CHAPTER 6

STRATEGIC MANAGEMENT AND COMPETITIVE ADVANTAGE

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ABSTRACT

Strategy concerns consequential choices about where an enterprise will participate, how it expects to create and appropriate value, which activities it will coordinate, and what it will decline to pursue. This chapter develops an integrative, critically grounded account of strategic management and competitive advantage that moves beyond static planning tools or presumed universal prescriptions. Through a transparent targeted synthesis of foundational and contemporary scholarship, it compares industrial-organization positioning, resource-based and dynamic-capability explanations, institutional theory, strategy-as-practice, ecosystem analysis, and stakeholder approaches. The chapter systematically develops environmental diagnosis, resource appraisal, business-model economics, competitive and corporate choices, growth modes, scenario planning, execution, strategic measurement, small-enterprise adaptation, technology strategy, and ethical accountability. Rwandan enterprise evidence, including the 2024 Integrated Business Enterprise Survey and documented coffee-export developments, grounds a three-alternative strategic decision model spanning Rwanda, the East African Community, and wider AfCFTA destinations; all enterprise-level financial assumptions are clearly identified as illustrative. Original analytical tools include an integrated strategy map, theory-comparison matrix, market-entry scenario table, discounted staged-investment calculation, strategic scorecard, and decision memorandum. The central thesis is conditional: advantage is not a property of one resource, target market, technology, or growth rate, but an historically situated configuration of activities and relationships that creates defensible customer value, captures sufficient economic returns, remains adaptable, and respects enforceable and ethical constraints. The synthesis offers propositions for subsequent empirical testing rather than claiming new causal validation.

Keywords: strategic management; competitive advantage; resource-based view; dynamic capabilities; industry analysis; strategy implementation; scenario planning; business model; Rwanda; AfCFTA.

LEARNING OUTCOMES AND CONCEPTUAL ROADMAP

By completing the chapter, readers should be able to (LO1) distinguish strategic choice from vision, budgets, operational effectiveness, and emergent adaptation; (LO2) critically diagnose macro-institutional, industry, ecosystem, and competitor conditions; (LO3) assess organizational resources and capabilities through a

qualified VRIO analysis; (LO4) formulate and quantitatively compare competitive, corporate, and market-entry alternatives; (LO5) build transparent scenarios, sensitivity tests, and sequential investment decisions under uncertainty; (LO6) convert strategic commitments into responsibilities, resource allocations, strategic indicators, and credible review mechanisms; (LO7) evaluate Rwandan, regional, and global strategic alternatives against contextual and ethical constraints; and (LO8) defend a cross-functional strategic-choice memo with explicit rejected alternatives, assumptions, risks, and revision triggers.

The analysis proceeds from conceptual and theoretical foundations (6.0–6.1), through external and internal diagnosis (6.2–6.3), value capture and strategic alternatives (6.4–6.6), uncertainty, execution, and evaluation (6.7–6.9), constrained enterprises and technology choices (6.10–6.11), and stakeholder accountability (6.12). Sections 6.13–6.15 provide a substantial Rwanda-based comparative case, original synthesis, learning resources, and references. The chapter applies the enterprise-system perspective established in Chapter 1, the economic conditions of Chapter 2, the institutional discipline of Chapter 3, the inferential safeguards of Chapter 4, and the managerial coordination concepts of Chapter 5. Detailed structure and change belong to Chapter 7, corporate governance to Chapter 8, and specialist marketing, operations, finance, digital systems, international trade, and sustainability to their designated chapters.

6.0 INTRODUCTION: A GROWTH OPPORTUNITY IS NOT YET A STRATEGY

Consider a hypothetical Rwandan processor of packaged specialty coffee supplying shops and institutions in Kigali. Demand appears promising, managers are offered a distribution agreement in a neighbouring East African Community (EAC) market, and a digital intermediary proposes introductions to buyers elsewhere in Africa. Each option promises growth; none by itself identifies which customers will pay a sufficient premium, whether product quality and working capital can be sustained, who controls distribution data, or whether the enterprise can withstand delayed receivables. Entering all three markets could increase sales while destroying liquidity. Conversely, a cautious domestic focus might protect cash but sacrifice scale or learning. The analytical challenge is to compare coherent bundles of activities and commitments, not to rank markets by headline size.

Strategic management is the continuing process through which an enterprise interprets its environment and capabilities, chooses the scope and basis of its competition or mission delivery, commits and coordinates resources, and revises those commitments in light of evidence. Competitive advantage, in a defined competitive setting, exists when a firm delivers and captures value in a way that makes its economic performance superior to an appropriate rival or benchmark over a specified period. Neither term implies that advantage is permanent, that advantage can be inferred from growth alone, or that above-normal profit is the only legitimate purpose of every organization. Cooperatives, public-service enterprises, nonprofits, and commercial firms have different constraints and residual claimants; the same conceptual discipline of making and testing choices remains useful (Porter, 1996; Barney, 1991; Freeman, 1984).

Strategy is philosophically consequential because it combines three types of reasoning. The epistemic question concerns what can justifiably be believed about customers, competitors, institutions, technology, and capabilities. The instrumental question compares feasible means, consequences, and alternatives. The normative question concerns whose claims are entitled to limit pursuit of profit or scale. A mathematically attractive investment may rest on an unverifiable market-size assumption; a feasible cost advantage may depend on unsafe labor; and a legally available business model may undermine market trust. Sound strategic judgment requires distinguishing these questions rather than hiding them behind a single weighted score (Simon, 1947; Porter, 1996; Hart, 1995).

6.0.1 Method, evidentiary status, and reproducibility

The chapter employs a critical, purposive secondary-source synthesis, not a systematic review, primary interview study, experimental evaluation, or proprietary business audit. Foundational texts were selected to represent rival causal and interpretive explanations of competitive position, resources, organizational adaptation, strategic practice, institutions, value capture, and ethical obligations. Targeted source verification during October 2026 used author-title and topic searches including “Porter competitive forces 2008,” “Barney sustained competitive advantage 1991,” “dynamic capabilities 1997,” “strategy as practice 2007,” “business model innovation Teece 2010,” “Rwanda Integrated Business Enterprise Survey 2024,” “Rwanda coffee exports 2025,” and “AfCFTA Digital Trade Protocol.” Original journal and publisher records, the National Institute of Statistics of Rwanda (NISR), the National Agricultural Export Development Board (NAEB), and African Union materials take priority over derivative commentary. The source set was selected for mechanism diversity, conceptual relevance, institutional authority, and current contextual applicability; exhaustive screening counts and a PRISMA design are not claimed.

Evidence is deliberately stratified. Peer-reviewed studies may offer credible findings within their samples and research designs; theoretical texts propose mechanisms; public statistical releases describe their defined survey populations; regulatory instruments establish texts and status subject to legal verification; and corporate or government announcements document reported decisions rather than independently validated impact. Illustrative firm-level financial values below are constructed for reproducible teaching, not attributed to a real Rwandan company. The reference date for changing sources is 24 October 2026. Scenario probabilities and discount rates are assumptions, not empirically estimated Rwandan parameters. This distinction is essential because precision of calculation does not repair weakness in an input assumption (NISR, 2026; Teece, 2010).

6.0.2 The problem of causal attribution in strategy

Observed superior performance is an outcome that may have multiple explanations. A firm's returns may reflect superior resources, beneficial industry structure, random demand shifts, temporary exchange-rate movements, regulatory privileges, selection out of competition, or genuine strategic execution. Reverse causality is equally plausible: profitable firms can afford better managers, brands, and technologies, which are then credited with causing the profitability that financed them. Rumelt's (1991) influential inquiry into business and industry effects cautions against assuming that industry membership fully explains business outcomes; neither firm-specific variance nor an observed performance premium proves a particular capability causal. Strategic analysis therefore needs a defined counterfactual, period, comparator, accounting treatment, and plausible rival explanations.

A disciplined strategy process may increase the quality of reasoning without guaranteeing a successful choice. It should make feasible alternatives explicit, identify assumptions that might be wrong, assign owners to consequential actions, establish decision rights, preserve exit options, and record when evidence ought to trigger revision. Such a process provides a connection between the planning, organizing, leading, and controlling functions addressed in Chapter 5 and the substantive question of which competitive commitments warrant those functions. Its central output is not the strategic plan as an artifact. It is a coherent, contestable, and revisable theory of how the enterprise will create and capture value under its circumstances.

6.1 STRATEGY AND STRATEGIC THINKING

6.1.1 Origins, meanings, and strategic levels

Strategic vocabulary developed through several intellectual traditions rather than one uninterrupted school. Economic theories of industrial organization emphasized market structure and competitive conduct; business-policy scholarship examined general management and diversified corporations; Ansoff (1965) systematized growth and planning choices; and Porter (1980, 1985) linked industry structure, positioning, and value-generating activities. Penrose (1959) and later Barney (1991) directed attention to productive resources and organizational heterogeneity. Mintzberg and Waters (1985) challenged the assumption that realized strategies necessarily originate in fully formulated plans. These traditions remain useful when their different questions are not collapsed into a universal recipe.

Corporate-level strategy answers which businesses or activities belong within the enterprise and how resources and shared capabilities should be allocated among them. Business-level strategy determines how an activity creates distinctive value and competes or serves its chosen users. Functional strategy translates these commitments into coherent marketing, human-resource, operational, financing, and information priorities without substituting a local efficiency project for enterprise choice. International and ecosystem strategies cut across these levels when value creation requires relationships beyond the enterprise's legal boundary. In a small owner-managed processor, one person may make all such choices; the analytical levels remain distinct even when there is no formal headquarters or strategic planning office.

6.1.2 Vision, mission, objectives, goals, and strategic intent

A mission expresses the enterprise's authorized purpose and beneficiaries; a vision states a preferred future condition; objectives translate purpose into outcomes, time horizons, and constraints; and strategic intent expresses an aspirational direction that can organize learning and resource accumulation. The strategic choice is more specific: whose needs, which value proposition, which activities, what capabilities, what boundaries, and which alternatives will be refused. An inspiring statement such as “lead African specialty coffee” is not, without these specifications, a strategy. Neither is a five-year revenue target, a digitalization budget, or an export licence. Each can form part of a strategy only after its causal and operational role is established (Porter, 1996; Teece, 2010).

Objectives should distinguish desired outcomes from indicators and controls. “Improve customer loyalty” is an aspiration until customers, retention denominator, time period, and expected mechanism are defined; “achieve 92% repeat purchase among contracted institutional buyers by year-end” is measurable but may invite adverse discounts or exclusion if disconnected from contribution and service quality. The choice of objectives is not purely technical. A cooperative may prioritize stable farmer earnings and reserves, whereas an investor-owned firm may prioritize risk-adjusted cash returns, subject to lawful and responsible conduct. In either case a valid strategic objective cannot be reduced to whatever is easiest to measure.

6.1.3 Deliberate, emergent, and adaptive strategy

Mintzberg and Waters (1985) conceptualized deliberate and emergent strategy as tendencies along a continuum. Deliberate strategy is realized through prior intention and coordinated commitment; emergent strategy is recognized retrospectively as a consistent pattern of actions not wholly planned beforehand. Many practical strategies contain both. A Rwandan SME might initially target city retailers but discover that predictable institutional purchasing offers a more valuable niche. Incorporating this learning is not necessarily strategic inconsistency. Yet describing any sequence of reactions as an “emergent strategy” risks excusing poor documentation, uncontrolled commitments, or managerial opportunism. An emergent pattern becomes strategically defensible only when its performance mechanism and opportunity costs are examined.

Strategic thinking should accommodate feedback without confusing adaptability with constant redirection. Investments in quality systems, supplier trust, and trained capabilities often require time; premature abandonment sacrifices cumulative learning. Conversely, sunk costs should not bind the firm to a failing market. A coherent review distinguishes enduring purpose and capability-building from revisable assumptions about demand, distribution, regulation, and technology. This creates a dual discipline: preserve commitments that produce cumulative advantages while testing and withdrawing commitments whose causal premises cease to hold (Dierickx & Cool, 1989; Teece et al., 1997).

6.1.4 Operational effectiveness, positioning, and strategic fit

Operational effectiveness concerns performing broadly similar activities better, including reducing waste, increasing accuracy, or improving delivery. Strategy asks which different activities and trade-offs make the offering distinct and defensible. Porter (1996) argued that advantageous positioning depends on fit among activities and on refusing conflicting choices. An expensive quality certification, for example, yields little advantage if procurement rewards only minimum price, sales promises any product configuration, and logistics cannot preserve quality. Activities reinforce one another when supplier selection, inspection, customer promises, pricing, and delivery all support the same target market. A competitor can copy an isolated practice more easily than a tightly coordinated system, although technological change can still destabilize the system.

The distinction is not a claim that operational improvement is unnecessary or that hybrid low-cost and differentiated strategies are impossible. Process innovation may alter the frontier so a firm improves quality while reducing waste. What matters is whether an activity system contains incompatible priorities, unrecovered costs, or imitation risks. Strategy has explanatory content when it specifies why the selected configuration should outperform a feasible rival and states what evidence would refute the prediction. Otherwise it becomes the vocabulary of retrospective success rather than a framework for decisions.

6.1.5 The epistemology of strategic judgment and competitive hypotheses

A strategic assertion should be presented as an explanatory claim rather than a declaration of managerial confidence. For instance, the proposition that a processor can command a premium for independently verified provenance combines an observation about a customer segment, a proposed valuation mechanism, an assumption about the availability of comparable rivals, and a conjecture about the enterprise's ability to retain some of the premium. These elements require different kinds of evidence. Interviews with prospective buyers might clarify needs but not establish a realized premium; transaction records can establish prices but do not by themselves identify why buyers paid them; competitor analysis may reveal an apparent gap without showing how long the gap will remain open. A credible strategic memorandum therefore separates observation, causal mechanism, assumption, normative constraint, and decision threshold. When evidence is incomplete, alternative explanations should remain visible rather than being concealed by confidence scoring (Simon, 1947; Rumelt, 1991).

