Strategic Management
Final Exam

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MBA-72

Q#3 what are the reasons for aquizations and problem in success mention all of them and explain four from both sections?

Ans In the growing of any company, we can sit back and hit our head back against the wall by going through painstaking ventures into different spheres. All of which is good and would eventually lead to the overall growing of our business. While, on the other hand we can skip all these time consuming and hecting procedures and go for an acquisition. An acquisition is when one company purchases most or all of the other's company share. The acquisition may cost you more per customer, but there's no faster way to grow your company than by acquiring another company

Below mentioned are the main four reasons for the acquisition of another's company rather than the growing organically.

1 Increase Market share

Buy a company that is directly competative to your own thereby securing it's customer base. Rather than ducking it out on that top 10 best hosting list, you don't have to fight these competetive battles. The size and market share of the company can grow overnight. By having a larger customer base will also lead to increased margins.

2 Expand into new Markets

There is always a new market to attack for hosting. Acquire a company whose products are complementary to your current products in the expectations of that the sum of parts will be greater than ~~sum~~ the whole and thus we can expand our horizons into new markets.

3 Obtain Advanced Technology

It is one thing to want to become a high end managed company, it may be another thing to assemble the entire suite of technology, equipment and software that pulls it all together. This requires going through an extended and expensive R&D process which can be skipped by acquisition. You acquire a company that has the complete package and save your time, money and energy.

4 **Hard to find Personnels**

Not only acquire a company that employs a set of highly skilled employees, but also a team rather than going through the time consuming process of recruiting them individually.

The overall reasons for acquisations are;

- Increased market share
- Overcoming entry barriers
- Expansion into new markets
- Obtaining Advanced Technology
- Hard to Find Personnels
- Lower risk compared to developing new products
- Increased diversification
- Reshaping firm's competetive advantage
- Learning and developing new capabilities

Problems in acheiving Achieving Acquisition Success

1. Integration difficulties
2. Inadequate evaluation of target
3. Large or extra ordinary debt
4. Inability to achieve synergy
5. Too much diversification
6. Managers overly focused on acquisitions
7. Too large.

1) Integration difficulties

Integration 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, problems related to differing status of acquired and acquiring companies executives and melding disparate corporate cultures

2) Inadequate evaluation of Target

Another potential problem is that acquiring companies may pay too much for the acquired businesses. This may occur due to many reasons e.g the acquiring company may not thoroughly analyse the target company, failing to develop adequate knowledge of it's true market value

3) Large or Extraordinary debt

Many acquirers, in addition to overpaying for targets may be forced due to market conditions to finance acquisitions with relatively high and cost debt. Top level managers have been encouraged to finance acquisitions with high-cost debt because of the managerial discipline 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 to justify the premium price paid for target companies, managers may overestimate both the benefits and value of synergy. And to achieve a sustained competitive advantage through an acquisition acquirers must realize private synergies and core competencies that cannot be easily imitated by competetive.

Q#2 Explain Resource based view and explain each with example.

Ans The resource based view (RBV) of the organization is a strategy for acheiving competetive advantage. The core idea of the theory is that instead of looking at the competetive business environment to get a niche in the market, the organization should look within at the resources and potential it already has available. According to RBV, it is significantly easier to exploit new opportunities using resources and competencies that are already available, rather than having to acquire new skills, traits or functions for each different opportunity.

Types of Resource

Within an RBV model, there are two main type of resource which ~~and~~ are stated below.

1. Tangible Resource

These are physical things like property, land products and capital. These are resources which can generally be bought easily on the market and thus differ little competetive advantage as other organizations can also acquire idantical resources quickly if they should like.

2. Intangible Rosources

This refers to items and concepts that have no physical value but can still claim to be owned by the organization. This may refer to reputation, patents, trademarks or intellectual property that the organization may possess.

Assumptions of RBV

There are two critical assumptions of RBV that resources must also be

1 Heterogeneous

The first major assumption is that resources, skills and capabilities must vary significantly from one organization to another. Perfect competetion does not exist in the real world - companies may be exposed to the same exact competetive and external forces, but they are still able to formulate different strategies to compete with one another. Thus, RBV assumes that this is due to the varying values of their resorries and skills.

2 Immobile

The second assumption of RBV is that resources are immobile and unable to move freely from organization to organization atleast over the short term. Due to this, organizations are unable to quickly replicate the resources of rival organizations and therefore implement the same strategies. Intangible assets like knowledge, intellectual property etc are more likely to to be immobile than are tangible assets.

VRIO Framework

Although possesion of hetrogeneous and immobile resources is crucial to organizational success, it is not alone if they wish to sustain the competetive advantage. Barney in 1991 identified a framework for examining the key properties of resources and organizations which was VRIN at at that time and was later changed into VRIO by some alterations which stands for Valuable, Rare, Imitability, Organized to capture value (VRIO). These are explained below:

1 Valuable

Resources are valuable if they can help to increase the value of service or product supplied to customers or others reliant on the organization. This can be improved by increasing differentiation, decreasing the cost of production or other general modifications to improve quality and worth of the service. Any resource that do not meet this condition may lead to a competetive disadvantage.

