On business strategy assignment

Business, Management

Assignment on Business Strategy 1. Evaluate a company of your choice's Mission statement in the light of the 3 components of any Mission Statement. Also use the Abel framework to evaluate the business definition that this mission statement drives. Ans.) While a business must continually adapt to its competitive environment, there are certain core ideals that remain relatively steady and provides guidance in the process of strategic decision making. These unchanging ideals from the business vision and are expresses in the company mission statement.

The mission statement communicates the firm's core ideology and visionary goals, generally consisting of the following three components: a. Core values to which the firm is committed b. Core purpose of the firm c. Visionary goals the firm will pursue The firm's core values and purpose constitutes its core ideology and remain relatively constant. They are independent of industry structure and the product life cycle. The core ideology is not created in the mission statement; rather, the mission statement is simply an expression of what already exists.

The specific phrasing of the ideology may change with the times, but the underlying ideology remains constant. Here is the Coca-Cola Company's mission statement for Stakeholders which is published in Jeffrey Abrahams' new book, 101 Mission Statements From Top Companies . " The Coca-Cola Promise: The Coca-Cola Company exists to benefit and refresh everyone it touches. The basic proposition of our business is simple, solid, and timeless. When we bring refreshment, value, joy and fun to our stakeholders, then we successfully nurture and protect our brands, particularly Coca-Cola.

That is the key to fulfilling our ultimate obligation to provide consistently attractive returns to the owners of our business. ” The audience for this mission is specifically for the stakeholder. The values here are stated explicitly: refreshment, value, joy, fun, and attractive returns. These words were obviously carefully chosen by those who crafted this mission statement. The “ ultimate obligation” of “ attractive returns” is a powerful way to state the company’s vision and keeps the values stated in context.

A separate mission statement is published on The Coca-Cola Company’s website for access by the general public: “ Everything we do is inspired by our enduring mission: * To Refresh the World… in body, mind, and spirit. * To Inspire Moments of Optimism… through our brands and our actions. * To Create Value and Make a Difference… everywhere we engage. ” These values are consistent with the stakeholder version of the mission: refreshment and value are echoed in addition to inspiration. 2. What does a Business model intend to achieve, and how?

Evaluate any company of your choice’s Business Model in the light of the same. Ans.) Business Models are simulations of actual business functioning. They act as ideal real life examples, and help participants actively discuss the pros and cons of the situation given. A business Model gives a Full Account of any particular Business Scenario. One has to SWOT analyze the Business Model based on different parameters. A business model is a description of how a business intends to operate, how it makes money or delivers value, and what it does and does not do.

A business model can change throughout the life of business or can be applied to a specific product, or to a nonprofit. It is a more general and concise statement than the business plan, but is still often used to explain the business and its activities to investors, banks or employees. Standard business models are often referred to in shorthand, such as “ subscription” or “ low-cost leader. ” As we know a business model is the mechanism by which a business intends to specify a market offering. It is a summary of how a company plans to serve its customers and specifies its product offering.

It mentions both the strategy and methods of implementation. As Amazon. com was being established, the delivery of information, goods, or services to end customers employed one strong business model called the Online Retailers of Physical Goods. This business model takes title to the newly manufactured products that they sell and often rely on third party providers. Like Amazon. com, it needed third party providers, such as Borders and Barnes & Noble, to maintain its product supply. When Amazon. com was first launched, Amazon. om was heralded for its feel-friendly culture that drew talented young people to apply for work there and employed smart hiring strategy by hiring the brightest, most intelligent and versatile people. Jeff Bezos wanted people who could share his vision and were willing to work to achieve it. He tried to establish a sense of community due to sharing both hard work and fun with his employees. Although pay was less than market salaries, attractive ownership options were offered. Amazon’s three operational strategies are 1. Cost-Leadership – Amazon places itself as leader based only on the pricing.

It offers the same product quality for lesser price. 2. Customer Differentiation – Amazon uses design, quality and convenience as a differentiator which set it apart from its close competitors. 3. Focus Strategies – Customer service is the major focus while realizing that each market has its own quirks. Amazon. com's values and philosophy are at the center of the organization. These often determines the success and failure of the enterprise . The other important factors Amazon focuses on are customer satisfaction and operational frugality.

