SOLUTION STRATEGIC MANAGEMENT NOVEMBER 2009

QUESTION 1

(a) Strengths

High market share
Variety of products
200 acres plantation
Competent management team

Weakness

- lack of promotion
- limited market coverage

Opportunities

- Desire of the public for natural fruit drink
- Possibility of merger
- Growing market

Threats

- Keen competition
- Depreciation of the cedi

(b) Market Penetration - This strategy will enable the company to compete in the existing markets through greater marketing efforts. Some of the actions include advertising expenditure, offering extensive sales promotion items or increasing publicity.

Market Development - This will involve the company introducing its present products into new geographic areas. For example, the company can explore open branches in other regions or even enter the international market.

Product Development - With this strategy the company will eek increased sales by improving or modifying its present products in order to increase the market penetration within existing customer groups. For example, the company could relaunch its products with some improvements.

(c)

i. Provide challenging and fulfilling jobs
ii. Provide competitive reward package
iii. Treat the employees with dignity and respect
iv. Provide a working environment that is free from discrimination.

(d)

	2009	2008
Current ratio	$\frac{114.6}{1002} = 1.14$	$\frac{1046.4}{840.6} = 1.24$
……. ratio	$\frac{906.6}{1002} = 0.90$	$\frac{828.4}{840.6} = 0.99$

Debtors' collection period	$\frac{659.6}{4130} \times 365 = 58$ days	$\frac{570.8}{3577.4} \times 365 = 58$ days
Stock turnover	$\frac{238}{2952} = 0.08$ times	$\frac{218}{\underline{2608}} = 0.08$ times

As a manufacturing company, the company's current ratio is a little lower than average but it acid test ratio is better than average and not very different from the current ratio – The debtors collection period is relatively lengthy.

QUESTION 2

(a) Strategic management may be defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives.

(b) Five main tasks that are performed in the strategic management process are:

- (i) Formulating the company's strategic direction including its mission and goals.
- (ii) Converting the strategic vision and mission into measurable objectives and performance targets.
- (iii) Crafting a strategy to achieve the desired objectives.
- (iv) Conduct internal analysis to identify strengths and weaknesses.
- (v) Assess the organisation's external environment to determine its opportunities and threats.
- (vi) Implementing and executing the chosen strategy efficiently and effectively.
- (vii) Evaluating performance and initiating corrective adjustments in the light of changing conditions, new ideas and new opportunities.

(c) Four benefits of using the strategic management approach.

- (i) It provides guidance to the entire organization on what it is doing and what it wants to achieve.
- (ii) It makes managers more alert to the winds of change, new opportunities and threats.
- (iii) It also provides manages with a rational for evaluating competing budget requests.
- (iv) Helps to unify the numerous strategy-related decisions by managers across the organisation.
- (v) Creates a proactive management posture.
- (vi) Renders more effective the allocation of time and resources to identify opportunities.

QUESTIONS 3

(a) Relationship among resources, capabilities and competitive advantage.

Resources
Resources are simply assets or inputs, tangible or intangible, that the organization uses for production.

An organisation's resources include its physical facilities, human resources and reputation.

Capabilities
Capabilities are the specific skills technologies and knowledge that the organization has. Examples include reputation, innovation and network of relationship.

Competitive Advantage
This is the advantage or edge that an organisation has over its rivals. This advantage may be a company's ability to produce at however cost, to produce a differentiated product or services, or to deliver at a faster rate than its competitors.

Relationship among the three
Resources and capabilities form core competencies – superior skills which the organisation develops in a particular area as a result of continuous practice. Core competencies lead directly to competitive advantage.

This is often easier to achieve if the resources and capabilities are scarce, inimitable, unique and durable.

(b) 1. Policies are guidelines for decision making. They are designed to control decisions while defining allowable discretion within which operational personnel can execute business activities.

They do this in many ways including the following

(i) Policies establish direct control over independent action by clearly stating how things are to be done. By defining discretion, policies in effect control decisions yet their empower employees to conduct their activities.

(ii) Policies facilitate the coordination of work tasks and helps reduce friction arising from favoritism discriminating and disparate handling of common functions.

(iii) By standardizing answers to previous answered questions, they make decision making quicker.

(iv) By institution ……. basic aspects of human behaviour, policies minimize conflicting practices and establish consistent partners of action.

(v) They counteract resistance to or rejection of chosen strategies.

2. Short-term objectives

Objectives are statements of intent which spell out what an organisation hopes to achieve over a specified period.

Short-term objectives provide specific guidance for what has to be done, indicating impending actions.

They help implement strategy in the following ways

(a) They operationalise long term objectives thus, down a 5 year plan, for example, into short term targets to be achieved say on a weekly or monthly basis. This enables monitoring of progress.