A further difficulty is the relation between anticipation and retrospective explanation. Management may correctly foresee a shift but execute poorly, while a mistaken forecast may coincide with favorable outcomes through an unforeseen shock. Judging strategy only by realized return invites outcome bias and encourages leaders to rewrite their original reasoning. The more demanding standard is ex ante coherence: Was the relevant rival identified, were alternatives comparably assessed, were the decision rights and financing actually available, and were disconfirming indicators specified before capital was committed? This distinction makes strategic judgment auditable without assuming that foresight can eliminate contingency. It also prevents strategy from becoming circular: an advantage cannot be defined as whatever a successful firm

happened to possess, then invoked to explain that success. Theory becomes useful when it states conditions under which an apparently favorable position should fail.

6.2 ENVIRONMENTAL AND INDUSTRY ANALYSIS

6.2.1 PESTLE as a hypothesis-generating diagnostic

Political, economic, social, technological, legal, and environmental (PESTLE) scanning can organize external signals, but the headings are not evidence or forecasts. A useful assessment identifies a shock, its channel to enterprise decisions, the affected time horizon, a plausible magnitude range, a verification source, and the functional exposure. Exchange-rate movement may alter imported packaging costs and export receipts simultaneously; road disruptions may change lead-time reliability rather than only transport prices; a shift in buyer preferences may change required certification or traceability. The analytical object is the transmission mechanism established in Chapter 2, not a long undifferentiated catalogue of trends.

In Rwanda, a market assessment should include business-formalization differences, available finance, logistics and power reliability, languages and skills, seasonality, trade administration, and contractual enforcement. NISR's 2024 Integrated Business Enterprise Survey reported 87% informality across its defined business-enterprise landscape and very low export participation among informal businesses (NISR, 2026). These figures matter to strategy because an attractive regional market does not imply that a typical local firm already possesses documentary, financing, quality, or distribution capabilities to serve it. National averages are insufficient to predict any one firm's suitability; industry-specific and customer-specific due diligence is indispensable.

6.2.2 Five forces, rivalry, and profitability distribution

Porter's five-forces framework examines the bargaining power of buyers and suppliers, threat of entrants and substitutes, and rivalry among incumbents (Porter, 2008). Its distinctive contribution is to shift attention from named competitors to the structure of value capture. A retailer with several replaceable suppliers can appropriate much of a processor's margin; a sole supplier of certified packaging may capture advantage through contractual terms; a substitute beverage or delivery channel can impose a price ceiling without entering the narrowly defined industry. Entry barriers are not simply registration costs: reputation, network access, economies of scale, regulatory approvals, and distribution control can affect prospective competition.

Five forces should not be mistaken for a universal forecast of the returns to an individual firm. Analysis is sensitive to how the industry is defined, the time period, vertical integration, technological shifts, and institutional enforcement. Common market boundaries can hide customer niches and differentiated business models. Furthermore, its focus on competition for surplus must be complemented by consideration of whether suppliers and partners can jointly create additional surplus, whether ecosystems require coordinated adoption, and whether market power is exercised within lawful and ethically defensible limits. Empirical application requires evidence such as procurement concentration, switching costs, substitute availability, contract duration, and actual entry conditions, rather than assigning numerical force scores by intuition.

6.2.3 Strategic groups, direct rivals, and competitor response

Strategic-group analysis identifies clusters of competitors with similar scope, channel, quality positioning, integration, or resource commitments. Two processors may be in the same product category yet face different rivals if one sells low-cost bulk coffee to wholesalers and another supplies traceable small-batch coffee under long-term institutional contracts. Mapping groups can reveal mobility barriers, under-served segments, and imitation threats. Its analytical weakness is that groups are often defined from existing firms' observed

attributes, which may conceal movement, new entrants, and platform-mediated substitution. A map must therefore state axes, data sources, competitors included, and temporal stability.

Competitor analysis should develop plausible responses rather than assume competitors remain still while the focal enterprise changes prices, capacity, or markets. A market-entry forecast may fail because established distributors offer temporary discounts, lock in shelf space, or reduce supplier lead times. Strategic interaction can be interpreted through credible commitments, repeated games, and informational asymmetries; precise game-theoretic equilibria require defensible payoff and timing assumptions that small firms rarely possess. The practical benefit is a response register recording which competitors can respond, with which assets, how quickly, and under what observed signals.

6.2.4 Ecosystems, complementors, and institutions

Some value propositions depend on several independent actors acting in compatible ways. Adner (2017) defines an ecosystem analytically in terms of the alignment needed for a focal value proposition, rather than treating every large network as an ecosystem. A Rwandan online exporter may require interoperable payment mechanisms, credible digital identity, a compliant product, customs clearance, transport capacity, and buyer dispute resolution. The failure of any indispensable complement can prevent the whole offering, even if the exporter has a strong internal team. Strategic analysis should identify each critical complementor, its incentives, the degree of substitutability, contractual control, and exposure to a single point of failure.

Institutions are more than background variables. Their formal rules, implementation practices, and informal norms affect whether market transactions and commitments can actually be executed. North (1990) explains why institutional arrangements structure incentives; Wright et al. (2005) argue that emerging-economy strategy research requires combinations of institutional and firm-level approaches. An EAC or AfCFTA opportunity should therefore be verified through applicable tariff treatment, rules of origin, documentary requirements, product standards, payment terms, and actual route economics. Adoption of a continental protocol must not be equated with operational harmonization of every national procedure. A strategically credible opportunity is one the enterprise can legally and economically transact, not merely a geographically named market.

6.2.5 SWOT and TOWS: converting environmental observations into choices

SWOT analysis classifies strengths, weaknesses, opportunities, and threats, while a TOWS-style synthesis asks how internal and external factors interact to generate feasible responses. The taxonomy can support a disciplined workshop, but it has no inherent capacity to establish causal importance or prioritize alternatives. Hill and Westbrook (1997), examining real company applications, documented vague factor lists, weak verification, and limited subsequent use of findings. The central methodological defect is that a list of favorable and unfavorable nouns does not specify magnitude, timing, comparators, or the mechanism connecting a signal to performance. Labeling strong domestic sales as a “strength” may obscure poor collection; describing AfCFTA as an “opportunity” may overlook route-specific rules, buyer solvency, and the firm's capability gap.

A defensible SWOT-to-choice procedure begins with an evidence register in which each proposed factor has a source, date, operating definition, affected decision, uncertainty rating, and likely direction of effect. The analyst then asks which combinations create a credible strategic option, which are merely background conditions, and which represent nonnegotiable constraints. A traceable supply relationship, for example, may become a differentiation opportunity only where identifiable buyers pay for the attribute and adequate inspection protects the claim. In this formulation SWOT is a provisional index to competing hypotheses; five-forces analysis, institutional due diligence, capability evaluation, and incremental cash economics must still

test the proposed strategy. A strategy should not be selected by counting strengths against threats or treating equal-length lists as equally important.

6.3 INTERNAL CAPABILITIES AND RESOURCES

6.3.1 From resource ownership to productive services

The resource-based view (RBV) begins with the possibility that firms differ persistently in the resources they control and how those resources are combined. Penrose (1959) treated the firm as a collection of productive resources whose services depend on the knowledge and imagination of their users. Barney (1991) articulated conditions under which heterogeneous, imperfectly mobile strategic resources can underpin sustained competitive advantage. Physical assets, however, are not capabilities merely because a firm owns them. A processing machine may be purchasable by rivals, while the routines through which employees maintain consistency, suppliers deliver suitable inputs, and customers trust output are less readily transferred. The distinction matters when an enterprise chooses between capital expenditure and investment in maintenance competence, data quality, or contracting relationships.

A resource assessment should specify the object, control rights, alternative uses, depreciation, complementary inputs, and opportunity cost. The same warehouse creates different services for an enterprise with reliable inventory records and a functioning dispatch system than for one with chronic stock discrepancies. Intangibles such as reputation and tacit knowledge may require prolonged accumulation; their returns can be uncertain, their measurement vulnerable to managerial self-reporting, and their benefits shared with customers, employees, or suppliers. Dierickx and Cool (1989) explain why time compression, interconnected asset stocks, erosion, and causal ambiguity complicate imitation. But difficulty of copying a resource does not prove it creates positive economic value in an actual market.

6.3.2 VRIO and its logical qualifications

A practical VRIO assessment asks whether a resource or capability is valuable relative to the focal opportunity, rare among relevant rivals, costly to imitate or substitute, and organized so the enterprise can use it. “Value” must refer to a mechanism that increases customer willingness to pay, reduces resource costs, lowers risk, or improves mission outcomes relative to feasible alternatives. “Rarity” requires a specified competitor set. “Imitability” depends on substitution as well as literal copying. “Organization” is not merely an organogram but compatible incentives, information, decision rights, contractual arrangements, and supporting skills (Barney, 1991; Peteraf, 1993). A VRIO matrix that awards high scores without comparative evidence is a discussion aid, not a demonstrated source of excess returns.

For a hypothetical coffee firm, access to ordinary packaging machines is unlikely to be rare. A documented, traceable supply arrangement combined with farmer relationships, repeatable cup quality, and delivery reliability might be difficult to assemble rapidly, yet its strategic value depends on buyers actually valuing and paying for it. Once several rivals gain equivalent certification, the formerly differentiating label may become a threshold requirement. The more defensible appraisal would identify evidence of contract renewals, price premia after quality adjustments, supplier retention, independent verification, and competing service levels. This avoids the circular assertion that a “strategic asset” caused high performance merely because management admired it after the fact.

6.3.3 Ordinary and dynamic capabilities

Ordinary capabilities execute current work reliably; dynamic capabilities concern detecting relevant changes, committing to opportunities, and reconfiguring the resource base. Teece et al. (1997) relate organizational processes, asset positions, and inherited paths to competitive adaptation. Eisenhardt and Martin (2000)

caution that identifiable processes such as product development and alliancing may be more commonly replicable than claims of unique dynamic capability suggest, especially across different levels of environmental dynamism. This debate clarifies an empirical hazard: successful changes are easily labelled capabilities retrospectively, while equally disciplined adaptations that failed because of adverse conditions disappear from favorable case narratives.

For decision purposes, sensing should produce dated observations about customer problems, technologies, suppliers, or regulation; seizing should document resource commitments and feasible alternatives; reconfiguring should specify which routines, relationships, and assets change and whose participation is required. Managers must then test outcomes against a credible comparator, allowing for adjustment costs. Frequent change is not itself a sign of dynamism. A firm that continually abandons quality procedures may be less adaptive than one that protects core routines while piloting one new channel. Exploitation and exploration compete for scarce attention, so learning investments must be paced by organizational capacity (March, 1991; O'Reilly & Tushman, 2013).

6.3.4 Capability gaps, complementarity, and the resource-allocation problem

A capability gap is not simply the absence of a desirable tool. It is the difference between what a chosen strategic position requires and what the enterprise can credibly deliver within its time and resource constraints. If export buyers demand traceability, multilingual support, rapid refunds, and reliable volume, a marketing campaign cannot substitute for provenance records, financing, skilled staff, and distribution controls. Capability mapping should distinguish critical-to-entry requirements, performance differentiators, and noncritical improvements, then estimate the cost, sequence, ownership, lead time, and validation standard for each. An unfilled critical requirement is a strategic gate rather than an item to be obscured inside an overall average score.

Complementarity implies that returns may depend on investments being combined: digital ordering without reliable inventory can magnify customer disappointment, while supplier agreements without cash to pay for inputs may remain nonperforming. This creates sequencing and financing challenges. A conventional capital budget that analyzes each project independently can miss such interdependencies; a grand transformation programme may, conversely, overstate benefits by bundling too many unproven assumptions. The defensible response is to map complementary requirements, separate necessities from options, and use reversible pilots when dependencies remain uncertain (Porter, 1996; Teece, 2010).

6.3.5 Ex ante capability audits and the problem of imitation

The evaluative strength of VRIO depends on how the counterfactual is specified. Suppose a firm has a traceability database covering its contracted farmers. The first question is not whether the database looks sophisticated but whether buyer choices or operating costs differ because of its verified records. Analysts would specify a reference customer segment, compare alternative suppliers, determine whether similar records are obtainable, and estimate the cost and time required to construct an equivalent capability. A database can be rare yet strategically inert if buyers do not trust or use it; a trusted relationship can be valuable but commercially fragile if the firm cannot ensure timely payment. The organization dimension should therefore test actual ability to deliver the promised outcome, not only possession of an asset or inclusion of a process in an annual plan (Barney & Hesterly, 2019; Peteraf, 1993).

Capability audits also require temporal discipline. Resources should be measured before the performance period used to evaluate their consequences, while rival resources and alternative explanations are observed separately. If the chosen capability is available to several firms, analysts should ask whether the advantage comes instead from complementarities, superior timing, contractual appropriation, or favorable but temporary market conditions. An independent quality audit, customer-retention analysis, and documented

process-reliability series could help discriminate among these mechanisms, although observational associations would remain susceptible to selection. Levinthal and March (1993) further show that organizations learn disproportionately from nearby and successful experiences; deliberate study of lost customers, failed pilots, and unfamiliar rivals can therefore correct the overconfidence generated by an attractive internal audit.

