

MET Paper2 2006 Crib

1. The student should clarify the benefits to the acquiring and acquired companies respectively, but also to parties within each of these units. Strategy makers in the acquiring company may anticipate benefits where line managers experience the time consuming difficulties of integration. Founder-owners of the acquired venture may become rich where members of the firm who are not in receipt of payment for the sale may find the reorganization reduces their incentives. Students should set out the factors involved clearly, e.g.

Anticipated benefits to acquiring company

- Acquire technology
- Acquire competence
- Improve innovative capability
- Expansion
 - vertical integration
 - market entry
 - geographic positioning

Benefits to the acquired unit include:

- Should have access to
 - managerial experience
 - resources for investment
 - more extensive reserves
 - market in parent co. + marketing capacity
- Facilitates
 - IP protection
 - volume production as product matures

Disadvantages include

- Loss of independence and entrepreneurial culture
- Oppressive procedural controls
- Loss of Control over strategy
- Effects on innovation may be negative
- Acquirer may not understand potential of acquired unit
- Continuous threat of divestment
- Loss of closeness to market
- Relational assets may be destroyed

Implementation can be improved if disadvantages are anticipated and addressed, viz

- Costs of merger
- Costs of turnaround
- Post integration problems
 - Culture clash
 - Distraction from in-house R & D

A senior manager in the acquiring company should be given responsibility and credit for successful merger and anticipates and addresses the above issues, e.g. by minimising distraction from effective Rand D and maintaining contacts with customers. Case studies

could include TechnoDoc, SmallWorld, BioRobotics or companies of which the candidate have had personal experience.

First class answers are able to integrate the topic with other issues in human resource management and strategy while providing detailed evidence. Upper second will cover key points, but be less well informed or show less grasp of the issues. Weaker answers will be patchy and lack coherence.

2, Students will have covered Kirton's work on innovators and adapters and could discuss such concepts as cognitive resources, cognitive style and problem solving practices that enhance creativity. They have dealt with this at the white collar level, but this question asks them to revisit some of the work covered on shop floor teams and lean production in the light of their session on creativity. They could highlight some conditions under which constraints may enhance creative cognitions, e.g. by providing focus, team bonding, the need to develop novel ways of proceeding in order to overcome constraints.

They could also cite examples of problems encountered by entrepreneurial ventures which were overcome as a result of turning obstacles into opportunities. They could dispute whether constraints are always enabling, pointing out some of the obstacles to creativity that result from limited perceptions. They could connect this back to their work on shop floor teams dealing with problems that require coping solutions, where limiting resources before new ways of organizing the work can be a source of excessive stress by reducing control over work task. Students who connect work on creativity of a white collar variety with different types of creativity required by shop floor workers could be rewarded for bridging different parts of the course.

First class answers are able to integrate the topic of creativity with issues on shopfloor work organization. Upper second will cover key points in one or the other area, but show less ability to integrate different parts of the course, be less well informed or show less grasp of the issues. Weaker answers will be patchy and lack coherence.

3. (a) Several authors have suggested that the way a company is structured affects the way it performs. Shi and Gregory (1998) showed that the way an international manufacturing network is structured affects the capabilities it can deploy. They described networks in terms of dispersion and coordination. The role of the factories within the network is implicit in the coordination dimension.

Skinner (1974) suggested that "a factory cannot perform well on every yardstick" and that each should be focused on a "limited, concise, manageable set products, volumes and markets" if it is to be competitive.

- (1) Hayes and Schmenner (1978) proposed that networks of factories could be either product-focused or process-focused. In practice, companies usually combine these approaches in some form of hybrid organisation.
- (2) Hayes and Wheelwright (1979) proposed the "product-process matrix" suggesting that different process technologies/layouts were appropriate to different trade-offs between flexibility/quality and dependability/cost. Job shops tend to offer

flexibility at the expense of cost while flow lines offer low cost at the expense of flexibility. Thus different factories might adopt different lay-outs to achieve a different balance between these objectives to enable the network as a whole to cope with a wide range of demands.

- (3) Ferdows (1989/97) suggests that factories should be located in a particular region for one of three strategic reasons -1) access to low cost production input factors, 2) use of local technological resources, and 3) proximity to market. He also distinguishes between different levels of technical activities (or competences) in the factory. Using these two dimensions activities he uses a three-by-two matrix to describe six roles of factories in a network. He argues that the company will benefit from factories developing and practicing higher level competences.
- (4) By contrast in the Philips “mountain model” products are moved between factories with pre-defined roles, and capability levels, as they progress through the product life cycle (PLC) and, hence, as the competitive requirements change. This implies strict control over the way the factories operate and coordination of the flow of products between them. Without this control factories strive to develop their capabilities and autonomy, which may be to the detriment of the network as a whole (eg increased cost and lack of standardisation).

