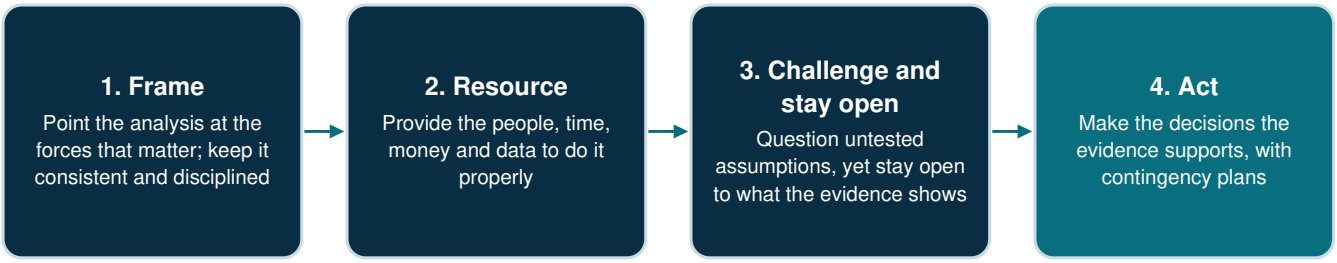
Implications for leadership and management

MODULE 2 | 2.7 | STUDENT COMPANION

Why it matters. CPAs help align structure with strategy, allocate resources and budgets, and set key performance indicators. Identifying the key external factors guides decisions about whether change is needed and which strategies to pursue, and it gives transformational leaders the evidence they need to convince people that change is necessary.

Four roles of leaders in the external analysis



Scepticism without openness misses the future; openness without scepticism chases every fad

Responding to change

	What leaders should do
Known changes	Know the industry's life cycle stage and watch for signs of transition to the next
Unknown changes	Watch for disruptions: established thinking blinds incumbents until it is too late
Foresight	Learn the industry's history and emerging trends; prepare contingency plans
Ethics	Weigh and safeguard all stakeholders' interests: integrity, accurate and objective information, transparency, data protection, confidentiality, compliance
Using the analysis	Position the organisation, tilt the forces in its favour, and respond early to shifts

Managing data

Gather data needs across marketing, finance, legal and operations; manage data in-house, through data curators or specialist firms; be clear about what is needed and why. Information technology and finance leaders should work together on digital foundations, innovation and defence against disruption, through disciplined innovation programs tied to the strategy.

Key questions and the tools that answer them

Key question	Tools from this module
What's our industry, and how broadly should we define it?	Industry definition
How do products reach customers, and where do we sit?	Industry value chain
Which segments exist, and which are growing or shrinking?	Industry segmentation, historical data
Which life cycle stage is the industry in, and are all segments at the same stage?	Industry life cycle
Which remote factors drove past growth, and which will drive future growth?	STEEPLE
Which forces determine profitability, and how are they changing?	Five forces, plus complements
Who are the customers, and how are they grouped?	Market segmentation
How do providers compete, and what does it take to succeed?	Basis of competition, strategic groups, key success factors and a competitor analysis worksheet

What makes digital platforms different

Algorithms and data
Collect and process data, and make decisions from it

Network effects
Each new user makes the platform more valuable to others

Data advantages
Scale and scope newcomers can't match raise entry barriers

Growth before profit
Many put user numbers ahead of short-term profit

Expansion
Move into related services to gather more data

Effortful switching
Time, effort and attention keep users loyal

Competition is rarely just one click away

Why platforms challenge competition law

Issue	Why it is hard
Defining the market	Services are often free to users and paid for by advertisers
Merger reviews	Turnover or asset thresholds can miss the purchase of a young, data-rich start-up
Timing of intervention	Repairing competition after a platform dominates is difficult, so many argue for regulating the largest platforms in advance

