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Strategic Management
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Q#2: Explain resource based view and explain each stage with example.

Resource Based view: A strategy of an organization for achieving competitive advantage. The core idea of the theory is that instead of looking at competitive business environment to get an edge over competition and threats, the organization should instead look within at the resources and potential it already has available.

According to RBV, its easier to exploit new opportunities using resources and competencies that are already available, rather than acquiring new skills, traits or function for each different opportunity.

Types of Resources:

Tangible Assets: These are the physical things like property, land, products and capital. These are resources which can be easily bought in market

and can offer little competitive advantage as its ②
easily available other organizations can acquire identical assets.

Intangible Assets: Assets that are not physical in nature. For example: brand recognition, patents, trademarks, copyrights etc. Something which other competitors can not buy in market. These intangible assets stay within the organization.

Assumptions of RBV:

There are two significant, critical assumptions:

1) Heterogeneous:
The first major assumption is that resources, skills, capabilities must vary from one organization to another.

2) Immobile: The second assumption is that resources are immobile and thus unable to move freely from organization to organization (eg: employee movement) for short term. Due to this, organizations are unable to replicate the resources. Intangible assets are more likely to be immobile than tangible assets.

Example of RBV Strategy:

Honda, the world's largest engine manufacturer is following RBV strategy. Honda built its business strategy around firm's strength, capability and expertise to building petrol based engines. Honda initially started with small clip-on engines for bicycles then moved to two wheelers such as scooter, marine engines, generators, lawn equipments, and cars (Honda & Acura automobile) and even jet planes. Each of these products compete in different product category but because of unique resource and capability of Honda to build world class petrol based engines.

VRIO Framework:- (For Google)

According to RBV, an organisation can be considered as collection of physical resources, human resources and organizational resources (Barnay, 1991). Resources of organization that are valuable, rare, imperfectly substituable are main sources of sustainable competitive advantage for sustained superior performance. A resource must fulfill 'VRIN' criteria in order to provide competitive advantage:

VRIN Criteria :-

The framework was later improvised to VRIO :

1) Valuable :

Resources are valuable if it provides strategic value to the firm. Resources provide value if it help firms in exploiting market opportunities or help reducing market threat.

Questions : Do you offer a resource that adds value for customers? Are you able to exploit an opportunity?

Example : Let's breakdown Google's VRIO framework from HR perspective :

i) Value : Using human capital management data to hire and retain innovative, productive employees. These employees create some of the most popular consumer products & services.

ii) Rare : Resources must be difficult to find among the existing potential competitors of the firm. Hence resources must be rare or unique to offer competitive advantage.

Questions : Do you control scarce resources or capabilities? Do you own something that is hard to find yet in demand?

Example: No other companies are using data-based employee management so extensively.

iii) Imitability: It means making copy or imitate the resources will be not feasible. Difficulties in acquiring resources, ambiguous relationship b/w capability and competitive advantage or complexity of resources.
Questions: Is it expensive to duplicate your organization's resource or capability? Is it difficult to find an equivalent substitute to compete with your products?

Example: Data-based human capital management is both costly and difficult to imitate, atleast for near future. Companies have to build software and invest in training HR Staff on new technology and strategy.

iv) Organization: Resources does not necessarily convey a competitive advantage, if the organization, its system and processes does not exploit resources to the fullest it can not hope to gain advantage.
Questions: Does your company have organized management systems, processes, structures and

culture to capitalize on resources and capabilities?
Example: Google is organized to capture value from this capability - The IT department has skills to collect and maintain data while HR & team leaders are trained on how to use data to hire, promote, manage and improve performance of employees.

Q#3: What are reasons of acquisition and problems in achieving success, mention all of them and explain four from each section?
Ans:
Reasons for acquisition:
i) Increased market power
ii) Overcoming entry barrier
iii) Cost of new product development.
iv) Lower risk compared to developing new products.
v) Increased diversification
vi) Reshaping the firm's competitive scope.
vii) Learning and developing new capabilities

1) Overcoming entry barriers:
Entry Barrier: Entry barriers are the existing of high start-up cost or other obstacles that

prevent new competitors from easily entering. Barriers to entry benefit existing firms because they protect their revenues and profits.

⇒ Entry barriers may be caused naturally, by government intervention, or through pressure from existing firms.

Cross Border Acquisitions : It involve set of assets and operations of firms belonging to two different countries.

Why cross border acquisition:

⇒ Provide foreigners with free access to local capital markets and local residents to foreign capital markets as globally integrated capital markets.

⇒ Exhibit different bond & equity in different geographic areas for identical assets in terms of risk & maturity as segmented capital markets.

Benefits of Cross border Acquisition:

i) expansion of market

ii) possibility of raising funds abroad.

iii) Technology transfer.
iv) Tax planning and benefits.

2) Cost of new product development:
Development of innovative products requires alot of effort. The creation of an appropriate strategy development, protection of resources and preparing a launch system is a major challenge.
96% of businesses fail within 10 years. Statistically, its obvious that launching a new product or service is challenging. This is why, companies often use acquisition as a tool to add new products and services. RnD can be costly and there's no guarantee for succes. In acquisition, one can by pass the difficult start-up period and pick companies that are already established in market place.
Example: Johnson and Johnson acquiring Actelion for $30 billion to gain access to high margin medicines and Thermo Fisher acquiring Pantheon for $7.2 billion to further expand in biopharma industry.

