

Evaluating the key perspectives adopted by lojack micrologic marketing essay



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Part 1:

Introduction

Strategic alliances have become the foundations for the success of businesses, as firms attempt to access and absorb the capabilities of other firms. Lojack Micrologic is a Strategic network alliance. Its strategic significance is clearly dependent on the emerging global markets, shortened product cycles and rapid pace of new product introduction. It is a production oriented alliance, and therefore its primary goal is to pool resources from multiple firms and thereby increase its economies of scale. A decision to form an alliance involves considerations of relation-, network-, and market-level factors, and so is true with Lojack Micrologic alliance in which both intend to expand by developing new products and incorporating new technology. The alliance is based on Co operation which involves financial investment, long term commitment along with some degree of risk.

Even though faced by several competitors (Teletrac etc) Lojack's products are more favourable to the consumers due to their cost effectiveness and monitoring by law agencies. Clearly, Lojack is based on technical dependence and it entered into an alliance to avoid a potential threat from new dealers and with cost cuts, reduction in prices and margins and competitive threat from other companies. Whereas Micrologic required additional capital and marketing capability to launch its new products and wanted to work with Motorola, hence it entered into an alliance. The initial phase of the cooperation can be described as learning-oriented, as it had been the objective to develop new technology required for the SVR-System

whereas later when the cooperation matured, it became more linking-oriented.

Lojack Micrologic firms are not only goal directed actors, but actors who are subject to relation-, network-, and market-level influences. Therefore, the key strategic inter organisational issues relating to this alliance are based on the relational actors, relational objectives, relational factors and arrangements. (Appendix A)

Evaluating the key perspectives adopted by Lojack-Micrologic

Relations between organisations are characterised by a dynamic mix of competitive and co-operative behaviour. Therefore, based on this concept, the Lojack Micrologic alliance can be evaluated by adopting two perspectives: either a discrete or an embedded organisation.

The Paradox of Competition and Co-operation De Wit & Meyer

Competition Cooperation

Network level Strategy

Discrete organisation Embedded organisation

' clear/ sharp boundaries' ' fuzzy boundaries'

Negative sum game Positive sum game

' Altering the Boundary'

Clearly, from the above paradox of competition and cooperation, the initial alliance, was strengthened by co operative relationship and both retained

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their identities. But, to obtain market power, independence is required, and this is exactly what Micrologics strategy (of launching its own products and services) indicates. Similarly, Lojack forming an 'in house' team, reduces its dependence on Micrologic, thus generating negative sum outcomes- a characteristic of a discrete organisation. However, organisations rarely operate in isolation and rely on interactions with other organisations, in order to compensate for lack of knowledge and the capacity to provide products or services. Trafford and Proctor, (2006). , which is true with this alliance.

Essentially, the key strategic aspect of Lojack Micrologic alliance was Cooperation, since both companies had common goals and had support at the top management level. Even though Micrologic was unable to deliver the new product design for Lojack, both still remained trustful partners.

This trust, reciprocity and mutual dependence, therefore strengthened the alliance, generating mainly positive sum outcomes - a main feature of the embedded organisation. Relational embeddedness increases trust, controls opportunistic behaviour, leading to confidence in potential alliance formation.

Analysing the development of the alliance over time:

With rapid change in technology, the value of alliance can change with time, and so did the Lojack Micrologic alliance. Micrologics change in strategy (by making its own products and deciding to settle on the industry of information service.) and, Lojacks own 'in house' technical team,(requiring Micrologic only for long term technology strategy and when its staff require it) and

more written documents between them clearly indicates a transactional relationship.

This is an alliance which has developed over a period of time, and has reached its peak of success. Lojack is opportunistic while, Micrologic is dependent due to resource scarcity. Although initially embedded relationship exists between the two, however, Lojack becoming more independent contrasts to this concept. This therefore, makes Micrologic more vulnerable, and can lead to a one-sided alliance. Although, the combination of competitive and cooperative behaviour is required for a flexible alliance relationship, it is difficult to manage these forces, as either of the firm gets more competitive leading to conflicts. Compared to Micrologic, Lojack has a competitive edge over Micrologic, due to its excellent financial position.

