

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Question No. 1****(a) Explanation of Force Field Analysis:****10**

Force field analysis consists of identifying the factors that promote or hinder change. In order for change to be successfully implemented, promoted forces need to be exploited and the effect of hindering forces needs to be reduced so that the driving forces for change outweigh those forces resisting change. The theory of force-field analysis is based on the premise that people resist change because of counteracting positive and negative forces. Positive forces for change are called thrustors. They propel people to accept change and modify their behavior. In contrast, counter thrustors or resistors are negative forces that motivate an individual to maintain the status quo. People frequently fail to change because they experience equal amounts of positive and negative forces to change. To implement change successfully, it is generally recommended to first reduce or remove the negative forces to change. Removing counter thrustors should create increased pressure for an individual to change in the desired direction. Managers can also further increase motivation to change by following up the reduction of resistors with an increase in the number of positive thrustors of change.

Use of Force Field Analysis in Change Management at Aero Dynamic:

Senior suggests a practical route to applying the force field analysis.

- Define the problem in terms of the current situation and the desired future state. Here the problem for Aero Dynamic could be to the deteriorating market share and desired future state is to regain its previous leadership position.
- List the forces supporting and opposing the desired change and assess both the strengths and the importance of each one. For example, one significant force resisting change could be the Aero Dynamic workforce. Bringing the company at par with the competitors would require significant changes in human resources and organizational structure. Government support is one significant force supporting the desired change.
- Decide how to strengthen or weaken the more important forces as appropriate and agree with those concerned. In this case wakening may be achieved by persuasion, participation, and coercion or bargaining with Aero Dynamic workforce. Strengthening may be achieved by awareness campaign including the use of personal advocacy.
- Identify the resources needed. In this case, Aero Dynamic may need more funds to do more research and develop technology to be at par with its competitors.
- Make an action plan including event timing, milestones, and responsibilities. It is important for Aero Dynamic to put together such an action plan and stick by it. Else, their market position can be significantly compromised.

(b) Five Styles of Change Management:**10**

Johnson, Scholes, and Whittington have identified five (5) styles of change management.

- Education and communication
- Collaboration/ participation
- Intervention
- Direction
- Coercion/ edict

Education and communication is an approach based on persuasion: the reasons for change and the means by which it will be achieved are explained in detail to those affected by it.

Collaboration or participation brings those affected by strategic change into the change management process. This approach may improve decision quality by bringing wider experience and knowledge to bear.

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Intervention is undertaken by change agent who delegates some aspects of the change process to teams or individuals, while providing guidance and retaining overall control. Final responsibility of for achieving the necessary change remains with the change agent.

Direction is a top-down style in which managerial authority is used to establish and implement a change program based on a clear future strategy. It has the potential advantage of speed and clarity but success depends in part on the adequacy of the proposed strategy.

Coercion is an extreme form of direction, being based on the use of power to impose change.

Which Approach is Right for Aero Dynamic:

It is apparent that Aero Dynamic is facing a crisis situation but there is no confusion regarding the desired future state of the company. They must regain their market position.

The nature of changes at Aero Dynamic would be incremental and not transformational. As such, the direction approach of change management would not be suitable here as it is best suited for transformational change. Since there is no confusion, coercion strategy cannot be used. Coercion strategy also likely to provoke opposition due to lack of the participation or consultation. Aero Dynamic cannot afford to have such opposition.

Aero Dynamic needs participation and commitment from stakeholder, especially their workforce in order to successfully bring the desired change in the company. Intervention strategy can be used but one problem would be the identification of a suitable change agent, empower him, and hold him responsible for the change effort. Apparently, there is no such change agent that can serve the purpose.

Education and communication is time consuming and suitable when there is misinformation in the past. There does not seem to be any misinformation in the past that occurred at Aero Dynamic.

Collaboration or participation strategy appears to be the best choice for managing change at Aero Dynamic. It is well suited for incremental change, ethical in nature, and advantageous in practice. It can nurture a positive attitude, thus building both readiness and capability for change.

Question No. 2**(a) Three Specific Challenges that Emergence of E-commerce has Significant Implications for the Strategic Management of Amos: 06**

E-commerce is transforming business and society today. On a political map, the boundaries between countries may be clear, but on a competitive map showing the real flow of financial and industrial activity, the boundaries have largely disappeared. The speedy flow of information has eaten away at national boundaries so that people worldwide readily see for themselves how other people live and work. We have become a borderless world with global citizens, global competitors, global customers, global suppliers, and global distributors. Firms are challenged by large rival companies in many industries. Most firms in most industries are being challenged by e-commerce.