Case note: Australia's News Media Bargaining Code

Australian news publishers had watched advertising revenue move to the large digital platforms. On 25 February 2021 the federal parliament passed the News Media Bargaining Code, designed to make the largest platforms negotiate payment with Australian news businesses. A week earlier, Facebook had blocked news for its Australian users, briefly catching some government, health and emergency pages too. After last-minute amendments, news was restored, and Google and Meta signed more than 30 deals with publishers, which the then ACCC chair Rod Sims estimated at more than A$200 million a year. In 2024 Meta said it would not renew its deals, and in August 2026 Parliament passed a News Bargaining Incentive: a charge of 2.5% of large platforms' Australian advertising revenue, reduced by deals with news publishers. A political and legal factor keeps reshaping the bargaining power between an industry and the platforms it depends on.

Sources: SBS News, 25 February 2021; Treasury, News Media Bargaining Code review, December 2022; Press Gazette, 24 February 2022; Treasury and Reuters, 20 August 2026.

Practice questions

MODULE 2 | 2.7 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Match the questions to the tools

Imagine **Coral Coast Ferries**, which is considering a new regional ferry route.

Strategic question	Tool(s) to use
(a) Should we see our industry as passenger ferries, or as regional transport?	
(b) Will travel on this route grow faster than average over the next five years?	
(c) Can we earn a decent return, given fuel suppliers and the port authority?	
(d) Should we target commuters, tourists or freight customers?	
(e) Who else serves this route, and how do they compete?	
(f) Is regional ferry travel a growing or a mature industry?	
(g) Where do we sit between shipbuilders, ports and booking platforms?	

Question 2 - Platforms and a regional tour operator

Imagine **Red Dust Tours**, a small outback tour operator. About 70% of its bookings come through two global online travel platforms, which charge commissions of 15% to 20%, control how high its tours appear in search results, and host the reviews that most customers read. Analyse the power the platforms hold over Red Dust Tours, and recommend how it could respond.

Question 3 - When the chief executive dismisses the evidence

Imagine you are the CPA in the strategy team of a chain of 120 petrol stations. The external analysis shows electric vehicle sales rising quickly, but the chief executive says: 'Electric cars are a fad. Our customers will always need petrol.' How should you respond?

Worked answers

MODULE 2 | 2.7 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Coral Coast Ferries

Question	Tool(s)
(a) Ferries or regional transport?	Industry definition (narrow versus wide)
(b) Faster than average growth?	STEEPLE remote analysis, with an average growth benchmark
(c) A decent return?	Five forces (supplier power, rivalry and so on) and a profitability benchmark
(d) Which customers?	Market segmentation and segment analysis
(e) Who else, and how?	Basis of competition, competitor analysis worksheet, strategic groups
(f) Growing or mature?	Industry life cycle, historical data
(g) Where do we sit?	Industry value chain

Question 2 - Red Dust Tours

Assessment: the platforms are powerful buyers and gatekeepers of distribution. They supply most bookings (concentration), set commissions, control visibility in search, and host the reviews. Network effects make them the first place travellers look, so leaving is costly.

- **Build direct channels:** a good website, email lists, repeat-customer offers and partnerships with local tourism bodies.
- **Use platforms for discovery, then convert direct:** encourage repeat customers to book direct next time.
- **Diversify:** add other platforms, inbound travel agents and corporate or school groups.
- **Differentiate:** create experiences that earn outstanding reviews, which strengthens its position on every channel.
- **Track the economics:** measure the true cost of each channel, including commissions.

Question 3 - The CPA's response

- **Bring evidence, objectively:** registration and sales data, trends overseas, charging infrastructure growth, and the time frame over which change could occur.
- **Quantify the impact:** model scenarios for fuel volumes and margins under slow, medium and fast adoption.
- **Agree early warning signs:** set indicators and trigger points that would prompt action.
- **Propose low-cost options:** pilot chargers at a few sites, grow convenience retail and food, review lease terms on sites most exposed.
- **Respect governance:** if the risk is material, make sure the board hears about it; objectivity comes before agreement. Acknowledge uncertainty, avoiding both dismissal and alarm.