ANSWERS TO MISP2 – ASSIGNMENT NO. 4

MISP2-A4Q1 – Boston Consulting Group- Product Portfolio Matrix (BCG-PPM)

The Boston Consulting Group – Product Portfolio Matrix (BCG-PPM) provides a classification of products and services in terms of their market share and growth strategies.

A4Q1.1 – Describe the characteristics each of the following four (4) categories of products and services according to the BCG-PPM:

- stars,
- wildcats,
- cash cows
- dogs

ANSWER

High Position (HP) means the product or service has a high market share compared to other rival products or services. It is selling more than the others (i.e. a “hot” product). In Bahasa Melayu we say “Laris macam pisang goreng panas”, translated to English to mean “Selling like hot cakes”.

High Growth (HG) means the market for people willing to purchase is rapidly growing. It is not about the product or service. It is about the market “sentiment” and the willingness of customers to consider purchasing the product or service.

The 4 categories or products or services according to BCG-PPM are:

- **Stars – (HP-HG)** These are products and services that have high positions (HP) in a high growth (HG) market.

- **Wildcats – (LP-HG)** These are products and services that have low positions (LP) in a high growth (HG) market.

- **Cash cows – (HP-LG)** These are products and services that have high positions (HP) in a low growth (LG) market.

- **Dogs – (LP-LG)** These are products and services that have low positions (LP) in a low growth (LG) market.

A4Q1.2 – What IS/IT strategies can you use to enhance products or services in the category classified as “wildcats or question marks or problem children”?

ANSWER

Wildcats (LP-HG) are products or services that have low positions (LP) meaning low market share in high growth (HG) markets. The high growth market means that there is high demand for this category of products or services. The low position of
the company’s product means that it has a low market share (i.e. small sales volume compared to rivals), not appealing to customers, not selected by the customers, or may not be providing attractive or favorable offerings, etc.

How can IS/IT strategies be used on the company’s (wildcat) low position product/service in a high growth market? One way using IT/IS is to focus on the product itself - by innovation, by putting in more functions, by providing more choices, by lowering production cost, by making it more attractive, by targeting special customer groups, getting information on what customers really need in the product/service, etc. Use IS/IT web surveys, make online contests and give prizes in exchange for those important information (like McDonald Foldover – SMS Race Contest) in order to improve the product/service. This is a high demand market i.e. many buyers, so in our strategy we must make our product or service more attractive to them.

A4Q1.3 – List down least three (3) limitations of the BCG-PPM analytical technique.

ANSWER

1. **BCG-PPM does not work in a controlled market**

If we have a strictly government controlled market, for example, for “dried chillis” in Malaysia, where there is government price ceiling (e.g. maximum price per kilogram) imposed, you cannot use pricing to get increased sales. Why should we spend our hard earned money on advertising or very nice “dried chilli packaging” when we cannot increase the price. We know the market for “dried chilli” is always increasing (i.e. more Malaysian children born) and they are fed with “nasi lemak”, “hot curry”, etc by their parents. Ha ha ha. Since the market price of “dried chilli” is artificially controlled, we cannot use the BCG-PPM technique to increase sales as the BCG-PPM technique is based on the capitalist free pricing open market competition.

2. **Cannot classify product on the “border line” between BCG-PPM categories**

Take the case of “dried chilli” as described in answer (1) above. Is the product considered a “cash cow” or a “dog”?

A “cash cow” is a product in a high position in a low market growth.

A “dog” is a product in a low position in a low market growth.

We consider a low market growth because human reproduction is a low growth (not like mobile phones where you can buy as many as you like in one go). Even if you have children born one to each couple every year, you have to wait a few years before feeding the child with “chilli”. Ha Ha ha.

So we are left with the question: Can “dried chilli” be considered a “cash cow” or a “dog” at the same time? In other words, can the product be both in a high position or a low position simultaneously? To me as I see it, it is not relevant or we just cannot classify the product into high position or low position. The product is a commodity “common item” to every consumer. It does not matter much to the consumer if you package it, or sell it in bulk, or grind it first, or make it liquid, etc. because in the end the consumer “wants to taste the hotness” of the chilli not the packaging. They say, as a product “dried chilli” is all the same. This is however not
true for mobile phones. You cannot say, as a product “mobile phone” is all the same. Ha ha ha. No way are mobile phones the same. You have mobile phones with different functions, colors, shapes and sizes. That is why you have different prices for mobile phones. Do you think any sensible government would want to control the ceiling prices for mobile phones? Ha ha ha. So we can use BCG-PPM strategies for mobile phones but not “dried chilli”.