The SWOT Analysis can be used to evaluate the strengths, weaknesses, opportunities and threats faced by this alliance.

Internal Factors

External Factors

Lojack Micrologic Alliance

Strengths: Lojacks strength lies in its distribution network, law enforcement agencies, customer loyalty, sales and marketing expertise and experience in technology of tracking and position location.(Internal factor)

Weaknesses: Micrologic has difficulty in providing Lojack a low cost, light weight and self-powered product technology. Also, Lojack's product is unable to create desired profits. (Internal factor)

Opportunities: The exchange of resources is beneficial to both the companies in the alliance. With collaboration and co operation, both can develop new products and can together improve customer satisfaction and resolve their weaknesses. (External factor)

Threats: Lojack's new strategy to enter the highly competitive commercial fleet market involves very high competition from new entrants, compared to privately owned cars. Although both want to launch their own products, however, Lojacks decision to ally with Micrologic indicates its defensive measure to protect its business from threats of global brands and technology. With exchange of resources, (Micrologic) could become more independent and could become a major threat to the alliance.

The rules and regulations change with change in political climate and these rules and regulations are different in different countries. Therefore the law agencies are a threat and can be a hurdle in the strategic alliance goals of expansion.

Similarly the tariffs and taxes (that the companies have to pay) are different in different countries and are therefore a threat since, these can cause high costs to both the companies.

Above all, the change in strategy by both makes the alliance vulnerable to engage in further partnership.

Although SWOT analysis establishes a framework for the alliance, the Porters Five Forces (appendix A) can be applied more specifically to the competitive environment of the business world. Strategic planning and vision is required for the future success of Lojack Micrologic alliance and the Balanced Scorecard method can be utilised for the same.(as described in Part 2- pp 18-19).

Will the New alliance be successful?

The initial alliance was based on technical dependence of Lojack over Micrologic. For Lojack technology was vital to its success and to its value proposition, whereas Micrologic was a small sized independent product development firm. Therefore for Micrologics expansion goals, sharing of resources will be more beneficial.

Organizational capabilities can have many dimensions, such as technology capabilities, advertising capabilities, financial capabilities, and dynamic capabilities and hence Micrologics technological capabilities are critical to interfirm resource combinations, and failure to accomplish its goals could create conflict within the alliance. The very purpose of future Lojack Micrologic alliance is to minimize risk while maximizing profits in the global market.

The initial success of the alliance is a good reason to engage again in further alliance since:

Prior experience in interfirm relationships is helpful in managing relations and in joint decision making, conflict management and sharing risks as well as rewards equally.

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Good co ordination between the firms exists due to structured individual and group knowledge.

Interfirm issues and problems can be better resolved.

The two firms can identify their potential synergies with ease.

Micrologic is dependent on Lojack with respect to finance, and although Lojack is technology dependent it has the patent ownership. A balanced interdependence.

Although there is a change in strategy it is the trustful (embedded) relation of the initial alliance between the two, which makes it conducive to engage in future alliance formation. However, over embeddedness can also lead to a one sided alliance, giving away more to the partner than receiving. Therefore there has to be a balance of both co operation and competition for alliance success. For this, Lojack Micrologic will need to ensure that their strategies are: part of the overall corporate strategy, are consistent, coherent, effective and appropriate, sustainable and supported by operational processes. It will have to be aware of the organisation's resources, capabilities, competencies and customers.

In essence, for future alliance success both will need to:

Assess and define their business vision and be ' strategic fit'.

Evaluate the process based on the level of synergy.

Recognise potential opportunities.

Implement systems for performance monitoring.

