

JHT2 Strategic Management

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JHT2 Task 2

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JHT2 Task 2

A. Resource Weaknesses

How successful was G Force at strengthening or compensating for resource weaknesses at a key point during the first four years of the simulation?

A resource weakness for my company appeared in the beginning of the simulation. The first couple of years G Force was average. The company showed no signs of true strength or extreme weaknesses. However, the impacts of the strategies and decision were beginning to show their effects on the company and appeared to be almost negative at first.

Net Sales Revenues were below average because of the company's ambitious actions to buy back outstanding shares. After all of the expenses, the Net Profit was only slightly better than average for the first year. Net Sales Revenues were also impacted by G Force's lack of attention to the other geographic regions and the opportunities that other markets presented.

Industry 63

FINANCIAL PERFORMANCE SUMMARY

Year 11

Income Statement Data (\$000s)												
	Net Sales Revenues	Cost of Pairs Sold	Warehouse Expenses	Marketing Expenses	Admin Expenses	Operating Profit	Interest Exp (Inc)	Income Taxes	Net Profit	Total Dividend Payment (\$000s)	Shares of Stock (000s of shares outstanding)	
A	227,948	134,602	15,106	36,108	7,854	34,278	8,173	7,832	18,273	10,500	10,500	A
B	232,348	131,912	18,303	37,313	7,853	36,967	8,173	8,195	19,120	0	10,000	B
C	215,838	124,030	14,927	32,740	8,354	35,787	8,173	8,284	19,330	0	10,000	C
D	266,493	158,832	17,780	43,467	7,853	38,561	8,173	9,116	21,272	0	10,000	D
E	265,325	150,882	17,710	46,265	8,903	41,565	8,173	10,018	23,374	10,000	10,000	E
F	216,362	140,421	12,293	552	7,854	55,242	8,173	14,121	32,948	12,500	10,000	F
G	237,603	141,378	15,600	26,438	8,904	45,283	8,173	11,133	25,977	0	9,900	G
H	264,008	155,718	18,928	40,862	7,854	40,646	8,173	9,498	22,162	11,110	10,100	H
I	245,950	138,840	16,392	34,373	8,405	47,940	8,173	11,786	27,502	0	10,000	I
J	301,365	167,764	19,578	43,503	8,605	61,915	8,173	16,123	37,619	15,000	15,000	J
K	247,970	149,626	17,122	34,614	8,904	37,704	8,173	8,520	19,880	4,000	10,000	K
L	250,170	142,989	18,400	35,953	7,603	45,225	8,173	10,816	25,236	10,000	10,000	L
	247,615	144,750	16,845	34,349	8,246	43,426	8,173	10,454	24,391	6,093	10,458	

G Force had to take a position. It knew it could not be the Best in the Industry in the first few years. In order to gain Best in the Industry status, G Force needed to focus on a Sustainable Competitive Advantage that would put them on them Top and keep them in the Number Position for the rest of the simulation. The company needed to stretch its financial capital & resources extremely thin with a focus on growth and that Resource was Capacity expansion.

The weakness for G Force was that it had to sacrifice the Best in Industry status in order to lay down the grassroots for success in the future.