6.4 BUSINESS MODELS AND VALUE CAPTURE

6.4.1 Business model versus strategy

A business model describes an architecture for creating, delivering, and capturing value, including target users, offerings, transactions, activities, partners, cost drivers, and revenue flows. Strategy makes the comparative choice among business models and positions, examines potential rivals, and specifies how advantage can be protected or renewed. Teece (2010) emphasizes that a viable model cannot be inferred solely from technical innovation; Zott et al. (2011) describe business models as system-level activity configurations while acknowledging significant conceptual disagreement. An enterprise may replicate a subscription model used elsewhere but still lack a reason customers should select its subscription over a rival's. Equally, a superior product can fail if acquisition costs, collection periods, or after-sales obligations undermine cash conversion.

The business model should specify both value creation and appropriation. Customers may gain convenience while the delivery platform appropriates most of the margin; farmers may produce quality that intermediaries monetize; a firm may grow transactions while intermediaries acquire customer data and bargaining power. A revenue stream is not profit and a claimed market opportunity is not cash. Managers must explicitly identify the rights and relationships determining who captures which part of the surplus, and whether the arrangement can withstand changes in prices, buyer bargaining, or terms of platform access.

6.4.2 Unit economics and contribution discipline

For one saleable unit, contribution margin is selling price minus unit variable cost. For quantity Q, price P, unit variable cost V, and period fixed operating cost F, a simplified period operating contribution after fixed costs is $\pi = Q(P - V) - F$. The accounting identity is useful only when relevant costs are assigned to the correct period, noncash items and financing arrangements are recognized as needed, and the price and quantity assumptions are realistic. Break-even output is $Q_{BE} = F/(P - V)$ for positive unit contribution under constant P and V. When customer-acquisition expenditure, returns, spoilage, platform fees, financing, or shipping vary with the channel, omitting them can make profitable-looking sales economically destructive.

Suppose a hypothetical enterprise sells 4,000 coffee packs monthly at RWF 6,000 each. Variable production and distribution cost is RWF 3,800 per pack, and period fixed operating expense is RWF 5,000,000. Revenue is RWF 24,000,000; contribution is 4,000 × RWF 2,200 = RWF 8,800,000; and simplified operating surplus is RWF 3,800,000. Break-even output is 5,000,000/2,200 = 2,272.73, or 2,273 whole packs if assumptions hold. These teaching values are invented; they are not NISR estimates, industry benchmarks, or a real firm's audited earnings. The model excludes financing charges, taxes, capital replacement, and changes in working capital and therefore cannot be called a complete valuation.

6.4.3 Switching costs, platforms, and network effects

Some business models create network effects: the value of joining one side of a market may increase as participation expands on another side. Platform competition therefore involves rules for access, discovery, payments, dispute handling, quality, and data governance as well as prices. Network size is not automatically a defensible advantage. Participation can be multihomed across rival platforms, quality may decline with

congestion, and dependence on a single gateway can permit an intermediary to change fees or ranking procedures. A firm should distinguish direct network effects, cross-side effects, interoperability, switching costs, and the contractual rights to customer relationships (Adner, 2017; Teece, 2010).

A Rwandan exporter joining a continental digital marketplace might reduce buyer-search costs but gain little leverage if the platform controls payments, delivery rules, complaints, and visibility. A platform partnership should therefore be assessed as a governance choice: what data can the firm lawfully access, which customer relationships may survive termination, whether fees can change, what happens during an outage, and how disputes are resolved. These questions connect technology strategy with competitive position and enterprise risk without treating platform adoption as inherently beneficial.

6.4.4 Customer economics, cash conversion, and the distribution of surplus

Unit contribution is the opening, not the conclusion, of a business-model test. A strategically relevant customer cohort can be evaluated through net revenue after discounts and channel charges; attributable acquisition, service, returns, and collection costs; repeat purchasing; and the time over which value is realized. A simplified customer lifetime value is the discounted sum of expected net contributions from a customer less acquisition cost. Such an estimate requires explicit retention probabilities, time horizon, discount rate, cohort definition, and treatment of acquisition and servicing cost. A single historical average is inadequate where new customer cohorts differ, contract terms are renegotiated, or delivery risks change. Customers who generate high sales may still consume scarce managerial attention, use excessive credit, or displace more profitable business (Teece, 2010, 2018).

Cash conversion alters which strategically plausible model is actually financeable. An enterprise invoicing a buyer on sixty-day terms may record revenue and operating contribution well before it can pay suppliers, wages, or freight. Inventory accumulation, delayed collection, and advances to counterparties create funding needs that accounting margin does not measure. A credible model specifies the sequence of cash receipts and disbursements and the contractual owner of each exposure. It should also ask whether the platform, intermediary, producer, or final customer captures the economic benefit created by the firm. Strategy becomes especially fragile where the firm creates quality or convenience while the party controlling access or payment appropriates the surplus. This is simultaneously a finance problem, a bargaining problem, and a question of equitable contracting.

6.5 COMPETITIVE AND CORPORATE STRATEGIES

6.5.1 Cost leadership, differentiation, and focus

Porter's (1980, 1985) generic competitive positions distinguish competing through lower relative cost, valued uniqueness, and chosen scope. Cost leadership requires a genuinely lower cost system, not merely low selling prices or inferior quality. Scale economies, procurement terms, process design, capacity utilization, product simplification, and distribution density can reduce cost; each may require upfront investment or sacrifice flexibility. Differentiation requires features, service, reliability, traceability, convenience, or reputation for which identified buyers demonstrate willingness to pay. A focus strategy chooses a narrower customer group, geography, or need and develops a configuration tailored to it. A narrow niche may protect specialization but also expose the firm to concentrated buyer power and market shocks.

These positions interact with technology and market development. A distinctive enterprise may become lower cost through learning, while a mass-market competitor can imitate some differentiation attributes. The managerial issue is not attaching one generic label to the organization but testing whether its activities and willingness-to-pay assumptions are mutually reinforcing. A strategic claim of premium quality requires

evidence on buyer retention, defect rates, verified attributes, and realized net prices after channel deductions. A low-cost claim requires cost comparability, including quality and service obligations. Without this evidence, "low cost" and "premium" remain marketing adjectives (Porter, 1996).

6.5.2 Strategic trade-offs and activity systems

Strategic fit has at least three meanings: activities must individually support the stated position, mutually reinforce one another, and avoid forcing trade-offs that undermine that position. A producer promising customized small batches needs flexible scheduling, skilled teams, smaller inventory runs, and pricing that recovers complexity. A producer pursuing standardized low-cost volume needs different product variety, procurement, and throughput decisions. An organization cannot indiscriminately combine both systems without evaluating changeover expense, quality controls, and channel expectations. Competitive advantage can therefore arise from coherent boundaries around what the firm declines to offer (Porter, 1996).

It follows that a strategy document should explicitly record rejected alternatives. A cost-focused distributor that refuses long-term interest-free credit to every new customer may lose visible sales but preserve liquidity. A specialist exporter that declines a mass-market contract below its required traceability standard may protect long-term credibility. These are not signs of hostility toward growth; they are consequences of resource opportunity cost and the impossibility of serving every potential segment at an acceptable return. The relevant test is whether the rejected alternative violates a binding capability, return, liquidity, or ethical constraint, not whether the decision sounds bold.

6.5.3 Vertical integration, outsourcing, and alliance choices

Vertical integration extends ownership or control upstream to inputs or downstream toward customers; outsourcing leaves activities with contractual suppliers; hybrid arrangements use partnerships, exclusivity, cooperatives, or joint investment. Transaction-cost reasoning emphasizes asset specificity, opportunism, adaptation, and uncertainty, while resource-based reasoning emphasizes control over distinctive capabilities. Integration may secure supply quality but require scarce capital and managerial expertise; outsourcing may preserve flexibility yet create dependence and quality uncertainty (Williamson, 1985; Teece et al., 1997). The decisive unit is the activity and its governance hazards, not a generic preference for owning assets.

A processor considering a proprietary retail chain should compare operating contribution, cash tied in inventory, real estate commitments, consumer demand risk, and loss of incumbent distributor relationships. The relevant comparison includes contract alternatives: better service-level agreements, shared inventory information, dual sourcing, or revenue-sharing may address the hazard without acquisition. Similarly, purchasing a farm may strengthen physical control but weaken incentives of independent producers if no fair procurement system is established. Strategic ownership decisions must examine legal rights and stakeholder consequences as well as financial efficiency.

6.5.4 Diversification and portfolio coherence

Corporate diversification adds products or industries beyond the current strategic domain. Related diversification may permit sharing of brands, technology, customers, managerial knowledge, or distribution assets; unrelated diversification relies more heavily on financial allocation, governance, and risk-spreading claims. The decisive question is whether enterprise ownership adds value beyond what investors or counterparties could obtain through separate transactions. A shared brand can generate spillovers, but it can also transmit reputational harm. A centralized finance team can improve control but can equally produce bureaucratic delay or cross-subsidize weak business units. Portfolio analysis should therefore identify genuine synergies, integration costs, capital opportunity costs, and governance responsibilities rather than assuming that larger portfolios are safer.

The conventional growth-product matrix associated with Ansoff (1965) distinguishes market penetration, market development, product development, and diversification. Its elegance is pedagogical, not a substitute for diagnosing demand, capabilities, costs, or institutional permissions. Entering a neighboring market with an existing product is not automatically less risky than introducing a new product domestically if payment enforcement and logistics differ sharply. A responsible portfolio decision specifies the relevant uncertainty, degree of irreversibility, funding source, and how management will recognize when a supposed synergy does not materialize.

6.5.5 Competitive interaction, hybrid positions, and the limits of simple labels

Competitive positions are relational, not properties that can be determined by internal aspirations alone. Suppose two distributors enter the same institutional niche. One emphasizes certified provenance and recovery of service costs; the other competes on a narrower assortment, reliable delivery, and cost control. The relevant comparison is between entire delivered value propositions, including quality-adjusted costs and contractual risks. If the second distributor imitates provenance checks without adding substantial overhead, the first firm may lose its distinctiveness. Conversely, a price discount is not necessarily a sustainable response when rivals can match it and the resulting margins cannot finance reliable quality. Managers should therefore model competitor reactions and distinguish profitable improvements in mutual efficiency from an escalating contest over price (Porter, 1985, 1996).

The familiar separation of cost leadership and differentiation is analytically instructive but should not be defended as a prohibition on all mixed configurations. A firm may improve both dimensions by eliminating rework, strengthening quality at source, or using denser delivery routes. The limitation arises when the same scarce resources must support incompatible activity requirements, such as unrestricted bespoke offerings and minimum-cost standardized throughput. Nor should cooperation with competitors be confused with unrestricted coordination: shared industry standards or interoperable infrastructure may improve collective productivity, while price fixing, market allocation, and exclusionary arrangements can violate competition rules. A serious strategic assessment compares activity-system compatibility, customers' willingness to pay, feasible competitor responses, and lawful boundaries rather than prescribing a strategy from a generic quadrant.

6.6 GROWTH CHOICES AND MARKET ENTRY

6.6.1 Organic expansion and the growth paradox

Organic growth extends existing operations through capacity, customers, outlets, products, or regions. It may preserve organizational learning and control but can outstrip systems, cash, personnel, or reliable sourcing. Growth has no independent moral or economic priority over viable service: a firm can increase revenue while reducing margin, accelerating inventory turnover in the wrong direction, or worsening employee safety. Before expansion, management should model incremental contribution and cash conversion, forecast the working-capital trough, identify the limiting capacity, and define acceptable service levels. The appropriate growth rate is contingent on complementary capabilities and financing terms, not simply potential market demand.

Strategic scaling changes coordination demands. A 10% increase in orders may require more than 10% additional working capital when customers demand extended credit, shipments become less predictable, or suppliers insist on advance payment. Conversely, greater route density or product standardization can reduce unit costs at scale. The firm must distinguish economies of scale from scale diseconomies and examine whether fixed-cost commitments create operating leverage under downside conditions. Capacity investment

ought to follow verified demand or a justified option to secure future supply, rather than a claim that unused physical capacity is intrinsically wasteful.

6.6.2 Partnerships, franchising, acquisition, and joint ventures

Partnerships can provide distribution, knowledge, infrastructure, finance, legitimacy, or compliance capabilities without full internal ownership. Alliances also entail coordination expenditure, knowledge leakage, conflicting time horizons, and renegotiation risks. Franchising can replicate a concept with external capital and local knowledge but requires enforceable quality and brand controls. Acquisitions can accelerate access to assets or customers while exposing the acquirer to integration failure, inherited liabilities, unrealistic synergies, and overpayment. Joint ventures share ownership and risk but can magnify deadlock when decision rights and exit rules are unclear. The assessment should compare the total expected lifecycle costs and value of each governance form, not just opening speed.

Strategic alliances are useful where partner capabilities are complementary and the joint value proposition cannot be delivered independently. Before entering, management should identify each contribution, ownership of intellectual assets and customer data, decision and veto rights, minimum service conditions, dispute process, confidentiality constraints, performance information, and termination provisions. Agreements should avoid false precision about contingencies that cannot be forecast and instead establish credible adaptation mechanisms. Especially in sectors with regulated services or cross-border transfers, legal and compliance requirements must be verified in the actual jurisdictions before commitments are executed.

6.6.3 Domestic, regional, and continental expansion

Domestic market penetration offers proximity, local knowledge, and potentially simpler logistics, although it can be constrained by purchasing power and market size. EAC market development may diversify customers and exploit regional familiarity, but cross-border sales require actual route, product-standard, documentary, payment, and distribution feasibility. AfCFTA offers a continental architecture intended to facilitate trade and integration; its benefits depend on applicable schedules, origin rules, infrastructure, administrative implementation, and individual firms' abilities. Adoption of the AfCFTA Digital Trade Protocol in February 2024 is a verified institutional event, but does not mean every digital-commerce provision is uniformly in force and implemented across member states (African Union, 2024). Continental market size should not be mechanically translated into an addressable customer base.

