y of accepting uncertainty and incorporating it directly into the ecasting process.

ss & Honton (1987)

uitive Logics – (used by SRI international – research institure) umes that business decisions are based on a complex set of ationships among economic, political, technological, social, ource and environmental factors. Some factors are precise and dictable some are not (eg. Consumer attitudes). **The SRI Method** nsists of 8 steps: *1. Analysing the decisions and strategic concerns, 2. ntifying key decision factors, 3. Identifying key environmental forces, Analysing the environmental forces, 5. Defining scenario logic, 6. borating the scenarios, 7. Analysing implications for key decision tors, 8. Analysing implication for decisions and strategies.* **engths**- ability to develop flexible, internally consistent scenarios m an intuitive, local perspective. Relies on an experienced scenario m who are committed to the process and are credible members of company. Not connected to a mathematical algorithm so can be ored to the particular needs and political environment of a npany. Weaknesses – relies strongly on the reputation and nmunication skills of the team members and is less likely to be cessful in a modelling or scientific environment which would uire a more quantitative approach.

end-impact analysis – relies on an independent forecast of the dependent variable, which is then adjusted based on the urrence of impacting events. The Futures Group approach ecialist strategic planning company) – 1. Select topic and identify scenario drivers, 2. Create scenario space, 3. Identify important nds and collect time series data, 4. Prepare naïve exploration, 5. ablish a list of impacting events, 6. Establish probabilities of nts occurring over time, 7. Modify exploration, 8. Write narratives. engths- forces the user to identify explicitly impacting factors and evaluate their probability of occurance and importance. Weakness does not evaluate possible impacts which the events may have on h other.

oss-impact analysis – based on the concept that events do not ur in isolation and will impact each other. Method- identify ssible events and cross analyse them. Strengths – produce a tribution of scenarios based on their level of consistency and elihood of occurrence. Looks at a wider range of outcomes. aknesses – As it is based on algorithms, scenarios are more basic must be creatively interpreted.

narios are tools got improving the decision-making process inst the background of possivle future environments. yal Dutch/ Shell (Schoemaker & Heijden 1992) – developed a nber of new methodologies to make scenario planning more aningful to line managers. The new approach features: focused narios, *competitive positioning, strategic vision, and options nagement*. These helped managers make practical use of what y've learned from experimenting with scenarios. Shell build narios at 3 levels global, country or business and individual ject level.

expertise to achieve well-defined goals will ensure efficient and effective management. These often fail to consider variety and surprise. Based on assumptions that tomorrow's world will be much like todays (Wack 1985). These forecasts fail to anticipate major shifts in the business environment.

Scenarios can help make sense of the interaction between different factors in the macro-environment. Allows organisations to explore a range of plausible future environments which can improve strategic decision making and a firms competitive advantage because it alerts managers to potential threats and opportunities that other firms haven't prepared for.

Building scenarios managers must start by defining the scope of the scenarios in order to ensure the planning is sufficiently focused. Usually involves setting a time frame and geographic or market market/product boundaries. Then make use of the basic trends arising from analysis of the macro-environment. Managers should also be thinking about key uncertainties in their environment. Delphi technique can be used at this stage to overcome organisational bias and improve chances of predicting low probability events. Various trends and uncertainties should then be judged on how they interact with each other to build initial scenarios.

A **merger** means a combination of two companies (of similar size) to form a new company. An **acquisition** is the purchase of one company (or division)by another (a larger company) in which no new company is formed. Can be paid for in cash, stock or dept. Usually purchased by a similar company to illuminate competition, diversify products, to improve and resell. Friendly acquisition – board of directors approve before it goes through. Hostile acquisition/takeover – board rejects offer but buyer purchases a controlling amount of stock so has control without full acquiring it. They are used to create value in economies of scale and scope. Types of M&A Activity: Vertical – to buy a supplier or customer, Horizontal – competitors (to reduce their competition). Product extension – complementary products. Market Extension – complementary markets. M&A – requires the merging of two different cultures which can sometimes prove a problem. 70% of all M&A that take place between firms in different countries fail.