Selected Financial and Operating Statistics									Credit Rating Data				
Costs and Profits as a Percent of Net Revenues									Interest Coverage Ratio	Debt to Assets Ratio	Default Risk Ratio	Default Risk	
Cost of Pairs Sold	Whse. Expenses	Mktnng. Expenses	Admin. Expenses	Operating Profit	Net Profit	Current Ratio	Days of Inventory						
A	59.0%	6.6%	15.8%	3.4%	15.0%	8.0%	2.83	14	4.19	0.31	1.26	Medium	A
B	56.8	7.9	16.1	3.4	15.9	8.2	2.36	7	4.52	0.31	1.96	Medium	B
C	57.5	6.9	15.2	3.9	16.6	9.0	3.21	9	4.38	0.34	1.85	Medium	C
D	59.6	6.7	16.3	2.9	14.5	8.0	1.94	11	4.72	0.38	1.59	Medium	D
E	56.9	6.7	17.4	3.4	15.7	8.8	2.49	13	5.09	0.32	1.61	Medium	E
F	64.9	5.7	0.3	3.0	25.5	15.2	2.91	0	0.70	0.31	2.04	Medium	F
G	59.5	6.6	11.1	3.7	19.1	10.9	3.11	29	5.54	0.31	2.38	Medium	G
H	59.0	7.2	15.5	3.0	15.4	8.4	1.93	9	4.97	0.34	1.08	Medium	H
I	56.5	6.7	14.0	3.4	19.5	11.2	3.20	20	5.87	0.30	2.45	Medium	I
J	55.7	6.5	14.4	2.9	20.5	12.5	2.31	21	7.58	0.23	1.85	Medium	J
K	60.3	6.9	14.0	3.6	15.2	8.0	2.36	12	4.61	0.31	1.76	Medium	K
L	57.2	7.4	14.4	3.0	18.1	10.1	2.61	11	5.53	0.31	1.66	Medium	L
	58.5%	6.8%	13.9%	3.3%	17.5%	9.9%	2.57	14	5.31	0.31	1.79	Medium	

Bold = best in industry

These sacrifices included keeping a low amount of cash on hand (to utilize the cash in other areas that could generate a profit). Another area was the repurchasing of stocks, this would increase the EPS and ROE but would have a huge negative impact on the Ending Cash for the year. Expenditures in Corporate Social Responsibility in energy initiatives, ethics training for all employees, workforce Diversity was very costly in the beginning but ultimately helped G Force to become number 1 in the end. The intangible assets were the focus for G Force in the beginning.

Selected Balance Sheet Data (\$000s)										Dividend Data		
	Cash on Hand	Current Assets	Total Assets	Current Liabilities	L-T Debt	Shareholder Equity			Year 11 Dividend (\$ / share)	No. of Changes (+ / -)		
						Beginning Equity	Stock Sales (purchases)	Earnings Retained				Ending Equity
A	19,756	81,434	269,684	28,777	67,100	151,750	14,285	7,772	173,807	1.00	0/0	A
B	8,494	68,829	267,079	29,111	67,100	151,750	0	19,118	170,868	0.00	0/1	B
C	36,022	92,914	276,164	28,983	76,100	151,750	0	19,331	171,081	0.00	0/1	C
D	0	71,013	302,263	36,641	92,600	151,750	0	21,272	173,022	0.00	0/1	D
E	9,300	80,250	264,450	32,227	67,100	151,750	0	13,373	165,123	1.00	0/0	E
F	30,534	85,307	268,647	29,348	67,100	151,750	0	20,440	172,100	1.25	1/0	F
G	15,849	84,848	269,048	27,253	67,100	151,750	3,030	25,975	174,695	0.00	0/1	G
H	3,414	72,545	273,745	37,674	70,300	151,750	2,970	11,051	165,771	1.10	1/0	H
I	29,450	97,489	276,865	30,510	67,100	151,750	0	27,505	179,255	0.00	0/1	I
J	2,105	86,935	379,135	37,665	67,100	151,750	100,000	22,620	274,370	1.00	0/0	J
K	7,751	73,931	266,081	31,353	67,100	151,750	0	15,878	167,628	0.40	0/1	K
L	13,687	80,491	264,909	30,824	67,100	151,750	0	15,235	166,985	1.00	0/0	L
	14,697	81,340	281,506	31,697	70,242	151,750	9,519	18,298	179,567	0.56	0.2/0.5	

To define if G Force was successful or not in the first few years, this is a difficult to answer. G Force was not successful in posting the best numbers for the first few years, but after a few years it noticed the effects of the intangible resources spent.

It has been said that the first few years were the most difficult and restrictive years of the simulation. The Company wanted to expand its capacity but needed the funds without getting loans or issuing stock to increase the capacity. The weakness was definitely determining the Value Chain on how the raw materials were received and finally sent to the end-user. Once it was understood on how to deliver the maximum value for the least possible total cost, the company began to excel.

B. Resource Strengths

Here is the analysis, with sufficient support, of the actions G Force took to develop a resource strength at a key point during the last four years of the simulation.

