

# [Case study on strategic management of global companies](https://assignbuster.com/case-study-on-strategic-management-of-global-companies/)

## 1. 1 What are the key differences between the two accounts of Honda’s entry into the US market?

2The first case is narrated by The Harvard Business School based on the Boston consulting (BCG) Report whereas the second case, ‘ An Insider’s Account of Honda’s Entry into the US Market’ is a direct narration recorded by Richard Pascale.

The BCG report explains on the Honda Company as a matured business and a mix of its competitors in the US. As affirmed in the case; Honda’s competitors were Harley-Davidson, BSA, Triumph, Norton, and Moto-Guzzi. Whereas, the second case enlightens how the company initiated from scratch and its journey through the difficult times.

Richard Pascale’s article explains the challenges that the company went through during its commencement, such as difficulty in getting funds; treatment of the motorcycle dealers was discourteous, while in the BCG article no challenges were mentioned.

The BCG report emphasizes more on the Honda’s in-depth research and development department for instance having more staff; as said in the article, ‘ the R&D was staffed with 700 designers/engineers, increase in the production level as a result more investment in the R&D department.’ While the second case doesn’t explain anything with regard to the research and development since it is taking the business at an initiative level.

The BCG report highlights target market in general whereas the second article explains target market in details as said in the case, the company chose Los Angeles as the location whereby their target market consisted of second and third generation of Japanese community.

Richard Pascale’s article clearly identified the company’s products offered to the market as stated in the article; the products were 50cc, 125cc, 250cc and 350cc machines while in the first essay explains the general overview of the company’s products.

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CASE STUDY 2- ‘ LAURA ASHLEY’

## 2. 1 Map Laura Ashley’s stakeholders using a power/interest matrix.

4Stakeholders are individuals, groups or organizations who are affected directly or indirectly by organization’s goals, objectives, actions and policies.

5Stakeholder Analysis is a tool used to recognize the stakeholders and investigate their needs as they are the ones who are concerned with the actions taking place within the organization. The aim of this analysis is to identify the stakeholders’ interests, concerns and manage relationships with them.

The method used to access stakeholders is Mendelow’s Stakeholder Matrix which has two dimensions; Power and Interest with four quadrants.[6]Interest talks about the stakeholders’ concern towards a project whereas power talks about the control over the project.

## Interest

Minimal Effort – people who need to be observed without boring them with unnecessary communication.

Keep Informed – people who need to be informed sufficiently, talked and make sure that no major issues take place. They can help with the developing the project details.

Keep Satisfied – people who need to be well satisfied with nothing much that would bore them whilst comprehending of the assignment.

Key Player- people who must be associated and satisfied with the efforts made.

7Laura Ashley’s stakeholders are Analysts, London Stock Exchange Market, Malayan United Industries (MUI) shareholder Dr. Khoo, Customers, Government and Suppliers. It is essential that the stakeholder management should be conducted so as to know each stakeholder’s level of power and interest along with their impact on the company. However it is sometimes difficult to locate all company’s stakeholders in one frame as in the case of Laura Ashley.

Beneath is the table, of the Stakeholder Map showing the strategies that are applied for Laura Ashley.

## Interest

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CASE STUDY 3- ‘ APPLYING A BALANCED SCORECARD’

## 3. 1 What arguments would you use to persuade an organization to adopt the Balanced Scorecard approach?

9A Balanced Scorecard (BSC) is a tool that is used to measure a company’s business activities in relation to its vision along with its strategies. It provides managers a complete knowledge of the business performance.

10Figure 1

Usually when organizations measure performance, it is the financial area that is given more attention while the rest of the aspects are not taken much into consideration. It is therefore important that organizations should pursue in using the balanced scorecard.[11]Below are some of the benefits which the organizations will gain.

One of them being a source of direction since it guides the management as well as helps identify what needs to be measured in order to accomplish organizational goals which will in return act as a competitive advantage for the firm.

With Balanced Scorecard, firms are able to determine both financial as well as non-financial measures. As said in the case study, ‘ the balance scorecard was to combine three new sets of measures with the customary financial ones, embracing the customer, learning and growth, and internal issues such as quality improvement and cost control’.

