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MBA-72

STRATEGIC MANAGEMENT

FINAL EXAM.

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Question # 2 : Explain Resources based ~~review~~ view and explain each stage with examples.

Answer: The resource based view or in short the RBV is a model that sees resources as key to superior firm performances. If a resource exibits 'VRIO attributes, the resources enables the firm to gain and sustain competitive advantage. RBV is an approach to attain competitive advantage emerged in 1980s and 1990s, after major works published by Wernerfelt, B. The supporters of this firm argues that organizations should look inside the company to find the sources of competetive advantage instead of looking at competitive ~~advantage~~ environment for it.

Resource based view relies on resources which can either be tangible or intangible that must be hetrogeneous and immobile and have VRIO attributes to become VRIO resources that provide competitive advantage.

Tangible Assets are physical things. Land, buildings, machinery, equipment and capital all these assets are tangible. Physical resources can easily be bought in the market so they confer little advantage to the companies in the longer run because rivals can soon acquire the identical assests.

Intangible assets include everything else that has no physical presece 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 can not buy from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage.

Hetrogeneous. The first assumption is that skills, capabilities and other resources that orgaizations possess differ from one company to the another. If organization would have the same amount and mix of

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resources, they could not employ different stratergies to out compete each other.
For instance, the competition between Apple and Samsung is a true example of how two companies that operate in the same industry and thus are exposed to the same external forces, can achieve different organizational performance due to the difference in resources.

The second assumption of RBV is that resources are immobile which means it do not move from company to company at least in short run. Due to this immobility, companies can not replicate rivals resources and implement the same stratergies. Intangible resources such as brand equity processes, knowledge or intellectual property are usually ~~ing~~ immobile.

<u>VRIO framework</u>: The VRIO framework has been identified that examines if resources ~~can be~~ valuable, rare, costly to imitate. and non substitutable. The resources and capabilities that answer yes to all the questions are the susteined ~~competitor~~ competitive advantages.

Resources are valuable if they help organisations to increase the value offered to the customers. This is done by increasing differentiations and decreasing the cost of the production. The resources that cannot meet this condation lead to competitive disadvantage.

Resources that can be acquired by only one or ~~g~~ a ~~the~~ few companies are considered rare. when more companies have the same resources or capability, it results in competitive parity.

A company that has valuable and rare resource can achieve atleast temporary competitive advantage. However, the resources must also be costly to imitate and to substitute for a rival, if a company wants to achieve a sustained competitive advantage.

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The resouces itself do not confer any advantage for a company if it is not organised to capture the value from them. Only the firm that is capable to exploit the valuable, rare and imitable resources can recieve sustained competitive advantage.

Question # 3: What are reasons for acquistions and problems in success. Mention all of them and explain four from both sections?

Answer: The four reasons to acquire a company rather than growing organically are given below.

1. Increase in market share: Buy a company that is directly competitive to your own thereby securing its customer base. Rather than duckling it out on that ~~thap~~ top 10 best hosting list, you dont have to fight those competitive battles, perfect for those commodity firms. The size of your company can grow overnight In most cases you will spread SG&A over a larger base and your margins should increase.

2. Expand into markets: There is always a new market to attack in hostings, what is the new? Acquire the company ~~as a~~ whose products are complementary to your current products, in the expectation that the sum of the parts will be greater than the whole.

3. Obtain advanced technology: It is one thing to want to become a high end managed company, it may be another ~~to~~ thing to ensemble the entire suit of technology, equipment and software that pulls it all together. You acquire a company

that has the complete package that would be difficult or time consuming for you to develop yourself in house.

4. Get hard to find Personnel: Not only acquire a company that employees a set of highly skilled employees, but also a team rather than going through the time consuming process of recruiting them indivisually.

The four problems that are generally faced in acquisation are given below:

1. Integration difficulties: Integrations problems or difficulties that companies often encounter can take many forms. Major amongst them are linking different financial and control systems, building effective working relationships.(esspecially with management styles differ), problems relating to different status of acquired and acquiring companies executives and melding disparate corporate cultures. The importance of integration success should not be underestimated. Without successfull integration, a company achieves financial diversification, but little else.

2. Inadequate valuation of Target: Another potential problem is that acquiring companies may ~~not~~ pay too much for acquired buisness. This can occur for a number of reasons. Acquiring companies may not thoroughly analyze the target company, failing to develop adequate knowledge of its true market value. Shareholders of the targets must be enticed to sell thier stocks and this usually requires that accquiring companies pay a premium over the current stock price. In some instances, two or more companies may be interested in acquireng the same target company.