These two values complement Amazon. com's operational strategies in achieving and maintaining an effective competitive advantage. Growth Drivers There are four primary drivers for growth: 1. Product focus 2. Customer focus 3. Technology focus 4. Distribution focus Using the above stated strategies, Amazon has managed to place itself in a position of power and success. 3. Use the 5 forces model to analyze and interpret the opportunities and threats that the industry within which a company operates (of your choice), throws up.

Explain how the company plans to capitalise on the opportunities and tackle the threats posed. Ans.) The Porter's Five Forces model is a simple tool that supports strategic understanding where power lies in a business situation. It also helps to understand both the strength of a firm's current competitive position, and the strength of a position a company is looking to move into. Despite the fact that the Five Force framework focuses on business concerns rather than public policy, it also mphasizes extended competition for value rather than just competition among existing rivals, and the simpleness of its application inspired numerous companies as well as business schools to adopt its use (Wheelen and Hunger, 1998). * * * * * * * * * * * * * * * * * * Chez Airlinbe company is not an isolated unit in the world and performs within a market full of other competitors. To be able to evaluate their position on market and to act accordingly they themed the Porter's Five Forces Model. This model helped to define and realize their business and its surroundings and identify threats and opportunities to focthem on.

They review this model periodically to obtain up-to-date data in this global and turbulent environment. The Porter Model consists of 5 elements which together comprises the environment business operate in. These elements are: suppliers, customers, new entrants, existing competition and the product itself. By assessing every one of these elements they get the whole picture of their company within the market and the rating helps them target the key areas. They theme the scale of 0-5 to evaluate the policies of each element where 0 means no policies and 5 very high policies (reffering to the number n the brackets). * 1) Policies of Suppliers As they operate in the areas of services there are no critical commodities having large influence of their everyday service delivery. Therefore this area is not of critical policies in a short run. However, they should not underestimate this element as they wouldn't be able to continue the business in long run without suppliers. * The market is dominated by a few large suppliers rather than a fragmented choice of their supply (3) This is a threat in case of the aircraft machines.

There are not many reputable airplanes (and airplanes parts) producers and therefore they could have strong policies to control the air travel industry. As for the catering, gift services and other indirect materials there are many fragmented choice and therefore their policies is of almost no significance as they could be replaced quickly. * There are no substitutes for the particular input (5) There are no substitutes for planes (in case they want to continue providing air transportation instead of ground routes) and therefore the policies of this element is very high – business critical.

They could reduce this policies by handling cargo theming the earth services but this might decrease service level they provide to their customers. * The suppliers' customers are fragmented, so their bargaining policies is low (4) There are more than 200 airlines all over the world and despite some alliance organizations (such as IATA) they are all potential competitors. The policies of this element is relatively high as the suppliers could afford losing one customers but the customers can't afford loosing the critical supplier (e. g. Boeing). The switching costs from one supplier to another are high (3) Switching costs in air transport industry are mainly related to the fact of limited airplanes producers and to the machine a company already owns. They theme planes form 3 producers: Airbthem, Boeing and ATR. Switching to a different producer would mean higher maintenance costs for another type of plane (training of maintenance staff including) and also necessary training for their pilots which is time and money consuming and it's not necessary. * There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins.

This threat is especially high when: * The buying industry has a higher profitability than the supplying industry (1) This is not the case of aircraft manufacturers as the manufacturing of large products (i. e. planes) brings more revenue and profit than operating air transport itself. Hotheyver, there might be some intentions to create separate divisions operating with self-produced planes. * Forward integration provides economies of scale for the supplier (0) Again, this is not a real threat as no economies of scale would be reached by forward integration. * The buying industry hinders the supplying industry in their development (e. . reluctance to accept new releases of products) (2) It's true that buying industry wants working and self-tested products for stable prices more than new and more expensive innovations but still there's not a large inclination towards forward integration. * The buying industry has low barriers to entry (3) From the manufacturer's point of view, the buying industry has low barriers to entry as the highest barrier is represented by huge investments into aircraft. * 2) Policies of Customers Similarly as the suppliers' policies, the bargaining policies of customers determines how much customers can impose pressure on margins and volumes.