Market entry therefore follows a sequence: define verified target buyers and willingness to pay; establish compliant product and documentation requirements; estimate delivered cost in the transaction currency; confirm logistics and receivable collection; assess partner reliability; test volume and quality with limited orders; then consider dedicated capacity. Strategy must be specific to the selected country and route. A general label such as “enter AfCFTA” conceals more decisions than it resolves. Chapter 30 addresses detailed trade instruments, while the strategic issue here is choosing how much exposure, capability investment, and irreversibility an enterprise should accept at each stage.

6.6.4 The risks of expansion by imitation

Successful international firms provide useful questions, not templates that reproduce their outcomes. A platform's network-based model requires participation density and governance conditions; a global retailer's low-cost configuration relies on logistics, standardized sourcing, and investment capacity; and a premium brand may depend on long-established reputation. African enterprises may possess valuable local knowledge and relational advantages while facing credit constraints, fragmented infrastructure, and less diversified demand. Strategy research in emerging economies therefore warns against treating Western corporate

models as universal or using country-level institutional ratings to predict a specific firm's actual contractual capacity (Wright et al., 2005).

A defensible transfer analysis separates principles from mechanisms. The principle that activities require strategic fit can transfer, but a specific inventory algorithm may fail without reliable data and replenishment. The principle that niche differentiation can capture value can transfer, but certification premia depend on actual buyers and verification. The principle that alliances provide complementary assets can transfer, but conflict-resolution procedures and enforceability require context-specific design. Managers should record which elements are truly comparable, which constraints differ, and what local evidence would justify adaptation.

6.6.5 Market-entry due diligence as a sequence of conditional commitments

Market entry should be treated as a set of sequential decisions with observable acceptance conditions. The earliest decision is whether a sufficiently defined customer problem exists; the next establishes whether the product, counterparty, and route are legally and operationally eligible. Only then should management estimate full delivered contribution, verify buyer credit, assess the availability of transport and after-sales service, and decide how much cash may be exposed during a trial. A contract promising a large purchase is not equivalent to a paid order, and a broad addressable-market estimate is not evidence that distribution channels will grant access. A strategic gate should specify both the authority to proceed and the evidence that would make proceeding impermissible, including product safety, absence of required permissions, or inability to cover payroll during collection delays.

Because modes of entry allocate control and risk differently, the same target market can favor direct sales, a distributor, a licensing arrangement, an alliance, or a dedicated subsidiary at different stages. A distributor may reduce initial capital but retain customer intelligence and bargaining leverage; a subsidiary may protect knowledge and service control at the cost of fixed commitments; an alliance may provide indispensable complementary assets but introduce coordination and exit hazards. Comparisons should use a common horizon, currency basis, and risk boundary. A prudent expansion plan does not equate the existence of regional institutions with a functioning transaction, and it rejects neither expansion nor caution as universally virtuous. It seeks the least irreversible configuration consistent with adequate learning and responsible value delivery (Williamson, 1985; Wright et al., 2005).

6.7 STRATEGY UNDER UNCERTAINTY

6.7.1 Risk, uncertainty, ambiguity, and irreversibility

Risk, in a narrow decision-theoretic sense, permits meaningful probability distributions over outcomes; uncertainty may involve poorly known probabilities; ambiguity concerns competing or imprecise models and interpretations; and irreversibility describes commitments that cannot be recovered without substantial loss. Actual strategic decisions combine these features. A coffee exporter may forecast order volume from signed letters of intent while still lacking credible evidence on future exchange rates, buyer payment behavior, or possible regulatory changes. Representing every exposure by a single expected net present value (NPV) can conceal the possibility of liquidity failure even when average returns are positive (Knight, 1921; Dixit & Pindyck, 1994).

The relevant management question is not whether a forecast is accurate in the abstract but whether the decision remains tolerable when important assumptions are wrong. A well-supported expected-demand model does not eliminate tail risk, and a favorable probability-weighted return does not guarantee the firm can survive an adverse realization. Creditors and workers may face different consequences from owners who

benefit from upside. An enterprise should therefore evaluate financing headroom, legal or safety constraints, strategic flexibility, and the distribution of potential losses independently of its forecast mean. Strategy is robust when essential commitments can continue under a justified range of conditions.

6.7.2 Scenarios as coherent alternative environments

Scenario planning develops internally coherent, distinct possible futures around influential uncertainties, rather than assigning unsupported precision to a single point forecast. Schoemaker (1995) describes it as a means of broadening strategic attention and confronting overconfidence. A useful scenario identifies the focal decision, key external drivers, predetermined trends, uncertain interactions, early signals, and consequences for alternative strategies. Three scenarios should not merely be "good, medium, bad" labels attached to unexplained growth rates; they should specify mechanisms such as border delays and receivables, an input-price shock combined with weak purchasing power, or improvement in customer contracts combined with stable transport.

For the illustrative exporter, a reference case might assume repeatable regional demand and stable delivered cost; a stressed case might combine slower buyer payments, greater shipping losses, and weaker repeat orders; an opportunity case might assume verified long-term contracts and better logistics density. Because these outcomes depend on correlated drivers, stress testing should not indiscriminately change every variable independently. A strategic committee should ask which combinations are plausible, which are threatening to solvency, and which observable indicators would distinguish scenarios. Scenario probabilities can be useful when defensibly estimated; invented confidence percentages make the analysis appear more scientific without improving it.

6.7.3 Sensitivity analysis, break-even thresholds, and strategic stress tests

Sensitivity analysis measures how results change when input assumptions vary. For $\pi = Q(P - V) - F$, the effect of a one-unit increase in Q is $P - V$ under the simplified model, while a one-unit increase in V reduces operating surplus by Q. This derivative is local and conditional on unchanged price, fixed costs, and capacity; in real operations, extra volume may require overtime, more fixed capacity, price concessions, or working capital. A threshold analysis asks what minimum feasible sales or contribution is required for a chosen decision to improve on a comparator. It is often more useful than a forecast because it makes the decision falsifiable.

Stress tests should also examine nonfinancial failure conditions. An expansion that leaves positive contribution but violates a mandatory quality standard is not feasible. A high-return product whose growth exhausts a bank facility before customers pay may trigger insolvency. Reputational and ecosystem dependencies also matter: when a platform changes access conditions, a customer-recovery plan is needed even if demand persists. The appropriate outputs are a quantified downside, a financing buffer, a reversible response, and a named trigger rather than a claim that all uncertainty has been modelled (Trigeorgis, 1996).

6.7.4 Real options and staged commitments

Real-options reasoning recognizes the economic value of retaining a choice to invest, expand, delay, contract, or abandon as new information becomes available. Dixit and Pindyck (1994) show why irreversible investment and uncertainty can make waiting valuable even where a conventional present-value calculation appears positive. Trigeorgis (1996) develops the logic of managerial flexibility in resource allocation. The insight should not be reduced to "always delay." Delay can forfeit customers, learning, or scarce capacity; a firm must compare the costs of waiting, information acquisition, and competitive preemption against the value of reduced irreversibility.

For small enterprises, option logic often takes the form of a minimum viable contractual pilot, a limited distribution territory, short-term warehousing, refundable inventory arrangements, or a staged equipment purchase rather than financial-option mathematics. The firm can authorize a pilot after confirming legal feasibility and cash coverage, observe actual volumes, payment periods, spoilage, and customer feedback, and expand only if predetermined thresholds are met. These staged decisions reduce the cost of being wrong but require discipline to resist interpreting every small success as proof of a scalable market.

6.7.5 Robust decision rules, financing headroom, and model disagreement

A strategy can perform well in a central forecast while violating survival requirements in a plausible adverse state. Robustness analysis therefore asks whether a choice remains feasible across an explicitly defensible set of demand, cost, payment, and institutional conditions. This is not the same as maximizing expected value. A firm with limited reserves may rationally prefer a somewhat lower mean return with a tolerable liquidity trough over a higher mean return that carries a material possibility of missed payroll or creditor default. Where state probabilities are not empirically defensible, decision makers can compare downside exposure, threshold volume, maximum financing need, time to recover cash, and reversibility rather than manufacture probability-weighted precision. Minimax-regret reasoning may illuminate forgone outcomes, but it must never silently displace constraints on legal compliance, safety, and minimum liquidity (Dixit & Pindyck, 1994; Schoemaker, 1995).

Sensitivity analysis is most persuasive when the model reveals the point at which a recommendation changes. In the chapter's teaching case, EAC operating surplus depends directly on realized net price, delivered cost, and saleable volume. Even the observed baseline would not settle the investment decision if customer collections take longer than assumed, if initial inventory is unrecoverable, or if a distributor can cancel without compensation. Robust design consequently joins quantitative thresholds with institutional safeguards, short contractual commitments, independent verification of payment history, and preauthorized cessation rules. The decision to abandon an option should be explainable without claiming that every unforeseen state was predictable. Under genuine uncertainty, disciplined reversibility is a capability, not evidence of a lack of ambition.

6.8 STRATEGY IMPLEMENTATION

6.8.1 Translating strategic commitments into an executable roadmap

Implementation converts strategic choices into authorized programs, resource allocations, cross-functional actions, milestones, and monitored assumptions. It is not a mechanical “execution” phase after thinking ends. Strategy-as-practice scholarship directs attention to practitioners, recurrent routines, meetings, documents, tools, and situated negotiations through which strategy is produced and revised (Whittington, 1996; Jarzabkowski et al., 2007). An export plan that exists in the founder's presentation but not in supplier contracts, inventory rules, approved finance limits, or customer-service procedures has not become an organizational commitment. A road map should therefore identify one strategic outcome, the small number of critical workstreams necessary for it, their precedence relationships, accountable decision owners, resource commitments, and criteria for stopping or revising each workstream.

A strategically aligned implementation roadmap for the hypothetical processor would sequence legal and product checks, customer validation, supplier and packaging capacity, collection arrangements, transport testing, staff preparation, and documented order-fulfilment review. Entering into a distribution contract before verifying cash-cycle finance creates avoidable exposure. Conversely, investing in expensive equipment before securing demonstrable demand may strand capital. A credible roadmap contains explicit gates: evidence required to start, authorities permitted to approve, acceptable expenditure before the gate, and

records needed to establish completion. The gates must leave room for justified adaptation but should not be bypassed merely because an expansion opportunity is rhetorically attractive.

6.8.2 Budgets, accountability, and coordination across functions

Strategy is cross-functional because the activities determining advantage are owned by different specialists. Marketing validates willingness to pay and channel terms; operations confirms throughput, defect control, and delivery reliability; procurement manages supplier capability and contractual hazards; finance assesses cash needs, financing terms, and downside; human-resource management builds role capability and fair work arrangements; information systems protect data and record performance; legal and governance roles define the rights and authorizations within which commitments are permitted. The strategic manager must make trade-offs across these functions rather than allowing each department to maximize an isolated KPI (Porter, 1996; Kaplan & Norton, 2004).

A responsibility arrangement should identify the person accountable for the outcome, actors responsible for tasks, necessary consultation, and those who need timely information. A RACI chart can facilitate clarity, but a four-letter assignment cannot substitute for resources, expertise, accessible escalation, or legal accountability. Budgets should separate one-time investments, recurring operating expenses, forecast incremental margins, working-capital requirements, and contingency reserves. Their assumptions should reconcile across functions: sales volume, production yield, returns, shipping cost, supplier payment terms, and customer payment periods cannot be different figures in different departmental files.

6.8.3 Change management, learning, and political realities

Strategic change redistributes opportunities, authority, information, and work. People may resist not because they are irrationally opposed to improvement but because proposed changes threaten employment, increase uncompensated duties, damage professional standards, or rest on managerial promises not supported by evidence. Consultation must occur before irreversible decisions when employee knowledge can materially change implementation, and procedural safeguards should protect legitimate objections. At the same time, seeking unanimity can paralyze a necessary response. Responsible change identifies which decisions require participation, which require independent technical approval, and who ultimately has lawful authority to commit the enterprise (Jarzabkowski et al., 2007; Freeman, 1984).

Implementation fidelity and adaptation should be evaluated separately. If the strategy fails, managers need to know whether the assumed customer value was wrong, the intended actions were not carried out, the capability was insufficient, or an external condition changed. Each explanation implies a different corrective response. A routine that documents deviations, underlying causes, costs, and subsequent tests is more valuable than declaring a project either “successful” or “unsuccessful” solely from a quarterly revenue chart. Sustained implementation is an adaptive process, but adaptation must preserve evidence of decisions and accountability.

6.8.4 Critical-path dependencies, strategic ownership, and implementation failure

An implementation roadmap requires more than parallel workstreams with separate owners. It must reveal dependencies and the sequence in which they can be satisfied. A sales team may secure tentative export demand before the enterprise has lawful product documentation; procurement may guarantee input volumes without obtaining credit; a finance team may approve investment using gross revenue assumptions that have not incorporated returns or transport losses. These contradictions emerge because each function is rational within its own reporting boundary while the enterprise-level commitment is incoherent. A useful dependency register links every strategically essential action to its prerequisite, the evidence of completion, an

accountable owner, the cost of failure, and the authority permitted to resolve exceptions. This connects strategy to project control without reproducing the specialist methods assigned to Chapter 21.

Execution failure should be diagnosed against competing explanations. An initially unsound theory of customer value requires repositioning; an otherwise sound strategy blocked by unavailable finance requires rescoping or altered timing; inadequate role authority calls for governance correction; unreliable process data calls for measurement repair. These diagnoses should not be collapsed into a generic accusation of employee resistance. Performance agreements ought to reward enterprise outcomes and credible process quality, rather than only departmental volume, with independent escalation for safety and rights breaches. Strategy-as-practice research reminds us that meetings, templates, negotiations, and organizational politics shape actual commitments; nevertheless, documentary activity is no substitute for delivery and auditable results (Jarzabkowski et al., 2007).

