

Strategic management and business policy module



**ASSIGN
BUSTER**

1 There were a number of concurrent changes in the VSM Group in the period 1997-2003, is the VSM Group still the same company?

No the company has changed a lot with the arrival of the new CEO, new things has been introduced as:

- More people were involved in strategic sessions
- New mission statement
- Companion strategy
- High involvement of employees on different level
- Purchase of competitors added production capacity to the firm
- Processes have been directed towards strengthening the linkages between functional areas in the value chain.
- The physical relocation of the R&D and marketing departments to the same building
- New programs for educating the retailers and customers on sewing and using the machines.
- Integrating technology (mainly on line) with the innovation of the new machines.

2 How would you describe the strategic capability of Viking Sewing Machines in 1997? In 2003?

In 1997:

- The Company brought their managers of their major national sales companies as well as the marketing vice president into the top management; also there were changes in their operating systems
- New mission and documents brought different level together which added a broader sight

- Bringing the technical expertise and marketers together to come up with new innovations that meet customers' needs.

In 2003:

- New and exclusive dealers had been added.
- Two strong brands, Pfaff as a high quality brand, and Husqvarna as the family and innovative brand.
- Brno added add capacity of production to the company, which was cost efficient and added capacity to the production.
- They have expertise in the product development of the sewing machines industry

3 Are the core competences in 2003 more robust than in 1997?

Definitely yes; there were more focus in the strategy and direction in 2003

- They have better product development capabilities.
- Two strong brands.
- An IT company to develop their own technology work, thus controlling the embroidery market.
- Building linkages within the value chain.

4 What are the important factors in the macro-environment that influence VSM and its industry?

Political

The political situation might be influenced by the trade agreement between the States and the European origin products. Also, manufacturing in the Far East might have some regulations and extra taxations since these markets are flooding the world with lower priced products.

Economic

The economic situation is affected by the difference in currency of the different origin or production and consumer markets. To raise quality they might need to shift the factors from Far East to another location with higher pays. Also, Sales of low priced simple machines have increased, while more advanced machines showed steady sales.

Social

Clothes became cheaper so no need for sewing at home. More social activities emerged and resulted in less time afforded to sewing hobbies

Technological

This had the major contribution here due to:

- The high development of the internet usages and its spread; The power and reach of the new software.
- Enhancement of the senses and computerized motors to give better functionality to the machines.
- People (Customers) are more technologically driven and are up to date with innovations thus request the new and complicated models.

Environmental

Natural crisis as Tsunamis are threatening the Far East which might result in a cut of production and disturbance to the manufacturing flow.

Legal

It will depend on new regulation for this industry or in the industrial market as a whole

5 What are the forces of competition in the sewing machine industry?

Five Forces analysis

Competitive rivalry

- Moderate since there are moderate product innovation, and no real competition in the market through prices and addressing resellers.
- Low number of competitors covering the same segment
- There are some product differentiations in the complete products that depend on innovation

Entry barrier

Low, with some concern regarding the reach to the distribution channels that work exclusively with the other companies. There are some capital investment and know-how but it's not a major one.

Buyer power

Buyers have high bargaining power due to low switching costs between brands since the industry is mature and there aren't a lot of product differentiations for the general products.

Supplier Power

There aren't any concentration in the supplier side, and the raw material are mainly general materials and the production and the R&D at the VMS are covering the other parts, thus we see this as weak

Substitutes

Mostly this market have good quality machines and a lower cost ones from east Asia , thus they differ in price and quality , and switching cost is low , thus it will increase the threats for the normal machines , while complex computerized machines are limited in the market.

From the above we don't see the market as attractive for new entrant since people tent more to buy cloths outside and have very attractive and affordable prices of clothes rather than creating their own.

6 What are the next strategic issues Viking will have to address? What strategic options might be considered?

They need to maintain their technical leadership and managing the value chain. Also they need to manage their brands and their recent acquisitions. As for their next steps it should be to protect and build on their current successful position.