In general, their customers could be divided into three groups: * private individual customers * travel agencies * other airlines which they provide with ground handling, training and other support services. The aspects of customers' policies are as follows: * They buy large volumes, there is a concentration of buyers (2) As for the individual buyers, the name of the category itself reveals that they themually act as indivuals and therefore have no strong bargaining policies. Travel agencies buy larger volumes or order charter flights and therefore their switching to a different supplier might have larger impact on their profits.

As for the 3rd group, they are not threaten by their policies as they are the major servicing subject on Prague airport. * The supplying industry comprises a large number of small operators (4) This fact should be of high importance as there are many airlines providing similar service to their customers and therefore the customers could choose among them easily. With introduction of e-tickets choosing the company to fly with is a matter of 5minutes. Therefore the importance to identify the key decision factors rises and they should find their way to distinguish Czech Airlines from other companies to be attractive to their customers. The supplying industry operates with high fixed costs (3) Fixed costs in CSA are represented by costs on aircraft purchase and maintenance and by costs of executives' salaries, i. e. their fixed costs are relatively high. On the other hand, they do not invest in new airplanes that frequently so the fixed costs do not influence their performance and profitability too seriothemly. * The product is undifferentiated and can be replaces by substitutes (4) One of the features of their product (service) is that it's geographically bound.

All their services are connected to Czech Republic and namely Prague so they mainly compete with companies operating within the same area. This is a high threat as the core of the product it the same for all the competitors: transport via air. Hotheyver, they try to differentiate by additional services and providing high comfort to all segments of their customers. There are many substitutes to air travel but not with equal value to customers (more in the substitutes section). * Switching to an alternative product is relatively simple and is not related to high costs (1) Switching to an alternative product (i. . other ways of transportation – ground, water) is easy and requires no financial costs at all. But it could bring increased costs of time, money or comfort of travelling. And this rises with the distance travelled. Therefore this aspect is not of high influence. * Customers have low margins and are price-sensitive (4) The margin related to travelling itself is low in case of any means of transportation and therefore price plays an important role when deciding whose services to theme. In addition, with online booking customers could express their price-sensibility very easily and quickly by hoosing different airlines. They are aware of that and they try to balance their price politics with the services they provide. * Customers could produce the product themselves (0) Obviothemly no impact here, customers are not able to produce the porudct themselves. * The product is not of strategic importance for the customers (2) For long-distance travelling flying is the top means of transportation as it’s the fastest and most comfortable way to reach the desired destination. Therefore it is of strategic importance becatheme without air transport a lot of places would remain almost unreachable to the customers.

But as for the close destinations, other means of transport could be considered. * The customers knows about the production costs of the product (1) This industry is very specific and the service delivered can’t be easily substituted or performed by the majority of customers and therefore no subjective results of observation of costs are available (to the customers). Hotheyver, the customers realize that the costs mthemt be high and is therefore impossible for them to produce the service on their own. * There is the possibility for the customers integrating backwards (2) For the 1st group of customers, i. e. rivate individuals, it is barely possible to integrate backwards with all the high costs of establishing and running such business. There might be a way for the second group, i. e. travel agencies, in case it's a large and theyll established company who finds the sense of optimizing costs of producing travelling services in buying and running their own airplanes. This actually happens but with all the maintenance costs and necessity to utilize the capacities, not very often. The 3rd category of customers is not of a large policies as it is not cost-effective to run their own support and handling services on Prague's airport. 3) Threat of New Entrants The competition in an industry is higher, the easier it is for other companies to enter this industry. In such a situation, new entrants change major determinants of the market environment (market shares, prices, customers loyalty) at any time and there is always a pressure for reaction and adjthemtment for existing players. In almost every industry one can never be sure of its position and should be aware of new entrants bringing new products or jthemt being innovative and attractive to the customers.

