NOUN

NATIONAL OPEN UNIVERSITY OF NIGERIA

BUS 428

Business Policy and Strategy

Module 5

Module 5

BUS 428 Business Policy and Strategy

Course Developer/Writer
Pst. I. T. Oladele, National Open University of Nigeria

Course Editor
Associate Prof. F. Ayodele, National Open University of Nigeria

Course Coordinator
Mr. A. I. Ehiagwina, National Open University of Nigeria

Programme Leader
Dr. I. D. Idrisu, National Open University of Nigeria

Credits of cover-photo: Henry Ude, National Open University of Nigeria

National Open University of Nigeria - 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi, Abuja, Nigeria

www.nou.edu.ng centralinfo@nou.edu.ng
oer.nou.edu.ng oerunit@noun.edu.ng OER repository

Published in 2021 by the National Open University of Nigeria

How to re-use and attribute this content

Module 5

Unit 1 Strategic Management Case Analysis

1.0 Introduction

The purpose of this unit is to help you analyse strategic-management cases. Guidelines for preparing written and oral case analyses are given, and suggestions for preparing cases for class discussion are presented. Steps to follow in preparing case analyses are provided. Guidelines for making an oral presentation are described.

2.0 Objectives

At the end of this unit, you should be able to:

- describe the case method for learning strategic-management concepts
- identify the steps in preparing a comprehensive written case analysis
- describe how to give an effective oral case analysis presentation
- discuss special tips for doing case analysis.

3.0 Main Content

3.1 What is a Strategic-Management Case?

A case study is a written record of the events that occurred at a particular company or within a particular industry over a number of years. The details included in a case study may include, but are not limited to:

- Information about a company, industry, or project
- Objectives, strategies, and challenges established and encountered
- Responses, results and recommendations

A strategic management case describes an organisation's external and internal conditions and raises issues concerning the firm's mission, strategies, objectives, and policies.

Most of the information in a business policy case is established fact, but some information may be opinions, judgments, and beliefs. Strategic-management cases are more comprehensive than those you may have studied in other courses.

They generally include a description of related management, marketing, finance/accounting, production/operations, R&D, computer information systems, and natural environment issues. A strategic management case puts the reader on the scene of the action by describing a firm's situation at some point in time. Strategic-management cases are written to give you practice applying strategic management concepts. The case method for studying strategic management is often called learning by doing.

3. 2 Objectives of Case Method

The objectives of the case method are to:

1. Help you to acquire the skills of putting text book knowledge about management into practice. Managers succeed not so much because of what they know but because of what they do.

2. Take you out of the habit of being a receiver of facts, concepts and techniques and get into the habit of diagnosing problems, analysing and evaluating alternatives, and formulating workable plans of action.

3. Train you to work out answers and solutions for yourselves, as opposed to relying upon the authoritative crutch of the teacher/counselor or a text book.

4. Provide you exposure to a range of organisations and managerial situations (which might take a life time to experience personally), thus offering you a basis for comparison in your working as a career manager.

Reading books, articles and listening to lectures alone cannot develop managerial skills. For most managerial problems, ready-made answers do not exist, or perhaps cannot exist. Each situation is different, requiring its own diagnosis and evaluation before action can be initiated.

Case studies allow learning by doing to occur. They stimulate the reality of a managerial situation and a manager's job. In a sense, cases are laboratory materials and offer a reasonable substitute for actual experience by bringing a variety of management problems and opportunities into the class room. Students often ask their teacher/counselor, "What is the right answer/solution?" If the discussion in the class concludes without clear answers or a clear consensus on what actually happened or what should/ought to be done, some students feel frustrated. While in some cases it would be possible for you and the counselor to develop a consensus, in other cases it may perhaps not be possible. As in real world, hard answers to cases do not exist.

Therefore, issues are discussed and various alternatives and approaches are evaluated. Usually, a good argument can be made for more than one course of action. Students should know that in case analysis is the exercise of identifying, diagnosing and recommending counts, rather than discovering the "right answer". The essence of case analysis is to become skilled in the process of designing workable action plans through evaluation of the prevailing circumstances.

If case method rests on the principle of learning by doing, it all depends on you as to how much gain you can derive by making your own analysis and reaching your own decisions, and then participating in the class room in a collective analysis and discussion of the issues. Since a case assignment emphasises student participation, it is obvious that the effectiveness of the class discussion depends upon each student having studied the case before hand.

A case assignment therefore requires conscientious preparation before class. You cannot expect to get much out of hearing the class discusses a case with which you are unfamiliar or not fully prepared for. The pedagogical objective of case method is very much different from the usual teaching, the class room Instead of the professor / instructor / counselor; it is the students who do most of the talking. The counselor / instructor's role is to solicit student participation and guide the discussion. The counselor might begin by restating the questions given at the end of each case or he might even propose or frame some new questions, like: What is the organisation's strategy? What are the strategic issues and problems confronting the company? What is your assessment of the company's situation? Is the industry an attractive place that you can work? Is management doing a good job? Are the organisation's objectives and strategies compatible with its skills and resources?