Emergence of E-commerce has brought three specific challenges that have significant implications for the strategic management of Amos.

First, E-commerce involves an unusual mix of people-security, web technology, designers, marketing people – and this can be very difficult to manage even for a giant firm like Amos.

Second, in spite of phenomenal growth the market is still fuzzy and undefined. Many e-commerce businesses have only reported making a profit recently. Keeping the profitability at the desired level would be a significant challenge for Amos.

Third, any new technologies will need to link up with existing business systems which could potentially take years of programming. Underestimating the time and effort involved is a common obstacle that Amos would need to watch very carefully.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****(b) Description of External Sources of Information:****04**

The external sources of information can be both published and unpublished. A wealth of strategic information is available to organizations from both published and unpublished sources. Unpublished sources include customer surveys, market research, speeches at professional and shareholders' meetings, television programs, interviews, and conversations with stakeholders.

Published sources of strategic information include periodicals, journals, reports, government documents, abstracts, books, directories, newspapers, and manuals. The Internet has made it easier for firms to gather, assimilate, and evaluate information.

(c) Discussion of Three Sub-strategies:**10**

- **Information Systems (IS) Strategy:**

It is the long-term plan for systems to exploit information in order to support business strategies or create new strategic options.

- **Information Technology (IT) Strategy:**

It is concerned with selecting, operating, and managing the technological element of the IS strategy.

- **Information Management (IM) Strategy:**

It deals with the roles of the people involved in the use of IT assets, the relationship between them and design of the management processes needed to exploit IT.

How Amos Should Implement these Sub-strategies:

- **Information Systems (IS) Strategy:**

Amos should ensure that their IS strategy should enable the best use of information to support their overall business strategy and deliver tangible benefits to the business. Their IS strategy should focus on business requirements. One key business requirement is to understand the quickly changing customer needs. Amos should also keep this in mind that IS strategy is very demand-led and business-driven. Each department in Amos would likely have its own IS strategy.

- **Information Technology (IT) Strategy:**

IT strategy is technology-focused and looks at the resources, technical solutions and systems architecture required to enable organization to implement its IS strategy. When implementing this strategy, Amos need to carefully analyze the hardware and software currently being used to produce and process information. They should also look at the ways to more effectively capture and store customer personal and shopping data as well as the transmission and presentation of information.

- **Information Management (IM) Strategy:**

The emphasis of IM strategy is on managing the role and structure of IT activities and managing the relationships between IT specialists and the users of information. Amos should ensure that they clearly define different roles and relationships in their IT infrastructure. Another important aspect is that information should be accessible by all the people who need it. At the same time, access to this information should be restricted to only those people who need it.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****Question No. 3**

- (a) Environmental Strategies that an Organization can Adopt to Relate it More Closely with its Environment:** **05**

Environmental strategies could include developing or acquiring green businesses, divesting or altering environment-damaging businesses, striving to become a low-cost producer through waste minimization and energy conservation, and pursuing a differentiation strategy through green-product features.

Green business (also called sustainable business) is an enterprise that has minimal negative impact on the global or local environment, community, society, or economy – a business that strives to meet the triple bottom line. Often, sustainable businesses have progressive environmental and human rights policies. A green product is the one that has less of an environmental impact or is less detrimental to human health than the traditional product equivalent.

In addition, firms could include an environmental representative on their board of directors, conduct regular environmental audits, implement bonuses for favourable environmental results, become involved in environmental issues and programs, incorporate environmental values in mission statements, establish environmentally oriented objectives, acquire environmental skills, and provide environmental training programs for company employees and managers.

- (b) Opportunities:** **05**

Technological advancements can dramatically affect organizations' products, services, markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices, and competitive position.

Technological advancements can create new markets, result in a proliferation of new and improved products, change the relative competitive cost positions in an industry, and render existing products and services obsolete.

Technological changes can reduce or eliminate cost barriers between businesses, create shorter production runs,.

Technological advancements can create new competitive advantages that are more powerful than existing advantages. No company or industry today is insulated against emerging technological developments. In high-tech industries, identification and evaluation of key technological opportunities and threats can be the most important part of the external strategic-management audit.

