

Strategics for strategic decision making



What key lessons may be learned from any comparison of these two quite different accounts of the same strategic decision?

Strategic decision Chosen alternative that affects key factors which determine the success of an organization's strategy. In comparison, a tactical decision affects the day-to-day implementation of steps required to reach the goals of a strategy.[1]

From these two accounts there are key lessons which can be learnt as far as strategic decision is concerned.

Strategy flexibility. Since strategy is not written on stones, sometimes it has to undergo some changes so as to be able to match with the real market environment at particular entry moment. Sometimes one strategy only fails unless a combination of both i. e. emergent strategy as well as deliberate strategy.[2]

Ability to turn-on customer loyalty and tastes toward a product whose image is totally spoiled. While most motorcyclists were no doubt decent people, groups of rowdies who went around on motorcycles and called themselves by such names as ' Hells Angels', ' Satan's Slaves', gave motorcycling a bad image. Some steps Hondas took were re-designing of their product to match with the market needs i. e. from larger machines to smaller lightweight motorcycles.

The inevitability of proper and efficient market scanning. It's possible to enter the market with a very wrong strategy due to many reasons including failure to effectively scan the market needs. At start Hondas failed to know

what US market needed and unfortunately they brought a wrong product of bigger machines while Americans needed smaller ones.

Difficulties in the first entry to the market are not the end of business .

Difficulties can be used as crucial mirrors for re-defining the strategy to a successful one.

References:

CASE STUDY 2: LAURA ASHLEY

Question 1: Map Laura Ashley's stakeholders using a power/interest matrix.

Stakeholders are those individuals or groups who depend on the organisation to fulfil their own goals and on whom, in turn, the organisation depends.[3]

(Johnson et al, pp. 132)

Laura Ashley power-interest matrix is as follows:

LOW POWER HIGH

LOW INTERST HIGH

Harmless stakeholders: THE 11 CEO's,

Media Group

Business Analysts

Laura Ashley Customers

Chief executive of Pearson

Laura Ashley and the husband Bernard

<https://assignbuster.com/strategics-for-strategic-decision-making/>

Ann Iverson a new CEO in 1995

Richard Pennycook a new FD in 1997

Shareholders like Malayan United Industries (MUI)

LOW INTEREST LOW POWER: This is a harmless stakeholder group which requires less attention. This group is represented by the retired CEOs e. g. The 11 CEOs over the last 14 years. ‘ I’d really rather focus on driving the business forward’, he says.

LOW INTEREST HIGH POWER: This group is not always bad but needs to be watched because when not satisfied it turns out to be harmful to the business.

Laura Ashley’s Customers; Customers have very high power to the business because without customers there is no business at all.

HIGH INTEREST LOW POWER: This group is crucial to the business because it contains stakeholders with interest with what is done by the business including core customers of the business products and/or services. This group is represented by

Media groups: likes to know about the operations but has got less power.

Business Analysts: likes to get information for analysis although they have less power.

HIGH INTEREST HIGH POWER: Here you can find all key business stakeholders whose expectations and interests are always in the higher side. This group is represented by Chief executive of Pearson

Laura Ashley and the husband Bernard

Ann Iverson a new CEO in 1995

Richard Pennycook a new FD in 1997

Shareholders like Malayan United Industries (MUI) & its chairman Dr Khoo Kay Peng, David Cook, Laura's Finance director

CASE STUDY 3: THE BALANCED SCORE CARD

QUESTION 1: Why do you think organizations often find the Balanced Scorecard difficult to implement in practice?

Definition: The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization.[4]

Among various methods for measuring business performance, scorecard seems to be superior due to its advantages over other traditional financial methods. Balanced Scorecard incorporates future variables as well as multiple measures of performance compared to other methods. There are about four perspectives under this method which are financial perspective, Customer Perspective, Internal perspective and innovation & Learning perspective. The following are reasons for organizations' difficulties toward implementation of a balanced score card;

<https://assignbuster.com/strategics-for-strategic-decision-making/>

The main problem facing organizations on implementing a balanced scorecard is the architecture and assumptions applied especially on selecting appropriate measures and number of measures to incorporate toward improving corporate performance as can be seen in the Shell crisis concerning overstatement of its oil reserves. Research from the Hackett Group shows a very small percentage of companies with mature and good mix of financial and operational metrics in their scorecards.