The students are expected to engage in discussion with each other, with the counselor listening to them patiently and providing direction/guidance as and when required so that the whole, discussion remains on the track. It is the students who carry the main burden of analysing the situation and then presenting and defending their analysis in the counseling sessions. You should therefore not expect your counselor to say: "Here is how to do it", "Here is the right answers", etc. Although you should do your own independent work and thinking, you should not hesitate to discuss the case with other students.

3.3 Benefits of Case Analysis Method

The case method offers students an opportunity to communicate and convince their fellow students and their counselors of the correctness of their viewpoints. This is analogous to the situation where a manager must persuade others to accomplish organisational purposes. The case analysis and discussion help the students in developing analytical, communication and interpersonal skills which are vital for success in management.

The method also provides some opportunity to the students to relate their viewpoints with those of the others. While defending his own viewpoint, a student has also to develop an appreciation for the viewpoints held by others. Table 5.0 lists the management skills which are improved by case analys

Action Skills Reinforced by Cases

1 Think clearly in complex ambiguous situations. Successful experiences with cases give students the practice and confidence necessary for clear intensive thinking in ambiguous situations where no one right answer exists. Since problems in management and administration are full of these situations. The skills are valuable to acquire.

2 Devise reasonable, consistent, creative action plans. Most cases require the student to detail a course of future action.

3 Apply quantitative tools: The management of modern organisation demands the use of such quantitative tools and theory as net present value, ratio analysis, and decision tree

analysis. Active employment of these techniques in actual situations requires more knowledge than one typically gains by introductory theory and problems. Cases give the student practice in using quantitative tools in these realistic situations.

4 Recognise the significance of information. Theories and observations of modern management have shown that managers sift through large masses of information, both formal reports and informal channels (the "grapevine"). The manager's task of defining problems and their solutions demands the ability to classify information.

5 Determine vital missing information. Successful decision makers must know where and be able to determine when to seek more information. Cases give the student practice in solving problems with the information at hand in the case. In researching standard industry sources, and in identifying the missing information that is vital to the formulation of an action plan.

6 Communicate orally in groups: Both the in-class discussions of cases and small group discussions preceding class are an integral part of learning by cases. The ability to listen carefully to others, to articulate one's views, and to rapidly incorporate the views of others into one's position is all important skills for managers.

7 Write clear, forceful, convincing reports. Managers and their staffs have to express themselves in writing. The best way to improve one's writing skills are to write; hence, the usefulness of the case report.

8 Guide students' careers: Many students would benefit from a greater awareness of the day-to-day tasks and responsibilities of managers. The wide variety of actual situations described in cases gives Students' valuable knowledge about the functions of many job positions.

9 Apply personal values to organisational decisions. Modem industrial society forces managers to make decisions which trade among business profits, government expenses, and the welfare of Individuals and the public. This area of ethics and social responsibility is important and problematicin a professional education. The 'process of stating and defending positions in case discussions sharpen a student's awareness and maturity in the subjective area of value and moral judgments.

3. 4 Guidelines for Preparing Case Analyses

The Need for Practicality

There is no such thing as a complete case, and no case ever gives you all the information you need to conduct analyses and make recommendations. Likewise, in the business world, strategists never have all the information they need to make decisions: information may be unavailable or too costly to obtain, or it may take too much time to obtain.

So in preparing strategic-management cases, do what strategists do every day—make reasonable assumptions about unknowns, clearly state assumptions, perform appropriate analyses, and make decisions. Be practical. Avoid saying, "I don't have enough information." You can always supplement the information provided in a case with Internet and library research.

The Need for Justification

The most important part of analysing cases is not what strategies you recommend but rather how you support your decisions and how you propose that they be implemented. There is no single best solution or one right answer to a case, so give ample justification for your recommendations. This is important. In the business world, strategists usually do not know if their decisions are right until resources have been allocated and consumed.

The Need for Realism

Avoid recommending a course of action beyond an organisation's means. Be realistic. No organisation can possibly pursue all the strategies that could potentially benefit the firm. Do not prepare a case analysis that omits all arguments and information not supportive of your recommendations. Rather, present the major advantages and disadvantages of several feasible alternatives. Try not to exaggerate, stereotype, prejudge, or over-dramatise. Strive to demonstrate that your interpretation of the evidence is reasonable and objective.

