

P2.1 Strategy and Leadership

Model Answers

July 2019

Section A

a.

Student should demonstrate how to analyse strategic position of the Tea business. If he sufficiently cover the present business climate in the light of how business is performed and what are the core competencies of the industry and organization. In his assessment he can use following tools appropriately.

Macro environment analysis in which student can show how macro environment factors affect the demand and supply competition in the trade using PORTERS DIAMOND OF NATIONAL ADVANTAGE and PESTEL analysis to audit the forces of macro environment , to understand how organization determine the effects of its current competitive position.

In Political factors it is very important to demonstrate how government support in terms of trade policy, Labor policy, demand of salary hikes by trade unions, business freedom etc. Further industry contribution for GDP, government actions taken to stabilize price fluctuations in terms of trade negotiations, treaties etc. in detail student can show , how the successive governments support tea industry by various taxes, tax concessionaries, Privatization of estates etc can be discussed after 1978 the liberal economic policies.

In environment conditions it is important to discuss the drought situation prevailed in hill country and climate changes particularly global warming, social activists' agitation over the use of weedicide and pesticide. How World is moving from year old technologies, introducing new innovative plantation techniques, factory renovations and actions to control garbage tea are the some of important areas to be considered.

Some of societal factors that are currently influence the tea business are the moving of youths from traditional tea as a drink for new tastes of mixed tea, Strong influence from substitutes as in the case discussed. Leaving of tea lovers from "sri Lanka tea" as a result of business malpractices etc.

The major changes done in labour laws of plantation sector, EPF ,ETF changers, actions taken to change wage policies, other civil laws etc, can be discussed under the legal aspects influence to the tea plantation sector .

b.

Industry analysis using five force (Michael Porter) can be used to analyze the competitive situation tea industry or strategic business unit.

Porters five force model can be used to describe the competitive nature of the tea industry. 5F looks five key areas which influence the competitiveness and to determine the profit of the organization.

Bargaining power of Buyers (factories and auctioneers) are high for tea leaves as number of factories are limited and number of tea retailers are high in the business. Switching cost from one supplier from other is low. Example if one supplier is not supplied factory can move to other as there are large number of small estates. Further Sri Lanka tea has different varieties and choices and consumption is based on the inherited tastes. Apart of that complementary product prices have maximum retail prices. So tea leaves prices are also depended on the Tea Auction which determine the tea prices

Bargaining power of Suppliers (Small Tea estates and other factory suppliers) are moderate because they cannot make big influence to prices in the market as it is for tea leaves. But if they produce high quality tea leaves then prices will go up in the auction. Switching cost from one supplier to other is moderate.

Threat of new entrants is moderate. Because cultivation of tea leaves is depended on the price of tea leaves and availability of lands. Swathing cost is high as there is a considerable initial cost.

Intensity of rivalry is moderate as there are few buyers and moderate number of suppliers. The buying of tea leaves by factories depend on the continuity and price fluctuations for tea in the auction and also the world demand for Sri Lanka Tea.

Core competencies of the organization

Dudley and his wife, Libra is experienced business family and particularly Dudley is a traditional Planter with inherited knowledge in tea industry. But he is lethargic to use of his great knowledge to modernize the estate. Further the natural resources available in other estate are rare in comparing with this estate as well as it is situated in the area of Hiniduma where most of low country best black tea are produced to the tea auction.

The knowledge and experience of Douglas is also a key strength to the organization. Besides his loyalty and trust worthiness to his employer is very important core competence apart of his other loyal employees who are serving even with this old matured tea plantation.

Critical success factors in the industry

In the Tea industry one of most important critical success factor is the maintenance of quality tea leaves and its' taste that is the determinant factor in the tea auction. Further the ability to supply requested quantity is another minimum factor which is also contributed to determine the revenue to cover the cost. Student can discuss other CSF factors like operational efficiency, packing and transportation, Supply chain management, storing, CPD, maintenance of machineries etc.

Value chain analysis

Another model that student can use to analyses the strategic position of the organization is the value chain analysis. By this model it is possible to understand the success of supportive activities i.e. firm infrastructure, HRM, Technology and procurement and the primary activities i.e. inbound logistics

operations, outbound logistics, market and services. All these activities can be assessed in terms of value addition which in turn contribute to the margin.

In this business firm infrastructure and technology used in operation are very much old and inbound logistics are coming only from the estate it is possible to make the estate as a collection center of other estates. Market is also squeezed due to not producing quality and required quantity. Out bound logistic arrangement are also too weak as not having efficient operation practices. Excess supporting staff not having sufficient work is also a big problem in getting services.