Why organizations should prepare to take advantage of these opportunities:

Organizations that traditionally have limited technology expenditures to what they can fund after meeting marketing and financial requirements urgently need a reversal in thinking. The pace of technological change is increasing and literally wiping out businesses every day. An emerging consensus holds that technology management is one of the key responsibilities of strategists. Firms should pursue strategies that take advantage of technological opportunities to achieve sustainable, competitive advantages in the marketplace.

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Question No. 4**(a) Financial Benefits:**

06

Some of the financial benefits for organizations using strategic-management concepts are:

- More profitability and success than those that do not
- Significant improvement in sales and productivity
- Superior long-term financial performance relative to their industry.

Non-Financial Benefits:

Some of the non-financial benefits for organizations using strategic-management concepts are:

- Enhanced awareness of external threats
- An improved understanding of competitors' strategies
- Increased employee productivity
- Reduced resistance to change
- A clearer understanding of performance–reward relationships
- Enhanced problem-prevention capabilities of organizations

(b) Decision Techniques: [Any four]

04

Some of the commonly used decision techniques include the following:

- **Decision Trees:**

It is a pictorial method of showing a sequence of interrelated decisions and their expected outcomes. Decision trees can incorporate both the probabilities of, and values of, expected outcomes, and are used in decision making.

- **Cost/Benefit Analysis:**

It is a strategy evaluation technique often used in the public sector, where many of the cost and benefits of a project are intangible.

- **Ranking and Scoring:**

These methods are less precise than decision trees. Some goals may be hard to quantify, and strategic decisions generally take more matters into account than can be dealt with by uncertain estimates of probability.

- **Scenarios Building:**

Scenario building is the process of identifying alternative futures. A strategy can be evaluated in terms of the various models of the future a company has.

- **Decision Matrices:**

A decision matrix is a way of comparing outcomes with a variety of circumstances. Outcomes can be selected on a number of bases, and the decision matrix clarifies the choice.

- **Sensitivity Analysis:**

It is a modelling and risk assessment procedure in which changes are made to significant variables in order to determine the effect of these changes on the planned outcome.

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Question No. 5**(a) Implementation of Corporate-Level Strategies by Del Delight:**

05

As Del Delight experiences in the early years indicate, corporate success is never guaranteed. The likelihood of a company being successful in the long term increases when strategic leaders continually evaluate the appropriateness of their firm's strategies as well as actions being taken to implement them.

Given this, and in light of its decision in 2016 to continuously offer innovative food items to customers, Del Delight implemented related diversification strategy by adding McCafe coffee bars to all of its Pakistan locations in 2017. It created value for customers by giving them high-quality drinks at prices that often are lower than those of competitors. Del Delight used intensive strategy (market development) by allowing customers to order from in-store kiosk which is more convenient for customers. Thus, Del Delight has effectively developed and implemented its strategy including corporate level strategies.

(b) Manpower Planning:

05

In order to use gap analysis as a tool for manpower planning, Del Delight would use gap analysis to assess the differences over time between the following:

- **What Del Delight needs to have in terms of different skills and seniority?**

As Del Delight is becoming less diversified, they would need less manpower. They have already started a training program for their employees. However, they would need to carefully analyze the outcomes of this training program and continuously assess their human resources needs. This assessment of human resources should be based on their business objectives.

- **What the Del Delight is likely to have?**

Del Delight would like to retain its market leadership position. Given the current situation, they would like to have human resources that are skilled to support their organization and changing customer needs. The number of personnel should also be optimal in order to avoid any unnecessary financial burden.

Facilities Planning:

In planning facilities, a similar analysis can be made of the gap between the facilities which Del Delight needs to have, and what it is likely to have if nothing is done about the situation.

- **What Del Delight needs to have in terms of facilities?**

As Del Delight is becoming less diversified, their focus would be not to open more facilities but rather revamp their existing facilities to accommodate their changing customer needs. They have already started doing it. In this revamping of the facilities, they also need to take into account the future growth goals.

- **What the Del Delight is likely to have?**

Del Delight would like to have facilities that are flexible enough to fulfil diverse needs of customers. The design of these facilities should likely be such that they can be converted to serve different purposes. For example, a facility originally used for serving fast food only should be such that it can be converted to a coffee shop.