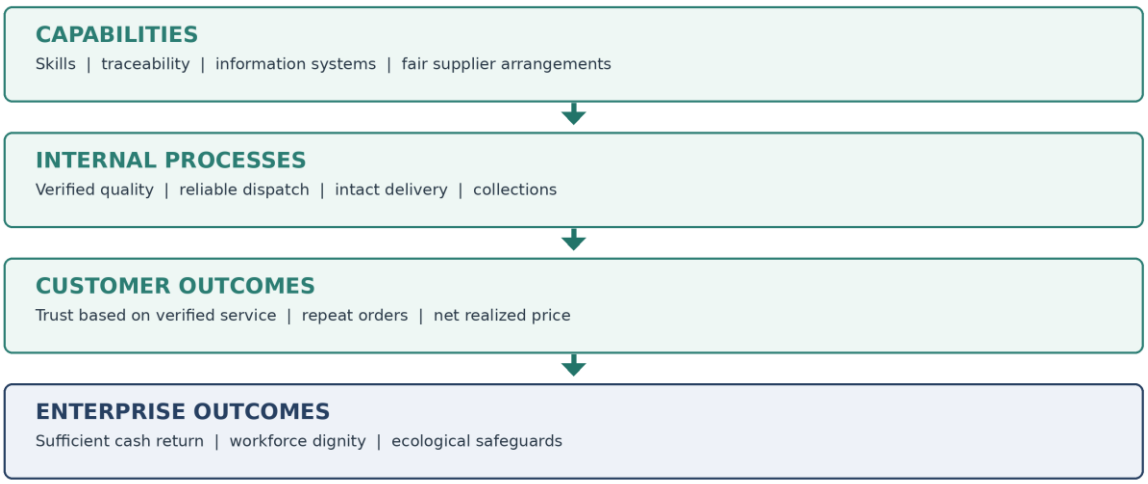
6.9 PERFORMANCE MANAGEMENT AND STRATEGY EVALUATION

6.9.1 The balanced scorecard as a hypothesis system

Kaplan and Norton (1992) proposed the balanced scorecard to address limitations of exclusive reliance on lagging financial measures; their later strategy-map work emphasizes relationships among skills and information, internal processes, customer outcomes, and financial consequences (Kaplan & Norton, 2004). This architecture is useful if interpreted as a testable theory of value creation rather than four compulsory categories with universal causality. Training may improve quality, which may improve repeat purchasing and surplus, but all links depend on employee retention, demand, competitor response, service design, and measurement validity. The arrows in a strategy map represent hypotheses, not experimentally demonstrated effects merely because they are drawn on a page.

An appropriate scorecard should distinguish inputs, implementation measures, intermediate outputs, final outcomes, and constraints. For the exporter, training completion is an input, verified traceability compliance is an intermediate capability indicator, on-time and intact deliveries are service measures, repeat orders and realized net price are market outcomes, and incremental cash contribution is a financial outcome. Customer and employee fairness, safety incidents, product authenticity, and environmental footprint should not be made optional because they are difficult to monetize. A strategy evaluation system must therefore retain a rights and compliance floor alongside financial and operational targets.

Figure 6.1 Causal assumptions in an illustrative strategy map



Note. Original synthesis informed by Kaplan and Norton (2004). Arrows are hypotheses requiring tests, not established causal effects. The outcome level includes nonfinancial rights and environmental safeguards.

6.9.2 Leading versus lagging indicators and causal limits

Leading indicators are signals expected to precede consequential results; lagging indicators describe outcomes already realized. Their classification depends on the strategic model and interval. A confirmed purchase contract is leading relative to later cash receipts, but lagging relative to customer acquisition activity. On-time dispatch may lead to buyer retention but lag warehouse performance. The distinction is more informative when a measure has a clearly specified mechanism, time lag, denominator, data owner, and credible source. Spurious correlations between training hours and profits are not evidence that more training will necessarily cause higher profits.

Evaluation should pair outcome measurement with implementation evidence and external context. A fall in gross margin could reflect currency exposure, temporary customer discounts, lower product quality, or a strategic shift toward a different segment. A performance dashboard cannot independently identify these explanations. Responsible review asks whether the expected effect appeared, whether the intervention was executed, what changed externally, and which alternative interpretation remains plausible. The methodological distinction between prediction and causal identification developed in Chapter 4 is especially important when managers claim that a new strategic initiative caused observed growth.

6.9.3 Comparative metrics and the danger of gaming

Common strategic indicators include contribution per customer or unit, cash conversion, return on invested capital, customer retention, relative market share within a defensible segment, customer acquisition cost, service quality, capacity utilization, and innovation or capability milestones. Each can be gamed. Sales targets may encourage noncollectable credit; capacity utilization can rise through overproduction; retention can increase through aggressive lock-in rather than satisfaction; “innovation count” may reward superficial product changes. Metrics must be assessed for construct validity, reliability, incentive effects, and the stakeholder costs of pursuit (Kaplan & Norton, 1992; Simon, 1947).

Performance comparison also requires adjustment for risk and accounting differences. A highly leveraged firm may report a high return on equity while exposing its creditors and workers to bankruptcy risk. A margin increase achieved through delayed maintenance can conceal future costs. A platform may report strong gross merchandise value while earning little on its actual revenue take. Enterprises should distinguish reported accounting results, economic opportunity costs, and cash consequences. No single composite score captures strategic health without explicit judgments about weights, material constraints, and distributional obligations.

6.9.4 Strategic review cadence and decision rights

A useful review process separates frequent operational exceptions from periodic strategic reassessment. Weekly meetings may track cash, late delivery, complaints, and supplier exceptions; monthly reviews may compare planned milestones and assumptions; quarterly or event-triggered reviews may reconsider the target market, pricing architecture, network partners, technology investment, or competitive position. Cadence is context-dependent. It should become more frequent during crisis without converting every temporary deviation into a new strategy. The decisive point is having a clear rule that certain signals reopen the choice: breached working-capital limits, falling verified contribution, loss of a critical partner, legal change, or persistent failure to reach a customer threshold.

A review record should distinguish what management predicted, what occurred, the limits of data, what alternative explanations survive, and which intervention is now justified. Independent challenge and documented minority views can improve judgment where founder confidence or organizational politics

dominate. A strong review system permits termination of an unsuccessful pilot without automatically treating the team as incompetent. This allows strategic learning to become institutionally credible rather than a retrospective narrative constructed by winners.

6.9.5 Measurement governance and the inference-to-action boundary

Strategic indicators should be documented in a measurement protocol specifying the construct, numerator, denominator, observation period, source system, revision policy, and decision owner. A delivery reliability measure, for example, can be manipulated by redefining the promised date, omitting cancelled orders, or reporting dispatched rather than received shipments. The analyst must state the population to which the measure refers and retain a record of changes to its definition. Measures that predict later outcomes should be distinguished from measures that merely accompany them. A strategy map becomes operationally credible only when its hypothesized connections can be challenged by disconfirming evidence and plausible alternative mechanisms (Kaplan & Norton, 2004).

Evaluation also needs a decision protocol. A monthly deterioration in net contribution might trigger an investigation rather than immediate termination, while a serious safety breach should suspend shipments regardless of favorable financial indicators. Decision rights ought to distinguish the staff member who detects a breach, the technical authority who verifies it, the leader permitted to authorize a correction, and the body able to review a disputed decision. A balanced scorecard should not add unlike dimensions into an opaque single index without explicit weights and constraints. Financial performance, customer value, workforce conditions, and ecological effects are different empirical and normative objects, even when they influence one another. Their separate visibility makes strategic learning and accountability more defensible than a dashboard designed primarily to report success.

6.10 STRATEGY IN SMALLER AND CONSTRAINED ENTERPRISES

6.10.1 Informality, owner-managers, and household boundaries

Small enterprise strategy is often embedded in founders' routines, personal networks, and household commitments rather than documented through formal strategic plans. Its relative informality may be a rational response to low administrative capacity and volatile demand, but it can also obscure pricing discipline, working-capital needs, succession planning, and control over delegated activities. In Rwanda's 2024 IBES, about 87% of surveyed business enterprises were classified as informal under the survey's definitions, and 0.06% of informal enterprises versus 3.6% of formal enterprises reported export engagement (NISR, 2026). These percentages describe defined survey categories, not a causal effect of registration on exporting. Selection, size, sector, skills, product suitability, and access to finance may contribute to the difference.

Owner-manager behavior combines strategic attention with direct personal risk. A founder may rationally reject a theoretically higher-NPV expansion because a temporary cash shortfall would threaten household consumption or an existing business. Family obligations may constrain capital accumulation and also provide trusted labor or flexible finance. Strategic analysis should therefore identify the actual risk bearer and distinguish financial performance of the enterprise from household economic security. Research on microenterprise practices across developing countries associates recordkeeping, marketing, stock management, and financial planning with better outcomes, while not showing that every small firm can replicate the same gains without complementary conditions (McKenzie & Woodruff, 2017).

6.10.2 Frugality, constraints, and strategic focus

Scarcity can encourage resource recombination, relationship-based distribution, and low-cost experimentation, but hardship should not be romanticized as a substitute for infrastructure, credit, skills, or lawful market access. The most realistic small-enterprise strategy may be a highly focused niche with clear quality standards and disciplined receivables, not immediate scale. Simple measures can be strategically powerful: contribution per route, repeat-order rates, stockouts, confirmed orders, cash available before payroll, and supplier reliability. Complexity in the analytical instrument should match the decision's stakes and the firm's information capability. Bloom et al. (2013) identified gains from a management-practices intervention in Indian textile plants, yet the experiment's treatment, organizational scale, and setting do not justify assuming identical returns for informal microenterprises in Rwanda.

Formalization and digitalization are best understood as contingent investments in capabilities and rights, not automatic stages of progress. Registration may improve contractual access and eligibility for certain buyers, but obligations and operating costs must be assessed. A digital storefront may expand visibility while exposing a small supplier to volatile platform fees and weak ability to enforce payments. Enterprise policy should not assume that every informal seller aims to become a multinational; some seek reliable family income, viable local service, or stable employment. Strategic education must remain analytically rigorous without elevating growth for its own sake.

6.10.3 Institutional voids, relational resources, and exclusion risks

Where intermediaries for financing, enforcement, certification, or information are incomplete or expensive, enterprises may create substitutes through trusted relationships, cooperatives, buyer guarantees, or coordinated associations. These strategies can overcome some transaction barriers but also reinforce exclusion if access depends on personal connections or if powerful counterparties dominate the terms. Institutional theory offers a necessary complement to RBV: a capability that would be valuable in one jurisdiction may be impossible to monetize where enforcement is weak or payment channels are unreliable (North, 1990; Wright et al., 2005). The strategic answer is neither to assume institutions fail universally nor to ignore the transaction costs of making them function for particular firms.

For a Rwandan agribusiness, a producer association may support quality verification, aggregation, and market access; however, different members may have different price expectations and supply reliability. A cooperative's member-oriented purpose can generate credible repeated relationships but complicate decisions that privilege investor returns over producer welfare. These are genuine strategic design problems involving rights, incentives, and mission. They cannot be settled by choosing the apparently highest-margin option in an isolated spreadsheet. Any proposed relationship structure should document how bargaining, grievance, and information rights are shared.

6.10.4 Financial inclusion, enterprise heterogeneity, and policy-sensitive strategy

The business realities reflected in Rwanda's 2024 IBES demand a more differentiated strategy pedagogy than the standard case of a diversified, formally financed corporation. An informal producer, a registered cooperative, a young digital venture, and an established manufacturing exporter differ in their intended beneficiaries, capacity to commit capital, access to records, legal options, and ability to absorb delayed receipts. NISR's survey definitions and formal–informal comparisons are descriptive of covered enterprises, not proof that formalization itself causes greater export participation. Credit collateral, foreign-language competence, specialized digital skill, and supply constraints can jointly determine which strategy is feasible (NISR, 2026). It would be a mistake to treat these constraints either as immutable cultural characteristics or as matters that entrepreneurial determination alone can overcome.

For research and policy design, the strategic question is which constraint binds for which enterprise and under what institutional conditions. A reliable buyer guarantee may be more consequential to a promising exporter than a generic planning workshop; transparent certification procedures may matter more than subsidized advertising; a cooperative may prioritize reliable member payments and quality improvement over conventional investor returns. Evaluation should compare firms with similar baseline capability and opportunity and should account for selection into formal registration, training, finance, and exporting. Where a programme is introduced at different times, its outcomes should be measured against suitable comparators rather than an uncontrolled before–after improvement. This perspective integrates enterprise agency with institutional responsibility and guards against attributing structurally mediated disadvantages to managerial incompetence (Wright et al., 2005; McKenzie & Woodruff, 2017).

6.11 STRATEGIC TECHNOLOGY DECISIONS

6.11.1 Build, buy, partner, or defer

Technology strategy starts from a defined enterprise problem, not the availability of software. The decision to build a system internally, buy a product, outsource a service, partner with a platform, or defer requires a comparison of life-cycle cost, strategic control, interoperability, employee capability, switching costs, cybersecurity exposure, data governance, and potential differentiation. Building can preserve control and specific knowledge but requires maintainers and scarce technical talent. Buying can speed implementation but introduce vendor dependence and integration failure. Partnering may supply network access while weakening autonomy. Deferral can preserve capital but may allow capability gaps to widen (Teece, 2010; Adner, 2017).

A simple decision matrix should distinguish nonnegotiable controls from weighted benefits. Compliance, security requirements, and the ability to exit an arrangement are not legitimately traded away for a modest expected productivity gain. Costs include data cleanup, change management, maintenance, license increases, failure recovery, and employee training, not merely the quoted subscription. Managers should require an evidence-backed pilot and a plan for what happens when the vendor, platform, or connectivity is unavailable. Small-firm strategy can benefit more from reliable inventory and receivables data than from an expensive predictive system built on inconsistent records.