The Need for Specificity

Do not make broad generalisations such as "The company should pursue a market penetration strategy." Be specific by telling what, why, when, how, where, and who. Failure to use specifics is the single major shortcoming of most oral and written case analyses. For example, rather than concluding from a Strategic Position and Action Evaluation (SPACE) matrix that a firm should be defensive, be more specific, saying, "The firm should consider closing three plants, laying off 280 employees, and divesting itself of its chemical division, for a net savings of =N=20.2 million in 2015." Use ratios, percentages, numbers, and naira estimates. Businesspeople dislike generalities and vagueness.

The Need for Originality

Do not necessarily recommend the course of action that the firm plans to take or actually undertook, even if those actions resulted in improved revenues and earnings. The aim of case analysis is for you to consider all the facts and information relevant to the organisation at the time, to generate feasible alternative strategies, to choose among those alternatives, and to defend your recommendations. You can become a good strategist by thinking through situations, making management assessments, and proposing plans yourself. Be original. Compare and contrast what you recommend versus what the company plans to do or did.

The Need to Contribute

Strategy formulation, implementation, and evaluation decisions are commonly made by a group of individuals rather than by a single person. Therefore, your professor may divide the class into three- or four-person teams and ask you to prepare written or oral case analyses. Members of a strategic-management team, in class or in the business world, differ on their aversion to risk, their concern for short-run versus long-run benefits, their attitudes toward social responsibility, and their views concerning Globalisation. There are no perfect people, so there are no perfect strategies. Be open-minded to others' views. Be a good listener and a good contributor.

3.5 Preparing a Written Case Analysis

In addition to asking you to prepare a case for class discussion, your professor may ask you to prepare a written case analysis. Preparing a written case analysis is similar to preparing a case for class discussion, except written reports are generally more structured and more detailed. There is no ironclad procedure for preparing a written case analysis because cases differ in focus; the type, size, and complexity of the organisations being analysed also vary.

When writing a strategic-management report or case analysis, avoid using jargon, vague or redundant words, acronyms, abbreviations, sexist language, and ethnic or racial slurs. And watch your spelling! Use short sentences and paragraphs and simple words and phrases. Use quite a few subheadings. Arrange issues and ideas from the most important to the least important.

Arrange recommendations from the least controversial to the most controversial. Use the active voice rather than the passive voice for all verbs; for example, say "Our team recommends that the company diversify" rather than "It is recommended by our team to diversify." Use many examples to add specificity and clarity. Tables, figures, pie charts, bar charts, timelines, and other kinds of exhibits help communicate important points and ideas. Sometimes a picture *is* worth a thousand words.

3.5.1 Steps in Preparing a Comprehensive Written Analysis

In preparing a written case analysis, you could follow the steps outlined here, which correlate to the stages in the strategic-management process and the chapters in this text. (Note - the steps in presenting an oral case analysis are given on pages 356–358, are more detailed, and could be used here).

Step 1 Identify the firm's existing vision, mission, objectives, and strategies.

Step 2 Develop vision and mission statements for the organisation.

Step 3 Identify the organisation's external opportunities and threats.

Step 4 Construct a competitive profile matrix (CPM).

Step 5 Construct an external factor evaluation (EFE) Matrix.

Step 6 Identify the organisation's internal strengths and weaknesses.

Step 7 Construct an internal factor evaluation (IFE) matrix.

Step 8 Prepare a strengths-weaknesses-opportunities-threats (SWOT) matrix, Boston consulting group (BCG) matrix, give advantages and disadvantages of alternative strategies.

Step 9 Recommend specific strategies and long-term objectives. Show how much your recommendations will cost. Clearly itemise these costs for each ¬ projected year. Compare your recommendations to actual strategies planned by the company.

Step 10 Specify how your recommendations can be implemented and what results you can expect. Prepare forecasted ratios and projected financial statements. Present a timetable or agenda for action.

Step 11 Recommend specific annual objectives and policies.

Step 12Recommend procedures for strategy review and evaluation.

3.6 Making an Oral Presentation

Your professor may ask you to prepare a strategic-management case analysis, individually or as a group, and present your analysis to the class. Oral presentations are usually graded on two parts: content and delivery. Content refers to the quality, quantity, correctness, and appropriateness of analyses presented, including such dimensions as logical flow through the presentation, coverage of major issues, use of specifics, avoidance of generalities, absence of mistakes, and feasibility of recommendations. Delivery includes such dimensions as audience attentiveness, clarity of visual aids, appropriate dress, and persuasiveness of arguments, tone of voice, eye contact, and posture. Great ideas are of no value unless others can be convinced of their merit through clear communication. The guidelines presented here can help you make an effective oral presentation.

Organising the Presentation

Begin your presentation by introducing yourself and giving a clear outline of topics to be covered. If a team is presenting, specify the sequence of speakers and the areas each person will address.