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****(c) Explanation of Resource Allocation:****05**

Resource allocation is a central management activity that allows for strategy execution. Strategic management enables resources to be allocated according to priorities established by annual objectives. All organizations have at least four types of resources that can be used to achieve desired objectives: financial resources, physical resources, human resources, and technological resources. Allocating resources to particular divisions and departments does not mean that strategies will be successfully implemented. A number of factors commonly prohibit effective resource allocation, including an overprotection of resources, too great an emphasis on short-run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge.

Del Delight Use of Strategic Resources:

It appears that Del Delight have used their strategic resources effectively. Realizing the new customer demands, they have become less diversified to conserve their financial resources and provide their customers with products that are convenient, health, and provide value. They have started a new training program to enhance the capabilities of their staff. That would ultimately results in the enhanced human resources. Rather than expanding their units, they are focusing on their existing units and become less diversified. This is an example of effective use of their physical resources. Up gradation of existing computer-based order system to allow customer place orders from in-store kiosks is a good example that they are also using their technological resources effectively.

Question No. 6**(a) Five (5) Factors Considered to Develop a Performance Measurement System:****09**

Every organization needs to understand measure and manage some organization specific factors. These factors are very important to ensure prosperity of organizations. In this respect the following factors are important in developing a performance measurement system:

- Identify the key outputs required from an activity
- Identify the key processes in providing the output
- Identify the interfaces of the activity with other parts of the firm, or with other processes in the value chain
- Develop KPIs for key processes
- Develop reporting system

Aspects that could be Measured and Data Sources for their KPIs:

Following are some of the aspects of performance and data sources for KPI:

Aspects of Performance	Data Sources for KPI
• Physical efficiency	Time to output, Staff-customer ratios
• Perceptions and attitude	Customer satisfaction survey, Customer retention, Staff turnover, Data security
• Compliance	Quality and training of staff in key positions, Ability of management in controlling process
• Comparators	Benchmarking

STRATEGIC MANAGEMENT [C4] – CHARTERED LEVEL**Marks****(b) ROI over RI as the Measure of Divisional Performance: [Any three]****06**

- The weakness of RI is that it does not facilitate comparisons between investments or organization of different sizes, because it uses an absolute figure rather than a percentage. Whereas, ROI is based on percentage, hence easier for the comparisons.
- Residual income increases if a new investment is undertaken which earns a profit in excess of the imputed interest charge on the value of the asset acquired. When a manager is judged by ROI, a marginally profitable investment would be less likely to be undertaken because it would reduce the average ROI earned by the centre as a whole.
- Residual income does not always point to the right decision, because notional interest on accounting capital employed is not the same as IRR on cash investment.

Question No. 7**(a) Code of Business Ethics:****04**

A code of business ethics is a document that provides behavioral guidelines that cover daily activities and decisions within an organization. Companies may have as long as 21-page code of ethics and a vice president of business ethics. Generally, all firms whether small or large have formal codes of business ethics. Merely having a code of ethics, however, is not sufficient to ensure ethical business behavior. A code of ethics can be viewed as a public relations gimmick, a set of platitudes, or window dressing.

Code of Business Ethics and Avoidance of Ethical Crises:

To ensure that the code of business ethics is read, understood, believed, and remembered, periodic ethics workshops are needed to sensitize people to workplace circumstances in which ethical issues may arise. If employees see examples of punishment for violating the code as well as rewards for upholding the code, this reinforces the importance of a firm's code of ethics. In many cases, a code of ethics might be in place but the organization apparently failed to implement it in its true spirit. Therefore, organizations need to make concrete efforts and possibly a change in organizational culture that supports and rewards ethical behavior. Doing so, they can increase the possibility of avoiding the ethical crises.

(b) How Companies can Foster the Culture of Innovation:**06**

Companies need to work in coordination with their suppliers and customers and seek to organize R & D activities in a way that breaks the isolation of R & D from the rest of the company and promotes a spirit of partnership between R & D managers, other managers in the firm, and stakeholders. The R & D decisions and plans must be integrated and coordinated across departments and divisions by having the departments share experiences and information. The strategic-management process facilitates this cross-functional approach to managing the R & D function.

What particular Aspects of R & D they should Focus on:

Organizations should focus their attention on following aspects related to R & D.

- Allocation of R & D facilities
- Utilization of outside resources
- Qualified and experienced R & D personnel
- Allocation of R & D resources
- Availability of adequate information system
- Inter-departmental communication
- Status of R & D activities

THE END