Conclusion: Rather than working through the trials and errors of learning about new market, with acquisition you gain immediate access to new customers and capabilities.

3) Increased Diversification:

Diversification acquisition is when a company takes a controlling interest in another company to expand product and services offerings.

Big corporations are involved in diversification either to minimize the potential risk of one business component not performing well in future or to maximize earnings potential of running a diverse operation.

Example: Kellogg's recently snapped up organic protein bar manufacturer RXBAR for $600 million to lift its struggling line of cereals and bars. It also presented an opportunity for legacy food manufacturers to make headway in rapidly growing natural food industry.

Related business diversification.

Business are related if

@ serve similar markets & use similar distribution system.

(b) similar production technology.
(c) exploit similar science-based research.

4) Learning & developing new capabilities:
Firms must acquire other firms with different but related and complementary capabilities in order to build their own knowledge base.
Get skills or technologies faster or at lower cost than they can be built.
Example: Apple bought Siri in 2010 to enhance iPhones. Recenctly, Apple purchased Novauris Technologies, a speech recognition-technology company, to further enhance Siri's capabilities.

Problems in achieving success:-
i) Integration difficulties
ii) Inadequate evaluation of target.
iii) Large or extraordinary debt
iv) Inability to achieve synergy
v) Too much diversification.
vi) Managers overly focused on acquisition
vii) Too large.

1) Integration Difficulties:

At every stage of due diligence, members need to take notes on where various parts of business can be integrated.

Some of the integrate issues in acquisition include:

→ corporate identity.
→ corporate culture and attitude.
→ Vendors
→ integration of HR.
→ operating & management information system.
→ financial practices.

2) Inadequate evaluation of target:-

Due diligence:

The process of evaluating a business firm for acquisition

Evaluation:

Several kind of data is examined like corporate records, IP contracts, stockholder, history of litigation (process of legal action).

The buyer will need to get solid understanding of target company's financial health, operational assets, legal matter & strategic position.

Inadequate due diligence may result in paying an excessive premium for target company.

3) Managers overly focused on acquisition:
If companies follow active acquisition strategies, the process generally ~~acquires~~ requires significant amount of managerial time and energy.
At Target company, top-level manager generally become involved when they become aware at their company is an acquisition target.
The downside to this short term focus may be that valuable managerial experience is lost and talented individuals engaged in product development or R&D may leave. As a result of ~~..~~ tremendous demands on managerial time and energy may adopt short-term perspectives, delaying critical long-term decisions related to R&D or capital expenditures. And this may harm long term strategic competitiveness of combined company.

4) Too Large:
In the vast majority of cases, acquisitions result in acquirers increasing in size after some of the acquired company's assets are sold.
In other words, companies can reach economies of scale by growing. After a certain size

is achieved, size can become a disadvantage as companies reach a point where they suffer from what might be called 'disecomies of scale'.

Bureacratic controls:

Management of increased company size include increasing or establishing bureaucratic controls, represented by formalized supervisory and behavorial controls such as rules and policies that are designed to ensure consistency across different units decisions and actions.

But bureacratic controls may reduce managerial flexibility, which can result in reduced levels of innovation and less creative decision making.

Q#4: What is business process reengineering? VS business improvement mention all & explain any three of them?

Business

BPR is a strategy based on aspiration which aims to redesign the process almost from scratch.

BPI:

It is continuous process that aims at 14
attaining efficiency to continual improvement

BTI Vs BTR

=) Both are essentially aimed to improve system.

Differences:

i) BTI is done to improve process within existing org. structure
BTR is done dramatic improvement

ii) BTI is preventive technique applied at principle across the business while BTR is applied to fend offs impending disaster.

iii) BTI is often seen running repairs & can be used quick wings BPR focuses on improvement of organizational proc...

Q#4: Explain Porter's generic strategies from both target scope and advantages? 15

Generic strategies:

Porter called generic strategies 'cost leadership, differentiation and Focus strategy. Hea then subdivided Focus strategy in two parts: 'cost Focus' and 'Differentiation Focur'.

SCOPE	Broad	Cost leadership	Differentiation
	Narrow	Cost Focus	Differentiation Focus
		Cost	Differentiation

Source of Competitive ~~Strategy~~ Advantage

Cost Leadership Strategy:

Porter's generic strategies are ways of gaining competitive advantage - in other words, developing the "edge" that gets you the sale and takes it away from your competitors. There are two main ways of achieving

Thus within a Cost leadership strategy:

- Increasing profits by reducing costs, while charging industry-average prices
- Increasing market share by charging lower prices, while still making a reasonable profit on each sale because you've reduced costs

The Differentiation Strategy:

- Good research, development and innoval
- The ability to deliver high-quality products or services.
- Effective sales and marketing, so that the market understands the benefits offered by the differentiated offerings