The threat of new entries always depends on the extent to which there are barriers to entry and these typically are: * Economies of scale (minimum size requirements for profitable operations) (1) This is themually the case of production companies rather than servicing areas. Hotheyver, a theyll established company with a large customers's base and air fleet could be more efficient in their performance and therefore in a certain way realize economies of scale. As for the handling and support on Prague airport, they are the major provider of those services and therefore they are realizing economies of scale in that area. High initial investments and fixed costs (1) This is a huge barrier for any company interested in entering this market as large investments into aircraft should be expected. You also need to find trained staff, fully equip all the planes, rent hangars, etc. * Brand loyalty of customers (4) This is a real threat as the customers are not forced to be loyal to the brand. They can choose from variothem providers by jthemt-a-click-away change and do not hesitate to try another, new provider.

They try to reduce this threat by providing special services to their regular customers based on a loyalty card program where they collect miles for which they are later refunded. They have special lon-term agreements and contracts with travel agencies which also make it very inconvenient for them to switch to different provider. * Protected intellectual property like patents, licenses etc. (5) There are no limitations in air transportation concerning intellectual property and therefore this results in no barriers for new entrants. * Scarcity of important restheirces, e. g. ualified expert staff (4) It might be difficult to find new staff at the beginning but one can try to hunt for staff of competitors or jthemt theme the training ctheirses provided e. g. by Czech Airlines. That is this is not a real barrier. * Distribution channels are controlled by existing players (5) The main distribution channel from airlines to customers is the Internet and therefore anyone can access and no control is performed. The other channels are individual and again of no restriction or limitation. So the policies of this aspect is strong. * Existing players have close customers relations, e. . from long-term service contracts (3) This is the case of travelling agencies with long term and convenient contracts. This relationship is though not that strong and the contracts don’t last that long in order to prevent new competiton to enter the market. * High switching costs for customers (4) They try to increase the switching cost by loyalty programs for their customers and by emphasizing the tradition of Czech airlines (the only airlines with Czech speaking staff onboard) as theyll as by long-term convenient contracts with travel agencies and airlines they service on ground.

But for the majority of their private individual customers the switching costs are very low and that’s why they should be aware of this aspect’s high influence. * Legislation and government action (5) No legislation or government action binds this industry and this does not represent any barrier of entry at all. * 4) Threat of Substitutes A threat from substitutes exists if there are alternative products with lotheyr prices of better performance parameters for the same purpose. In case of air transport possible considered substitutes could be * ground transport or water transport. As for the water transport, its huge advantage is that large amount or theyight could be carried this way. Hotheyver, there is limitation of water accessibility of the site and also time inconvenience. Ground transport is more likely to be a substitute to air travel but for larger distances travelling on ground might get uncomfortable and time consuming. Also overseas destinations are out of reach. Hotheyver, travelling on plane is limited to the fact that only destinations with airports are accessible.

This fact is but one of those the customers count with. Similarly to the threat of new entrants, the treat of substitutes is determined by factors like: * Brand loyalty of customers (4) This point was already discthemsed. * Close customers relationships (3) This point was already discthemsed. * Switching costs for customers (4) This point was already discthemsed. * The relative price for performance of substitutes (2) There is no actual substitute for air travelling in global scope but alternative means of transportation (trains, trucks, ships, cars etc. could be themed to provide similar service. These substitutes could be more convenient for local or near transportation but for overseas or holiday travelling as theyll as for fast cargo transportation air is the best option. The price might vary but customers don’t evaluate the whole service jthemt in terms of actual price paid but also in terms of implicit costs such as time saved, comfort of travelling etc. * Current trends (0) Transportation industry is not an example of trend determined domain and this is hence not a real threat. 5) Existing Competition They identify their competition as the airline companies flying to destination Prague, Czech Republic. The reason for that is that all their flight start/terminate in Prague. There are almost 50 companies flying from Prague to variothem destinations all over the world and they compete on separate routes. As the switching cost for customers are low and they can jthemt select any provider flying the desired way they try to identify with their clients and put emphasize on Czech tradition.

They find competitive advantage in being the only Czech company operating on Prague airport and try to attract Czech customers (as theyll as foreign of ctheirse) to enjoy all the benefits they could, in comparison to their competitors, provide. * There are many players of about the same size (5) This is a high-policies factor as there actually are many small players (such as Aer Lingthem, EasyJet,…more here) on Prague airport providing similar product (i. e. air transport). * Players have similar strategies (4) There is not an easy way to differentiate from competition in this industry and the strategies of the competitors are very similar.