3. BCG-PPM does not show changes in market conditions over time

The BCG-PPM shows the snap-shot (once-off in time) of various products: its market share and its market growth. The BCG-PPM (product profile matrix) does not show what will happen next year, i.e. over time. We know that products gain and lose market share (thereby changing positions) and market growth also changes due to changing customer tastes, spending habits, changing economic growth, etc. I predict only the demand for “dried chilli” will remain the same, because growth or no growth in the economy, people will still want their “nasi lemak” and “curry” hot. Ha ha ha.

MISP2-A4Q2 – Strategy Formulation (SF) Analysis with SWOT.

The Strategy-Formulation Analytical Framework is represented in GB2-SMCC, page 201 in Figure 6-2.

A4Q2.1 – List down at least three (3) items that participants involved with strategy analysis should have.

ANSWER

1. Participants should understand the organizational vision and mission statements.
2. Participants should have been involved in the conduct of the external audit (EFE) and internal audit (IFE). Participants must know their own SWOT: SW for internal analysis and OT for external analysis
3. Participants must be creative in their thought processes to come up with the organization’s strategies.
4. Participants must be cooperative, a team player and must be involved in strategy meetings and discussions. The strategies must be prioritized and ranked, and the results must be a list of best strategies that reflects the collective wisdom of the group.

A4Q2.2 – What is an offensive strategy? What is a defensive strategy?

ANSWER

An offensive strategy is a strategy that uses internal strengths (S) to capitalize on external opportunities (O).

A defensive strategy is a strategy that improves upon internal weaknesses (W) and avoids external threats (T).

Note: A good offense without a good defense, or vice versa, usually leads to defeat. To succeed, we must have both good offense and good defense.
A4Q2.3 – Figure 6-4 shows an example of a strategy formulation worksheet for the SWOT Matrix for Carnival Cruise Lines. Study the figure closely. What are the “principles of reasoning” used to come out with the listed items in the SO, WO, ST, WT strategies as depicted in the figure?

ANSWER

SO strategies use a firm’s internal strengths to take advantage of external opportunities.

WO strategies aim at improving internal weaknesses by taking advantage of external opportunities.

ST strategies use a firm’s strengths to avoid or reduce the impact of external threats.

WT strategies are defensive tactics directed at reducing internal weakness and avoiding external threats.

Essentially, SO and ST are offensive strategies while WO and WT are defensive strategies.

Important note: You can use these strategies to analyze the Mini Case in MISP2-Quiz No. 1, titled: eBay/VeriSign deal could remake the online payment market. See the three (3) examples below.

1. PayPal(eBay) acquired VeriSign’s payment gateway and combine it with PayPal’s merchant services. In this case, PayPal uses the WO strategy and VeriSign uses the SO strategy.

2. Enterprises currently using VeriSign payments will begin to also accepting PayPal payments once the technology platforms (i.e. of PayPal(eBay) and VeriSign) are merged. In this case, both VeriSign and PayPal use SO strategy.

3. Large enterprises and SMBs that currently accept internet payments through credit/debit cards will consider also accepting the new PayPal/VeriSign payments which costs lower. In this case, both VeriSign and PayPal use SO and ST strategies. The ST strategy is to reduce the threat of Credit/Debit card companies that may fight back with rate decreases to hold their e-commerce market.

MISP2-A4Q3 – Strategies of Mergers, Acquisition & Takeovers.

A4Q3.1 – Discuss the differences of the following three (3) strategies that businesses undertake: Merger, Acquisition and Takeover

ANSWER

Merger – A merger occurs when two organizations of about equal size unite to form one enterprise.
**Acquisition** – An acquisition occurs when a large organization purchases (acquires) a smaller firm, or in some cases the reverse (whoever is richer).

**Takeover** – A takeover is a merger or an acquisition that is not desired by either one or both parties. Sometimes we have hostile takeovers which are unfriendly.

**A4Q3.2 – Provide three (3) main reasons for mergers, acquisitions and takeovers**

**ANSWER**

In business, every decision for mergers, acquisitions and takeovers are all about the best ways to increasingly making profits. Some of the other reasons are:

1. To eliminate competition in the market by buying out competitors
2. To obtain synergy by utilizing each others strengths
3. To increase market share through products owned by both companies
4. To improve efficiency by combining capacities of both companies
5. To gain access to new technology from the other company
6. To achieve economies of scale thereby reducing cost, not necessarily reducing the selling price of products in the market
7. To select the best staff and reduce redundant staff, now that there is a combined company, there is no need for duplication of the functions (i.e. staff from current company doing the same function as the staff from the acquired company)

All the above should result in the company “increasingly making profits” or “making increasing profits”. Ha ha ha.

