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Managing Innovation and Marketing in a Globally Dynamic Firm: Best Practices in Management at Diageo

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Abstract

Organizing and coordinating the activities of a business organization for the purpose of achieving its objectives is the goal of management. As such, management as a whole is extremely important in smoothly running a corporation and maintaining a profitable business. All the day-to-day activities can only be accomplished properly if there is good management in place. It covers all aspects of a business including marketing, daily operations, and innovation. This paper elaborates on the innovation and marketing strategies of Diageo, while using the company as a comparison for highlighting the positives and negatives of using certain management philosophies, practices and concepts that have made them successful in the alcoholic "drinking" industry.

Keywords: Innovation, marketing, management, Diageo, Johnnie Walker, Smirnoff, Guinness.

INTRODUCTION

Managing innovation is important for creating new products, increasing revenues, getting new customers, and staying profitable. The management of innovation requires consistency in all elements of what a company does, how their employees behave, and how they are perceived by their customers. Managing the brand of a company requires practicing innovation as well as how customers see a company's products and services. Therefore, managers must also be concerned about the functions of effectively marketing their products and services in order to maintain a good brand name. The achievement of such goals in today's competitive and globally dynamic workplaces require that employees and owners focus on value creation through market-oriented management practices.

Management is traditionally defined as planning, organizing, leading and controlling of a company's various functions and resources to achieve its goals through effective decision-making and efficient operations (Mujtaba, 2014; "What is Management?", 2015, para. 1). Management of people, decision-making, resources, and marketing must all be integrated for consistency and long-term value creation as they all contribute to the overall success of the firm. Marketing management is defined as the application, tracking and review of a company's marketing resources and activities (What is Marketing Management, 2015, para. 1). When a company has a solid ground with their marketing and marketing management team, it can

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definitely allow the company to grow and expand rapidly. Innovation is also very important for any company as this is defined as translating an idea or invention into a good or service that creates value for which customers will pay (What is Innovation, 2015, 1). Once a company has the ability to innovate well and uniquely, it creates an avenue for a whole new market and opportunities for it to gain capital and grow.

Diageo is a global leader in alcohol beverages with several top shelf liquors and wines in their collection; they sell their spirits to over 180 countries. Some examples of the brands they distribute are Johnnie Walker, Crown Royal, J&B, Buchanan's, Windsor and Bushmills whiskies, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness. Not only do they sell these top brands, they also innovate their own products which is a huge factor to their growth strategy.

When Diageo was created, it only had interests in food companies such as Burger King and Pillsbury. Even though Diageo is based out of London, England, they have several distilleries worldwide. Diageo's founding only dates back to 1997 but the companies they currently own date back all the way to 1759, like Guinness Beer, which was founded when Arthur Guinness signed a 9,000 year lease with St. James Brewery in Dublin, Ireland (Diageo, 1).

History of Marketing

There is much discussion over how long the term marketing has been around. Some say the idea has been around for as long as business has been around, and others say the evolution of a new attitude toward the market economy lead to the term "Marketing." It can be defined as the combination of factors that must be put in place before the promoting and selling of an item (Bartels, 1976). Marketing is literally everywhere you turn, anything in the market is marketed before or during the time it was sold. Ever since the advent of the buying and selling of goods, marketing has been present. The simple act of screaming out a price in a busy market to attract customers is a form of marketing. It wasn't until 1910 that actual marketing concepts were created and terms were defined. And, during the 1950s, a focus on the emphasis on managerial decision making in marketing and what managers could do to motivate consumers began to become present (Bartels, 1976). The key factors of marketing management during the 1950's were quite different than how they are now; they included: a decision-oriented point of view, behavioral sciences, distinction between controllable and uncontrollable elements, adaptation, and uncertainty and probability when it came to decision making (Bartels, 1976). Marketing management was still fairly new at that time so there wasn't anything much to really research or use as a pattern. Every decision they made was uncertain as opposed to historical choices that are prevalent today.

Marketing management today is extremely essential to the success of any business, no matter what industry they are in. If nobody knows the name of a company or what goods or services it had to offer, the marketing team needs to do a better job to get the word out to the masses. Marketing management is defined as the planning and executing of concepts dealing with the pricing, promotion, and distribution of a good, service, or an idea to satisfy the needs of the market and consumer. The decisions a marketing manager has to make could range from what design to use, how much to budget for advertising, how many salespeople to hire, or even stuff like the font or color to use for packaging (Kotler, 2000).