There are processes in setting and implementing the scorecards known as translating the vision, communication and linkage, setting targets through planning and finally getting the feedback. Failing to follow this process organization faces the difficulty of failing to translate the strategic objectives to fit with measurements incorporated in the balanced scorecard which causes confusion than serving the purpose.

The persuasion I would use to convince the organization to adopt balanced scorecard is to talk about its advantages over other methods which are as follows:

Multiple measures of performance: incorporates a range of variables that measure performance against a multiple set of goals.

Forward Looking: incorporates variables that are indicators of future performance including profitability.

References:

CASE STUDY 4-FIAT

Question: Post at least 4 factors, ie a ' Strength', a ' Weakness', an ' Opportunity' and a ' Threat', from one or both of your SWOT's (2004 or 2008). Briefly explain your analysis.

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective.[5]

The following is the analysis using SWOT tool of a FIAT Company showing its different milestones in business within two periods of 2004 and 2008.

SWOT

2004

2008

STRENGTHS

Strong management team, e. g. CEO Mr. Marchione.

Young and energetic personnel with strong experience. " The kids are truly devoted to the cause. They are the heart of the success".

Having cars with relatively lower average emissions

Product innovation

<https://assignbuster.com/strategics-for-strategic-decision-making/>

Fiat is the market leader in Brazilian market.

WEAKNESSES

Unappealing models or Odd cars which Mr. Marchione refers it as an arrogance of thinking.

Limited resources.

Licensing innovation to other manufacturers.

A truck-making joint venture between Iveco and SAIC in China, it is weak in China, India and Russia.

OPPORTUNITIES

New products -Alfa's immediate future i. e. the new MiTo, which is based on the Punto and has been designed to match the driving dynamics of BMW's Mini, and the 149, successor to the compact 147 hatchback.

Divorce from a 5-years GM partnership and becoming an independent player.

Partnership with other strong manufacturers like TATA and SAIC.

THREATS

Immergence of new Innovative brands in the car market by new rivals.

Its five-year partnership with GM. It had not worked, for several reasons.

Sharing platforms, engines and purchasing had not produced the expected economies of scale and Fiat's ability to act independently.

When new European Union rules on carbon-dioxide emissions come into force

At the time when Marchione chipped in Fiat witnessed a clear future as can be shown through re-shuffle of very old workforce.

CASE STUDY 6: THE NOVOTEL VALUE CHAIN

Question 1: What are Novotel's competitive advantages?

competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.[6]

Novotel Competitive advantages:

Multi skilling: Multi-skilling is to develop staff as a team able to perform tasks and work as needed in a flexible manner, this would have many advantages for hotel management, especially in smoothing the need for certain types of staff at peak bottleneck periods of the day or evening.

Standardized levels of its services: A system to monitor standard procedures was introduced in 1987 which became known as the '95 Bolts'. This system was intended to be a template for learning whose standards was carried out by an internal team of inspectors who visited each hotel approximately twice each year. They worked as 'mystery shoppers' in that they made reservations, arrived, stayed and departed unnoticed.

Sophisticated marketing and distribution systems: Novotel operates within both the individual and corporate business and leisure markets. Novotel

usually have special promotions and advertising themes done in different locations and in different countries with tailored promotions to local holidays and lifestyles.

Partnership programs: Novotel linked programs strengthening relationship marketing; especially the supplier partnership programmes, linked with purchasing and learning efficiencies delivering both scale and scope economies.

Staff exchanges: There was Exchange between countries, locations and type of customer mix which contributed to multi-culture is essential to getting customers. The exchange provides means for staff motivation especially in the industry whose labor turnover is critical.