They should work on increasing their customer orientation, R&D, production, marketing, distribution in all parts of their value chain. Where the retailers have a major role in reaching their customer, which needs concentration and follow up on their training and supporting them , this will also place a good part of the attention on marketing and customers relationship management and VSM has transformed with the help of the new CEO from a product orientated company to a market oriented one. They also started to focus on selected customer segment to cover their needs; this is shown with the different targeting technique from their VMS and Pfaff line of machines, were they need to work on the innovation of products and services.

The company has good attention to the acquisition of Emnet and software engineers computing companies. Where they need to build on their traditional strength and benefit from their product development, and the use of the new technology to add an edge for them in this industry m where the production have to be met with an aggressive and smart sales force .

7 How does the strategy of the VSM Group match its strategic capability with its environment? How did it change from 1997 to 2003?

They need to concentrate on their existing resource positions and building on their new resources to capture a position on their selected market.

VSM had many important recourses and competences that help them with their initial strategy building on their R&D process and innovative production which have highlighted their brand , here they missed the importance of marketing and its power to play with the environmental factors to bring more success to the firm . And since the market was declining the way to survive was to concentrate on differentiation products that are high computerized. And mainly focus differentiation and top of the line models , which needed to reach the customer with exclusive retailers and at prime locations , and took keep the flow of the experience they had trained the retailers to a level that represent them and keep a good relationship with the customers . Here they also created training programs for their end users of the machines and train them on professional ways and patterns of using these machines.

Problem with their earlier value chain and not being able to have the benefit reach their clients due to the lack of the marketing control over retailers thus the new strategy was to fix this cut in the link in the value chain, another issue they were facing is the lack of communication between their R&N and

their marketing department, which the new CEO brought these department physical near each other to enhance this channels.

Their new acquisition of their competitor Pfaff added new resources and a strong high end brand to the group, the thing now is how to manage their two brands since they compete in the same markets knowing that the perceived value and prices are not the sole player in the market, here they benefited from their technological edge and their high quality products in a clear market communication process to reach their desired customers segments each one by its own without affecting the flow and the strategy of the other brand.

8 The case starts with the arrival of the new CEO. What role did Mr. Runnquist play in the transformation of the company? How important is he for the future of the company?

The New CEO defiantly added a lot to the organization and did a paradigm shift to their working culture, such as collaboration of a bigger audience in major decisions of the organization, educating employees, retailers and end users . He was under press since the company was newly sold to a new owner that expected revenues to jump , which made him shift the organization from production oriented to market oriented one to capture all aspects and react on them .

Here the need for a new mission, vision and strategic document of the organization emerged , where he have going the forces from different departments to participate and build them , this of course included different levels of the organization to jump in these activity which have added some sense of commitment and ownership among all levels .

Another major issue he worked on is the harmony and good level of communication in their value chain, working from the R&D, production, marketing, Sales, retailer to the end customers. This helped in having all these level at the same level of professionalism and updated knowledge to better understand the products to be able to sell or buy them.

He is very important for the continuity and the future challenges that will face VMS, he need to continually have an eye open for new channels and treats and benefit from this firm's resources and capabilities building on their experiences to capture opportunity and turn around weakness and treats to bring more success to the firm, this of course implies that he might have another paradigm shift if it is needed.

9 At two points in time, the CEO of the VSM Group opens up a broad discussion on the strategic issues. What issues are discussed and why does he involve a larger group of the management on these issues?

The first one was in 1997, when he joined the organization and need all level to be part of the new paradigm shift and mind set of the firm and be a part in creating their new mission.

The second one was in 2000, after the acquisition of other firms team from outside the higher management was brought again to discuss the future of the firm and to gain legitimacy for the strategy ahead. The importance of this part was also to set all minds to a focused set of actions to deal with the two competing rand so as not to confuse the market and employees so and not to lose their corporate identity.

It is important to participate a good audience to create commitment to the new strategic moves and create some sense of ownership among different level in the firm and push hard for the future and targets.