Value-Driven and Market Based Management

Marketing managers will find it impossible to satisfy everybody in the market, which is why it is best to find a target, segmented market and focus on their needs and wants. One of the key

ways to find success in management is implicating the value driven management theory because strongly-held organizational values can drive behavior of employees (Mujtaba, 2014). Value-Driven Management is the idea of maximizing value over time instead of only thinking of the short term. This theory of management is outlined by various assumptions that should be a guiding tool for managers to have the highest probability of success. One assumption of managing by values is that the market itself is a great tool for valuable information. It determines how much consumers are willing to pay, which products are in demand, and how much the people want (Pohlman and Gardiner, 2000). Diageo does a good job at using the market as a basis for comparison. Any liquor store would show the prices of Diageo's products and they are within the same range as their competition. Ciroc Vodka, for example, is a few dollars more than Absolut Vodka and a few dollars less than Belvedere Vodka. They know the value of the brand but still want to keep their prices with the rest of the market. One way for Diageo to improve the longevity of the value of their company is to distribute their global beers to the larger American and European markets. Diageo has a lot of beers sold exclusively in African nations; if management began to work on a marketing plan to promote African beers in the Western world, it could greatly benefit the local economies as well as the profits of Diageo. The Western World has one of the largest amounts of alcoholic drinkers in the world, as well as the powerful buying power.

Another strategic management principle that would allow Diageo to maximize their employees' potential to deliver creative, new marketing ideas is Market-Based Management. Market Based Management (MBM) is described as giving employees an entrepreneurial mindset throughout all levels of the company. Employees are rewarded by the amount of value that they bring to the company instead of being constrained to one level of the organization (Gable and Ellig, 1993). Diageo is structured like the majority of the rest of Western companies, with specific levels for each task and function. The C.E.O. appoints various committees to take charge of each categorical function, which prevents the free flow of ideas because it makes employees only think about their task at hand. Even though Diageo does not have the exact MBM structure, it does follow some of its strategies. One of these strategies includes understanding the comparative advantage of a firm and exploiting it to the best of their ability (Gable and Ellig, 1993). Diageo understands their strength in marketing and innovation. Hennessey, a brand of Diageo, is seen all over Billboards, television advertisements, and as a sponsor at various events. All of their brands are well known, even though the name Diageo isn't. The most well-known principle of MBM is the one about incentives, compensation, and motivation; which states to reward employees based on their value to the firm. By encouraging an entrepreneurial structure for their employees, Diageo would be able to use the least amount of resources and in turn, have the most creative marketing plans and activities. Diageo is already extremely successful, but they would be able to reach another level by letting their employees' ideas flow freely through all stages of the firm.

Diageo said themselves that they believe they lead the industry in marketing, by combining expertise and creative alliances to engage their consumers in their products through various technological mediums. What makes Diageo standout amongst other brands is their ability to be a global company while still maintaining the culture and tradition of the alcoholic beverages that they distribute (Diageo, 1). Diageo and its products is considered to be a global brand. A global brand is defined as a brand that is available in almost every country in the world while using the same or almost similar strategic marketing, principles, and positioning throughout their line of products (De Mooij, 2010). There is much debate over that definition because of

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the need to adjust strategies to suit the local culture in which the brand is available. In India, for example, it is well known that most Indians do not eat beef or any meat at all, so the McDonald's there would need to alter the choices of food they offer and the way it is marketed in order to be successful to their new target consumers in India.

Diageo, on the other hand, is in the alcoholic business and it doesn't need to change the way their products are created. When it comes to alcohol, the consumer either drinks or doesn't drink. No diet limitations or cultural differences are that much a factor that the way the alcohol is produced would not to be altered. The only thing that would need to be changed to suit their local market is the marketing. Diageo stated their Johnnie Walker's "Keep Walking" motto is symbolic for personal progress, but the countries' in which Johnnie Walker is popular has placed their own local spin to it. For example, in Trinidad and Tobago, during their annual Carnival celebration, Johnnie Walker's logo is made to resemble a masquerader parading the streets of Trinidad and Tobago's capital. Diageo also stated they use local agencies to make their global campaigns seem more personal and locally relevant (Diageo, 1). Consumers would want to see and hear advertisements in their local dialect, while seeing their own people drinking these beverages in local events and festivals. Marketing like this hits closer to home, allowing the consumer to feel more comfortable to purchase their product.