References:

CASE STUDY 8: THE VIRGIN GROUP

QUESTION 3: Does the Virgin Group, as a corporate parent, add value to its businesses? If so how?

Corporate parent: Is a business which owns and controls the operations of other businesses by either possessing outright ownership or controlling a majority of the voting stock.[7]

Virgin was founded in 1970 as a mail-order record business and developed as a private company in music publishing and retailing. However, by 2002, the group included over 200 businesses spanning three continents and including financial services, planes, trains, cinemas and music stores.

The group succeeded on adding values to its businesses regardless of decentralization of decision making. How does Virgin group add values to its businesses?

Standards: The group had standards which enabled the businesses to perform toward the same goals. There were performance reviews which made employees being held accountable for their performance as well as promotions from within. For example by using stock options, bonuses and profit sharing.

Support services: This involves centralised support services. For example, providing HRM, marketing, financial, etc support services and human resource management systems were in place to keep people committed.

Corporate development: Branson adopted his own personal style of management within units, boosting himself on effectively adding value to customers through employee involvement and taking their ideas.

Managing linkages: In the early 1970s Branson spent his good time soliciting funds for the company to become solvent.

References:

CASE STUDY 11: RESTRUCTURING SONY

Question 1: How many times did Sony restructure itself during the period covered by the case study?

Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the

purpose of making it more profitable, or better organized for its present needs.[8]

Introduction:

On 7 May 1946, Masaru Ibuka and Akio Morita (4) co-founded a company called Tokyo Tsushin Kogyo Kabushiki Kaisha (Tokyo Telecommunications Engineering Corporation) with an initial capital of ¥190, 000 in the city of Nagoya, Japan. By the 1960s, the company had established itself in Japan and changed its name to Sony Corporation.

In its milestones Sony underwent several business restructuring aiming at improving the company's focus on high potential products and expediting the decision making process to make the company more responsive to changing market conditions.

Restructuring of electronics business (1994): In this new structure, the regrouping of electronic businesses were adopted getting into eight divisional companies. These eight companies are the Consumer Audio & Video Products Company, the Recording Media & Energy Company, the Broadcast Products Company, the Business & Industrial Systems Company, the InfoCom Products Company, the Mobile Electronics Company, the Components Company, and the Semiconductor Company.

Leadership by team of executives: Here the new framework required Sony to be led by a team of executives at the top management level.

The Ten-Company Structure (1996): In January 1996, a new ten-company structure was announced, replacing the previous eight-company structure

whereby the previous Consumer Audio & Video (A&V) company was split into three new companies – the Display Company, the Home AV Company and the Personal AV Company.

The Unified-Dispersed Management Model: In April 1999 another change was announced aiming at changes in its organizational structure. The new framework required the company to streamline its business operations to be able to exploit the internet technology opportunities.

Restructuring Efforts in 2001: Once more in March 2001 Sony provided announcement about another round of organizational restructuring. This was about transforming itself into a Personal Broadband Network Solutions company by launching a wide range of broadband products and services for its customers across the world.

References:

CASE STUDY 12: SAMSUNG ELECTRONICS

Question 2 : How significant was Jong-Yong Yun's role in the change process?

Change process It is an organizational process aimed at empowering employees to accept and embrace changes in their current business environment.[9]

INTRODUCTION:

Samsung is an Asian Electronic Company based in Suwon South Korea.

The firm has experienced stiff competition from rivals such as Sony, Nokia, and Motorola on the basis of its revolutionary products.

Jong-Yong Yun's role in the change process:

Reorientation: This helped the firm to develop new capabilities. He recruited new capable employees such as managers and engineers, many of whom had developed considerable experience in the United States.

Retrenchment: There was a layoff of a number of employees amounting 30,000, representing well over a third of its entire workforce.

Reduction of number of factories.