**A4Q3.3 – What are the impacts on IS/IT strategies and infrastructure when a merger, acquisition or takeover happens?**

**ANSWER**

For a complex organization arising out of mergers, acquisitions or takeovers, normally the new management would hire an external consultant to rationalize the new IS/IT strategies and infrastructure. Very rarely is the subject considered as an after thought. It is normally conducted before the completion of the formation of the new organization.

Information Systems (IS) for the new company will be designed and implemented usually looking at the best of existing systems before the formation. In some cases they are merged, where possible, sometimes the other system is simply abandoned with data carefully imported into a new system. It all depends on the new business model of the company. Sometimes, both the old systems are abandoned and a completely new system is being installed taking data from the previous systems as required. There may be new IS/IT staff coming in, new managers, new technical staff etc, and some previous IS/IT staff may be found redundant and laid-off.

The same happens to IS/IT hardware and network infrastructure. Some servers may be upgraded, while some may be sold out or scrapped. Some
new IS/IT gadgets may be introduced while some old ones may be sold out or scrapped. It all depends on the business strategy of the new company where the new IS/IT strategy will have to support. This is what we mean by IS/IT strategies and plans be linked directly to the objectives and strategies of the business and the organization as a whole.

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MISP2-A4Q4 – Critical Success Factors (CSF) – MISP2-MiniCase-Assn4-Q4.pdf


A4Q4.1 – In the introduction of this article, the authors said “We can define organizational information behavior in the same way: organizations set up systems and services that are designed to acquire, share and disseminate information of all kinds, from the production data from factories to events in the market-place”.

Somewhere in the article it was also said that “The idea of identifying critical success factors (CSF) as a basis for determining the information needs of managers was proposed”. What is this CSF idea really?

**ANSWER**

The CSF idea for determining the information needs of managers can be understood from the DIKAR model. The DIKAR model provides two related views (BSC – straight run and CSF – reverse run) from the same set of IS/IT information.

DIKAR means Data -> Information -> Knowledge -> Actions -> Results.

The straight run DIKAR model analyses the flow of information in a forward manner, i.e. from Data to Results, and should lead to the identification of Key Performance Indicators (KPI). These KPIs can be used for a Balanced Scorecard (BSC) for the organization.

The reverse run DIKAR model analyses the flow of information in the opposite direction, i.e. from Results to Data. The analyses normally lead to the identification of Critical Success Factors (CSF). This is what the author meant by the idea of identifying CSF as a basis for determining the information needs of managers. The managers need to know exactly what factors are critical to its survival or success.

**DIKAR Straight Run**

As an example, when a company conducts its operations it normally uses a database to capture customers’ details, buying patterns, sales areas, hot selling products and services, quantities of purchases, etc. This lower level “capture” is called “data”. When some analyses are conducted on these “data”, it gets transformed into “information” through groupings and classification patterns, etc. By monitoring, collecting information and conducting further analyses, the information gets further transformed into “knowledge” for the organization. This knowledge bank is really
what is “actually happening” to the organization while conducting its business. This knowledge is of strategic value to the business as it can now use the knowledge to formulate **strategic business “actions”** to win over the competitors. Out of the business actions and again through the use of IS/IT information, it gathers the “**results”** of those actions. These results later become the “**Key Performance Indicators or KPIs**” of the business. The KPIs are the basis for the Balanced Score Card (BSC). This is the straight run version of DIKAR, from Data to Results that led to the BSC.

**DIKAR Reverse Run**

When we conduct the reverse run of DIKAR, i.e. from Results to Data, we are actually looking at the Critical Success Factors (CSF) strategy. We begin from analysis and determining the critical factors in our business that we must do (undertake actions) that will ensure our survival. It is “critical” and if we neglect it we will perish (close business). We cannot have many critical success factors. We must identify a few, normally less than five (5).

Now let us return to our reversed DIKAR model. We start from Results. What are the few **results** that we need to improve or maintain to ensure our survival? These results are our critical success factors (CSF). The next backward step is to look at our **actions** that provide those results. What **strategic actions** do we need to implement to improve the results? Keep monitoring our IS/IT system, and look another step backwards, i.e. at the new **knowledge** we gain from those actions. As we are traveling in the reversed manner, ultimately, it must be coming from the new “**information**” and eventually new **“data”** at the end of the line. This is essentially CSF in action in the DIKAR model. This is one way DIKAR (i.e. the IS/IT) has been used to formulate business strategies for the organization.