Although, the future alliance seems beneficial, it can also have inherent disadvantages (as argued by Michael Porter) involving costs of coordinating, reconciling goals and giving up profits.

Therefore, alliance structuring and its management will be necessary for its future success.

Conclusion

The Lojack Micrologic alliance is market-driven and therefore customer-focused. It is related to inter firm cooperation issue of trust between the two partners. Compared to Micrologic, Lojack controls most of the variables determining consumer demand (i. e. price, quality, advertising, customer service).

The initial alliance was for development purposes, but with change in strategy, the arrangements between Lojack and Micrologic changed, and both became more competitive. Both became independent over time but they still required each other to be successful in the wider global market since the risks involved are higher in the global market. This dependence between the two makes them an embedded organisation. Therefore, the important factors for the initial alliance success are:

Both had Strategic purpose and support from senior management.

Compatible partners (relationally embedded).

Performance expectations in terms of their common goals had been met.

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It was a 'trust relationship'.

Therefore, the vital ingredients required for an effective alliance are a combination of:

Trust and motivation between the partners,

Conflict management

Co operation

Clear objectives and responsibilities,

Resources,

However, the new alliance can face conflict, if either of the two becomes ambitious and competes against each other. This risk of opportunism by an alliance partner can be reduced if there is a significant credible commitment from its partner in advance.

Finally, although alliances are often linked to success or failure, a successful alliance does not have to last. Success is measured not by duration, but by whether objectives have been met.

To achieve the objectives, the alliance partners need to assess the shift in strategies and balance of power between them.

In the global market, competition is very high and the risks involved are higher, therefore the alliance partners need to have control over their products with respect to relationships with the government, suppliers and

car dealers. Clear objectives must be set to show vision and strategy (Balanced Scorecard) of the alliance.

Greater firm alliance experience may be necessary and important, but it may not be sufficient. For this a strong and decisive leadership is required to manage the alliance. Trust relationship within an alliance helps in decision-making, and problems and conflicts can be better resolved. Prior ties facilitates trust through learning and accommodation.

Therefore, for the new alliance to succeed:

It will need to overcome any instability, (e. g. market instability) which can be achieved by locking in its assets.

It will need to strengthen the company, by controlling the regional distribution network (e. g. Lojack), getting the technical expertise and ensuring only limited access to its competitors.

Micrologic will need to ensure the balance of power is maintained within the alliance and its expansion goals are met.

Both partners must appreciate that their objectives are bound to change with time.

Open communication, shared values, and mutual respect increases inter organizational trust which is important for knowledge production and learning and to foster this the partners must have synergy between them to go beyond their individual and specific contributions.

Finally, Trust and synergy form the essential elements for the future success of the alliance and as rightly quoted by Kanter (1994), ' Successful partnerships manage the relationship, not just the deal'.

Part 2:

Compare, contrast and evaluate the analysis of the Lojack and the Micrologic Alliance case study carried out in Question 1 above with Public Sector alliances in general. Identify and evaluate key differences and similarities by applying relevant concepts studied in the module. You may use examples based on cases studied in the module or from your own reading, knowledge and / or experience.

Lojack Micrologic Alliance and Public Sector Partnerships in general:

A Partnership is defined as: " Two or more organisations acting together by contributing their diverse resources in the furtherance of a common vision that has clearly defined goals and objectives", the same is true for the Lojack Micrologic alliance.

In the public sector, partnerships help to deliver quality public services whereas Lojack Micrologic is an interfirm alliance, where both are concerned with the product development and its delivery, and are customer focussed. Public sector Partnerships are required to provide better value for money, within limited resources.

Lojack Micrologic alliance requires continuous innovation in their products, due to rapid competition in this field, similarly the public services have to

satisfy their customers and the wider community and therefore require Partnerships (especially with the public sector-PPP's).

Like the Lojack Micrologic firms, the Public sector is faced with competition from industry and consumer demands for higher quality, greater flexibility, and lower costs.