With the wide variety of products that Diageo has to offer, it also seems to have mastered the art of marketing across the generations of people. From old to young, their products are bought by a wide range of ages. One of the key concepts of marketing towards this younger generation is the idea of engagement, which is subconsciously and subtly allowing consumers to associate the brand, symbols, and metaphors to everyday life, making the company relevant throughout the day (Chester, 2010). Diageo has excellent brand association across the generations. For example, Guinness has been known over the years as the beer of choice when it comes to stamina and durability. People throughout the world have been conditioned to associate Guinness as a way to increase a certain drive, as well as durability. This engagement is important to most people throughout the world and has since been paired with Guinness. Also, when it comes to Hennessy and Ciroc, the engagement is even stronger. Hennessy and Ciroc even have nicknames and groups of people who associate these liquor brands with their friends. In Rap music, one of the owners of Ciroc, Sean Combs, created a name for his clique of people within his entourage, that group is simply known as "Ciroc Boys". Diageo and "Diddy" have made Ciroc the "cool" beverage if somebody is in a club or social gathering. Young people who are active on social media love to take pictures of what they are drinking and the variety of flavors of Ciroc and the design of the bottle have made the product become self-marketed. Hennessy also has a similar effect amongst the youths and older generation. Young people even call it "Henny" for short because it is used so much when people are trying to have a good time. It has been placed on Memes and other social media trends to symbolize a fun time when people are going out. Hennessy too, has become self-marketed as well as engaged in the everyday lives of the people.

These products are not only bought by the youngsters, they are also bought by the older generation. The way Diageo's brands are marketed, it doesn't only appeal to the young, partying crowd. They don't promote them as party beverages, the people themselves turn the drinks into them. Hennessy and Johnny Walker are favored amongst the youths and the elders. Elders would drink "Johnny" or "Henny" with their buddies over a game of cards or dominoes. They are sophisticated beverages that supposedly allow for relaxation and stress relief.

History of Innovation

While innovation has been going on for hundreds of years, we can date the earliest form of innovation not related to alcohol back to 1902 when India's first hydropower plant was installed in Karnataka by General Electric (Here's how the world's oldest startup relentlessly innovates, 1). However, one of Diageo's ancestry brands dates back to 1749 when Justerini & Brooks was created which was a wine company and also known for their famous J&B whiskey. Another ancestry brand is in 1759 which is when Mr. Arthur Guinness signed a 9,000 year lease with the St. James Gate Brewery to start brewing the infamous beer, Guinness. Mr. Guinness grew his business from nothing all the way to one of the world's most popular beer. In 1997 Diageo acquired this company along with Grand Metropolitan which already owned several other liquors (Diageo, 1). Innovation is evolving and changing everyday especially in today's world.

Foundation of Innovation

The basic foundation of innovation is derived from absorptive capacity. This is the ability to exploit your external knowledge which includes basic skills, shared languages, or even knowledge of the most recent scientific or technological developments in a given field (Cohen, 1990). Absorptive capacity is generated in many ways with different corporations. If a company has its own research and development (R&D) team, it has a huge advantage as they are also able to use external information. Some firms also pay and invest in absorptive capacity, especially if they don't have their own R&D team. For example, some corporations will use this service to take their ideas and put it into an actual model or concept. Applying the foundation of innovation to Diageo, they have over 180 employees that are dedicated to creating and designing new products every day. They work day and night to create a unique product that could be marketed and profitable to a certain market or all markets. Diageo has a team of employees spread out over five regions in countries such as UK, Spain, Australia, Canada, etc. (Diageo, 1). Having employees in different regions brings a slight advantage as liquor is sold worldwide and different cultures have different taste for alcohol. This allows Diageo to sell different liquor to different markets and satisfy all of their customers.

Pros and Cons of Innovation

Innovation, as mentioned previously, is an important factor to a company's growth. Besides selling your products, a company should always be looking to grow and expand. Diageo focuses on innovation and tries to push their new products into the market. They strive to have continued growth in the market. When a company strives to always be on top in the market, especially with new products, this entails that their marketing strategy and innovation strategy is managed very well. Another advantage of innovation is the ability to tap into new markets. In relation to Diageo, they only deal with alcohol and spirits; however these are new products in the same market with a twist. For example, they came out with Snapp, which is a premium apple tasting drink, which is only marketed towards women with a stylish and sophisticated look to beer. Entering Africa with a beer marketed for women is a new market, as this has never been done in Africa. In their first year Diageo made £10 million in net sales which was their most successful launch ever. Another advantage of innovation with a large corporation is that once you have name recognition, a company does not have to spend a lot of time and money on advertising as the name alone can carry the new product far. Consumers will trust the brand and will still want to buy it. For example, Diageo created Baileys Chocolat Luxe recently and this has been their most innovative product within the past ten years. This product was so successful due to the fact this is the first product to have real Belgian Chocolate fused with alcohol (Diageo, 1) and their brand is heavily recognized in the market. Brand

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recognition is very important when bringing new products into the market. This gives a company a higher probability that the product will flourish in the market, versus a company not known as well, when bringing out a new alcoholic drink. The company not as well-known will have to spend a lot of money in marketing to push that product to their consumers.