Balanced scorecard allows firms to develop as well as expand so as to align new organizational strategies, as said by Mr. Hofmeister in the case study, ‘ it gives us better and better alignment (between all operating units) and focuses attention on what’s important and on results’.

Through the balanced scorecard, organizations are able to the compare past experience in order to improve its performance which will help predict what will happen in the future.

Although the growth of practicing balanced scorecard is slow, however many organizations have already accepted and are applying it.

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CASE STUDY 4- ‘ FIAT: REBIRTH OF A CARMAKER’

## 4. 1 Using the information in the case study undertake a SWOT analysis of Fiat at the time of Sergio Marchionne’s appointment and suggest how a SWOT analysis in 2008 may differ.

13SWOT analysis is used for scanning an organization (internal factors) as well as its environment (external factors). The internal factors include strengths(S) and weaknesses (W) while the external factors include opportunity (O) and threats (T).

## 14 SWOT ANALYSIS FOR FIAT GROUP AUTOMOBILES:

Below is a table showing SWOT Analysis before the year 2004.

## Strengths

## weaknesses

– Fiat offered differentiated products. That is; it provides the market with a variety of cars.

– The company’s hierarchy line was long making it more bureaucratic.

– Fiat cars were viewed as a quality brand.

– It lacked well developed core competence lending to ugly and unstylish cars.

– The company was well reputed.

– It needed to maintain its debts.

– Ability of manufacturing small cars.

– Licensing agreement with Bosch for financial support in exchange with the diesel technology that Fiat had.

## opportunities

## Threats

– Fiat had a chance of wining the market share from rivals.

– Competition with existing automobile firms.

– The market is ready to accept the new and stylish cars.

– Partnership agreement with General Motors for giving it them the right to sell its cars.

– Risk of employing new members to the Fiat family.

Table 1

## Below is a table showing SWOT Analysis after the year 2004.

## Strengths

## weaknesses

– Distinctive competence of designing low cost equivalent four-cylinder engine.

– Limited resources.

– Using technology by means of computer for simulation.

– Lack of knowledge with regard to entering new markets. For example the Chinese market.

– Producing new and stylish car designs.

– Drop in the market share.

– Competitive advantage of cutting down time to reach the market.

– Declined performance of the company since Fiat only sold 2000 cars in china, India and Russia.

– Fiat’s cars are exploited to have relative fuel efficiency.

– It is the first carmaker to put forward diesel engines that met the so-called Euro 5 fuel standards.

## opportunities

## Threats

– Winning the market share.

– Rivalry of potential new competitors.

– Expanding product line with new and innovative stylish cars.

– Rivalry with existing competitors such as VW and PSA Peugeot Citroen.

– Entering into joint venture for instance, with companies like SAIC (China) and TATA (India).

– Adverse demographic. For insistence Russian market; is it ready to accept the cars offered to them?

– Entering new geographic markets such as Brazilian, China, India and Russia.

– Challenge in controlling quality of the car brand.

– Fiat cars expect to have lower average emissions than any other competitor due to its fuel efficiency.

– Risk of employing new members to the Fiat family.

Table 2

## Comparing SWOT analysis before and after 2004:

The company is able to increase its growth by entering new and emergent markets. As said, Fiat is expecting to have its sales from different areas such as outside Western Europe, China, India, Russia and soon overtake Germany.

Fiat will also be able to increase sales along with its market share whereas before 2004, its sales were dropped; market share had declined and a lot of debt was to be paid.

With introduction of technology, new stylish cars were offered to the market with reducing time at development area so as to start the production as soon as possible.

The firm was able to rectify mistakes that it made earlier. For example the licensing agreement with Bosch in exchange with the diesel technology that Fiat had.

## Below is a table showing a comparison between the two SWOT Analyses.

## 2004

## 2008

– Sales were dropped, Market share declined and a lot of debt was pending to be paid.

– Sales along with its market share increased.

– Fiat’s core competence had ceased.

– Developed new competences such as designing low cost equivalent four-cylinder engine, usage of technology, cutting down time to reach the market, relative fuel efficiency, put forward diesel engines.

– Mistake of licensing with other companies in order to support their finances in exchange with their ability.