Discarding a Failing Strategy: Although the firm was making profits, Yun was concerned about the future prospects of a firm that was relying on a strategy of competing on price with products that were based . The success of this strategy was tied to the Samsung's ability to continually scout for locations that would allow it to keep its manufacturing costs down.

Developing a Premium Brand: Having managed to cut down the losses, Yun planned to shift Samsung away from its strategy of competition which based mainly on the lower priced products. Consequently, he began to push the firm to develop its own products rather than to copy those that other firms had developed.

Pushing for New Products: Through its new product development processes Yun struggled a lot to make it happen ensuring higher margins as compared to its rivals.

Designing for the Digital Home: Yun's long term plan is to ensure Samsung's dominance in digital home technologies. He believes that his firm is in a better position to benefit from the day when all home appliances, from

<https://assignbuster.com/strategics-for-strategic-decision-making/>

handheld computers to intelligent refrigerators, will be linked to each other and adapt to the personal needs of consumers.

References:

Case Study 10: Mantero Seta Spa: a strategy for China

Question 1: Would you recommend Mantero Seta Spa's entry into the Chinese market?

Market growth An increase in the demand for a particular product or service over time. Market growth can be slow if consumers do not adopt a high demand or rapid if consumers find the product or service useful for the price level.[10]

YES I would recommend Montero Seta Spa's entry into the Chinese market due to the following scenarios:

Market Growth: Chinese market promises for the stable growth of the fashion business as you can see In the mid 2000s, stable economic growth had brought substantial income to many groups of people, and with it a growing demand for the satisfaction of higher level needs. Also Upper-class and middle-class people became increasingly interested in their social life, and chose to spend money to better enjoy their spare time. There was a huge potential to sell luxury goods to these groups: 2 per cent of the 1.3 billion people living in China.

Identifiable retail Distribution: The government of China had adopted a series of policies to propel the retail industry through a process of fundamental transformation. The move had sparked dramatic changes in Chinese

retailing, with market growth reshaping purchasing habits. As a result in the mid 2000s there were many different types of retailing methods, based on different products and market strategy.

Geographical Differences: The reasons for the differences were various. In northern China consumers made choices based on seasonal factors. Values and beliefs of people in north China were based on their imperial history and social traditions, with clear distinctions between different social groups and classes. The distinction was underlined in many ways, including clothing. People in the north were aware of their appearance, and wanted others to recognise their wealth and ability. In the south the climate was temperate; therefore consumers chose lighter, more comfortable and durable material for everyday wear.

Marketing Communications: Communication processes in the fashion business focused on the brand image and the values embodied in the product, rather than on the product itself. Processes included photographs, shows, showrooms, models, displays, videos and sample collections.

References:

CASE STUDY 5: THE PROFITABILITY OF UK RETAILERS

Question: Are British supermarkets more profitable than their European and US counterparts?

Profitability is the ability to gain profit

Profit is the positive gain from an investment or business operation after subtracting for all expenses.[11]

<https://assignbuster.com/strategics-for-strategic-decision-making/>

Profitability = TR-TC (TR = Total Revenue, TC = Total cost)

Return on capital employed (ROCE) is the ratio that indicates the efficiency and profitability of company capital investments.[12]

British supermarkets are profitable compared to US and other European countries because of the following reasons:-

Cost of labor: Labor costs are lower in the UK due to lower social cost borne by employers. This reduces operation cost and makes the British firms to be more profitable.

Technology: British companies have a lead in applying IT in their distributions' systems with deliveries in small number of companies' warehouses, the use of technology in distribution system reduce the cost of operation contributing to higher profits.

Buying power: The British supermarkets have high buying power and tend to be more centralizing than some of the US and other European countries. This help them in reducing cost and also the British firm are more experienced and skillful in using their buying power to negotiate better terms or price from their supplier.

Because they have dominated the market the British supermarkets impose the higher than a normal price to consumers (oligopoly power). Because the British supermarkets have high buying power and the use of oligopoly make them more profitable compared to the US and other European counterparts.