A downside of innovation is that it does take time and money to construe these products. Some companies with poor innovation management will produce products with no successful returns in profit. This can then lead them to go out of business. A company needs to properly manage the cost to create a new product and how long it may take to create. Innovation can also cause deflation and allow some people to lose their jobs. Although deflation is great for consumers, as a producer, this can severely hurt your business. As your prices drop it shows that the economy's conditions are deteriorating (What is deflation, 1). With the economy reflecting a negative improvement, manufacturers and producers will then start to lay off employees.

INNOVATION AND COLLABORATION

Many firms in today's business market are collaborating when it comes to innovation. According to the old saying "two heads are better than one", it definitely applies when trying to create a product worth selling. Some reasons firms collaborate are to reduce the cost of technological development or market entry, reduce the risk of development, achieve sale economies in production, and to reduce the time it takes to develop and commercialize new products (Tidd, 2001). For example, Diageo recently partnered with David Beckham and Simon Fuller to create a single grain whiskey named Haig club. By launching this with two high-rated celebrities this brings easier market entry and less time to commercialize the product. This whiskey was made to appeal to new whiskey drinkers and whiskey connoisseurs as well. They designed a blue glass bottle so the drink can be judged on the taste and aroma alone (Diageo, 1). Collaborating has a lot of positive aspects for any company especially when they have the right motives. Another prime example of collaborating with innovation is the expansion of Smirnoff's confectionery flavors in efforts to strengthen the market in premium vodka. They have received heavy public attention due to the commercials with Roxanne McKee from Game of Thrones (Diageo, 1). When a well-known celebrity backs a product, it draws a great deal of attention to potential consumers. For example, in 2013 the flavors, Iced Cake and Kissed Caramel both ranked in the top 10 spirit launches (Diageo, 1).

Global Innovation

There are small and medium sized companies in the market however it's generally made up on large multinational companies. Multinational companies determine the international division of labor with their production, R&D, marketing, and sourcing strategies as they are able to transfer technology and management skills and they are able to influence regional growth via foreign direct investments (Boutellier, 2008).

Global innovation generally came about when the foreign markets were becoming more systematical and export trading became more popular. Companies had to make the decision where to localize their product. It either needed to be in their home country or elsewhere with cheaper labor which later introduced global research and development networks (Boutellier, 2008). The United States in particular has acquired a large amount of foreign investments over the past decade and they have also been a recipient of research and development. Several countries worldwide have their R&D stations set up in the United States; more than US companies themselves.

Diageo is very active with global innovation. They have research and development teams all over the world and spread out over five different regions. Diageo is maximizing their opportunity to innovate by tapping into all of the different resources the world has to offer. For example, Diageo came out with a one and only beer named Ruut Extra which is made up on cassava. This is their first product made with this local root and it's the only one out in the market. Not only are they the only company with this specialized beer, they broke their own record in development by creating this product in eight weeks from concept to commercialization (Diageo, 1). One of Diageo's missions is to support local sourcing in Africa which can stimulate their economy. This specific product was created in Ghana and their local government has a policy that states products created there has to have a large percentage of locally grown products. Not only does this make the country grow, it brings local farmers back on their feet.

Market Based Management

Market Based Management can be applied to innovation and long-term value creation of global and dynamic workplaces in numerous ways. Market based management is a set of management tools that allows you to run your small business or corporation more efficiently to maximize profits and have employees that truly value the company they work for and strive for the best. This can be related to innovation as one of Market based Management's six key elements is Generation and Communication of Knowledge. This key element deals with knowledge known by employees or held by employees and decisions and the appropriate channels they must pass through (Gable and Ellig, 1993). This theory can make or break a company. By following this concept, if new ideas are created, lower level employees will need to pass through the appropriate channels of management to propose their idea. This does create a form of organization as you can't have any and every one testing all the ideas however if a manager doesn't approve of a lower level employee's idea, it doesn't mean that it was the right decision. Someone's view can be totally different and corporations could be missing out on opportunities to grow. In Diageo's case, they don't appear to have this market based application in place. This could be a downfall as all of their lower tier employees drink alcohol as well and may have ideas of what the public wants to drink. Diageo only has 180 employees dedicated to innovate new products (Diageo, 1), which seems like a good number of people; however they may not have all of the answers of what all their consumers care to drink. Diageo could benefit from this key element as it can allow all employees to promote feedback and have a department that will process these ideas and evaluate whether this can benefit the company or not. In the long run, it can definitely benefit Diageo.