– The firm will not repeat the same mistake of licensing; hence it will protect its competitive advantages.

– The company’s hierarchy line was long making it more bureaucratic.

– The hierarchy line had become shorter making it less bureaucratic allowing the process to be smooth.

Table 3

By 2008, most of the weaknesses had been reduced due to the rearrangement of the organizational system however, at the same time; a lot of improvement has been made. Therefore in order to develop, it is essential that the company takes many risks, as done by the Fiat Group Automobiles, since it is through this, the company has reached where it is now.

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CASE STUDY 5- ‘ THE PROFITABILITY OF UK RETAILERS’

## 15

## 5. 1 Use the industry analysis framework to explain the profitability of the main supermarket chains in the UK.

Analyzing profitability of any Industry is done through The Five Forces Model that was put forward by Michael Porter. Beneath is a figure of the model.

16Figure 1

17Below is an industrial analysis showing the profitability of the main UK supermarket chains.

## SUPPLIERS

Bargaining power of the suppliers is Low since British firms have command over their suppliers. As said in the case;’ British firms are more experienced and more skillful in their buying power to extract better terms from suppliers’.

## BUYERS

Customers’ bargaining power is also Low since the supermarket groups have control over them. As said in the case; ‘ The UK groups exert massive buying power by utilizing the oligopoly power to impose a higher-than-normal price on their customers’.

RIVALRY

The competition between existing supermarkets is extremely high, due to the fact that there are many groups within this industry which have similar products / services.

## SUBSTITUTES

Threat of substitutes is high as customers can switch to other shops instead of going to the supermarkets since they might be charged with a higher price as compared to other shops providing similar products at a lower price. Secondly, the suppliers could also switch to other firms rather than the British supermarkets due to the buying power exerted by the supermarkets.

THREATS OF NEW ENTRANTS

With lots of competition, threat of new entrants is relatively high, since the industry is more profitable in UK. At the same time, UK groups have barriers that cause difficulty for new competitors to enter the industry. Some of them being: Application of IT in their logistics, Lower Labor costs and High own-label penetration.

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* Service design is one of the key resources that Novotel has, making it valuable. It includes the layout of the hotel allowing the customers to easily access the public spaces such as bars and restaurants.

Distribution systems are attained by good relationships with distributors. Novotel has achieved to operate in both individual and corporate business as well as leisure markets.

## Firm infrastructure and Procurement

Novotel’s relationships with partners develop a strong bond creating a valuable asset to the organization. Its efficiency allows delivering both economies of scale and scope making it rare and difficult to imitate.

Staff retention is the most essential resource required in this industry. To retain and motivate, is a challenge Novotel was competent to do, thus reducing staff turnover through staff exchanges resulting to value creation.

Standardization in all the locations worldwide is another benefit that Novotel has; allowing the staff to understand basic functions. This technique is valued and rare.

Novotel’s Multi-skilled staff creates an exceptional resource and is most valued. The skills given to them during the training makes them capable of doing multiple tasks.

Most of the capabilities conclude to be temporary competitive, since the industry is such that many competitors can imitate most of the capabilities and resources that the Novotel hotel has, directly or indirectly. Hence Novotel’s most sustainable competitive advantages are obtaining and retaining its multi-skilled staff that can work flexibly as well as having good relationships with suppliers.

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CASE STUDY 7- THE LEVI’S’S PERSONAL PAIR PROPOSAL

## 7. 1 What position in the market does Levi’s occupy (use the strategy clock to characterize its position)?

21Bowman derived the strategic clock into four quadrants, having eight dimensions namely; No fill, Low price strategy, Hybrid, Differentiation, Focused differentiation, Increased price / Standard value, Increased price / Low value, Standard price/ Low value. The clock is compared in terms of Perceived Price and Perceived Benefit or Added Value as shown below.

By using the strategic clock, Levi’s business environment is positioned to be in the fourth category which is the Differentiation. This is because; Levis offers a variety of products that have added value as well as a premium price slightly higher than the normal in order to satisfy the consumers’ needs.

Levi’s products have Quality, Brand Image and Product Design and as a result creates Price premium, Customer Loyalty, giving the company a competitive advantage against its competitors.