Thus the answer should make reference to

- The range products the factory will make and the range of process steps that will be undertaken.
- The way the factory will be configured and its impact on performance.
- The reasons for particular geographical locations.
- The range of tasks or activities that will be undertaken at particular sites.

It should discuss these in terms of their implications for coordination within the network and on the performance of the network in terms of cost, innovation, flexibility etc

(b) The question is to test understanding of the way a network evolves and path dependent issues in reconfiguration.

Companies do not typically design a network from scratch. The first factory outside the home country is usually in response to a particular competitive requirement such as the need to be closer to a particular customer or perhaps to reduce costs. As the company grows organically and further factories are required, the location and role of each new factory is typically decided on an individual basis and in isolation from the network as a whole. M&A activities and factory disposals may further complicate the picture. Thus rather than being designed networks typically emerge.

If the optimal design differs from the current network structure there will be factors that impede the change these might include:

- The cost of transition
- Political factors:
- Uncertainty:

4. The question draws on material from several of the marketing lectures, case studies and experience gained from projects and background reading. This topic area has not been asked in the last 5 years and I am hoping to increase the average mark and spread by giving better students the chance to gain higher marks.

(a)

1. Extended/holistic product. Might mention/draw various models including Kotler
2. Might include tangible/intangible
3. Marketing orientation etc changing the mind set
4. Increased “entrepreneurism”

(b) (i)

1. Big culture change for service personnel, previously regarded as a cost centre now having to become commercial. Fear of loss of service ethos
2. Training in marketing. New brand image (emphasising customer care instead of project excellence only)
3. Increased awareness of “service” concept
4. Interpersonal/listening/selling skills for service personnel

(ii)

1. NPD process
2. Filter structure
3. Holistic view of BCG Matrix and “product” portfolio
4. Needs of the service-products must be part of the hardware spec – eg to make them more efficient (predictive maintenance etc) and easy to sell. Must involve field staff more in NPD. And in a new range of testing

(iii)

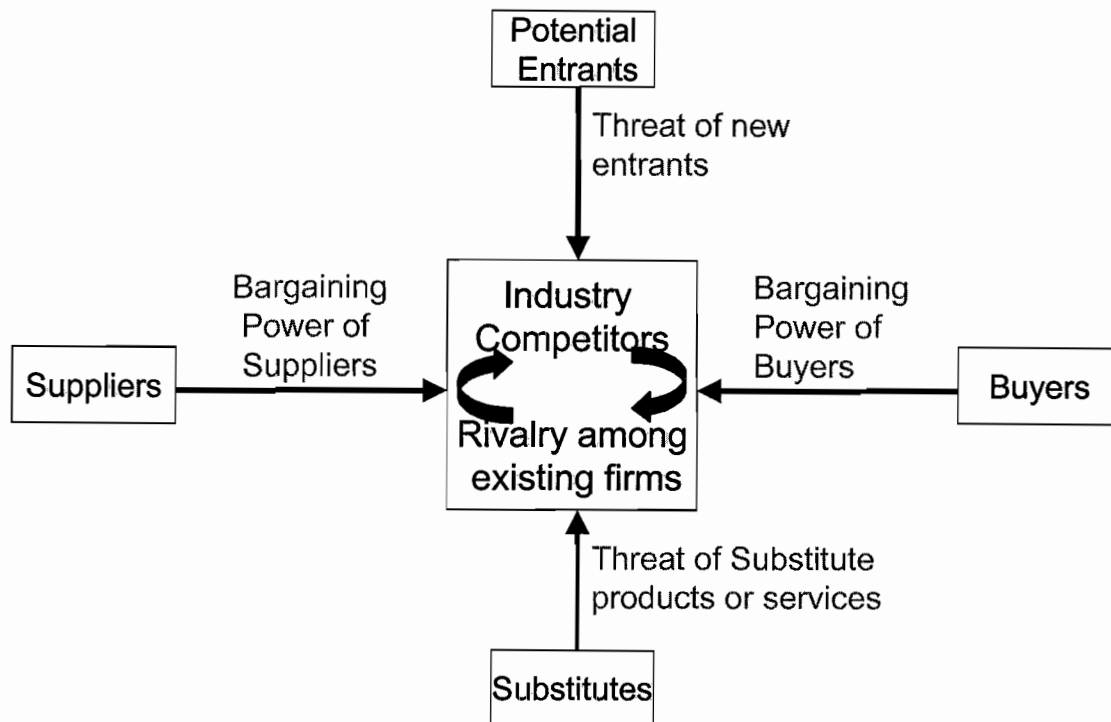
1. Communication issues
2. Extending -> boundaryless organisation, supply chain integration
3. Trust with chain partners
4. Conflict (eg taking revenue from distributors)
5. Losing market share as a result of loss of channel access