Driving Forces

Task environments are made up of the external environment factors that help a business achieve their goals (Mujtaba, 2014; Jones and George, 2014). One direct force from the task environment that has a strong influence in today's market and on organizations are customers. Customers play a very important role with any organization as they help control an organization's profits and/or losses. Customer relationship management and retention marketing strategies are essential to any business: repeat business is the backbone of selling, organizations are dependent upon their customers as they need customer loyalty to keep customers, without customers the organization could potentially cease to exist, the purpose of the organization is to fulfil the needs of their paying customers, and the customer makes it possible to achieve all business goals. Marketing is a relational theory that is used to perceive value for the customers over time (Gronroos, 1997).

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There are several strategies modern companies deal with when coming to customers. Strategies are important for organizations because a company without a strategy will not survive in today's market. Some examples of strategies that are already in place for corporations are: customer insights and segmentation, customer experience, loyalty, and go-to-market strategy ("Customer Strategy & Marketing", 1). Bain and Company describes customer insights as a strategy that allows organizations to understand the client's needs and behaviors using BothBain approach. It helps organizations target the customers "sweet spot" or interests that will allow a company to have an advantage over another. Customer experience is a popular strategy when dealing with your customers as it allows an organization to develop a series of interactions with customers to earn their advocacy and to deliver consistent service. Loyalty is also an important strategy to have in place for customers as loyal customers bring more profit to a company. Not only do they bring in constant business, they spread the word to all of their friends and family who then come to you for their needs. With a good loyal customer base the word will spread like wildfire and without any marketing or advertising your business sales will increase. Loyal customers are always a necessity. The final strategy is the go-to-market strategy which is described by Bain & Company as allowing companies to build a powerful and integrated system that allows a company to build a bridge between a company's strategy and the exceptional customer experiences which in turn are the driver to customer advocacy and loyalty. Having strategies in place can definitely have an organization more confident on how to take care of their current customers and how to bring in more customers. Having a company in today's modern world is hard enough, keeping customers and earning profits is even harder. A company should always keep in mind that there are three models to properly analyze customer values: customer value in exchange, customer value buildup, and customer value dynamics. These are very important as they allow the company to breakdown all the values into groups to clarify what needs to be done to keep their values where it needs to be and keep their customers satisfied (Azaddin, 2004).

Diageo currently does not seem to have multiple strategies in place, however they "are continually working to deliver amazing customer experiences and to extend our sales reach" (Diageo, 1). Diageo's best way to grow as a company is through their consumers. They work very hard and diligently to serve top shelf alcohol to consumers all over the world. They sell in over 20 markets worldwide and are successful in each one. Diageo is very passionate about their customers and one important strategy they seem to have is that they always remain innovative. Their competitive advantage is to always remain on top by always being the first to come up new liquor or spirits. This keeps the customer wanting more and more of their product. They always keep the customer first and that's most important when all of your profits are derived from consumers.

Sustainable value creation had many areas that managers must focus on and one facet of value-driven management that is relevant to customers is organizational culture (Pohlman and Gardiner). Every organization has its own individual culture and their own understanding of how it works (Mujtaba, 2014). This relates to the importance of customers as customer service and appreciation is a part of an organization's culture. For example, having employees treat their customers with special preference or treatment is all derived from the organization. Like previously mentioned, customers are a huge asset to a company and having an organization incorporate their customers into their culture is a plus. It teaches employees that customers are their first priority and pleasing them and taking care of them should always come first. This force is definitely a value adder when coming to Diageo or any organization in question. Customers, when taken care of properly, will add value to the company and ensure success. As long as the company has good strategies in place to maintain excellent service, customer

satisfaction and loyalty, it will always benefit the firm. Customers can be a value destroyer if the company has a poor system. At Diageo, they currently put their customers as their priority and make sure they are always provided with excellent customer service and satisfaction with their products.

Another facet that is related to customers is customer values. This appears to be the most overlooked value. A company will always state they put the customers first however when truly analyzing the situation, the customers aren't always put first (Pohlman and Gardiner, 2000). When customers don't feel appreciated or feel like their "issue" or problem wasn't heard or even solved, the company failed to meet the customers' needs. Just because a company states they focus on the customer, does not mean there is actually a plan or strategy in place to resolve service issues effectively and efficiently. For example, if a cable company informs a customer that they will be at their home within a 12 hour window and inform the customer they need to be home and the cable company never calls the customer to update them until they are on their way. In order to meet the customer's needs, the driver that day should be in constant contact with customers to give them a more accurate time frame so the customer is updated. Plans like this should be in place so the customer feels valued and plans to continue do business again and again. Furthermore, there are companies that do have customer service strategies that are implemented on a daily basis which can definitely boost customer value. For example, Amazon has a feature online to where if you needed to speak to a customer service representative, they immediately call you after you enter your phone number online versus dialing the customer service number with other companies and then being on hold for several minutes. Providing immediate and quick service to customers demonstrates that they care about their customers and are willing to meet their needs right away. When implemented correctly, this direct force is definitely a value adder. This force will show employees the company cares which will bring back repeat customers and, due to their loyalty, they will spread the word of the company's excellent service with potential customers.