6.11.2 Data and AI as conditional sources of advantage

Data can reduce search costs, personalize service, improve forecasting, and support learning, but volume alone does not establish a strategic resource. Data must be relevant, lawful to use, representative of the decisions at hand, updated, accurate, and combined with distinctive business processes. Rival access, open models, third-party tools, and customer consent can limit exclusivity. AI applications must be evaluated for outcome accuracy and costs under real workflow constraints. Evidence from Noy and Zhang (2023) shows productivity improvements in controlled professional writing tasks; Brynjolfsson et al. (2025) report a 15% average productivity increase in a study of AI assistance among 5,172 customer-support agents, with heterogeneous outcomes. Neither result licenses a claim that all Rwandan firms or all strategic functions will obtain similar returns.

Strategy should separate automation of an activity from competitive differentiation. If every rival adopts the same widely available assistant, service costs might decline without creating a durable relative advantage; customers or platforms may capture most of the benefit through lower prices. Complementary proprietary data, employee expertise, quality assurance, and process redesign can shape distinctive results, but introduce privacy, bias, security, and concentration risks. A procurement decision for AI must therefore specify the task, baseline performance, test population, adverse-error thresholds, human oversight, contract terms, and a

credible independent check of claimed benefits. The Organisation for Economic Co-operation and Development (OECD, 2024) offers updated AI principles encouraging accountable, human-centered use; they do not demonstrate the safety or profitability of any particular tool.

6.11.3 Platform dependence, cybersecurity, and strategic resilience

An enterprise can become dependent on a platform for search ranking, bookings, payment processing, delivery, or customer access. This may reduce initial entry costs but shift bargaining power over fees, data, account suspension, and customer relationships. Technology governance should explicitly identify concentration risk and the feasibility of multihoming, direct channels, data export, contractual protection, and manual recovery. Risk is not confined to malicious attacks: erroneous automated decisions, opaque supplier policies, power outages, and poorly documented integration can interrupt sales or expose customers to harm. The greater the dependence, the stronger the strategic case for independent monitoring and contingency plans.

Cybersecurity and privacy are also competitive issues, because compromised transaction integrity can erode the reputation a firm has spent years accumulating. Yet the response must be proportionate to actual data and operational exposure. Managers should know which information is held, why it is needed, who can access it, how suppliers process it, and how service can continue when systems fail. These decisions require technical and legal expertise developed in Chapters 3, 28, 29, and 32; the strategic contribution is to identify where technology dependence changes the firm's position, option value, and survival risk.

6.11.4 AI procurement as a governed strategic experiment

Before AI adoption, management should establish which strategic decision or workflow the technology is expected to improve and whether a simpler alternative could achieve the result. A defensible pilot compares the existing process, an appropriate non-AI intervention, and the proposed AI-assisted process using a common set of quality, cost, timing, privacy, and error measures. Test cases should reflect actual language and task variation, including edge cases where misleading output could harm customers or employees. Staff should be able to contest an incorrect automated recommendation, and the enterprise should know how to operate when the supplier's service is unavailable. In the NIST AI Risk Management Framework, governance, mapping, measurement, and management are complementary functions; the framework is voluntary guidance rather than a finding that particular technology deployments are safe (Tabassi, 2023).

Competitive evaluation must also consider who appropriates any productivity gain. If rivals can subscribe to the same model, task improvement may become an industry-wide cost change rather than durable firm-level differentiation. Supplier pricing, data portability, model updates, skills erosion, retraining costs, and dependence on a concentrated service provider can alter strategic returns over time. Experimental evidence showing faster writing or customer support in particular organizations does not identify the equilibrium effects of widespread adoption in a Rwandan sector (Noy & Zhang, 2023; Brynjolfsson et al., 2025). The appropriate choice is to stage investment, verify human and system performance, preserve audit trails, and revisit the competitive advantage hypothesis after actual customer and financial outcomes become observable.

6.12 STRATEGIC ETHICS AND STAKEHOLDER TRADE-OFFS

6.12.1 Advantage, power, and the limits of private value capture

Competitive strategy can improve customer choice, innovation, and productive efficiency, but value appropriation is not morally self-validating. A firm might increase margins by imposing exploitative terms on small suppliers, concealing defects, degrading workers' conditions, or leveraging an exclusionary platform

relationship. Such behavior may be financially tempting without being lawful, legitimate, or sustainable. Stakeholder theory insists that affected workers, customers, suppliers, communities, investors, and regulators matter to evaluation rather than appearing solely as constraints on shareholder earnings (Freeman, 1984). It does not, however, resolve every conflict automatically; a serious analysis must identify actual interests, rights, bargaining power, and defensible procedures for adjudicating trade-offs.

The philosophical question is whose losses a strategic choice is entitled to impose. Utilitarian aggregation of expected gains can hide severe harms to small groups; rights-based constraints limit which trade-offs are acceptable; justice-based approaches ask whether benefits and burdens fall fairly; stewardship emphasizes responsible use of entrusted resources. A defensible strategy therefore begins with mandatory legal and rights protections, then compares feasible choices for sustainable value creation, expected risk, and distributive consequences. Normative premises must be stated openly: no spreadsheet can demonstrate from profit alone that a pricing scheme or employment decision is ethically justified.

6.12.2 Responsible growth, labor, and environmental consequences

Expansion creates new employment and market access possibilities, yet it may increase workloads, unsafe transport, discarded packaging, water consumption, or pressure on vulnerable producers. In the natural-resource-based view, Hart (1995) argued that pollution prevention, product stewardship, and sustainability can contribute to capabilities and strategic competitiveness. Whether a specific environmental investment pays financially remains an empirical question conditioned by regulation, customer willingness to pay, operating costs, and the physical consequences of production. Claims of “green advantage” must not replace emissions or waste evidence; environmentally necessary practices may be justified even when their costs cannot immediately be recovered through premium prices.

Managers should identify material impacts across the value chain and ensure that strategic targets do not create incentives for concealing them. A target to reduce unit packaging cost must not reward packaging that fails safety or disposal requirements. A target to improve delivery speed must not encourage dangerous driving or unpaid overtime. A shift to digital channels should not systematically exclude customers who lack devices, literacy, or stable connectivity when access is central to the enterprise's mandate. These trade-offs have to be addressed in specific design choices rather than relegated to a generic corporate social responsibility statement.

6.12.3 Fair competition, long-term trust, and accountable discretion

Competitive advantage achieved through misleading claims, manipulated measurements, improper access to competitors' confidential information, or abuse of dominant power is neither strategically robust nor legitimate. Strategy must operate within the competition, consumer-protection, privacy, labor, environmental, and contractual requirements applicable to the jurisdiction, without assuming all regional frameworks have identical force. Governance should preserve reviewable records of major choices, conflict-of-interest disclosures, independent checks on material assumptions, and effective complaint channels. Where strategic outcomes remain uncertain, a manager may still act responsibly by disclosing risk, selecting proportionate commitments, and revising decisions upon credible adverse evidence.

There is also an ethical limit to treating resilience as a firm-only concern. Diversifying a processor's supply may improve its continuity while shifting uncertainty onto farmers through one-sided cancellation clauses; demanding just-in-time deliveries may reduce inventory while transferring storage costs to weak suppliers. A responsible enterprise evaluates contractual reciprocity and whether its superior bargaining power imposes avoidable harm. Long-term trust can be economically valuable, but ethical conduct is not justified only because it enhances profit. Rights, transparency, and fair treatment retain their normative force even when immediate financial returns are difficult to quantify.

6.12.4 Competing moral frameworks and the burden of strategic justification

The ethical evaluation of competitive strategy cannot be settled by claiming that profitability, stakeholder satisfaction, or social benefit is always the highest good. Consequentialist analysis examines aggregate gains and harms, but predictions are uncertain and aggregation can conceal severe burdens imposed on vulnerable groups. A rights-based approach identifies constraints on what may be done to particular persons even when the expected return is positive. Justice-oriented reasoning examines bargaining power, procedural participation, and the distribution of risks and benefits, while stewardship asks whether entrusted economic and natural resources are being used with due care. These frameworks overlap but sometimes prescribe different actions. A supplier contract may increase total economic surplus yet remain difficult to justify if cancellation losses are shifted entirely onto producers without meaningful consent or recourse (Freeman, 1984; Hart, 1995).

A serious strategic justification therefore identifies an ethically admissible set of alternatives before comparing their relative merits. Legal compliance is necessary but does not exhaust this inquiry: not all harmful conduct is prohibited, and regulations may be incomplete or unevenly enforced. A defensible procedure records affected groups, unavoidable trade-offs, evidence of likely consequences, protected rights, and a credible process for challenge and remedy. It also distinguishes moral judgments from causal claims. An assertion that fair payment is right does not prove that it will immediately increase profit; an observation that a practice raises profit does not establish that it is fair. This distinction permits an ethically serious strategy analysis in both confessional and nonconfessional business education without treating any corporate mission statement as a substitute for accountable conduct.

6.13 RWANDA-BASED APPLICATION AND INTERNATIONAL COMPARISON

6.13.1 What the documented secondary evidence establishes

NISR's 2024 Integrated Business Enterprise Survey reports informality of about 87% within its surveyed business landscape and export participation of 3.6% among formal enterprises versus 0.06% among informal enterprises; the same release reports underutilized manufacturing capacity among 62.6% of manufacturing enterprises (NISR, 2026). The last result does not identify a single national cause or imply that greater capacity always produces profitable growth. It directs the strategist to investigate demand, input reliability, financing, and sector-specific utilization rather than recommending expansion solely because equipment exists. These descriptive findings establish the structural relevance of strategy under constraints, not a causal explanation for any one firm's success or failure.

A second documented context concerns Rwanda's coffee sector. NAEB reports that green-coffee exports reached 23,860 tonnes and over USD 148.6 million in 2025, compared with 17,142 tonnes and over USD 89.8 million in 2024 (National Agricultural Export Development Board [NAEB], n.d.). The nominal revenue difference includes volume and price changes; it cannot establish that one strategy, institution, or individual business caused the aggregate expansion. NAEB also describes market development toward established specialty buyers and other destinations, illustrating that differentiated market access and industry-level export promotion may coexist. The dates, aggregation level, and reported value basis matter: national green-coffee export data cannot be transferred directly to the prospective margins of the packaged-coffee teaching case.

6.13.2 Constructed three-market growth decision

The fictional “Kigali Specialty Coffee Enterprise” is an educational model, not an identified business, a research respondent, or NAEB case evidence. Assume it currently sells 4,000 packaged units monthly in Rwanda.

Management considers three mutually exclusive steady-state strategies over the next 24 months: (A) strengthen domestic institutional and retail relationships; (B) establish one verified EAC distributor channel with a dedicated pilot; or (C) commit resources to several geographically dispersed AfCFTA destination channels. All quantities, prices, costs, and investment estimates below are invented to demonstrate decision logic. They are stated in Rwandan francs and exclude taxes, financing costs, capital depreciation, currency conversion differences, and terminal value. No scenario is recommended for a real enterprise without country, route, product, and customer-specific validation.

Table 6.1 Hypothetical mutually exclusive market configurations

Option	Monthly units	Unit P / V (RWF)	Monthly fixed (RWF m)	Monthly surplus (RWF m)	Extra initial capital (RWF m)
A. Rwanda	4,000	6,000 / 3,800	5.0	3.80	0.0
B. One EAC channel	5,500	6,700 / 4,500	7.5	4.60	18.0
C. Multi-market AfCFTA	7,000	7,100 / 5,300	9.5	3.10	45.0

Note. Entirely constructed teaching assumptions. P is selling price and V is variable cost per unit. All figures are alternative steady-state configurations; initial capital is incremental to A. Calculations exclude tax, finance, depreciation, working capital, and terminal value.

The table reports monthly simplified operating surplus after fixed operating costs, not free cash flow or profit after tax. Under these assumptions, domestic contribution is 4,000 × (6,000 − 3,800) = RWF 8.8 million; less RWF 5.0 million in period fixed costs yields RWF 3.8 million. EAC expansion gives 5,500 × (6,700 − 4,500) = RWF 12.1 million contribution, less RWF 7.5 million fixed costs, or RWF 4.6 million. The continental option gives 7,000 × (7,100 − 5,300) = RWF 12.6 million contribution, less RWF 9.5 million fixed costs, or RWF 3.1 million. The arithmetic illustrates why the highest sales volume and price need not generate the best relative outcome. Crucially, these are alternative complete configurations, not revenues that can be added together without changing common fixed costs and production capacity.

6.13.3 Incremental investment, discounting, and threshold tests

Suppose the EAC option requires an additional upfront RWF 18.0 million at month 0, over and above the domestic strategy. Its modeled incremental monthly operating surplus is RWF 0.8 million, yielding a simple payback of 18.0/0.8 = 22.5 months before considering discounting or project risks. With a hypothetical 10% effective annual discount rate, the equivalent monthly rate is r = (1.10)^(1/12) − 1 ≈ 0.00797414. For a 24-month level incremental surplus of RWF 0.8 million, the annuity present-value factor is [1 − (1 + r)^−24]/r ≈ 21.76457. Accordingly, incremental NPV = −18.0 + (0.8 × 21.76457) ≈ −RWF 0.588 million. All amounts in this expression are millions of RWF. Under the specified no-terminal-value assumption, immediate full-scale EAC investment does not meet the assumed financial hurdle even though simple payback lies inside two years.