Controlling Your Voice

An effective rate of speaking ranges from 100 to 125 words per minute. Practice your presentation aloud to determine if you are going too fast. Individuals commonly speak too fast when nervous. Breathe deeply before and during the presentation to help you slow down. Avoid a monotone by placing emphasis on different words or sentences. Speak loudly and clearly, but don’t shout. Silence can be used effectively to break a monotone voice. Stop at the end of each sentence, rather than running sentences together with and or uh.

Managing Body Language

Be sure not to fold your arms, lean on the podium, put your hands in your pockets, or put your hands behind you. Keep a straight posture, with one foot slightly in front of the other.

Do not turn your back to the audience; doing so is not only rude, but it also prevents your voice from projecting well. Avoid using too many hand gestures. On occasion, leave the podium or table and walk toward your audience, but do not walk around too much. Never block the audience’s view of your visual aids. Maintain good eye contact throughout the presentation. This is the best way to persuade your audience.

Speaking from Notes

Be sure not to read to your audience because reading puts people to sleep. Perhaps worse than reading is merely reciting what you have memorised. Do not try to memorise anything. Rather, practice unobtrusively using notes. Make sure your notes are written clearly so you will not flounder when trying to read your own writing. Include only main ideas on your note cards. Keep note cards on a podium or table if possible so that you won't drop them or get them out of order; walking with note cards tends to be distracting.

Constructing Visual Aids

Make sure your visual aids are legible to individuals in the back of the room. Use colour to highlight special items. Avoid putting complete sentences on visual aids; rather, use short phrases and then orally elaborate on issues as you make your presentation. Generally, there should be no more than four to six lines of text on each visual aid. Use clear headings and subheadings. Be careful about spelling and grammar; use a consistent style of lettering.

4.0 Conclusion

Strategic management case analysis gives you the opportunity to learn more about yourself, your colleagues, strategic management, and the decision-making process in organisations. The rewards of this experience will depend on the effort you put forth, so do a good job. Discussing business policy cases in class is exciting and challenging. Expect views counter to those you present. Different students will place emphasis on different aspects of an organisation's situation and submit different recommendations for scrutiny and rebuttal. You can take advantage of www.strategyclub.com and utilise that information and software in preparing your case analysis.

5.0 Summary

A case is written description of an organisation (or any of its parts) covering all or some of its aspects for a certain period of time. It sets forth the events and organisational circumstances surrounding a particular managerial situation. Most cases contain information about the organisation's history, its internal operations and its external environment.

Though there is no standard order of presentation, many cases include information about the industry, the competitive conditions, the products and markets, the physical facilities, the work climate, the skills and personality of, managers, the organisational structure, together with the financial and quantitative data relating to production, marketing, personnel, and so forth. Cases may relate to profit seeking government or public service organisations.

6.0 Self-Assessment Exercise

How do you understand the case method approach to strategic management? What are the issues involved in the oral presentation of case studies.

7.0 References/Further Reading

David, F.R. (2011). *Strategic Management Concepts and Cases*. (13th ed.). USA: Prentice Hall.

Gopinadhan, S. (2008). *Strategic Management.* University of Mumbai Institute of Distance Education Head, Dept. of Commerce. S.S. & L.S. Patkar College, Goregaon (W), Mumbai.

Unit2 Strategic Management Sample Case Studies and Answers

1.0 Introduction

If you want the case study analysis to be professional and accurate, you must have a clear understanding of the issues that the company or industry faced. Read the case thoroughly before you start. Feel free to take notes as you read and when you have finished, consider re-reading the case just to make sure you haven't missed anything. Once you are comfortable with the information, begin the step-by-step instructions offered below to write a case study analysis.

Tips

1. Know the case backwards and forwards before you begin your case study analysis.
2. Give yourself enough time to write the case study analysis. You don't want to rush through it.
3. Be honest in your evaluations. Don't let personal issues and opinions cloud your judgment.
4. Be analytical, not descriptive.
5. Proofread your work!

CASE 18.1 Read the following case and answer the questions at the end

DD is a premier public service broadcaster with more than 1,000 transmitters covering 90% of the country's population across an estimated 70 million homes. It has more than 20,000 employees managing its metro and regional channels. Recent years have seen growing competition from many private channels numbering more than 65, and the cable and satellite operators (C & S). The C & S network reaches nearly 30 million homes and is growing at a very fast rate.

DD's business model is based on selling half-hour slots of commercial time to the programme producers and charging them a minimum guarantee. For instance, the present tariff for the first 20 episodes of a programme is N30, 000 plus the cost of production of the programme. In exchange the producers get 780 seconds of commercial time that he can sell to advertisers and can generate revenue. Break-even point for producers, at the present rates, thus is N75, 000 for a 10 second advertising spot. Beyond 20 episodes, the minimum guarantee is N65, 000 for which the producer has to charge N1, 5000 for a 10 second spot in order to break-even. It is at this point the advertisers face a problem – the competitive rates for a 10 second spot is =N=.