A third facet that is very important and relevant to customers is the owner's values. Owners of companies have their own set of values to meet their goals of their company in order to succeed. When dealing with a huge corporation like Diageo or something similar, the owner's values become a little more complicated. In order for owners to achieve their goals, they need the help of all of their employees and also they need their customers' needs fulfilled so they can earn a profit. If an employee feels an asset or share needs to be given away to allow the company to succeed it needs to be mentioned to the appropriate department and then to the owner. If the employee feels it is necessary to do this on their own, they need to take it out of their own assets since it is not their personal corporation and cannot make the big decisions. At the end of the day, employees assume that they are just paid workers of the company and in order for the owner to achieve his/her ultimate goals to succeed they need all employees to be actively engaged and follow the instructions provided. This also includes dealing with customers. The employee cannot willingly give away products to customers to satisfy them. Employees should always take into consideration both the owner as well as the customer. The owner should always have the best interest of the customer. For example, Diageo's owner values consist of being passionate about their customers, allowing employees to have the freedom succeed, being proud of their high standards of integrity and social responsibility, striving to be the best at what they do, and valuing each other by seeking diverse people and perspectives (Diageo, 1). Diageo's owners actually allow their employees to complete annual employee value survey's to ensure they are properly demonstrating their corporate values as an organization. In reference to Diageo, this strategy of the owners is a value adder. They make

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it their mission to maintain their values which incorporates the customer's as well as their employees' best interest. This allows the owners to achieve their goals to succeed. However, this value could easily become a value destroyer for other corporations. There are several employees for big corporations that have that "don't care" attitude and don't take into consideration the owner and, thus, do as they please. With having employees like this, it opens the door to having a poor system which could potentially have the owner not achieve their goals of satisfying customers. To transform the value destroyer into a value adder, companies should have workshops that teach employees how to act in certain situations and who to call with questions versus taking things into their own hands and potentially "giving away the farm".

Another direct force important in today's modern business world is competition (Jones and George, 2014). Management thrives off of competition, as many of their moves and strategies are based off of what the next business is doing. If prices are lowered elsewhere, the original company is forced to do the same in order to keep their customers away from the competition. The idea of businesses working against each other benefits the consumers and the buyers. When looking at the theory of competition, one must remember the various aspects that contribute to the idea. Factors like substitutes, power of suppliers, power of purchasers, new entrants, and the industry as a whole all play a part in the direct force of competition (Porter, 1979). Competition prevents many people from joining an industry because of the oversaturation of the market. There are many barriers of entry for a new business and management must know how to get around these obstacles, they include cost disadvantages, government policies, product differentiation, amongst many others (Porter, 1979).

Diageo is a special type of company because it literally controls the majority of what people may consider to be its competition. Before researching the organization, one does not understand the depth of products that is under control by one firm. Most people would consider Ciroc and Smirnoff to be competitors because of their popularity amongst Vodka consumers, but, in actuality, they are both owned by Diageo. Diageo's way of dealing with competition is similar to many other major brands, when possible they just buy them out. If Diageo sees a product that is doing well and they know they could capitalize on it, they simply join forces with the brand. Facebook, based on observation, does this similar tactic by buying out Instagram and WhatsApp and letting each company still keep their own identity yet remain under the Facebook umbrella. It is management's job to decide which form of competition they want to be placed against and their plan of coping with it.

By understanding the values of one's competitor and how they deal with customers, third parties, suppliers, and external factors over time will leave a better understanding how to formulate a strategy against them, or better yet, predict their next move (Pohlman and Gardiner, 2000). Knowing the values of a competitor over time can be described as a value adder. Another facet of value driven management that has ties to competition is Owners' Values. These values are described as the values over time that the owners have in mind in order to reach the objectives and goals of a company. If assets are used for other stuff than to benefit the organization, then owners should use their personal assets (Pohlman and Gardiner, 2000). Employees, however, may do tasks that are not aligned with the goals of the company and the owner, this leads to miscommunication and problems. When it comes to competition, it is the owners' value over time that is competing with the other business. Both businesses are selling similar products and must have similar goals for their respective firms, what creates the winner amongst competition is the goals and values that the owner sets in place for their employees and subordinates to follow. The value of an owner could be categorized as a

destroyer or an adder. If an owner's goals do not lead to success or proper leadership for management, then the owner is destroying the company. To correct this negative and downward trend, one can compare it to the value of an owner with a successful corporation. The owner or CEO of Diageo is running a very successful business right now, the goals are realistic and being executed. Consumers love the product and competition cannot seem to keep up, if an owner with destroying values wants to learn to correct their mistakes then taking a lesson from the value of Diageo would be a good start.