The strategically useful threshold is not merely zero operating surplus in the new market. EAC break-even volume is 7,500,000/(6,700 − 4,500) ≈ 3,409.09 units, or 3,410 whole packs. To match the domestic monthly surplus of RWF 3.8 million, however, EAC output would need (7,500,000 + 3,800,000)/2,200 ≈ 5,136.36 units, or 5,137 whole packs. To recover the RWF 18 million initial cost within 24 months at the assumed discount rate, EAC incremental monthly surplus must reach approximately 18/21.76457 = RWF 0.827 million; equivalently EAC modeled monthly operating surplus must exceed about RWF 4.627 million. These thresholds are conditional on unchanged unit margins, volume-independent fixed costs, and full collection of revenue. A real analysis also requires monthly working-capital flows, product damage, foreign-exchange exposure, taxes, and defensible terminal assumptions.

6.13.4 Stress case, strategic choice, and staged validation

In a stress case, assume EAC volume falls to 4,000 units, realized price to RWF 6,600, and delivered variable cost rises to RWF 4,700, while fixed expense remains RWF 7.5 million. Operating surplus falls to 4,000 × (6,600 − 4,700) − 7,500,000 = RWF 0.1 million, well below the domestic RWF 3.8 million reference. The same product can therefore be strategically attractive in principle and financially fragile in the chosen configuration. This stress is not a measured probability, and the resulting RWF 3.7 million monthly gap cannot be assigned a probability-weighted expected value without evidence.

A defensible decision is to retain the domestic operation as the core, conduct a bounded EAC customer and logistics pilot, and defer the broad continental commitment until actual demand and payment data satisfy stated thresholds. The strategic choice-and-trade-off memo should authorize a pilot with a maximum cash exposure, no unconditional multi-year volume guarantee, documented product and customs checks, independent finance approval, verifiable delivery and collection records, and a decision date. A pilot is worth undertaking only if its own expected learning and commercial value justify its cost; "piloting" is not a way to bypass legal obligations or excuse unlimited spending. Expansion should be contingent on contribution, collections, delivery reliability, and resilience, with explicit rights to stop. The chosen decision is an interpretation under invented inputs, not an investment instruction for any real enterprise.

Table 6.2 Strategic option selection, assumptions, and decision gates

Option	Proposed strategic rationale	Critical weakness or exposure	Evidence-based decision gate
Domestic depth	Repeat institutional buyers; coherent niche positioning	Concentration and domestic demand ceiling	Verify renewal, unit margin and cash headroom
EAC pilot	Adjacent buyers, limited geography, learning options	Currency, standards, distributor payments, capital	Verified contracts, landed margin and collections before scaling
Broad AfCFTA launch	Potential diversification and continental reach	Multiple routes, partner dependence, high irreversibility	Defer until individual destination economics and legal rights verified

Note. Original analytical instrument. Conditions are not jurisdictional legal advice or empirical findings about a real enterprise.

6.13.5 Cross-functional scorecard and execution control

The hypothetical enterprise's strategic map links traceable supply and staff competence to reliable packaging and timely fulfilment, from there to trusted repeat buyers, and ultimately to cash-generating contribution. Each connection is a hypothesis requiring evidence. The map must be supplemented by liquidity, safety, labor, legal, and environmental safeguards so the pursuit of revenue does not undermine enterprise survival or stakeholder rights. The scorecard below makes implementation indicators and decision triggers explicit, while avoiding an untestable composite strategy score.

Table 6.3 Illustrative strategic scorecard for a staged regional pilot

Perspective	Meaningful indicator	Illustrative threshold or response	Accountable role
Finance and survival	Incremental collected contribution; cash headroom	Reforecast if buyer payment exceeds contracted term	Finance lead
Customer and channel	Repeat orders; verified realized net price	Review model after two successive weak-order cycles	Sales lead
Operational process	On-time and intact delivery; verified traceability	Stop shipment on product-safety or traceability failure	Operations lead
People and information	Staff competence; accurate stock and order records	Correct gaps before increasing order commitments	People / systems lead
Responsibility and risk	Legal permissions; labor conditions; waste controls	Mandatory non-negotiable compliance and rights gates	Executive / compliance

Note. Original teaching scorecard drawing on Kaplan and Norton (1992, 2004). Thresholds are illustrative governance prompts, not validated industry benchmarks.

For practical governance, the chief executive owns the overall market-entry decision, sales validates buyer commitments, operations validates capacity and quality, finance authorizes cash exposure and verifies collections, procurement validates input reliability, and a responsible legal/compliance officer confirms applicable requirements. An enterprise without separate departments may assign these roles to fewer people but should still preserve independent review where conflicts of interest or large commitments arise. A delayed buyer payment should automatically reopen the working-capital forecast; a traceability failure should block shipment; and a repeated contribution shortfall should reopen the market-entry choice. No performance threshold is inherently universal: the example thresholds must be adapted to real contractual and risk circumstances.

6.13.6 Comparison with a documented cross-border ecosystem

An instructive international and Rwandan cross-border comparator is Zipline's medical-logistics partnership. Gavi documented the launch of Rwanda's drone-enabled medical-delivery service in October 2016, highlighting an arrangement joining government health demand, a technology operator, and partner institutions (Gavi, 2016). The Rwanda Biomedical Centre later documented a 2025 pilot for drone delivery of malaria medicines in Gisagara District (RBC, 2025). These records establish specific partnership and pilot arrangements, not a universal estimate of economic savings, clinical causation, or profitability. Their strategic relevance is that a valuable service can require complementary institutions, regulatory permission, infrastructure, mission-focused procurement, and operational execution beyond a single firm's resources.

The comparison is analytically limited. Emergency medical distribution involves different willingness-to-pay, public value, demand urgency, safety standards, and institutional buyers from packaged-coffee export. The portable strategic insight is ecosystem alignment and staged adaptation, not copying a drone operating model. Similarly, global retailers and platforms may offer lessons about activity fit and data-supported coordination without furnishing a valid performance benchmark for a Rwandan small processor. A legitimate international comparison examines which underlying mechanisms transfer, which institutional differences are decisive, and what evidence would falsify the proposed transfer.

6.13.7 Cash-flow bridge, financing exposure, and scenario interpretation

The valuation in Section 6.13.3 intentionally uses incremental operating surplus as a proxy for recurring cash before tax, financing, capital replacement, and changes in working capital. This proxy should not be mistaken for free cash flow. To illustrate the omitted financing dimension, assume additionally that EAC entry requires RWF 5.0 million of incremental inventory and RWF 7.0 million of receivables, offset by RWF 3.0 million of additional supplier payables. Net initial working-capital investment is therefore RWF 9.0 million, separate from the RWF 18.0 million initial strategic capital commitment. If the entire working-capital investment is recoverable at month 24 without loss, and the previously assumed RWF 0.8 million incremental monthly cash contribution is retained, the extended NPV is −27.0 + 0.8 × 21.76457 + 9.0/(1.10)^2 = approximately −RWF 2.150 million. The calculation remains hypothetical and excludes all other cash-flow differences; full working-capital recovery is a strong teaching assumption, not a forecast.

This additional illustration shows why cash tied in inventories and debtor balances can materially weaken an option even where steady-state operating surplus improves. With the same assumptions, an incremental recurring monthly cash contribution of approximately RWF 0.899 million would be required to achieve a zero NPV over 24 months, compared with RWF 0.827 million in the simplified calculation without working capital. The original RWF 0.8 million figure is below either threshold. In an actual investment memorandum, cash flows would be dated according to purchases, shipment, collection, tax payments, capital expenditures, deposits, refunds, and disposal, with discounting consistent with the risk, currency, and cash-flow definition.

Neither interest payments nor debt drawdowns should be arbitrarily mixed into unlevered cash flow, and financing availability must be evaluated separately as a potential binding constraint.

The domestic, EAC, and multi-market configurations in Table 6.1 are alternative strategic options, not probability-weighted states of the world. A second layer of uncertainty analysis should examine adverse, reference, and favorable conditions within each option. For EAC entry the adverse operating illustration in Section 6.13.4 yields RWF 0.1 million monthly surplus; the reference configuration yields RWF 4.6 million. A favorable scenario would need its own justified assumptions about realized price, verified volume, delivered cost, collections, and service quality. Without measured likelihoods, these possible environments should be compared as stress and resilience tests rather than averaged into a fabricated expected return. The strategic choice is therefore an appropriately bounded pilot with controlled cash exposure, not a statistically proven optimal market-entry policy.

6.13.8 Strategic choice-and-trade-off memorandum: an applied decision artifact

Decision requested. Approve a time-limited, contractually bounded pilot with one verified EAC buyer or distributor, while retaining the domestic business as the principal cash-generating activity. Do not authorize the RWF 18.0 million full-scale EAC commitment or the RWF 45.0 million multi-market configuration on the present constructed assumptions. The rationale is comparative: the EAC option improves modeled steady-state operating surplus by only RWF 0.8 million monthly, but its simple 24-month NPV is negative and becomes more negative when an illustrative working-capital requirement is introduced. The multi-market option generates a lower modeled monthly surplus than the domestic reference while requiring substantially greater upfront commitment. This is a worked decision artifact for teaching, not a real business authorization.

Conditions of approval. Prior to the pilot, operations must verify product and packaging specifications, legal and trade advisers must establish country- and product-specific eligibility, finance must document the entire projected cash trough, and commercial staff must verify actual buyer payment arrangements. Pilot exposure must be capped by a separately authorized amount, and expansion requires evidence of collected contribution, on-time intact delivery, repeat purchasing, traceability integrity, and sufficient payroll and supplier-payment headroom. Material quality failure suspends shipment. Uncollectable receivables or repeated negative incremental contribution require reassessment rather than automatic continuation. These are decision principles; numerical cash caps and thresholds must be set from actual enterprise data before use.

Rejected alternatives and revision logic. Immediate multi-market expansion is rejected because simultaneous route, partner, documentation, and financing dependencies create poorly bounded irreversible exposure under the current model. Permanent refusal of regional entry is also rejected: a well-designed pilot may acquire credible market and logistics information whose option value justifies limited expenditure. The decision is revisited after a predefined observation period or sooner if laws, buyer terms, product-safety status, logistics reliability, or financing headroom materially change. The accountable executive retains final commercial authority subject to mandatory technical, financial, and legal controls, and the board or owner receives a dated record of assumptions, dissenting assessments, and outcome evidence. This format makes strategic trade-offs inspectable rather than presenting growth as an unquestioned objective.

6.14 INTEGRATIVE THEORETICAL SYNTHESIS AND RESEARCH AGENDA

6.14.1 A contingent, integrated model of strategic advantage

Industry positioning, resource endowments, dynamic capabilities, institutional feasibility, strategic practice, and stakeholder legitimacy are complementary lenses, but no single lens is a sufficient causal explanation of

sustained outcomes. Positioning identifies where value is available and which actors can capture it; RBV examines internal heterogeneity; dynamic capabilities address adaptation; institutional analysis evaluates feasibility and enforcement; practice research examines how commitments are actually enacted; and stakeholder analysis identifies legitimate constraints and distributive consequences. The lenses can also conflict. A highly profitable position may be inaccessible without complementary assets; distinctive capabilities may be valueless when demand disappears; fast adaptation may destroy cumulative learning; and short-run financial advantage may depend on unjustified harm.

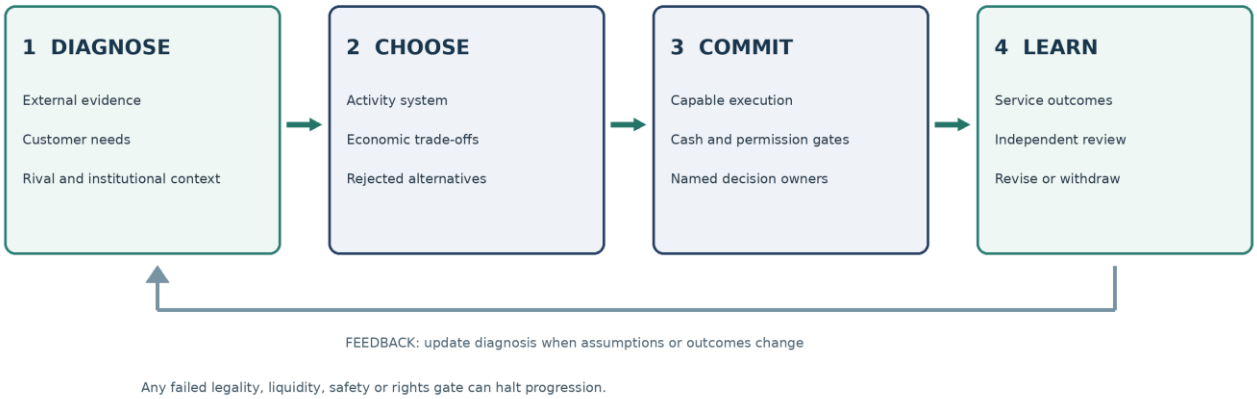
Table 6.4 Rival strategic theories and empirical boundary conditions

Perspective	Mechanism and contribution	What it may overlook	Discriminating evidence
Industry positioning	Structure shapes bargaining and profit capture	Firm-specific heterogeneity and ecosystems	Rivalry, buyer power, entry and realized margins
Resource-based view	Distinct resources and difficult imitation	Circularity, changing demand, institutions	Pre-observed assets and comparative performance
Dynamic capabilities	Sensing, seizing and reconfiguration	Retrospective success labels and costly change	Dated decisions, adaptation expense, counterfactuals
Institutional / ecosystem	Feasibility, enforcement and complements	Overgeneralized country proxies	Actual contracts, permissions, partners and failures
Strategy-as-practice	Situated routines, politics and implementation	Difficult inference on performance effects	Decision records, observations and process tracing
Stakeholder strategy	Distribution, rights and legitimacy	No unique scalar ranking of interests	Rights outcomes, complaints, costs and independent checks

Note. Original comparative synthesis based on Porter (2008), Barney (1991), Teece et al. (1997), North (1990), Adner (2017), Jarzabkowski et al. (2007), and Freeman (1984). No causal ranking is claimed.