(b) Short-term objectives help to identify measurable outcomes of action plans or functional activities which can be used to make correction, feedback and evaluation more relevant and acceptable.

3. Functional Tactics

These are the key routine activities that are undertaken in each functional area – marketing, finance etc

(i) Functional tactics translate grand strategy into action designed to accomplish specific short term goals.

(ii) They clarify for top management how functional manages intend to accomplish the business strategy. This increases top management’s confidence in and sense of control over the business strategy.

(iii) They help ensure that functional managers know what needs to be done, and can focus on accomplishing results.

(iv) Understanding what needs to be done increases the commitment of managers to the strategies developed.

4. Organisational Leadership

Organisational leadership generally involves guiding the organisation to deal with constant change and providing the management skill to cope with the ramifications of the change.

Specifically, organisational leadership.

(i) Clarifies the strategic intent by helping stakeholders to embrace change. They do this by setting forth a clear vision for the organisation.

(ii) Leaders shape and refine the organisational structure and make it function effectively to accomplish strategic intent.

(iii) Leaders also shape organisational culture. They promote values and beliefs that are useful to the current strategy through the institution of reward systems, symbols and appropriate structure.

(iv) They make the organisation responsive to changing environmental conditions to take advantage of opportunities and deal with the challenges.

QUESTION 4

(a) Strategy evaluation and choice is a stage in the strategic management process whereby mangers consider alternative strategies and choose those that the firm will pursue.

In order to do this, mangers generate a number of feasible strategic alternatives, evaluate each one of them based on some specific criteria and then choose the best one as the course of action.

(b) Three common criteria often used to evaluate strategic options are suitability, feasibility and acceptability.

i. Consistency – This criteria measure the extent to which proposed strategies fit the situation identified in the strategic analysis.

A number of methods are used to analyse the suitability of a strategy.

- The extent to which the strategy overcomes the difficulties identified in the strategic analysis (resource weakness and environmental threats)
- The extent to which it exploits company strengths and environmental opportunities
- Whether it fits with the organisation's objectives – would it achieve profit targets, growth expectations, etc?
- Does it fit with future trends or changes in the environment?

ii. <u>Feasibility</u>

An assessment of the feasibility of a strategy is concerned with whether it can be implemented.

The methods used to determine or analyse feasibility include the following:

- Whether the strategy can be funded
- Whether the organisation is capable of performing to the required quality, service, etc level.
- Whether the organisation will be able to cope with competitive reactions.
- Whether the required level of skills at both managerial and operative levels are available.
- Whether the required technology (both product and process) to compete is available.

iii. <u>Acceptability</u>

This is concerned with expected outcomes eg returns on risk to what extent will it be in line with expectations of stakeholders.

It is about whether the outcomes or consequences of the strategy will be acceptable to stakeholders.

The measures used to determine this include the following:

- Profitability – whether the level of financial performance will be good enough
- What the effect on the capital structure will be e.g. share ownership
- Whether the function of any department, group or individual will change significantly
- Whether the proposed strategy will fit existing systems or will require major changes
- Whether the strategy will be acceptable in the organisation's environment (e.g. will the local community accept higher levels of noise?)

QUESTION 5

(a) Strategic Management

- It is the set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organisation and its environment so as to achieve organisational goals. Through strategic management, management defines an overall direction for the organisation, which is the firm's grand strategy.

(b) Levels of Strategy

- There are three level of strategy. These are:

(i) Corporate Level Strategy

(ii) Business Level Strategy

(iii) Functional Level Strategy

(c) Explanation of the Levels of Strategy

(i) Corporate Strategy

- The corporate strategy charts the course for the entire organisation and attempts to answer the question "What business should we be in?" Corporate level strategic managers attempt to exploit their firm's distinctive competencies by adopting a ……………………
- Portfolio approach to the management to its businesses and by developing long-term plans.
- For example, Kandy Company has developed a corporate strategy that calls for forming direct associations with national firms within foreign countries to expand and diversify their operations.

(ii) Business Strategy

- In the middle of the decision-making hierarch of the organisation, business and corporate managers plan to translate the statements of direction and intent at the corporate level into concrete objectives and strategies for individual business divisions, or strategic business units. Business level strategic managers determine how the firm will compete in the selected product-market arena. Thus, a business strategy is charted for each individual business within the company.

- For example, managers at Sendu Company have set strategies for its discount store division, its bookstore division, and its home improvement store division.

(iii) Functional Strategy

- Functional strategies are developed to correspond to each of the basic functional areas within the organisation. Common functional strategies include marketing, financial, production, human resource, and research and development. For example, Sendu Company has a marketing strategy of low-cost, volume retailing, a financial strategy that calls for low debt, and human resource strategy that emphasizes hiring university graduates are management trainees.