Along with direct forces that affect management and the tasks at hand, there are also indirect forces that can impact the decisions of managers and strategies of an organization (Mujtaba, 2014). These forces are more general and seem to affect businesses on more of a macro level compared to direct forces that affect at a micro level. One indirect force important in today's modern business world is the economy. The economy in our nation and nations all over the world are affected with any modern organization. Any active business performed affects the economy in a positive or negative way. Some factors that affect the economy are inflation, unemployment rates, interest rates, and the gross domestic product (GDP) (Frey, 2002). Companies need to take into consideration when they conduct business that they are not only watching their profit margins go up and down, that they are also a part of the bigger picture, the economy. Diageo is actually in a market that can flourish when the economy is experiencing a downturn. According to CNN, alcohol sales have climbed with little interruption throughout this recent recession (Smith, 2011). Being a successful corporation in the alcohol industry can actually be beneficial as you have the opportunity to succeed in a growing economy and during a recession. The following are strategies to help stimulate the economy are examine and analyze the economic structure of the cities you are entering or already in as different cities provide different outputs and could be in a worse economic state than another city (Kresl, 2010). Another strategy useful for a modern company is to carefully invest in countries or other businesses. Investing can cause a stimulus in the economy and also developing countries. The outcome of these investments should stimulate a stable foundation for businesses and industries to thrive which can then increase opportunities for employment which causes consumers to spend more (CIDA, 2008).

Diageo's current strategy in dealing with the economy is constantly innovating products to always keep their products in the market. They are always innovating on their own and collaborating with other companies. By innovating new products, they are stimulating the economy by allowing consumers to buy new products to try. Diageo is also heavy into joint ventures as they look for companies that specialize in innovative technology and pioneering engineering so they have people from all perspectives creating a product that can be enjoyed in all of their markets worldwide which in turn stimulates markets all over the world (Diageo, 1). Diageo also has 32% of shares in United States alone. Like previously mentioned, they own several brands that are all popular consumer drinks. They have a huge share in America alone which can cause an influx in pricing even when the economy is facing a downward trend due to the nature of the business. Diageo makes a point to remain in the market and always have their products at an easy reach.

As well as direct forces, there are facets that go with indirect forces. One facet that is relevant to the economy is Cultures External to an organization. When dealing with the economy, especially globally, any negative trends can affect your business depending on the nature of the company. A company must always keep in mind that every country's values and customs will differ from their local country and it needs to be taken into consideration before entering the

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market. It can affect sales and stability. If Diageo were to enter Greece, if "grease" payments are now allowed to be made since 1988, it allows Diageo to pay government officials to speed up the process to potentially distribute their spirits. Every country has their own set of rules and regulations to become a distributor and it all has to pass through the government. Most countries are not like United States that have accurate turn times of when to receive final documents. They will most tell you "they will get to it when they can", which means it won't be anytime soon. Therefore, grease payments are at times needed because you as a distributor want to sell your product as soon as possible to make profits. This facet can be classified as a value destroyer as some countries' laws and cultural norms can cause setback on a company entering the market which can then cause future delays and losses. In order to transform this value destroyer into a value adder, governments should have an easier process to enter markets worldwide and countries that are members of the United Nations (UN) should have a process designed for nations within the UN that speeds up the process.

Another fact that is relevant to the economy is Third Party Values. Third party values is important to take into consideration as one must take into consideration the values needed by the government agencies and unions. For example, unions look out for employee rights to ensure they have the benefits they deserve. An organization needs to take into consideration how they treat their employees. Also, when dealing with government agencies such as FDA or OSHA, there are laws that need to be abided by as well as fees and tariffs that must be paid. Some companies need to make sure they remain within the laws and pay the dues on time. Companies tend to fall behind on some payments and later shut down, which in turn can affect the economy worldwide, especially such a large company as Diageo. As mentioned previously, consumers purchase alcohol in a flourishing economy and in a recession so if a huge corporation is no longer in existence or suspended due to unions or governmental agencies, there will be a lack of cash flow. Consumers won't be able to purchase goods they enjoy.