They all theme loyalty programs, they all conclude long-term contracts with travel agencies, online check-in … They try to provide additional service to place theirselves differently in the market, such as online services , sms info, cargo tracking, sky shop, special care of children and disabled clients, etc. * There is not much differentiation bettheyen players and their products, hence, there is much price competition (3) The major differentiation of their products is in destinations they fly to as there could be places that are (from Prague) covered only by Czech Airlines.

Otherwise they are competitors with similar products and they could try to differentiate by additional services. Price themually plays an important role for the customers and with the low switching cost customers are likely to be price sensitive. * Low market growth rates (growth of a particular company is possible only at the expense of a competitor) (3) The airlines market is relatively saturated as the most attractive destinations are covered but that leaves the space for new destinations and new routes and offering to draw clients and bind them to their company. * Barriers for exit are high (e. g. xpensive and highly specialized equipment) (3) All the investments into aircraft and staff might make it difficult to leave the industry but it might get also very expensive to stay in the area when being unprofitable. In addition, planes are machines which are not company-specific and could be sold and further themed by other airlines. * Summary The analysis of Five Forces clearly implies that the main threats to Czech Airlines are represented by existing competition and new possible entrants. They should therefore focthem on those areas to prevent losing their market share and customers while maintaining delivery of high-quality services.

They should try to diversify their services and differentiate the product to bring additional value to customers; they should discover new destinations to attract new clients; they should work on relationship with their customers and try to build a loyalty toward their brand and company; etc. They also should not forget about the other areas as the differences are not so large and their omitting could result in increased policies and new threat. That is also the reason for repetitive evaluation and careful observation of the market to be able to react to changes in time. 4.

Find an example of a multinational company that in recent years has switched its strategy from a multidomestic, international, or global strategy to a transnational strategy. Identify why the company made the switch and any problems that the company may be encountering/encountered while it tries to change its strategic orientation. Ans.) Once a company begins to operate outside of its own national environment, its problems of strategic choice begin to multiply (some of these complications may also occur in a company with a number of large subsidiaries). International business has been with us for a long, long time.

It arrived at the dawn of civilisation and for centuries provided the motivation for many of the acts which shaped the path of history. If wars were not fought for personal grandeur, territorial expansion, or religion, they were usually fought for trade. By the fifteenth century the international company was well established in the shape of the banking and merchant businesses which flourished in Italy. The international company began to get larger, and during the European colonial period was frequently entrusted with the task of government, administration, defence (and we might add aggression), as well as sordid commerce.

The British East India Company, the Hudson’s Bay Company, the British South Africa Company are just a few of the names which can still set the imagination reeling. Some of our modern multinational giants may be bigger, but how many can bring their private armies and navies to back up their grand strategies? Problems of managing international business are also very old. Drucker1 quotes the example of how the Rothschild family managed its international banking business – stationing key members of the family at the foreign courts where business was to be generated and banishing the inept members to places where there was no business.

Although many problems are old, they are still very relevant, and should be considered against the background of the different types of international business which exist today. These can be classified under four headings: 1 The company whose only international business is trading internationally 2 The company which has a high volume of export business supported by marketing companies in other countries and the occasional manufacturing subsidiary The transnational company with a network of subsidiaries or associate companies in other countries, including many overseas plants 4 The multinational company that produces and markets internationally and which has a multinational management, possibly international ownership.

The transnational and multinational companies polarise into two strategic types, multidomestic and global. A multidomestic strategy is a coordinated series of country operations, possibly grouped into regions, where strategies are designed as a response to local market conditions.

The global company looks at the world as one market, and in many but not necessarily all of its strategies will act on a global basis. Strategic management for the first two types of companies presents only a few additional problems over those faced by the national business. These arise mainly from the complications of distance, language, national cultural differences, the management of additional profit centres, and the need to take account of more than one national business environment. 5. How does a company craft its corporate-level strategy? How does this affect the way it uses organisational structure, control and culture.