The chapter's proposed integrative logic is that a strategically viable enterprise needs an internally coherent value proposition, a feasible activity system, necessary ecosystem complements, a financeable and governable implementation path, and a disciplined means of revising assumptions under uncertainty. Responsible value creation adds an irreducible normative condition: lawful conduct, truthful claims, fair treatment, and justified stewardship of social and ecological impacts. These elements should not be treated as a mechanically additive index. They are partly sequential and partly complementary: failure of an indispensable legal gate, cash constraint, or product-safety requirement may invalidate an option regardless of its other strengths. The synthesis is conceptual and no causal weights, path coefficients, or validated enterprise score are claimed.

Figure 6.2 Enterprise-wide strategic choice, commitment and learning gates



Note. Original conceptual decision framework derived from Porter (1996), Teece (2010), and Schoemaker (1995). Stage order is indicative and may be revisited.

6.14.2 Testable propositions and research designs

Proposition P1 states that strategic fit among customer promise, capability investment, and cross-functional operational practices is positively associated with risk-adjusted performance, conditional on market structure and enterprise scale. To examine causality, researchers could prospectively measure practice alignment, document initial demand and capabilities, and assess staggered changes with appropriate controls; retrospective narratives would remain vulnerable to survivor bias. Proposition P2 states that the benefits of regional market access are moderated by transaction feasibility, including working-capital capacity, collection reliability, documentary compliance, and logistics performance. A comparative design across eligible exporters and aspiring exporters could assess mechanisms, but selection into exporting must be treated explicitly.

Proposition P3 states that staged market-entry commitments reduce downside cash exposure under high uncertainty relative to comparable irreversible commitments, while potentially delaying profitable learning and growth. Real-options claims should be tested with data on timing, sunk costs, comparable alternatives, and adverse outcomes, not solely managers' ex post statements. Proposition P4 states that adoption of general-purpose AI creates durable advantage only where complementary routines, differentiated data or relationships, customer outcomes, and appropriable returns persist relative to rivals. This could be tested with task-level evaluation followed by firm-level competition and margin outcomes; early productivity gains alone are insufficient. Proposition P5 states that accountability systems explicitly incorporating customer, workforce, supplier, and ecological constraints reduce the incidence of strategically induced harm, conditional on enforcement and incentives. Appropriate empirical designs would need reliable measures of harm, not just sustainability statements.

6.14.3 Limits of the evidence and policy relevance

Several limits remain material. Much classical strategy research focuses on large corporations in developed markets, with nonrepresentative settings and retrospective performance measures. Small-firm datasets may exclude informal producers or mix establishments with enterprises. Government export releases report aggregate outcomes without isolating causal mechanisms, and firm-level management surveys may be vulnerable to self-report and simultaneity. General-purpose AI evidence is task- and implementation-specific, and regional trade policies evolve through separate legal and administrative processes. These limitations

argue for replication in Rwanda and comparable African contexts, with rigorous counterfactuals and transparent documentary definitions, not for rejecting theory or making unsubstantiated local exceptions.

Policy and education can support strategic capability without prescribing identical growth models. Useful public and institutional contributions include credible statistical information, transparent trade procedures, accessible product standards, business advisory quality, fair competition, skills development, and enforceable contracting. Their effectiveness must be evaluated by actual enterprise use and outcomes, not announcement counts or nominal adoption. In university programmes, strategic management should integrate economic calculation, institutional analysis, causal evidence, operational realities, and ethical deliberation rather than treating SWOT or five forces as independent worksheets divorced from decisions. The ultimate research task is to distinguish mechanisms that are broadly portable from those that are contingent on institutional histories, enterprise scale, and market composition.

6.14.4 A discriminating research programme for African strategic management

Future scholarship should distinguish among rival explanations rather than treat every association between managerial practice and performance as support for all strategic theories simultaneously. A multi-year study of Rwandan enterprises could identify customer segments and sectoral competitive conditions before measuring resources, contracts, financing, and realized decisions, then follow outcomes after relevant shocks or staged strategic changes. Such a design would distinguish ex ante capabilities from resources accumulated after success. Industry-level changes might expose competitive positioning mechanisms; within-firm process changes could illuminate capability complementarity; trade-procedure changes might reveal institutional constraints. The design must document enterprise versus establishment boundaries, formality, product mix, survival, and migration into exporting to limit selection and ecological inference (Rumelt, 1991; Wright et al., 2005).

Research on AI and regional integration particularly needs a multi-level causal account. Task-specific productivity effects should be followed through cost, customer value, competitive pricing, and retained returns before an enduring firm advantage is claimed. Likewise, regulatory adoption should be traced through country-level implementation, firm-level eligibility, actual transactions, and buyer outcomes before continental-market benefits are attributed to a particular protocol. Where random assignment is not feasible, researchers should state credible identification assumptions, comparison populations, and alternative mechanisms rather than treating sophisticated regressions as self-explanatory. Both quantitative and documentary evidence may be necessary to establish what legally changed, which enterprises could act, and how the resulting incentives were perceived. These proposals remain a research agenda, not a claim of completed empirical validation.

6.15 CHAPTER SYNTHESIS, CONCLUSION, AND TEACHING RESOURCES

6.15.1 Concluding synthesis

The strongest contribution of strategic management is disciplined choice under limited knowledge and scarce resources. Competing theories clarify different reasons why enterprises might earn superior returns or fulfil differentiated missions; their disagreements are analytically productive when linked to observable mechanisms. External analysis should identify actual competitive and institutional conditions, internal analysis should establish valuable capability rather than celebrate resource possession, and the business model should demonstrate feasible value capture. Strategy emerges when these elements shape distinct activity commitments and explicit exclusions. Growth becomes defensible only after verifying demand, finance, operational capacity, contractual conditions, and stakeholder consequences.

The Rwanda-based teaching case demonstrates that headline expansion and more sales cannot substitute for incremental valuation and sensitivity analysis. Under its stated inputs, regional expansion improves monthly operating surplus but fails a particular two-year discounted test, while a more extensive continental option produces lower monthly surplus despite the highest modeled volume. The responsible response is not universal conservatism but staged evidence generation and clear revision rules. A strategy deserves confidence only to the extent that its premises, implementation, financial consequences, and ethical boundaries can withstand scrutiny. This conclusion links strategic management to Chapter 7's organizational design problem: once enterprises know which activity system they need, they must decide how roles, authority, and coordination structures can sustain it.

6.15.2 Essential terminology

Strategic management denotes the iterative selection, authorization, implementation, and revision of enterprise commitments in relation to market opportunities, resources, and institutional constraints. Competitive advantage is a relative, time-bound capacity to create and appropriate value more effectively than a specified rival or benchmark. Strategic fit concerns the consistency and reinforcement of activities supporting that position; industry structure refers to the competition-shaping conditions of buyer and supplier power, substitutes, new entry, and rivalry. A strategic group comprises firms with sufficiently similar positioning to face comparable mobility barriers and competitive pressures.

The resource-based view explains potential advantage through differences in productive resources and their mobility or imitability. VRIO is a diagnostic for value, rarity, imitation difficulty, and organizational readiness; dynamic capabilities concern the capacity to sense consequential change, seize opportunities, and reconfigure resources. A business model specifies the architecture through which offerings, activities, participants, revenue, and cost interact to create, deliver, and capture value. Unit contribution is realized net selling price less the relevant variable cost per unit, while a strategic option is the economically consequential discretion to proceed with, delay, modify, or abandon a commitment.

A scenario is an internally coherent alternative environment for assessing robustness rather than an automatically probabilistic forecast. A leading indicator is a measure hypothesized to precede a defined consequence, whereas a lagging indicator records a result that has already occurred relative to the chosen time horizon. A strategy map displays proposed relationships among capabilities, processes, customers, and enterprise outcomes without itself proving causality. Strategic governance encompasses legitimate authorization, oversight, risk control, evidence integrity, and accountability for the consequences of enterprise choices.

6.15.3 Conceptual and critical questions

Foundational discussion should begin by asking why lower prices, rising sales, and improved process efficiency do not each establish competitive advantage. Learners should then compare Porter’s industry-positioning account, Barney’s resource-based explanation, Teece’s dynamic-capability perspective, and institutional theory by applying each to the same exporting enterprise and specifying the observation that could discriminate among their predictions. A related evaluative question asks under which conditions a resource could appear to satisfy VRIO yet fail to produce persistent advantage, including imitation, changed demand, weak complementary assets, and inability to appropriate returns. Responses should distinguish internally held resources from the comparative market mechanisms that make them economically consequential.

Advanced discussion should examine why a project with a payback inside the chosen horizon might nevertheless have negative discounted value, and which financing or real-options considerations could change that judgment. Another exercise is to critique a strategy map linking training, delivery quality, buyer

retention, and profit by identifying at least four plausible confounders and two mandatory ethical constraints. Finally, learners should defend the circumstances under which a supplier alliance can be strategically superior to asset ownership, while explaining how asymmetric bargaining power, contractual termination rights, and information inequality might undermine the arrangement's legitimacy. High-quality responses will identify mechanisms, competing explanations, and possible tests rather than recite theory labels.

6.15.4 Applied calculations and strategic-choice exercise

For quantitative application (LO4–LO5), use Table 6.1 to recalculate the operating surplus for all three strategic alternatives and the break-even sales volume for the EAC option. Raise the EAC variable cost by RWF 250 per unit at the original volume and derive revised operating surplus, monthly advantage or disadvantage relative to domestic depth, 24-month incremental NPV, and its strategic implications. Explain which omitted real-world variables, including cash collections and working capital, might reverse or deepen the conclusion. For capability analysis (LO2–LO3), prepare a two-page VRIO critique of a hypothetical processor possessing a proprietary traceability database but unreliable inspection. Identify an appropriate rival comparator, the evidence required for each VRIO claim, the most likely failure mechanism, and two complementary investments needed to deliver a credible customer promise.

For the integrative capstone (LO5–LO8), prepare a three-page strategic choice-and-trade-off memorandum for the fictional Kigali enterprise. Recommend domestic depth, bounded EAC entry, broader continental expansion, or a rigorously justified staged alternative. Compare contribution and discounted cash implications, financing limits, institutional feasibility, execution, risk, and affected stakeholders; explicitly reject at least one feasible alternative and propose no more than six measurable decision triggers. The memorandum must identify the assumptions whose failure would change the recommendation. For implementation assessment (LO6–LO8), design a quarterly strategic review with accountable owners, a four-perspective scorecard, documented red-team challenge, and a corrective-action record. Explain how the review would prevent favorable sales or throughput numbers from obscuring unsafe employment, poor quality, or uncollectable receivables.

6.15.5 Educator assessment guidance and alignment

A suggested rubric for the integrative memo assigns 20% to well-defined customer, industry, and institutional analysis; 20% to internal capabilities and activity fit; 20% to correct, reproducible financial and sensitivity reasoning; 15% to implementation ownership and decision gates; 15% to credible treatment of uncertainty and alternative explanations; and 10% to rights, fairness, and environmental consequences. Performance should be judged on analytical defensibility rather than whether the learner selects the same market as the illustrative commentary. The instructor should verify that learners do not report invented data as observed outcomes, treat an adopted treaty as a universal operational entitlement, equate contribution with free cash flow, or add mutually exclusive scenario revenues.

For Exercise A, the cost increase changes EAC contribution per pack from RWF 2,200 to RWF 1,950 and monthly operating surplus to 5,500 × 1,950 − 7,500,000 = RWF 3,225,000. This is RWF 575,000 below the domestic reference, and the modeled incremental NPV becomes −18.0 − (0.575 × 21.76457) ≈ −RWF 30.514 million, under the illustrative discount and no-terminal-value assumptions. The result illustrates high operating sensitivity and why a real decision requires verified unit costs and hedging or contractual protections where appropriate. This answer is calculation guidance, not an observed company result.

6.15.6 Further reading and publication integrity

Readers seeking a rigorous theoretical sequence should begin with Porter (1996, 2008), Barney (1991), Peteraf (1993), and Teece et al. (1997), then compare Mintzberg and Waters (1985), Jarzabkowski et al.

(2007), Teece (2010), and Adner (2017). For measurement and implementation, Kaplan and Norton (1992, 2004) should be read critically alongside strategic uncertainty in Schoemaker (1995) and Dixit and Pindyck (1994). Wright et al. (2005), McKenzie and Woodruff (2017), NISR (2026), and the African Union's primary legal texts help place these theories in institutional and African business context. The chapter is an original integrative secondary-source manuscript, with no represented primary human-participant study, external peer-review decision, or validated new causal model. Its independent chapter DOI, publication date, editorial acceptance, and release status must be completed only after the publisher verifies and registers them.

6.15.7 Seven integrative takeaways for strategic practice

First, strategy is the selection of a coherent activity system and its exclusions, not an attractive mission statement or revenue target. Second, competitive advantage is relational and must be judged against a defined rival or benchmark, relevant time horizon, and appropriable economic result rather than inferred from growth. Third, external market opportunity has value only where a firm's capabilities, institutional rights, partner arrangements, and financing make a transaction feasible. Fourth, resources matter through the productive services and complementary routines they enable, while durable advantage must survive imitation, substitution, and changing customer needs.

Fifth, strategic growth requires comparing incremental cash consequences, downside survival, and reversible commitments rather than treating positive operating contribution as an investment decision. Sixth, implementation and evaluation are cross-functional processes whose evidence can disconfirm a preferred strategic narrative; clear decision rights, comparable metrics, and independent challenge matter as much as formal planning. Seventh, responsible advantage cannot be justified solely by financial appropriation: the treatment of workers, customers, suppliers, communities, and natural resources imposes constraints that must be made visible before commitments are approved. Together, these conclusions prepare the organizational-design questions developed in Chapter 7 without displacing the specialist functions examined later in the book.

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