SWOT Analysis

What are the opportunities available and threats coming from outside as well as strengths and weaknesses of the organization in side? are extracted from the above analysis.

Strengths

- Tea cultivation knowledge of Douglas
- Business strategy making knowledge of Libra
- Dedicated and trust worthy manager and workers
- Climate and weather condition
- Transportation
- Traditional good will

Weaknesses

- Fail to understand the industry changes
- Redundancy of work force
- Traditional methods
- Wastage

Opportunities

- The Sri Lanka tea reputation in the world
- Growing consumer taste change
- Available of new technologies an advance operational methods
- Political support with government institutions like Tea research board
- Growing niche market for differentiated tea products
- Health considerations, advices of doctors to drink tea
- Changing life styles
- Opportunities for new business combinations
- Industry expansion with political initiatives

b)

Assess the key issues facing the business and evaluate the options for it in dealing with such issues;

The Dudley faces several business issues at present. Some of them are given below in brief

1. Cost escalation
2. Old tea crops
3. Dropping harvest
4. Rejection of tea product
5. Wastage
6. Idling natural resources
7. New skill requirements
8. Supply chain issues
9. HR issues
10. Need for continuous innovation
11. Market Development
12. Investment and financial difficulties
13. Increasing buyer power

(c) Recommend an appropriate strategy to ensure the best way forward for Dudley's business.

Even tea cultivation is a traditional business there is a vast possibilities to enhance the business by modernization. In Dudley's business he has lot of natural resources i.e. land, water, human resources and traditional art of the tea business. If he use his resources with the modern business practices and technologies he can come up with a new value added product which has emerging demand all over the world. The focus differentiation discussed by Bowman's strategy clock is one of strategy and product development are recommended for the business development for the time being.

Students are required to lengthy discuss Ansoff's growth Matrix and Bowman's strategy clock in this part of question.

Part B .2

Date:

Your Address

Chairmen

Board of Directors

Binda Association

Dear Sir

Strategy Issue of Binda Association and way forward

At the outset it is obvious fact that company has earned good profit in recent past before this unfortunate situation arises. However, in deep analysis there was a serious issue of governance and it was

purposefully articulated to increase the revenue. However it was not revealed as because of the dedicated staff who have perfectly carried out the instructions given by the CEO.

CEO maintain corrupt relationship with public sector officials whilst the staff maintain deceptive relationship with the customers. All this networks have been build up in one hand to increase the revenue of the organization and there may be frauds happened in the hand of CEO for personal gains though it was not well discussed in the case.

it was further revealed that the board of Directors have not well been informed about the operation side of the business rather than the financial and cost accounts and none of the Directors has also not questioned what was the main performance strategy by which business was well excel than the competitors. Therefore, it was unable to forget the accountability issue on the hand of director board for not aware of the business model run by the CEO during the tenure of director Board.

Therefore it is clear fact that the main strategic issue of the company was unaware of the business model of the company directors and poor guidance from the director board and lack of monitoring of the overall performances.

As now the police investigations are being in the progression, the company Board of directors should extend its full support for the investigation by providing all sort of information and further the CEO's involvement should be banned with immediate effect and this fact should be published in widely circulated newspaper.

Further in way forwarding three kinds of strategy involvement from the board of directors are required.

1. Strategies required to establish an ethical business model
2. Strategies to establish customer confidence
3. Introduce Balance Scorecard business monitoring mechanism.

We are happy to help you to provide further clarification and support to articulate descriptive strategies on above three areas.

Regards

3. (1) The Leadership style that will be more appropriate to solve the employee issue and to make effective teams to continue the business.

The Student directly can discuss the leadership model appropriate to the situation arises in the organization. Blake and Mounton's Managerial grid can be recommended. In this grid authors recommend the Team management style that is 9,9 is more appropriate as there is strong organized staffs who are hesitated and morally deprived about their future. Therefore, whatever the decision taken by the management may be ineffective if staffs are not well informed and get the majority concern. Therefore, the leader should be able to work as a team

(Student should discuss this leadership model or any other leadership model appropriate to the contingency situation that might arise in present context in his or her answer)

(ii) How can the company motivate its employees to engage effectively with the VRS programme?

The process of change management discussed by Kurt Lewin's force field analysis can be described in the answer. Further it is important to discuss the six change approaches discussed by Kotter and Schlesinger and other applicable conflict resolution models and need of making collective agreements.

4. (1) How is power used by leaders and managers to make changes in subordinates towards achieving organizational objectives?

This is an open ended question. So student can demonstrate their experiences they gained during their career. However following points should be elaborated in the answer

1. Definition of power
2. Different management styles
3. Transactional and transformational leadership
4. Leader in change