(c)

1. Market Research – market size, structure etc
2. Ansoff Matrix (with risk association)
3. Language/Culture
4. Accessing channels
5. Competitor reaction
6. Loss of domestic market due to loss of focus/attention
7. Dealing with increased volume
8. Change management
9. Change in strategy and structure
10. Training of overseas staff. Ongoing quality management (audit)
11. New accountancy/profitability controls. Easy to lose money on service
12. The financial model – the business case

5. An approach to this would be to describe the two views: Porter and the resource based view; and then discuss to what extent they are contradictory or mutually supportive.

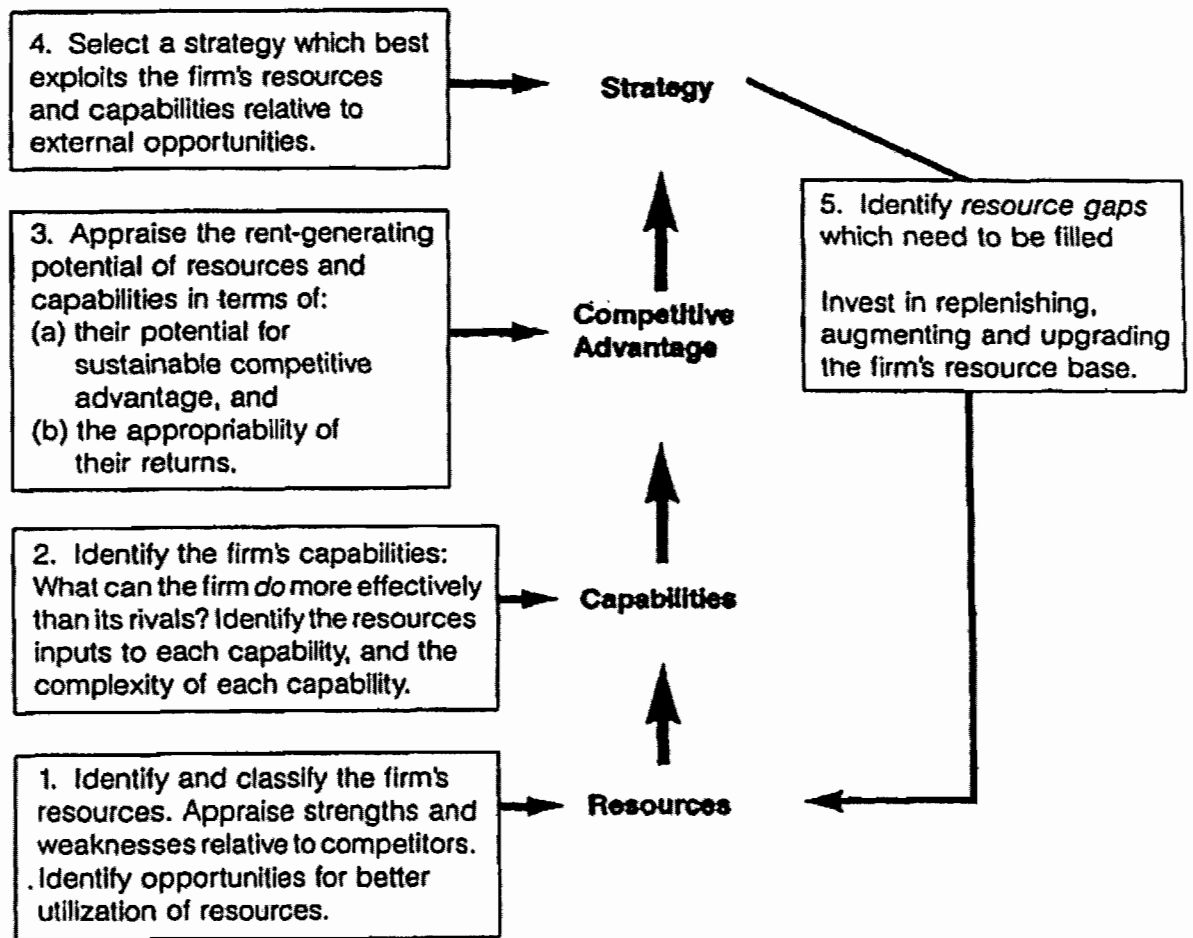
Porter 'positioning' view– embodied in the 5 forces model.