**A4Q4.2** – “**The primary purpose was to test the idea that the information intensive areas of an organization could be identified within the value chain (VCA) by using the CSF technique to indicate the critical areas and, hereby, enable the identification of corporate information needs**”.

In the statement above, we see clearly the combined application of VCA and CSF methodologies, and the use of the term corporate information needs. In this regard, what is the authors’ definition of corporate information needs?

**ANSWER**

The authors’ definition of corporate information needs is “those needs for information that must be satisfied if the organization is to achieve its strategic aims”.

The authors’ definition was extracted from page 3 of 23 in the article.
A4Q4.3 – Go to page 15 of 23 of the article, i.e. to section “The Publishing Case”. List down three (3) of the critical success factors as identified by the authors in the case of a publishing company that one time was the third largest in Finland.

ANSWER

The word "crucial" is defined in the dictionary as extremely significant or important, vital to the resolution of a crisis, decisive etc. The word "critical" means indispensable or essential. So in reading the article look for the word crucial to mean critical. Ha ha ha. Some of the many critical success factors as identified by the authors for the publishing company are:

1. **The quality of information** - It was crucial to acquire accurate information and to disseminate accurate internal information in general and by the Officer of Communication in particular as well as to time the dissemination correctly.

2. **The information flow** - Furthermore, it was crucial to have better information flows as well as high quality information systems in general and for providing customer services in particular.

3. **The external information** - Acquisition of external information was crucial.

4. **The IS infrastructure** - The IS infrastructure was a critical area. This involved the electronic IS resources in general and of high quality in particular; a customer database for editorial work and for making publishing decisions and designing business books.

5. **The IS for Marketing & Sales** - Further development of a strategic IS was crucial for the performance of marketing & sales.

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MISP2-A4Q5 – Value Chain Analysis (VCA) – MISP2-MiniCase-Assn4-Q5.pdf.

Study the Mini Case, titled “The Podcast Value Chain Report – An Overview of the Emerging Podcasting Marketplace” prepared by Alex Nesbit, June 2005 at www.digitalpodcast.com. Answer the following questions:

A4Q5.1 – It was said that “A clear value chain from raw content to listeners is emerging”. What is the value chain mentioned here?

ANSWER

The value chain mentioned in the article is:

Content -> Advertising -> Production -> Publishing -> Hosting/Bandwidth -> Promotion -> Searching -> Catching -> Listening

The value chain showed the flow of nine (9) processes from content to listening.
A4Q5.2 – It was also said that “Opportunities and issues are developing at each step in the value chain”. List down at least five (5) opportunities and issues in the production process.

ANSWER

According to the article the podcast production includes pre-production set-up, recording and postproduction editing.

Some of the opportunities and issues that can be utilized to generate value in the production process are:

1. **Rent production equipment instead of owning them.** - Production equipment is one of the primary areas where money is changing hands. Podcasters require equipment to make podcasts. It may be cheaper to rent in the long run.

2. **Use inexpensive production equipment** - While a podcast can be produced with an inexpensive microphone, many podcasters will opt for more equipment such as mixers and processors.

3. **Use open source and free software for podcasting** - Software will also be required ranging from free open source software up to commercial software costing a few hundred dollars.

4. **Provide editing and mixing services to others** - There is likely to be a great expansion of the production services market. Editing and mixing a podcast for high sound quality can take as much as 4 to 5 hours for a 1 hour podcast.

5. **Use podcasts to announce job opportunities** - As businesses adopt podcasting, podcast sound engineers will be needed in much higher quantities to produce quality podcasts. Job postings for podcast support have already begun to appear on job boards.

A4Q5.3 – What do you understand by “Each step along the value chain adds value to the podcast in distinct ways, ....” Explain this statement in terms of the search process.

ANSWER

The full statement is “Each step along the value chain adds value to the podcast in distinct ways, has its own set of challenges and issues and presents opportunities in the emerging podcast market place”.

In terms of the search process (i.e. in the podcasting value chain), the statement means looking at specific (distinct) opportunities for value added improvements like for search tools: such as creating directories and user communities on the internet to help listeners find podcasts. If you get to implement value added stuff, you will attract listeners to your podcast (website), and hopefully advertisers will use your search website and give you money for renting your advertising space. Ha ha ha.