Another indirect force affecting management is the value of demographics. Demographics include various characteristics within people that make up classifications or differences in society. Some examples of demographics include age, gender, income, race, amongst many others. It is extremely essential for a manager to understand the importance of demographics and the various interests and dislikes that are associated with each group. For example, age, which was discussed earlier, creates a generational gap that includes music, mindsets, and of course what people decide to purchase. Management must adjust with the times, which seem to have been the case for many competitive firms in today's global and dynamic workplace. If patterns are followed, many of the older CEO's of organizations have created apps and social media accounts to connect with the younger generation. Also, even subtle differences like creating cheaper versions or upgraded versions of the same product to appeal to people of all income levels. Apple, which is now expected to become the first trillion dollar American firm, seems to have done this when they released iPhones; they have the iPhone 5, 5c, and 5s that are priced differently so that consumers would be able to afford what they want. Diageo has learned the importance of demographics by having a wide range of products to appeal to all demographics. Their product line has been organized in a way to have consumers of all ages, races, income classes, and genders.

There are also facets of value driven management that go along with the indirect force of demographics. One of those facets is Cultures External to the Organization. Keeping an open mind to external cultures that are different from your organizational culture are key to maintaining employee stability and growth. Employees must be aware of a specific country's set of values as well as international set of values (Pohlman and Gardiner, 2000). When it

comes to Diageo, being an international company, they have had to be able to separate their home, English, culture from that of other diverse cultures around the world. They have products that are sold exclusively in some countries and by learning their culture, they are able to remain successful. Also, it allows them to tend to the needs of employees of different backgrounds and become more understanding towards specific situations that occur. This facet definitely adds value to the firm. One could never have enough knowledge about different cultures and the more that is known, the more it would be beneficial to any company.

Another facet that applies to demographics is also Employee Values. Demographics are not only important for appealing to the customer, they are also necessary to provide happiness to the people under the payroll. Employees come to an organization with their own set of values, it is sometimes deemed as a challenge to integrate those values with those of the organization (Pohlman and Gardiner, 2000). A person may be strongly against the idea of child labor, if that person gets hired at Nike and later finds out about their past international practices and connection through some of their vendors who were involved in child labor, the person must either align their values with Nike or begin to look for another job. Also, some employees prefer to work under heavy supervision, while other prefer more freedom and expression, their organization could be the same or opposite of their preference. Employees could add value when they are actively engaged in the affairs of the company or destroy value when they are social loafers, unhappy, and/or disengaged. If values of the employee and company seem to align, the employee would be more satisfied in their work environment and would want to be more productive. If these values do not align well, employees and the management team would be annoyed and miserable; the employee would not like their job and would continually do the bare minimum to get by. One way to solve the issue of the value being destroyed is by creating a compromise with the employee if their personal value over time is worth the risk. If the employee cannot align his/her behavior to the values and expectations of the firm, then it would be best for the individual to look for another job; or management can terminate the individual if his/her productivity is not up to par with their peers.

SUMMARY

Diageo is a worldwide organization that is respected domestically and internationally. Their products are popular and have become a staple within the community of people who consume liquor. According to Diageo's website, the term Diageo is derived from Latin and Greek origins and symbolizes that every day and everywhere their brand is being celebrated. Diageo's success could not be mentioned without giving credit to their management team. Diageo's management team even takes part in socially responsible acts like dedicating 20% of advertising funds toward alcohol abuse. The firm has become a leader in marketing and innovation without even having their name across various forms of media, they let their products do the talking instead of the actual umbrella company. Diageo is not officially a user of market based management or value driven management but it does apply similar principles that contribute to the longevity of the company. For example, with their marketing, it appeals to all demographics. Whether if somebody is old or young, rich or poor, or from completely different sides of the world, they all can be buyers of some type of a Diageo product. Diageo knows how to make their brands culturally acceptable and loved no matter where it is placed. As stated earlier, Johnnie Walker Black changes their logo to appeal to the annual Carnival festivities in small countries like Trinidad and Tobago. This firm also uses value driven management strategies, a key principle of which is using the market as a basis for comparison and Diageo does just that. Their prices are competitive with the market as well as their line of products. Nothing is out of the ordinary or segmented from the rest of alcoholic beverage

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industry. If Diageo did apply a market-oriented focus within their organization, they would have the potential to be even greater. This would allow their employees to have an entrepreneurial mindset and produce even better ideas of marketing and innovation. Although, they are not lacking in the innovation field, they could always become better.

In order for Diageo to stay on top of the market, a crucial part of their growth strategy is to keep being leaders in innovation. For example, Diageo has a product in Ghana named Ruut Extra, which is a beer made of cassava. Cassava is locally grown across Africa and the West Indies and has become a staple beer for all Ghanaians. By using local ingredients and employees, they have been able to create something completely new that could be appreciated by the people of Ghana.

There are some driving forces from the task, general and global environments that attributed to the success of the management of Diageo. These could be categorized into direct forces which are external factors that affect the business's goals directly, and indirect forces that affect the goals of a business on a macroscopic level. The direct forces that affected Diageo are customers and competitors, while the indirect forces were the economy and the demographics. They both had some aspects that added value and some that destroyed value.

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