50,000 producers are possessive about buying commercial time on DD. As a result the DD's projected growth of revenue is only 6-10% as against 50-60% for the private sector channels. Software suppliers, advertisers and audiences are deserting DD owing to its unrealistic pricing policy. DD has three options before it.

First, it should privatise, second, it should remain purely public service broadcaster and third, a middle path. The challenge seems to be to exploit DD's immense potential and emerge as a formidable player in the mass media.

Answer

I.For several years Doordarshan was the only broadcaster of television programmes in India. After the opening of the sector to the private entrepreneur (cable and satellite channels), the market has witnessed major changes. The number of channels has increased and also the quality of programmes, backed by technology, has improved. In terms of quality of programmers, opportunity to advertise, outreach activities, the broadcasting has become a popular business. Broadcasters have realised the great business potential in the market. But for this, policies need to be rationalised and be opened to the scope of innovativeness not only in term of quality of programmes. This would not come by simply going to more areas or by allowing bureaucratic set up to continue in the organisation.

Strategically the DD needs to undergo a policy overhaul. DD, out of three options, namely privatisation, public service broadcaster or a middle path, can choose the third one, i.e. a combination of both. The whole privatisation is not possible under the diversified political scenario. Nor it would be desirable to hand over the broadcasting emotively in the private hand as it proves to be a great means of communication of many socially oriented public programmers. The government could also think in term of creating a corporation (as it did by creating PrasarBharti) and provide reasonable autonomy to DD. So far as its advertisement tariff is concerned that can be made fairly competitive. However, at the same time cost of advertising is to be compared with the reach enjoyed by the Doordarshan. The number of viewers may be far more to justify higher tariffs.

ii.The SWOT analyses involve study of strengths, weaknesses, opportunities and threats of an organisation. SWOT factors that are evidently available to the Doordarshan are as follows:

S – Strength

There are more than 1000 transmitters.

The strength of covering 90% of population across 70 million homes against only 30 million homes by C & S. There are also more than 20,000 employees.

W – Weakness

We have rigid pricing strategy. There is low credibility with certain sections of society. Quality of programs is not as good as compared to C & S network

O – Opportunities

Infrastructure can be leased out to cable and satellite channel. We have the digital terrestrial transmission.

Regional focused channels. Allotment of time, slots to other broadcasters.

T – Threats

Desertion of advertisers and producers may result in loss of revenues. Due to quality of program the reach of C & S network is continuously expanding. As the C & S network need the trained staff, some employees of DD may switchover and take new jobs. Best of the market-technology is being used by the private channels.

iii.It is suggested that the DD should adopt a middle path. It should have a mix of both the options. It should economise on its operational aspects and ensure more productivity in term of revenue generation and optimisation of use of its infrastructure. Wherever, the capacities are under-utilised, these may be leased out to the private operations. At the same time quality and viewership of programmes should be improved. Bureaucracy may reduce new strategic initiatives or make the organisation less transparent. Complete privatisation can fetch a good sum and may solve many of the managerial and operational problems. However, complete public monopoly is not advisable because that denies the government to fully exploit the avenue for social and public use. The government will also lose out as it will not be able to take advantage of rising potential of the market.

CASE 18.2 Read the following case and answer the questions at the end

Dr. Agbaman inherited his father's Dey's Lab in Nigeria in 1995. Till 2002, he owned 4 labs in the national capital region (NCR). His ambition was to turn it into a national chain. The number increased to 7 in 2003 across the country, including the acquisition of platinum lab in brass. The number is likely to go to 50 within 2-3 years from 21 at present. Infusion of =N=28,000 for a 26% stake by Pharma capital has its growth strategy. The lab with a revenue of =N=75,000 is among top three Pathological labs in Nigeria with Atlantic (=N=77,000) and Pacific (=N=55,000). Yet its market share is only 2% of Rs. 3,500 corers market. The top 3 firms command only 6% as against 40-45% by their counterparts in the USA.

There are about 20,000 to 1, 00,000 stand alone labs engaged in routine pathological business in India, with no system of mandatory licensing and registration. That is why Dr. Sukumar has not gone for acquisition or joint ventures. He does not find many existing laboratories meeting quality standards. His six labs have been accredited nationally whereon many large hospitals have not thought of accreditation; the college of American pathologists' accreditation of Dey's lab would help it to reach clients outside India.