Public sector alliances (in the UK) deliver their services in a concept based on the Third Way, which involves the public, the private sector and the community, contrasting to this is the Lojack Micrologic alliance, which requires involvement of the regulatory actor, financial institutions, insurance companies, etc, all related to the product development.

Unlike the above alliance (where the firms themselves need resources to manufacture the product), the Public sector partnerships are funded by the government and involves decision making process along with the delivery of its services.

In Public sector partnership the public is regarded both as the citizen and the consumer. One common element between both the above alliance and public partnership is that both need mutual dependence and reciprocity of relationships between different sectors for them to succeed.

Cooperation and trust form the key to a public sector partnership and so was true with Lojack Micrologic alliance.

According to Mayo (1997), Partnerships entail four problems of: Leadership, Integration, Distribution and Participation and therefore, need to be dealt at the initiation process. Lojacks new leadership (Joe Abely) strengthened its <https://assignbuster.com/evaluating-the-key-perspectives-adopted-by-lojack-micrologic-marketing-essay/>

sales and marketing strategies and formed an alliance to reach more domestic and international markets which are full of long term opportunities. Thus leadership plays a very important role in an alliance.

The main reason for UK government to enter in partnership is to bring improvement within and across the Departments and to avoid conflicts.

The Lojack Micrologic firms operate in a constant fluid and fast moving environment, which requires them to generate profits in order to survive. Hence they are required to take higher risks and new innovative approach for expansion purposes leading to better value services, flexible delivery and high standard. However, in the public sector, there are several objectives, and a culture of taking lower risks, since the utmost priority is to safeguard the 'taxpayers' money, leading to less innovative approach to deliver public services.

Lojack Micrologic alliance generates and enhances its service to the customers, and adapts or changes according to the customer requirements. However, in the public sector such incentives tend to be less clear and are slow in response to customer demands.

Therefore the factors for successful partnerships are similar to the success of Lojack Micrologic alliance:

Respect and Trust

Leadership committed to a clear and open strategy.

A shared vision

Long term partnership

Compatibility and flexibility

Collaborative decision-making, with a commitment to achieving consensus and

Effective organisational management.

Other critical factors are identification of stakeholders, support and agreement within the organisation, open and effective communication, motivation, involvement of people (community), funding, clarity of partner roles and responsibilities, risk taking and trust.

An example of Community Partnership, studied in the module is the West Dunbartonshire Community Safety Partnership.

It entered into a partnership due to its

Limited resources,

a complex environment of community safety,

long term socio-economic problems and

To tackle so-called wicked issues.

In contrast to the above, Lojack Micrologic entered into alliance:

To develop new product and services for customers.

Upgrade Technical knowledge.

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To meet a statutory requirement.

To bid for, or gain access to, new resources.

Distribution network.

In the West Dunbartonshire Community Partnership the relational actors were: the council, the police service, the fire service and the health service and all these services needed to collaborate with each other, whereas in Lojack Micrologic alliance the relational actors like the suppliers, car dealers, law agencies, and financial institutions needed to collaborate.

The Community Partnership required a wider range of services to be involved, making it difficult to manage. Hence its initial failure was due to weak planning, lack of open communication and non-consultation during meetings, lack of direction (leadership), low key participation and involvement and poor decision making strategy.

The Lojack Micrologic alliance is far more skilled in running its business activities and some elements of service delivery, and assessing the commercial opportunities of potential new business ventures as compared to the West Dunbartonshire Community Partnership which was totally inexperienced in managing the partnership.

Therefore, failures of Partnerships are mainly due to unclear objectives and poor relationships, and especially when dealing with a non-profit business like the above Community Partnership, which initially failed due to poor management, lack of clarity of Board and staff responsibilities and lack of long-term commitment.

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Partnership Evaluation:

Ideally, evaluation needs to be considered at the beginning of a partnership, where it can focus on quantity, quality and the processes.