Due to Levi’s brand recognition and loyalty, its price offered is also slightly higher than its rivals therefore prevents itself from entering the price-based competition. As said in the case; ‘ Due to brand recognition and loyalty they did not enter into price based competition thus controlling ‘ reasonable price premium’

Levi’s also provides a wide range of products such as pants, shorts, skirts, jackets, and outwear. As said in the case; ‘ while blue jeans remain the company’s mainstay, the San Francisco – based company also sells pants made of corduroy, twill and various other fabrics as well as shorts, skirts, jackets, and outwear’.

With a premium price, along with its strong brand name, Levi’s has been able to position itself in the differentiation category, resulting into value-added products, hence gaining higher profit margins.

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CASE STUDY 8- THE VIRGIN GROUP

## 8. 1 Does the virgin Group, as a corporate parent, add value to its businesses? If so how?

24According to Johnson et al, ‘ Corporate parenting is the level of management above that of the business units, and therefore without direct interaction with buyers and competitors.’ (Johnson et al, 2009, p. 172). Below are some of the areas through which the Virgin Group corporate parent adds value to its businesses.

First the corporate parent has added value in establishing a strong brand name such as being a consumer’s champion through which barriers to entry could be overcome. Virgin is a reputed and well known brand in the market, thus enabling it to expand itself in static markets.

In addition, the Virgin Group has a good resource management team. Branson together with his expertise and experienced team, review business proposals every week, out of which, appropriate prospects that match with the Virgin brand are then discussed. This enables Virgin to identify industries as well as ‘ institutionalized’ markets in which to enter.

Moreover, the corporate parent assists in reducing organizational risks by entering into many joint ventures. Through these ventures Virgin, is able to penetrate new or untapped feasible markets allowing it attain low costs as well as expansion.

Furthermore, Virgin Group’s management style and leadership system is decentralized providing its managers with flexibility in decision making. Branson is mostly involved when it comes to marketing and promotion.

In terms of innovation, the brand name itself tends to invite ‘ like minded partners’ to venture new markets thus allowing innovation and differentiation.

Indeed, Virgin Group as a corporate parent adds value to its business by always trying to venture untapped markets and manage the business in a liberal way.

25As said by Andrew Campbell et al, “ Fit between a parent and its businesses is a two-edged sword: a good fit can create value: a bad one can destroy it.” (Thompson and Strickland, 2004, p. 290)

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CASE STUDY 9- EXTENDING THE “ easy” BUSINESS MODEL

## How would you characterize easyGroup’s growth strategies in terms of Ansoff matrix?

28Ansoff matrix is a tool used by the organization to establish growth strategies that focus on its product as well as market growth. It is divided into four quadrants namely; Market penetration, Market development, Product development and Diversification.[29]Below are the growth strategies used by the easyGroup.

* Existing Products
* New Products
* Existing Markets
* Market Penetration
* Product Development
* New Markets
* Market Development
* Diversification

easyGroup penetrates its market by providing best services at low price thus attaining customer satisfaction and loyalty. As a result, company’s market share increases. . For example, easyJet provides its customers with affordable services through various strategic campaigns and promotions. Additionally, easyCar rents brand new A-Class Mercedes cars at a lower price reflecting easyGroup’s brand. It has also established pick-up and drop-off areas nearer to the car parks by means of mobile vans.

Moreover, easyGroup develops its products by either modifying or getting into new businesses within the same market. For example, the group expanded easyinternetcafe services by setting up smaller Points of Presence (PoP), within existing enterprises, example McDonald’s, Burger King, and Subway.

Furthermore, easyGroup’s market development involves offering existing products to new markets. The easyGroup is planning to extend its easyinternetcafe through franchising involving store establishment, local marketing and store maintenance as well as entering into international markets such as in US. For the case of easyCar, the group aims to expand its sites from 50 to 80.

easyGroup’s diversification strategy enables it to increase its scope, by providing new markets with new services not only in the airline industry but also in other industries. For example easyGroup launched new ventures such as the easyCar, easyValue as well as easyMoney, and is now planning to enter into the cinema industry. Thus, the company experiences unrelated diversification strategy.

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