Explain how the use of organisational design has impacted the implementation of a company's (of your choice) corporate level strategy. Ans.) Corporate-level strategies address the entire strategic scope of the enterprise. This is the " big picture" view of the organization and includes deciding in which product or service markets to compete and in which geographic regions to operate. For multi-business firms, the resource allocation process—how cash, staffing, equipment and other resources are distributed—is typically established at the corporate level.

In addition, because market definition is the domain of corporate-level strategists, the responsibility for diversification, or the addition of new products or services to the existing product/service line-up, also falls within the realm of corporate-level strategy. Similarly, whether to compete directly with other firms or to selectively establish cooperative relationships—strategic alliances—falls within the purview corporate-level strategy, while requiring ongoing input from business-level managers.

To highlight and explain the nature of impact of corporate level strategy, an example of a health care organization has been taken into consideration. Organizational design is a formal, guided process for integrating the people, information, and technology of an organization, and serves as a key structural element that allows corporations to maximize value by matching their corporate design to overall strategy. From a strategy perspective, organizational design is an untapped variable that needs to be addressed in the context of organizational strategy and change.

As attention to clinical quality becomes more of a priority, it will be essential for health-care institutions to evolve organizational and management structures that support the design and implementation of quality-improvement initiatives and create mechanisms for accountability for quality of care. Moreover, organizations in most industries are in constant evolution, so organizational design should be considered a variable and evolving tool for improving organizational performance.

As hospital-based care became the dominant system of health-care delivery in the 20th century, most hospitals adopted a functional model based on discipline-based specialization . Each functional area (i. e. various clinical departments, nursing, laboratory services) has a manager that reports to higher management levels and eventually to the hospital’s chief executive officer. Although this centralized design has allowed for efficiency based on scales of economy, it limits integration across functions and the ability to develop innovative, creative quality-improvement processes and solutions at the level of the service line.

For example, most total quality management projects originate and are implemented at the level of hospital management teams through high-end administrative and support services. However, clinical care is administered at a service-line level by clinicians and teams of complementary health-care professionals (i. e. nurses, therapists, pharmacists, etc). The conflict between central control and local autonomy and accountability is a key issue to resolve for most organizations.

The development of a less centralized, service-line orientation at hospitals should help support the development of total quality management processes at the clinical level. Organizational design by product and service line is becoming more common in health-care institutions and is likely to grow. Innovative, high-quality health-care systems like Intermountain Health care have attempted to implement new quality efforts and allow more autonomy at the service line.

However, because the current organizational structure is more functional in nature, management has experienced difficulty in crediting cost savings and improved quality to specific service lines. Modification of current management systems from a centralized to more decentralized structure, in order to make service line units more accountable and autonomous for quality-improvement initiatives, may help optimize the results of future efforts.

Hospital systems in the USA have historically evolved such that physicians serve primarily as consultants and customers of the hospital and are paid on a fee-for-service basis, whereas hospital resources (such as beds, operating rooms, and technologies) are managed by administrators and shared by departments. A more recent trend has moved physicians into active roles as integral personnel within hospital management, but there has been little change in hospital structure to accommodate their evolving role in quality management.

For example, total quality management projects have traditionally existed within hospital management administrative teams, while clinical care was a guarded realm of health-care professionals. Future changes in organizational structure that incorporate physicians into quality management roles at the service level, as well as direct reporting to the hospital chief executive officer, should help facilitate the involvement of clinicians in total quality management.

Successful businesses have developed organizational and management structures that engender corporate-level objectives while maximizing the ability of individual business units to address their local competitive environments. For example, large corporations are successfully using corporate strategy maps and balanced scorecards so that employees both belong to individual business units and are in tune with corporate priorities. Individual unit managers make decisions that tie their activities to corporate values. This strategy as allowed the company to realign local management goals and decision making without having do endure the upheaval of major organizational restructuring. Additionally, large companies such as Johnson ; Johnson and General Electric have successfully used a multidivisional organizational structure to maximize financial performance and quality oversight within local business units. Management and organizational structures in health-care organizations should be developed to allow each member of product and service lines to improve the quality of care they deliver to patients.