In Dey's Lab, the bio-chemistry and blood testing equipments are sanitised every day. The bar coding and automated registration of patients do not allow any identity mix-ups. Even routine tests are conducted with highly sophisticated systems. Technical expertise enables them to carry out 1650 variety of tests. Same day reports are available for samples reaching by 3 p.m. and by 7 a.m. next day for samples from 500 collection centres located across the country. Their technicians work round the clock, unlike competitors. Home services for collection and reporting is also available.

There is a huge un-utilised capacity. Now it is trying to top other segments. 20% of its total business comes through its main laboratory which acts as a reference lab for many leading hospitals. New mega labs are being built to Encase preclinical and multi-centre clinical trials within India and provide postgraduate training to the pathologists.

a. What do you understand by the term Vision? What is the difference between 'Vision' and 'Mission'? What vision Dr. Agbaman had at the time of inheritance of Dey's Lab? Has it been achieved?

b. For growth what business strategy has been adopted by Dr. Agbaman?

c. What is the marketing strategy of Dr. Agbamanto overtake its competitors?

d. In your opinion what could be the biggest weakness in Dr. Agbaman's business strategy?

Answer

i. A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create. A strategic vision thus points an organisation in a particular direction, charts a strategic path for it to follow in preparing for the future, and mould organisational identity.

A company's mission statement is typically focused on its present business scope – "who we are and what we do". Mission statements broadly describe an organisation's present capabilities, customer focus, activities, and business makeup. Mission is also an expression of the vision of the corporation.

To make the vision come alive and become relevant, it needs to be spelt out. It is through the mission that the firm spells out its vision.

Dr. Agbaman's vision at the initial stage was to turn his one pathological laboratory firm into a national chain of pathological laboratories. He is in the process of achieving the vision as a number of labs have been opened and others are in pipeline. However, at the same time the market share is low when compared with the external benchmark from West Africa market.

ii.To a large extent Dr. Dey's Lab has chosen the business strategy of internal growth rather than going in for acquisitions or joint ventures. The reason for such a strategy is that Dr. Agbaman does not find many existing laboratories meeting the quality standards. To fund its growth and raise funds it has also given a 26% stake to pharmacy capital.

iii.Dr. Agbaman's marketing strategy is superior to its competitors. Over a period of time it is able to evolve itself as reference lab for many leading hospitals. This is a testimony of the level of confidence it enjoys among the medical professionals. It provides a high level of customer services because of the following:

a. Product mix- It possesses technical expertise to conduct 1650 variety of tests.

b. Quality- The laboratories use modern methods to conduct tests.

Even routine tests are conducted with highly sophisticated procedures. Technology such as bar coding and automated registration of patients is also used. Thus there are no mistakes in the identity of samples. There is also daily sanitisation and validation of lab equipments.

a. Speed- Laboratories are working round-the-clock. Further, using modern systems the company is able to deliver test results faster.

b. Convenience- There are 500 collection centres for the laboratory, thereby the reach is more. Additionally, system of collection of samples from home also provides convenience to the patients and others.

iv. A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it. In the case it is given that Dr. Agbaman has not gone for mergers and acquisition as he does not find many prospective laboratories meeting the quality standards. Thus its biggest weakness is its inability to capitalise the opportunities through mergers and acquisitions. Acquisitions and partnerships can help in leveraging the existing goodwill.

Many of these labs must be enjoying a lot of goodwill in their region. In fact, a business in the medical field such as a pathological laboratory, trust and faith are important. On account of its size and available resources Dey's Lab could have easily acquired some of these labs and built upon their names. With resources it should be feasible to modernise them to make them compatible with the business ideology and quality systems of the Dey's Lab. However, it appears that the company lacked capability to modernise an existing laboratory.

CASE 18.3 Read the following case and answer the questions at the end

BB Ltd is a business organised as three divisions and head office. The divisions are based on market groupings, which are retail, wholesale and government. The divisions do not trade with each other. The main method of control of the divisions has been the requirement to earn a return on investment (ROI) of 15% p.a. The definition of return and capital employed is provided by head office, at the criterion ROI rate of 15%.

The recent experience of BB Ltd., is that the group as a whole has been able to earn the 15% but there have been wide variations between the results obtained by different division. This infringes another group policy that forbids cross-subsidisation, i.e. each and every division must earn the criterion ROI. BB Ltd is now considering divestment strategies and this could include the closure of one or more of its divisions. The head office is aware that the Boston Product Market Portfolio Matrix (BPMPM) is widely used within the divisions in the formulation and review of marketing strategies. As it is so widely known within the group and is generally regarded by the divisions as being useful, the head office is considering employing this approach to assist in the divestment decision.

You are required to:

a. Evaluate the use by BB Ltd. Of the concept of ROI and its policy that forbids cross subsidisation.

b. Describe the extent to which the BPMPM could be applied by BB Ltd. in its divestment decision. Evaluate the appropriateness of the use of the BPMPM for this purpose.

c. Recommend, and justify, two other models that could be used in making a divestment decision. Demonstrate how BB Ltd could utilise these models to make this decision.