Huang & Kleiner (2004) – State that although M&A's today are carefully designed to ensure a better strategic fit between two companies, the task of integrating the companies remains difficult. They found: *only 23% of all acquisitions earn their cost of capital, 47% of executives in acquired companies leave within the first year and 75% in the first 3 years, productivity may be reduced by up to 50% in the first 4-8 months, CEOs and CFOs routinely cite 'people' problems and cultural issues as the top factors in failed integrations.*

Culture Coopers and Lybrand 1992 – in 100 failed or troubled mergers, 85% of executives who were surveyed said that the major problem was differences in management style and practises. A 1996 British institute of management survey also reported underestimation of the difficulties involved in merging two culture to be a major factor in failure (Galphin and Herndon 2000). However, Southwest Airline's acquisition of Morris air was successful due to it being committed to exploring cultural compatibility (Galpin & Herndon 2000). **Time** – (Huang & Kleiner 2004) in a technology driven and globally competitive world, companies have to act and respond quickly (contrary to prior belief that integration process must move slowly and carefully in order to minimise mistakes). A prolonged transition adds cost, destroys profit and decreases cash flow. Feldman 1999 – 'companies that win are those who learn faster, act quicker and adapt sooner. Clarkson et al 1997 – found that employees feel uncertainty when things move slowly. Psychological Shock - The human factor is often neglected (Rankine 1998). Everyone is suffering from the unknown. Post merger/acquisition management (Huang & Kleiner 2004): *Communication, apply defined and clear leadership, ensuring focus on the customer, talk specifics where you can, listen for implied meanings, realise you cannot keep everyone happy, manage resistance at every level, nail down roles, responsibilities and*

Suitability – first determine if the strategic choices are suitable and compa within the current and expected external environment. To determine suita analytical models such as: PESTEL, Porters 5 forces and Porters Diamond c used. **Feasibility** – focuses on whether the organisation has the resources pursue the strategic choice. Evaluation of the internal capabilities of the company. The **6m model** can be used to identify this: money, machinery, manpower, markets (customers), materials (suppliers), make-up (structur culture). **Acceptability** – Focuses on the financial (return to risk profile of alternative) and stakeholder (interaction between strat choices and stakeh reaction) aspect.

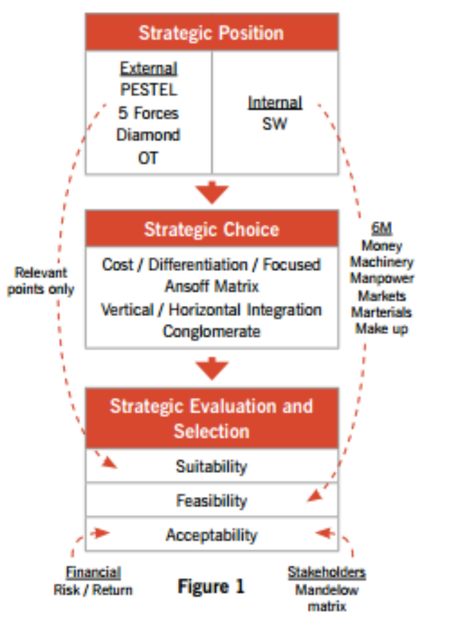
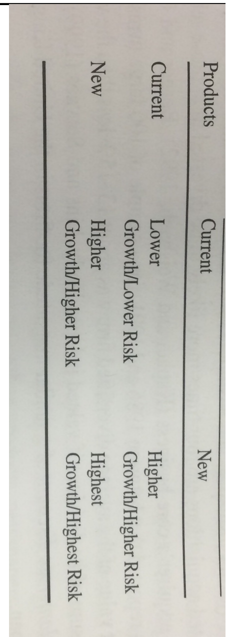


Figure 1



DePamphilis (2003) **Diversification** refers to a strategy of buying outside of a company's primary lines of business. Reasons: **Reduci shareholder risk** by stabilising revenue through shifting a portion firm's assets from a cyclical industry to what is perceived as a more one. To **shift** from their core product line or markets to into ones t **higher growth prospects.** *(product-marketing matrix image)* If a f facing slower growth in it's current market, it may be able to accele growth by selling it's current products in new markets (risky as it i unfamiliar). They may also develop new products, untested in the r and selling them into familiar, less risky current markets. Narasimh Kim 2002, Nachum 2004, Beamish 2003 – Diversification strategy, terms of entering ainto a related or unrelated business and/or ente into a new geographic market is considered to be of crucial import an organisation's long term leadership position in its own industry. Chakrabariti et al 2007 found that not all firms improve their perfo through diversification. Nath et al 2010 findings support this as diversification had a negative impact on logistics firm's performanc also found that diversification (in terms of product/service and geographical) require assimilation of extensive knowledge of new product/service development, cultures in the new market and tran resources between parent and partner companies.