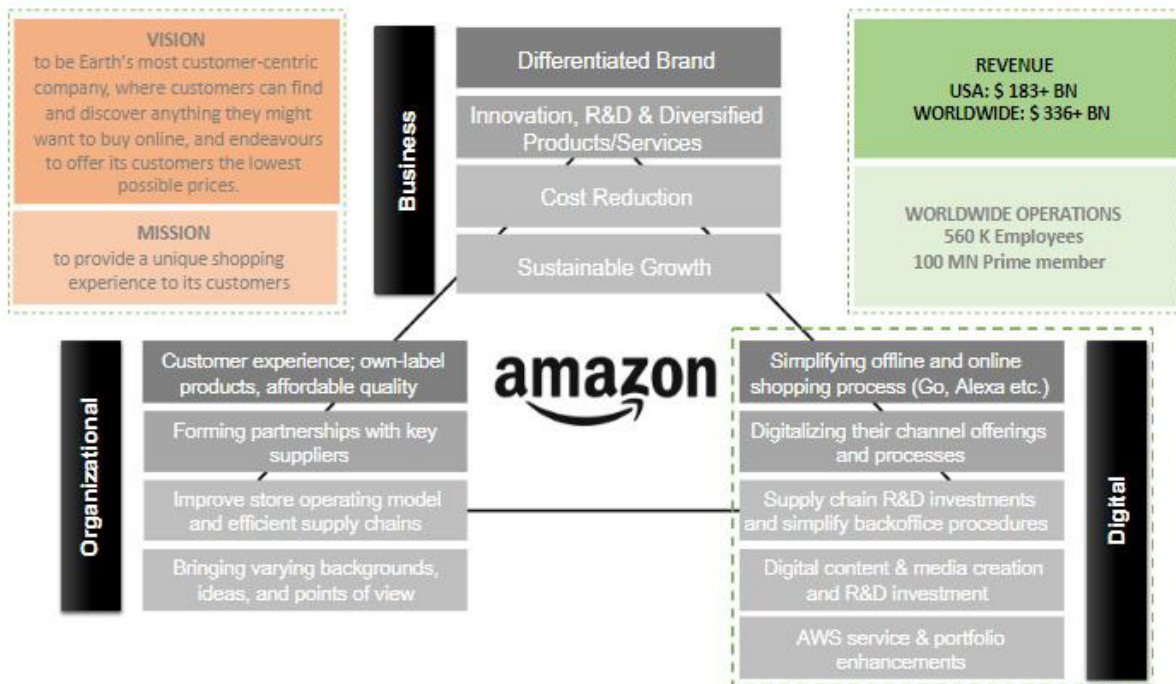
Amazon's research and technology has elevated it to be among the top giant in technology. Digital strategies and investments are fundamental and that's why supply and chain industries are suitable or a technology-driven disruption. However, Amazon is the best in distributive innovation and technology. The table below shows how Amazon is changing ways o shopping and locking its customers using innovative products and technology.

amazon

Shopping	Customer lock-in point	Technology as a complement
Online	Fulfilment by Amazon FBA One-hour delivery promise Fast, Transparent and Traceable Order History; Hassle free refund	Drones, 3-D printing-trucks, and self-driving delivery vans, KIVA-robots, Replenishment and automation systems
Experiential	Amazon.com's new generation physical store Amazon Go	Smart checkout without cashier
Replenishment	Order with one click or a voice comment no hassle and place an order by using mobile or web,	DASH button technology, Echo-Alexa, Internet of things, connected devices
DIY (Do-It-Yourself)	As a customer create, sell and distribute your own products through Amazon.com	CreateSpace online platform,
Amazon Prime	Free super saver shipping, free 2 days	Loyalty and customer segmentation capabilities, CRM system
1-Click Check Out	Simplified shopping experience only one click	Secure payment technology
Digital Content	Limitless content, DRM- Digital Rights Management on Kindle which makes enormously hard to read Kindle e-book or medias on another readers.	Kindle, Digital content creation and publishing, DRM
Selection and Search	Smart Recommendations & Personalisation based on customer data, 573+ million products shape the game, customer has started to make their search on Amazon.com instead of Google.	Fuzzy and AI search algorithms, along with 360 customer profile and data.

Conclusion and recommendations

There is evidence that leverage of innovative technology provides various advantages based on knowledge of customers as well as a technology than the effective use of skilled human capital and rivalry. Amazon is the most useful model used to eliminate and improve the satisfaction of customers along every step of the supply chain. Amazon has been dominating and disrupting the "Amazon-as-a-service" and retail industries through innovation and implementation of new technologies alongside services and products that may serve the Amazonians. On the other hand, when it comes to the brick and mortar retail-like WholeFoods operations that require special care in gathering specific data or information physically, grocery stores need to understand customers to foster their revenues by implementing Amazon Go technology and prime loyalty program.

Another challenge can arise from General Data Protection Rules that brings about protection rules and strict data transparency for the firms. GDPR may affect the knowledge management processes of Amazon and also reveal their secrets on data processing for their competitors. Finally, boosting the presence and penetration of Alexa voice assistant together with other connected devices through integration with smart home, entertainment systems and home can be another source of profitable revenue streams through use o technology. Therefore GDPR, Bricks, and Mortar, as well as IoT alignment, will be fundamental in sustaining dynamism and growth in developing innovations to move ahead of their competitors (John & Robinson, 2005).