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3. Large or extraordinary debt: Many acquirers, in addation to over-paying for targets may be forced due to market condations to finance acquistions with relatively high-cost debt. Top level manegec were encorruged to finance acquistions with high cost debt because of the manegerail dicipline that accompanied such use.

4. Inability to Achieve synergy: Acquiring companies also face the challenge of correctly identifying and valuing any synergies that are expected to be realized from the acquisition. This is a significant problem because inorder to justify the premium, price paid for target companies, managers mey over estimate both the benifit and value of synergy. And to ~~attain~~ achieve a sustained competitive advantage through an acquistion, accquirers must realize private synergies and core competencies that cannot easily be imitated by competitors.

Question # 1: Explain Porter's generic staterg from both target scope and advantages.

Answer: Porter's generic stratergies describe how a company pursues competitive advantage across its choosen market scope. There are three generic stratergies. A company chooses to pursue one of two types of competitive advantage, either via lower cost than its competition or by differentiating itself along dimensions valued by customers to command a higher price. Each of the three generic stratergies is listed and explained below.

Cost leadership Stratergy:

firms that succeed in cost leadership often have the following internal strenghts:

Access to the capital required to make a significant investment in production assets. This investment ~~in production~~ represents a barrier to entry that many firms may not overcome. Skill in designing products for efficient manufacturing for instance having a small component count to shorten the assembly process. High level of expertise in manufacturing process engineering and having efficent distribution channels.

The risks included using this straterg are for instance, other firms may be able to lower thier costs aswell. As technology improves, the competition may be able to leap frog the production capabilities, thus eliminating the competitive advantages. Additionally several firms following a focus straterg and targeting various narrow markets may be able to achieve even lower cost within thier segment's and as a group gain significant market share.

Differentiation Strategy:

firms that succeed in differation strategy often have the following internal strenghts:

They have access to leading scientific research. Also they have a highly skilled and creative product development team. They also possess a strong sales team with the ability to successfully communicate the percieved strengths of the product. having corporate repudation for quality and evaluation.

~~The~~ On the contrary, the risks include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus stratergies may be able to achieve even ~~gre~~ greater differation in thier market segments.

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Focus Stratergy:

Concentrates on a narrow segment and within that segment, attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the ~~goods~~ group can be better serviced by focusing entirely on it. A firm using a focus stratergy often enjoys a high degree of customer loyalty and this entrenched loyalty discourages other firms from competing directly. Because of thier narrow market focus, firms pursuing a focus stratergy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentating focus strategy may be able to pass higher costs on to customers since close substitute products do not exist. firms that succeed in a focus stratergy are able to taylor a broad range of product development strenghts to a relatively narrow market segment that they know very well.

The risks include imitation and changes in the target segment. Additionally, it may be fairly easy for a broad market cost leader to adapt its product in order to compete directly. finally other focusers may be able to carve out sub segments that they can serve even better.

Advantages:

- create customer value.
- provide competitive advantage
- operational excellence
- Product innovation.
- Customer intimacy.

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Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry wide)	Cost leadership Straktergy	Differentiation Straktergy
Narrow (Market segment)	Focus strategy (Low cost)	Focus strategy (differentition)

Question # 4: What is buisiness process reengineering vs buisness improvement. Mention and explain any 3 of them.

Answer: Fundemental rethinking and radical redesign of buisiness processes to achieve dramatic improvements in costs, quality, speed and service. Consistently creating new buisiness knowledge disseminating it widely throughout the company and quickly building the new knowledge into their products and services. Techniques, technologies, systems and rewards for getting employees to share what they know and to make better use of accumalated workplace and enterprise knowledge.

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Please find the table below ~~to~~ which is indicating all the factors and differences between BPR & Buisiness improvement.

	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: In buisness improvement, the level of change is incremental which means it is addition to the existing process and hence the level of change is gradual as it is just a new version of an existing process whereas in buisiness process reengineering, it is radical as the entire buisness has been rearranged or one can say re-vamped and hence brand new process have been introduced which are designed to bring radical change.

Time Required: Buisness improvement requires short time as it is just the modification of the existing buisiness The modification can be small or big but requires less time as you need to modify a specific thing and hence targeted modification is done which is quicker. In BPR, the time required is long as one has to design an entirely new process and all the aspects have to be taken into account which is why it becomes more time consuming.

Risk: Moderate level of risk is involved in buisiness improvement as small steps are taken and change can be guaged and any step barring negative results can be revoked whereas in ~~Process~~ buisiness process re-engineering the risk involved is high as it is changing the entire body and structure of a buisiness which can be hazardous if done wrongly as it is a big step and can effect the buisiness potentially.