Quantity - outputs such as the rate that crime figures have gone up or down.

Quality - outcomes such as reducing the fear of crime and improving the quality of life for residents. Processes - management systems such as project appraisal and development systems or partnership working

After the initial partnership failure, the West Dunbartonshire Community Safety Partnership applied the Balanced Scorecard (Kaplan and Norton) method for a full strategic planning and management system.

Translating Vision and Strategy: Four Perspectives: A clear strategy requires two things: Specific objectives and a set of targets.

'To succeed financially, how should we appear to our shareholders?'

Objectives short term

Measures

Targets

Initiatives

To achieve our vision, how will we sustain our ability to change and improve?

To satisfy our share holders and customers, what business processes must we excel at?’

‘ To achieve our vision, how should we appear to our customers?’

Long term

The use of this model, for Community Partnership evaluation led to more flexibility in strategic planning, consensus agreement, integrated framework to link different stages of the process, shared vision, real commitment to joint working and above all improved Community safety. Similarly, this model can be used for the future strategy planning of Lojack Micrologic alliance which can establish both the vision and strategy, with respect to the above four perspectives(financial, internal business processes, learning and growth and the customers). The four perspectives are inter-dependent and therefore, an improvement in just one area will not be sufficient for the success of the future alliance.

Finally the strategy needs to be managed well to ensure a successful alliance:

Managing Strategy: Four Processes

The main objective of the Community Partnership was to reduce crime in the community, reduce substance misuse, reduce accidents and improve the partnership. By using the above Balanced Scorecard method, it was able to

put plans together and finally the performance was measured and reviewed against the overall Partnership strategy.

Thus, the Balanced Scorecard's measures are connected to the performance, however it requires to be modified with changes in the business environment, (eg, the change in strategy of Lojack Micrologic alliance.) The balanced scorecard approach recognises not only the financial side, but also measures the competitive advantages which are:

Efficiency of using resources.

Quality leading to continuous improvement.

Innovation by introducing new products.

Responsiveness.

Measuring the above, can explain the future performance of an organisation, and the alliance goals can be re-evaluated. These measures can take corrective action or exploit new opportunities by changing the organisation's strategy and structure.

The key differences between Lojack Micrologic alliance and Public sector partnerships are:

Public sector partnerships are to deliver a range of public services whereas Lojack Micrologic is an interfirm alliance, related to the development of products for expansion purposes.

Public sector partnerships create resources to build a sense of belonging and shared action. The partnerships encourage public involvement thus

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enhancing social cohesion, whereas Lojack Micrologic alliance is a task oriented alliance, as well as business oriented.(whereas

the West Dunbartonshire Community Safety partnership is to resolve the problem of community safety.)

Public sector partnerships are accountable to the wider public, whereas, the interfirm alliance will be responsible for the products it manufactures to its customers.

Managing relationships among multiple organizations (in the public sector) is more complex than managing relationships between two firms. Decision-making is difficult.

Lojack Micrologic had prior alliance experience, whereas the Community safety partnership was inexperienced in terms of strategic thinking and planning.

The Community Safety Partnership required a new organisational structure to achieve its goals, which is required in Public sector organisations, whereas Lojack needed an ally for expansion purposes.

The governance structure in Lojack Micrologic was informal, whereas in the Community Safety Partnership, (being a public sector organisation) had formalized structures.

Co operation between top level management led to informal communication processes between Lojack Micrologic as compared to the Community Safety Partnership.

Trust was the major player for the success of Lojack Micrologic alliance, while the initial failure of Community Safety Partnership is due to the lack of trust.

The Community Safety Partnership had different organisational styles and backgrounds of partnership staff; therefore achieving a common vision was difficult.

The key similarities between Lojack Micrologic alliance and Public sector partnerships are:

Co-operate to achieve a common goal.

Share knowledge, risks and rewards.

Trust each other.

Improve access to resources among network members.

Create value for money.