PART 3: STRATEGY IMPLEMENTATION, EVALUATION, AND CONTROL

Implementation

Strategy implementation is the conversion of a chosen strategy into action in an organization to achieve strategically set goals and objectives. Strategy implementation can also be defined as the mode in which a company should develop, use and amalgamate the structure of the organization, culture and control systems to follow the strategies that may lead to better performance and competitive advantage. Organizational structure distributes special value developing roles and tasks to employees as well as stating how the roles and tasks can be interrelated to maximize quality, customer satisfaction, and efficiency (John & Robinson, 2005). The three parameters of quality, customer satisfaction, and efficiency are the major pillars of competitive advantage. However, the organizational structure is not sufficient enough to motivate employees to fulfill their designated roles in the organization. a control system is also required in the organization. The control systems majorly equip the managers with motivational incentives and feedback on the performance of the organization as well as their employees' attributes.

On the other hand, organizational structure can be defined as the specialized collection of beliefs, values, norms, and attitudes that are shared by members of the organization and groups as well. It is recommended that Amazon takes the following actions to achieve its set strategies. First of all, they need to change their marketing strategies to outdo the one used by China. China's local brands are more successful when it comes to advertisements compared to other foreign ventures. The main challenge that may be faced in China in terms of advertisement is that they have many promotional channels. Also, the majority of the consumers find the advertisements boring so it is challenging to find an advertisement that appeals to the consumers. Amazon could, therefore, use the following alternatives for advertisements. The first alternative is the Beijing Olympics games because the event is national and worldwide. Secondly, they could use sales promotion like short term incentives that encourage sales. Thirdly, Amazon can successfully align with the culture of Chinese consumers through merchant programs running in the United States as they sell the external stock of their company. The strategy allows Amazon to be more responsive locally.

The configuration is a major factor in ensuring that the chosen strategies are smoothly implemented and maintained (John & Robinson, 2005). For firms to go international they have to ensure that their strategies address two dimensions of the international context of a business that include adaption to international diversities and overcoming constraints imposed by distinctive national systems. Amazon has faced various challenges in China like a price war, unsuited banking systems, and tough market competition which make it fundamental that the strategy used to penetrate the market exploit internal expertise to adapt to existing local challenges. The structure used by Amazon needs to reflect the concept that globalization is the geographical extension into local markets with special considerations to be fulfilled. Therefore, the difficulties

being faced By Amazon recently can best be encountered through the adaption of structures to meet China's local needs. A transnational model was proposed to structure organizations where the subsidiaries of a country have a close relationship with international headquarters. It is important to note that Amazon must comply with the set regulations and restrictions as imposed by the government of the country they are dealing with for example promotion of local retailers. The diagrams below show Amazon's marketing strategies and how they plan to implement tasks together with the time duration the particular task will take.

Marketing Strategy													
Timing	Month 2	Month 4	Month 6	Month 8	Month 10	Month 12	Month 14	GO Live once plan is complete	Month 16	Month 18	Month 20	Month 22	Month 24
Planning													
Market research into promotion strategies in China	█	█											
Evaluate methods of promotion			█	█									
Plan implementation strategy					█	█	█						
Implementation													
Launch Advertising with Olympics									█	█			
Launch Advertising campaign										█	█		
Sponsorship of events in China												█	
Launch Sales Promotion campaign										█	█		
Evaluation													
Evaluate progress throughout													█

Gantt chart for Merchant Program

Merchant Program Timing	Month 2	Month 4	Month 6	Month 8	Month 10	Month 12	Month 14	Month 16	Month 18	GO LIVE ONCE TESTING IS COMPLETE	Month 20	Month 22	Month 24
Planning													
Market research into possible Merchant traders	■	■											
Evaluate the traders			■										
Contact Merchant			■										
Build strategic alliances with Merchants				■									
Agreement in place with Merchants					■								
Plan Implementation					■								
Implementation													
Re-Design website with merchants						■	■	■					
Re-Design warehouse if merchants require						■	■						
Testing													
Promotion strategy									■		■	■	
Evaluation													
Evaluate progress throughout	■	■	■	■	■	■	■	■	■				■

Evaluation and Control

Strategy evaluation is as important as strategy formulation as it highlights the effectiveness and efficiency of plans and desired plans. The design school model of formulation has been used to recommend penetration into the Chinese market. However, the model is limiting in the sense that it generalizes an approach to strategy formation. Therefore it is paramount that Amazon takes into consideration implementation issues such as financial and legal implementation issues. For the prescribed structures to appropriately function, the processes, and controls underlying the structures shape strategic actions carried out by the managers and directors. To implement strategic objectives, control processes can be used as inputs or outputs. The table below shows the processes that must be controlled to implement the above organizational structures.

	Input	Output
Direct	Direct Supervision↓ Planning processes↑	Performance targeting→
Indirect	Cultural processes↑ Self-control↑	Internal markets→
→ Equitable emphasis	↑ Emphasis needed to achieve goals	↓ Such controls should **not** prevail

According to Alkhafaji & Nelson, direct supervision which is a direct-input control process is not recommended because knowledge in the local market exists in China employees hence the employees ought not to be empowered in taking appropriate actions. Therefore, indirect-input control processes of personal motivation and self-control should be emphasized. Amazon's headquarters must, therefore, ensure that Chinese employees are properly supported, have the right channels to interact and given leadership roles within the organization. Standardized processes, integral reporting systems, and consistent budgets reduce risks of errors, miscalculations, and misinterpretation. Training, development, and intercultural awareness are also essential inputs to be controlled so that their employees have a common set of reference points. In conclusion, the level of control processes should be input-oriented and steered from Amazon headquarters in Seattle while considering inputs coming from managing directors in the local markets.

<div align="center">Conclusion</div>

In conclusion, we recommend that penetrating the Chinese market is the most suitable, acceptable and feasible option for Amazon based on their core opportunities and competences in the industry. management of change and implementation of strategies can be challenging in a global environment that is constantly changing. Therefore, Amazon will be required to integrate

their competences and resources across various functional areas as the capability in separate resource areas are insufficient.

References

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