Answer

i. Evaluation of the use of the concept of ROI by BB Ltd

ROI is an accounting measure that estimates the level of profits as a proportion of the capital employed over the year. The concept of ROI is widely used by different companies to measures its performance. Therefore BB Ltd is not unusual in using this concept of ROI as a means of performance monitoring of its different divisions. Perhaps on division of BB Ltd, may have failed to meet its ROI because it might have recently purchased new fixed assets. Perhaps another division might be using old assets that have been written off. Further one division might be riskier than another division.

ROI and Cross Subsidisation

There could be a lot of problems with cross subsidy. This issue of cross subsidies is more complex than it first appears. We do not know how the investment funds have been allocated if the head office allocates them, and the divisions cannot take their own investment decisions, there is a cross subsidisation by the back door as it were.

Further one division's hard earned cash might be used to buy another division's assets. Arguably, cross-subsidisation is the advantage of a business like BB Ltd. Further, if the businesses have different business cycle, they are able to bail each other out when appropriate, whilst ensuring that the shareholders receive a fairly constant return.

ii. Application of BPMPM by BB Ltd. In its divestment decision

BPMPM aims to link the overall growth of the market for a product, the growth in the market share of a product, with the product's cash-generative activities. BPMPM classifies a company's products in terms of potential cash generation and cash expenditure requirements into cash cows, dogs, stars and question marks.

• Stars are products with a high share of a high growth market. In short term, term requires capital expenditure, in excess of the cash they generate, in order to maintain their market position, but promise high returns in the future. In due course, however, stars will become cash cows, which are characterised by a high market share, but low sales growth.

• Cash cows need very little capital expenditure and generate high level of cash income. The important strategic feature of cash cows is that they are already generating high cash returns that can be used to finance the stars.

• Question marks are products in a high-growth market, but where they have a low market share. A decision needs to be taken about whether the products justify considerable capital expenditure in the hope of increasing their market share, or whether they should be allowed dying quietly.

• Dogs products with a low share of a low growth market. Dogs should be allowed to die, or should be killed off.

Appropriateness of use of BPMPM: BPMP is conventionally assumed to apply to products and it is perhaps unusual to see it applied to businesses and divisions.

The problem is that we do not know enough about the firm's product range to suggest how the matrix could be applied. Rather than assuming that a whole division is a dog and divesting it, is possible that a thorough review of the product range of each division could be examined to see whether certain products can be pruned from the range.

BPMPM should not be used in isolation. Further it needs to be modified from time to time.

iii. Models for making a divestment decision

A no. of models is available, which could be used by the co. in making a divestment decision. Two such models could be: (a) Porter's five forces model and (b) The product life cycle.

Porter's five forces model:

This model can be used to place each division in the competitive context. The five forces model suggests that the competitive environment is determined by five factors viz.

- One of the determinate is the threat of new entrants
- The threat of substitute products
- The bargaining power of customers
- The bargaining power of suppliers and
- The last and not the least is the state of competitive rivalry within the industry.

The value of this model is that it examines each division's strengths in a competitive context. If the trend is for entry barriers to get lower, or if a major new entrant is on the horizon, this must influence the divestment decision, if the business is a marginal player in the market or if the resources required to fight off such a challenge are too expensive.

Similarly, if the customers are powerful or suppliers are powerful, then the margins would get eroded steadily and firm's business would become less attractive. Similarly if the threat of substitute products becomes serious, then divestment might become a sensible choice.

The product Life cycle-This model bears similarities to the BCG matrix. This model suggests that a firm's products have a natural life cycle that can be analysed into the phases of introduction, growth, maturity and decline. In the introduction phase, the product still has to make money. In the growth phase, it starts to make profit. Maturity occurs when the demand is no longer growing. The demand and the profit are at its peak. In the decline phase, demand falls off, profits fall and eventually no profits are made. Thus BB Ltd. can use this model to examine the condition of the products in each of the divisions.

CASE 18.4 Read the following case and answer the questions at the end

Novascotian Crystal

Denis Ryan current chair of the board (and former band lead with Ryan's Fancy) had looked for fine Canadian crystal in the early 1990's. Denis used his Irish roots and convinced experienced glass blowers to come to Canada. By late 1996 they were producing and selling the only mouth-blown and cut crystal in Canada. The company had grown rapid. Rod McCulloch, President and CEO had to address the company's future options.

