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Course. Strategic Management
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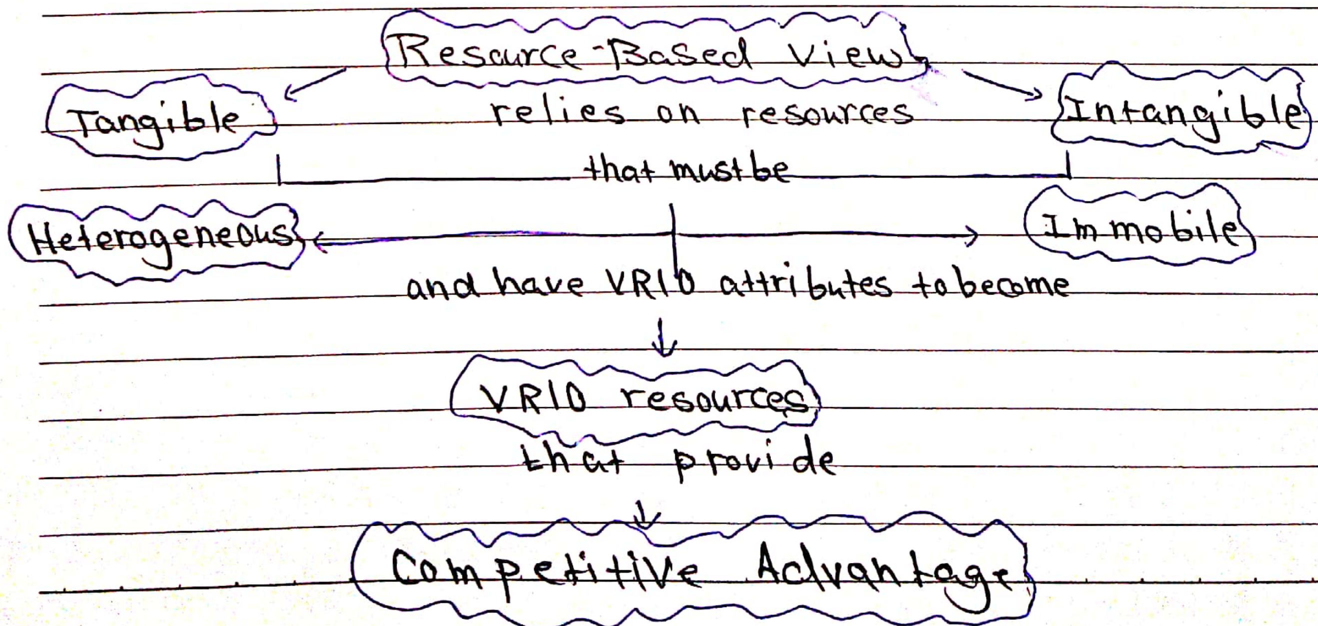
Answer #2

Resource Based View (RBV)

Resource based view is a model that sees resources a key to superior firm performance. If a resources exhibits VRIO attributes, the resource enables the firm to gain and sustain competitive advantage.

Resource based view is an approach to achieve competitive advantage that emerged in 1980s and 1990s, after the major works published by Wernerfelt, B. ("The Resource-Based View of the firm").

The supporter of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive enviroment for it.



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1. Tangible Assets

Tangible assets are physical things. Land, building, machinery, equipment and capital, all thes are assets are tangible. Physical resources can easily be bought in the market so they little advantage to the companies in the long run because rivals can soon acquire the identical assets.

2. Intangible Assets

Intangible Assets are everything else that has no physical presence but can still be owned by the company. Brand reputation, trademarks, intellectual property are all intangible assets. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage.

3. Heterogeneous.

The first assuption is that skills, capabilities and other resources that organizations posses differ from one company to another. If organizations would have the same amount and mix of resources, they could not employ different strategies to outcompete each other.

The competition between PEL and electronic companies is a good example of how two companies that operate in the same industry and thus are exposed to the same external forces, can acheive various organazational performance due to the

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differente in resources.

4. Immobile

The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in short-run. Due to this immobility, companies cannot replicate rivals' resources and implement the same strategies. Intangible resources, such as brand equity, ~~poss~~ processes, Knowledge or intellectual property are usually immobile.

5. VRIO Frame (Value, Rare, Imitate, Organization)

Barney (1991) has identified VRIN framwork that examines, if resources are valuable, rare, costly to imitate and non-substitutable. The resources and capabilities that answer yes to all the questions are the sustained competitive advantages. The framwork was later improved from VRIN to VRIO by adding the following question:

"Is a company organized by exploit these resources?"