2. **Rare**

Any resource both tangible or intangible which can only be acquired by one or very few organizations, may be considered rare. If organizations have the same resources, this can result in competetive parity.

3. **Imitability**

If an organization holds resources which are valuable or rare, they can atleast achieve a competetive advantage in the short-term. However, to sustain this advantage the resources needs to be costly or difficult to imitate or else rivals may begin to close the gap by obtaining same or similar resources.

4. **Organized to capture value**

Resources do not necessarily convey a competetive advantage ~~and~~ if the organization, its systems and its processes are not designed to exploit the resource to its fullest, then it cannot hope to gain a competetive advantage. This could refer to not utilizing talented or knowledgable individuals in the correct department or role, or not fully building campaigns that utilize the organization's positive reputation amongst many other examples

Only when all of these factors are fulfilled one can gain a sustained competetive advantage and can innovate and get ahead in the market. The process for maximizing an advantage using RBV should follow as such.

1. Identify the organization's key resources
2. Evaluate whether the resources fullfil the VRIO criteria
3. Develop and nurture the resources that pass these criteria

If organizational leaders do as such, the organization should hypothetically be expected to pull ahead of rivals to advance through new ground in the market.

Q #2 Explain porter's generic strategies from both target scope and advantages.

Ans Porter's generic strategies consists of three components

1. Cost Leadership Strategy
2. Differentiation Strategy
3. Focus Strategy

3. Cost Leadership Strategy

Porter's generic strategies are ways of achieving competitive advantage over your competitors. The key success factor in a cost leadership strategy is to out manage the competition. There are two key approaches of achieving this within a cost leadership strategy.

a) Increase profits by reducing costs
b) Increase market share by lowering prices

Pricing is a key issue if a company wants to pursue a cost leadership strategy as the target market scope is extremely price sensitive. Pursuing a low-cost strategy might leave a company vulnerable to attacks by other lower-cost providers who can prevent you from increasing our market share by undercutting your prices.

To successfully achieve cost leadership a company needs to optimize its value chain. This can be done by using the following approaches.

a) Perform value chain activities in a more cost effective manner than your competitors.

b) Review your value chain to eliminate unnecessary activities

Cost strategies usually works best when there is a fierce price competition among rivals. If there is little product differentiation and supplies are readily available from different suppliers then they can ~~by~~ buy it in bulk at discount, driving down cost and opting for lower retail prices and increasing ~~making~~ margin.

2. **Differentiation strategy**

Differentiation means making your product different and more appealing to your customers to increase your customer base. This is highly dependent on several factors like industry market, customer base, and the nature of the actual products or services. Whatever it is ~~as~~ it has got to be something that makes your product stand out.

The key success factor for in a differentiation strategy is to make it either very difficult or very expensive for rivals to replicate your product or service.

A differentiation strategy is appropriate where the target market is not price sensitive because a lot of money would be included in ~~the~~ ~~a~~ process to make it unique.

3. Focus Strategy

Focus strategies concentrate on niche markets. Companies pursuing Focus Strategies have a deep understanding of a particular market and the unique needs of it's customers. They can therefore develop unique lower cost or differentiated products or services for that specific market. These companies usually have a strong brand loyalty amongst their customers and tend to monopolize the segment, making it less attractive to competetors thus mitigating the risk of attack from other niche players, new entrants or broad market competetors looking to enlarge their customer base through product or service specialization.

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry wise)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Q # 4

what is business process reengineering v/s business improvement. Mention all and explain any three of them

Ans The following table indicates all the factors and differences b/w business proccess reengineering and business improvement.

	Business Improvement	Business Process Re engineering
Level of Change	Incremental	Radical
Process change	Improved new version of process	Brand New Process ~~Clean Slate~~
Starting Point	Existing Process	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 and Present	Future
Participation	Bottom-up	Top-down
Path to Execution	Cultural	Cultural, Structural
Primary Enabler	Statistical control	Information Technology
Risk	Moderate	High

Business Process Re-engineering or BPR is a business management strategy of conducting a business process reconstruction for the sake of uplifting its product or service quality and lowering the long term expenditure. It's a business strategy that needs business and workflow analysis to discern and draw out the process redundancies

while, on the other hand business improvement is strategizing and supervising and maintenance of the workflow to gear up the existing business processes and organization altogether. It is a regular and long term string of procedures which serves as the backbone for all business processes in the enterprise.

Level of change

Level of change in BPR is radical because it's a whole new process of re-engineering of process and development of a product, so the impact would be radical along with the change. while in business improvement, we streamline the already existing process and that doesn't happen overnight. It is an incremental change which takes time for it's result to show and fruits to bear.

Process Change

The process in BPR is brand new because it has re-engineered the entire process making it completely new form of process in hope of achieving more beneficial results in the long term. While in business improvement, it is just an improved version of the existing process making it more viable in the short-term by ~~imp~~ enhancing the existing model through minor modifications.

Starting Point

The starting point of BPR is a clean state meaning that the whole existing process has to be dumped and we have to start from scratch to re design or re engineering the process. On the other hand, business improvement starting point is the existing process and improvements are made into it by different monitoring and other methods to make the process more ~~worthwhile~~ worthwhile.