This model is primarily outward looking, it is about positioning a company within its environment. By looking at the factors that affect the relative strengths of the five forces, opportunities and risks can be identified. Some candidates may go into more detail about the factors affecting the strength of the forces.

Resource based view

This view considers that competitive advantage arises from being able to do something more effectively than rival firms, and that this ability comes from acquiring, developing, configuring and coordinating resources in the most appropriate manner. The diagram below captures this approach.



Reconciling the views

The most likely argument is that both views are required if one is to form a comprehensive view of strategy. The view from economists is that a firm's ability to earn rent in excess of the cost of capital depends on two factors: the attractiveness of the industry in which it is situated; and its competitive advantage over its rivals. The first aspect of this is addressed by Porter positioning and the second aspect by the resource based view.

Candidates may pick up on the word 'match' in the quotation as being rather restrictive. It can be argued that simply matching resources to external opportunities says insufficient about building competitive advantage. This discussion may be taken further to look at the different types of resource and to evaluate resources, and the rent-earning potential of resources, in terms of sustainability: durability, transparency, transferability, and replicability; and appropriability (Grant, 1991).

6. (a) Technology roadmapping (TRM) is a graphical method of representing technology, product/service/system and market developments against a time axis. The method supports the development of technology strategy and business planning in an organisation or group of organisations, linking technical and commercial viewpoints.

TRM has been used for a wide variety of purposes, but originates in product/technology planning. It is a powerful consensus-building technique that combines technology push and market-pull, and which develops knowledge sharing around an opportunity. It has also been used at industrial sector level and national level in order to facilitate foresight studies. Experience shows that the technique can be used to address a very wide variety of business and organisational issues, as long as the architecture of the roadmap (the levels of the vertical axis and the timescale) are customised to suit the context and the issue.

(b) (i) The market layer shows trends and drivers that will affect the market over the time span of the roadmap. These are features of the environment that will affect all businesses. They are usually derived by considering the so-called STEEPI factors (social, technological, environmental, economic, political and infrastructural). For Biko this particularly shows the trends and drivers that will impact bicycle usage.

The business layer shows the internal drivers and targets that relate to the business or organisation that is developing the roadmap. The choice of which factors to show will be influenced by the purpose of the roadmap. In this case Biko has market growth and entry targets.

The product layer shows the succession of products that the company expects to offer to the market. In addition to the product themselves, the new product development of each is also shown. In this case Biko has already planned and budgeted for the City and X-Ranger products, but is as yet uncommitted to the Power-Commute product (investment is required).

The process layer shows the time at which new manufacturing capacity will be introduced in order to support the new products.

The technology layer indicates the new product and process technologies that will be required to support the products range over the time-span of the roadmap. Particular uncertainty surrounds the future energy source for the second generation Power-Commute product.

The resources layer shows the skills and equipment needed to support the new technologies and processes to be developed.

(ii) The critical links between layers indicate dependencies that are important to achieving the goals of the roadmap. For example, in this roadmap, links need to be made between the market opportunities in Europe, the USA and the wider world, and the products offered by Byko at the point in time that the company plans to expand into those markets.

The products are the City line, the X-Ranger and the Power-Commute, all of which could have a role in expanding into the wider markets. The Power-Commute is as yet unbudgeted and depends on the development of new battery, transmission and motor technology (budget planned), and further (speculative, unbudgeted) development of fuel cell and/or high performance battery technology.

Other critical links are the introduction of other new materials or manufacturing technologies, on which the capability to make the new products depends.

- (iii) Key strategic decision points in the map are (in time sequence):
- finding a partner for power systems

- committing to the Power-Commute product development, production line and product introduction
- committing to fuel cell and high performance battery technology development
- entering the US market and later the global market

(iv) Additional information related to these decisions will cover:

- the possible partners available for power systems (and nature of the alliance)
- technical and market feasibility studies related to the introduction of the Power-Commute range
- exploratory technical studies and outcomes of previous research into the feasibility of fuel cells and high performance batteries for the second generation Power-Commute product
- studies of the US and global markets in order to determine the scope for Biko to compete in those markets

(c) Through participation in technology foresight studies the company could find out more about the wider trends shaping the market and business environment (the STEEPI factors). Such studies are usually conducted at national/sectoral level, and there is scope for companies (or individuals from those companies) to get involved in these studies. In addition to ongoing studies, there is also much material available from previous foresight studies that have been carried out in many countries.

Technology intelligence is more typically conducted at the firm level and could enable Biko to find out what developments are under way in areas of particular technological interest, for example fuel cells and new battery technology. The company could set up activities and procedures (scan, seek, trawl, mine) to access sources of knowledge around the world and bring relevant information into the decision making process at Byko.