

Strategic audit case study sample

Business, Company



Written Strategic Audit

(For The Recalcitrant Director at Byte Products, Inc. Case)

I. Current Situation

- Current Performance

Byte has been a market leader for the past 6 years with steady annual income of 12% and a total turnover of about \$265 million. Byte also has a market share of 32 percent. However, upsurge in demand has attracted entry of new firms placing its market leadership in jeopardy.

B. Strategic Posture

- Mission

- Objective

- Strategies

- Increase production capacity by constructing a new production plant that will significantly increase output in the long run.

- Maintain its market leader position and forestall additional competition in a competitive market by renting a temporary plant to increase output and meet demand in the short run before the completion of the new plant.

- Policies

- Not mentioned in the case.

II. Strategic Managers

- Board of Directors

The board of directors comprises of 11 members James M. Elliot the chairman of the board, three inside members, Mr. T Williams and other 6 outside members. The case indicates initial owners being the majority

stockholders. All the eleven board members have equal voting rights. Mr. T Kevin Williams' knowledge and skills stand out as he solely challenges and raises important concerns over the sustainability of the temporary plant. The board members actively involves itself in strategic management as they evaluate proposal's viability and its long term overall effects.

- Top Management

His skills and knowledge are evident as he recognizes the problem and interacts cordially with low level managers as he seeks a methodical approach to address the market demand. He then floats a systematic approach proposal to the board to help counter the competition and meet the market demand. However the top management fails considers environmental and social effects of their proposal.

III. External Environment

A. Natural Environment

Not mentioned in this case.

B. Societal Environment

1. Economic

- The economy is stable and profitable. (S)
- Increased competition due to profitability of the industry poses a great opportunity for the company to gain more market share. (O)
- Entry of new firms who are trying to meet the unsatisfied market poses a real threat. (T)

2. Technological

- Increased penetration of computers and information technology.(O)
- Emergence of East Asia as the new hub of electronic products. (T)

3. Political-Legal

- Africa and other developing parts offering enormous market potential.(O)
- Socio -cultural
- Increased desire for sophisticated electronic products.(O)
- Developing world desire for goods advertised. (O)
- Threat of new entrants -High
- Bargaining power of buyers -High
- Threat of substitute product or service -High
- Bargaining power of suppliers - High
- Rivalry among competing firms -High
- Relative power of unions, government, and special interest groups, etc -
Low

IV. Internal Environment

- Corporate Structure

The Board of directors and top–level management undertakes major decision.

- Corporate Culture
- Quality is paramount – commitment to quality shared by top management, board and workers
- There is huge concern for impacts of the corporate decisions to the environment and well being of the community

C. Corporate Resources

1. Marketing

- The company is the market leader for the last six years. (S)

2. Finance

- Revenues are up significantly by 12% recording sales of \$35 million.(S)
- Market share of 12%. (S)
- Turnover of about 265 million dollars.(S)

3. R&D

Market oriented research is done in the light of increased competition with an aim of maintaining market control and sustainability this gives the company has competitive edge.(S)

4. Operations

- High quality product development.(S)
- Strong engineering support and for electronic components. (S)
- Excellent support and customer service.(S)
- Plants are lacking capacity to meet demand due to reduced efficiency and may need upgrading. (W)

5. Human Resources

Byte Products has excellent relations with its employees. (S)

6. Information Systems

Available information systems are mentioned in the case. However, it's a critical area that may need upgrading to increase efficiency and intern output. (W)

V. Analysis of Strategic Factors

A. Situational Analysis (SWOT)

1. Strengths

- Well established and respectable brand.
- Booming and escalating demand for its products.

- Well established structures for manufacturing quality products.
- Outstanding customer service and support.
- Excellent employee relations.

2. Weaknesses

- Poor global positioning and experience
- Lack of capacity to meet demand
- Lack of solid planning and forecasting

3. Opportunities

- Increased market demand
- Good prospects of other potential markets.

4. Threats

- Competitive rivals.
- Review of Current Mission and Objectives
- Missions and objectives should be well defined and structured.

VI. Strategic Alternatives and Recommended Strategy

A. Strategic Alternatives

- Horizontal integration

Pros

- Eliminates competitor.
- Expands the market share current product line.
- Increases capacity since it acquires operational structures.

Cons

- Huge investment will be needed to affect this strategy
- Applying Stability strategy

Pros

- Maintain the same product line
- No risk involved.
- Maintains the same market share.

Cons

- Causes stagnation in growth and expansion due to unwillingness to take expansion risk.

B. Recommended Strategy

Opening the new temporary plant is an ideal plan to increase capacity.

However, the proposed location may be far from being appropriate. Top management should weigh the pros and cons of the location and perhaps they can come up with an alternative location. Since, the state of the art plant will be situated in the South West; the temporary space should be sought there to guarantee job opportunities to the community around even after the temporary plant is extinguished. Another alternative would be sourcing for a temporary space close one of the existing plant. The effect of the intended closure will be minimized as the human resource will just be transferred to the new plant after completion.

VII. Implementation

The viable way to safeguard the market share would be to go ahead and immediately acquire a temporary plant keeping in mind the important queries raised by the board members. Some board members would obviously be displeased, but the measure is healthy for effectively compete. Also, marketing, efficiency and good forecasting should be improved.

VIII. Evaluation and Control

Systems should be developed to assess the existing plant's efficiency levels and recommend an upgrade to ensure their maximum output is realized.