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Answer #3

Reasons for Acquisitions and Problems in Achieving Success

1. Reasons for Acquisitions

a) Increased Market Power
b) Overcoming Entry Barriers
c) Cost of new product developement & increased speed to Market
d) Lower Risk compared to developing new products
e) Increased Diversification
f) Reshaping the firm's competitive scope
g) Learning and Developing new Capabilities

2. Problems in Achieving success

a). Integration difficulties
b). Inadequate evaluation of target
c). Large or extraodinary debt
d). Inability to acheive synergy
e). To much diversification
f). Managers overly focused on acquisitions
g). Too large

Reasons for Acquisition

1. Cost of New Product Development and Increased speed to Market.

Acquisitions allow a firm to gain access to new and current products that are new to the firm. Internal developement of new products is often perceived as high risk activity. Compared with interal product development, acquisitions are less costly, have faster market penetration, have more predictable returns

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due to the acquired firms' experience with the products.

2. Lower Risk compared to developing new products

Outcomes for an acquisition can be more easily and accurately estimated than the outcomes of an internal product developement process. Acquisition strategies are a common means of avoiding risky internal ventures and risky R and D investments. Acquisitions may become a substitute for innovation, and thus should always be strategic rather than defensive in nature

3. Increased Diversafication

Using acquisitions to diversify a firm is the quickest and easiest way to change its portfolio of businesses. Both related diversification and unrelated diversification strategies can be implemented through acquisitions. The more related the acquired firm is to the acquiring firm, the greater is the probability that the acquisition will be successful.

4. Reshaping the Firm's competitive Scope.

An acquisitions can reduce the negative effect of an intense rivalry on a firm's financialu performance. And also reduce a firms' dependence on one or more products or markets. Reducing a company's dependence on specific markets alters the firm's competitive scope.

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Problems in Acheiving Acquisition Success

1. Over Diversification

Related diversification requires more information processing than does unrelated diversification. Due to the additional information processing, related diversified firms become over diversified with fewer business units than do unrelated diversifiers. Over diversification leads to a decline in performance, after which business units are often divested. Even when a firm is not over diversified, a high level of diversification can have a negative effect on its long-term performance.

2. Too Large

Additional costs and complexity of management may exceed the benefits of the economies of scale and additional market power, creating diseconomies of scope. More bureaucratic controls result from size like formal rules and policies ensure consistancy of decisions and actions and also formalized controls often lead to relatively rigid and standardized mangerial behaviour and the firm may produce less innovation.

3. Too much Diversification

Diversified firms must process more information of greater diversity to increase operational scope created by diversification it may cause mangers to rely too much on financial rather than strategic controls to evaluate business units' permances and also strategic focus shifts to short term performance.

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4. Integration Diffeculties.
Integration challenges include linking different financial and control systems, building effective working relationships (particularly when management styles differ), Resolving problems regarding the status of the newly acquired firm's executives, loss of key personnel weakening the acquired firm's capabilities and reducing its value.

Answer #4.

Business Process Reengineering VS Business Improvement
Business process reengineering involves completely changing the process for an overall different result, which is the opposite of incremental business process improvement Business process reengineering aims at changing the way a process works while business process improvement is tweaking an existing process to optimize. But the difference is in the depth of change.

	Business Improvement	Business Process Reengineering
Level of change	Incremental	Radical
Process change	Improved new version of process	Brand new process
Starting point	Existing processes	Clean slate
Frequency of change	one time or continuous	Periodic one time change
Time required	short	long
Typical scope	Narrow, within functions	Broad, cross functional
Horizon	past & present	Future
Participation	Bottom-up	Top-down
Path to execution	cultural	cultural structural
Primary enabler	statistical control	Information technology
Risk	Moderate	High

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Level of Change.
Level of Change in business process reengineering is radical or completely new on the other side level of change in business process improvement is incremental or we add a series of changes on a fixed scale to improve or enhance the processes.

Process Change
In business process reengineering only brand new process are introduced but in business process improvement new version of process are implement to the existing processes.

Starting Point.
In business reengineering the starting point of implementing new processes is clean slate or in other words we should create new platform to implement new processes while in business improvement process the starting point is the already existing processes.

Time Required
Time needed to implement brand new process in business process reengineering is long or time taking while short period of time is needed to improve processes in the business improvement process method.

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Answer #1

Porter's Generic Strategies

A firm's relative position within it's industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competative advantage a firm can possess: low cost or differentiation. The two types of competitive advantage combined with the scope of activities for which a firm seeks to acheive them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentition and focus. The focus strategy has two variants, cost focus and differentiation focus.

Competitive Scope	Competitive Advantage: Lower Cost	Competitive Advantage: Differentiation
Broad Target	1. Cost leadership	2. Differentiation
Narrow Target	3a. Cost focus	3b: Differentiation focus

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1. Cost Leadership

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of the cost advantage are varied and depend on the structure of the industry. The may include the pursuit of economies of scale, proprietary technology, preferential acess to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can acheive and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

2. Differentiation

In a differentiation strategy a firm seeks to be unique in its industry along some dimentions that are widely valued by buyers. It selects one or more attributes that may buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

3. Focus.

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others.

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The focus strategy has two variants.

a). In cost focus a firm seeks a cost advantage in its target segment, while in

b). Differentiation focus a firm seeks differentiation in its target segment, Both variant of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segment must either have buyers with unusual needs or else the production and delivery system that best serve the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segment, while differentiation focus exploits the special needs of buyers in certain segments.

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