1. What is the current strategy of Nova Scotian Crystal? What are the goals, value proposition, product market focus and core activities?
2. What are the forces at work in the environment and what are the implications in terms of specific strategic opportunities and challenges?
3. What are the resource requirements for the current and new strategic proposal?
4. What are the strategic preferences of the key managers in the business?
5. Are the resource capabilities and organisation of the firm consistent with those required for the current and new strategic proposal?
6. If you were in the position of President and CEO Rod McCulloch what actions would you take? Why?

CASE 18.5 Read the following case and answer the questions at the end

Cameco in Kyrgyzstan: Corporate Social Responsibility Abroad

Based in Saskatoon, Canada, Cameco was the world's largest uranium mining company. It had developed its policy for corporate social responsibility in northern Saskatchewan where it had its major mining operations and where there were a large indigenous population of Cree and Dene Indians. The issue centres on whether the same corporate social responsibility policy can be applied to the company's joint venture with the Kyrgyzstan government to operate a gold mine in eastern Kyrgyzstan. Complicating the decision was a chemical spill that had occurred several months before, and relations with citizens in nearby communities were at an all-time low. The joint venture's vice-president of human resources and corporate relations must decide which of the programs might be successfully implemented in Kyrgyzstan, what new programs might need to be developed, and how best to communicate company policy to the local community.

Suggested questions for thinking

1. Who are the stakeholders and what are their interests?
2. Given the recent evidence that the toxicity of the cyanide spill was relatively insignificant, what can and should Duret do to diffuse the negative reactions of the Kyrgyzstani people?
3. What actions should Duret take immediately to address the crisis?

4. What could Cameco do to rebuild its relationship with the nearby communities and the country?

5. Will the activities that Cameco initiated in Saskatchewan be effective in Kyrgyzstan? Why or why not?

6. Is Cameco's corporate social responsibility policy adequate for northern Saskatchewan, Kyrgyzstan or any other future operations?

7. Does Cameco get good value for its investment in corporate social responsibility? Are the stakeholders' interests being looked after?

CASE 18.6 Read the following case and answer the questions at the end

Victoria Heavy Equipment – 2001

Victoria heavy equipment was a family opened and managed firm which had been led by an ambitious, entrepreneurial chief executive officer who now wanted to take a less active role in the business. Victoria had been through two reorganisations in recent years, which contributed to organisational and strategic issues which would need to be addressed by a new president. The position of president with Victoria heavy equipment is becoming available in the near future. It pays $375,000 per year salary (guaranteed for a five year period) and has a bonus based on profits.

Suggested questions for thinking

1. What qualifications does the new President require?

2. If you were to accept the position, what exactly would you do in the new job?

3. What are the major elements of Victoria's strategy and organisation which must be addressed?

4. What are your recommendations for the new President?

CASE 18.7 Read the following case and answer the questions at the end

Yunnan Baiyao: Traditional Medicine Meets Product/Market Diversification

In 2003, 3M initiated contact with Yunnan Baiyao Group Co, Ltd. to discuss potential cooperation opportunities in the area of Transdermal pharmaceutical products. Yunnan Baiyao (YB), was a household brand in China for its unique traditional herbal medicines. In recent years, the company had been engaged in a series of corporate reforms and product/market diversification strategies to respond to the change in the Chinese pharmaceutical industry and competition at a global level. By 2003, YB was already a vertically integrated, product-diversified group company with an ambition to become an international player. The proposed cooperation with 3M was attractive to YB, not only as an opportunity for domestic product diversification, but also for international diversification. YB had been attempting to internationalise its products and an overseas department had been established in 2002 specifically for this purpose. On the other hand, YB had also been considering another option namely, whether to extend its brand to toothpaste and other healthcare products. YB had to make decisions about which of the two options to pursue and whether it was feasible to pursue both.

Suggested questions for thinking

1. What would be the effects of Yunnan Baiyao further broadening its existing products and market focus?

2. Does it make more sense to focus on market diversification or product diversification OR both?

3. Which of the following specific options should the company pursue? Can it pursue both options? Why or Why not?

4. a. Brand extension to healthcare products such as toothpaste (product diversification)
   b. Alliance with 3M in the area of Transdermal products (domestic product diversification international geographic diversification)

5. Is the pace of diversification too great?

CASE 18.8 Read the following case and answer the questions at the end

Innovation without Walls Alliance Management at Eli Lilly and Company
The newly appointed executive director of the office of Alliance Management (OAM) at Eli Lilly and company (Lilly) was returning to his office after his first meeting with his supervisor, the senior vice-president of corporate strategy and business development (CSBD). The executive director had been promoted to the position just a week earlier, and now the senior Vice-President has asked him to conduct a complete review of the OAM strategy. The senior Vice-President made it clear that it was fine to leave the strategy as it currently existed, or to change it radically if the situation warranted. Now the executive director must decide what Lilly should do to build and maintain its leadership in alliance capability. What should they do?