G Force noticed a huge problem in Plant Capacity and New Construction in Year 17. It seemed as though all of the competitors knew that an Economy of Scale was an avenue for success. The competition must have realized that the cost of production by increasing the size of

the output produced. In order to increase the output, they needed to buy or build capacity so they could create lower average costs.

Plant Capacity (000s of pairs of production capacity not including overtime)														New Construction Initiated in Y17
Capacity Beginning Year 17				Capacity Purchased (Sold)				Capacity Available for Y17 Production				Total		
N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.	N.A.	E-A	A-P	L.A.			
A	2,500	0	3,700	0	0	0	0	2,500	0	3,700	0	6,200	0	A
B	2,000	0	4,000	0	0	0	0	2,000	0	4,000	0	6,000	0	B
C	2,000	0	4,000	0	0	0	0	2,000	0	4,000	0	6,000	0	C
D	2,800	0	4,000	0	0	0	0	2,800	0	4,000	0	6,800	0	D
E	2,200	0	4,300	0	0	0	0	2,200	0	4,300	0	6,500	800	E
F	2,000	0	4,500	0	0	0	0	2,000	0	4,500	0	6,500	0	F
G	3,100	0	7,400	0	0	0	0	3,100	0	7,400	0	10,500	2,600	G
H	2,000	2,000	4,000	2,000	0	0	0	2,000	2,000	4,000	2,000	10,000	0	H
I	1,900	0	3,900	0	0	0	0	1,900	0	3,900	0	5,800	0	I
J	5,400	0	7,600	0	0	0	0	5,400	0	7,600	0	13,000	0	J
K	2,000	1,500	4,000	0	0	0	0	2,000	1,500	4,000	0	7,500	0	K
L	2,900	0	3,600	0	0	0	0	2,900	0	3,600	0	6,500	1,400	L
	30,800	3,500	55,000	2,000	0	0	0	30,800	3,500	55,000	2,000	91,300	4,800	

The actions that G Force took to counter the competitions actions were:

G Force knew from the beginning that this could have been a situation would have appeared. We had a (BCM) Business Continuity Management system in place. Business Continuity identifies an organization's exposure to internal and external threats and synthesizes hard and soft assets to provide effective prevention and recovery for the organization while maintaining competitive advantage and value system integrity. (Business continuity planning)

Crisis management is the process by which an organization deals with a major event that threatens to harm the organization, its stakeholders, or the general public. The study of crisis management originated with the large scale industrial and environmental disasters in the 1980s. Three elements are common to a crisis: (a) a threat to the organization, (b) the element of surprise, and (c) a short decision time. (Crisis management)

This was designed recover from any disruption from the competition. This BCM included reacting to failure or loss of operational capability, physical or tangible events and returning the disruption back to normal as soon as possible.

1) The second action was to create a CM (Crisis Management) system. While BCM typically waits for the situations to be known, The CM is known for dealing the situation as it emerges. Typically with a Response Team or Management. So BCM does fit under the umbrella of the CM activities which is vital to recovery management. G Force's CM was ready to apply the 4 R's (Reduction, Readiness, Response, and Recovery).

- a. Reducing exposure or mitigate the sources, size and impacts of the crisis. Since the competition was purchasing more capacity. I needed to know the amount of capacity they were building. Our company did not want to risk the exposure of purchasing too much capacity that would become wasteful. See we identified which company was handling the most capacity, and it was Company J (13,000). We then knew we could safely reach the level 13,000.
- b. Readiness plan was to improve the crisis onset management. This would require the company to be able to build capacity immediately without issuing stock or taking out loans. This would require investor's confidence and strong sales to finance future capacity expansions. So G Force set out to gain the highest EPS, ROE, and Stock Price possible.

Industry 63

COMPANY PERFORMANCE REVIEW

Year 17

Earnings Per Share (\$)

EPS scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor expected EPS shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading EPS performance. Game-To-Date scores are based on a weighted average of the annual EPS performances.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Wgt Avg.	Y17 Score		G-T-D Score		
	(2.67)	(2.85)	(3.05)	(3.25)	(3.49)	(3.66)	(3.84)	(4.03)	(4.23)	(4.44)		(3.26)	I. E.	B-I-I	I. E.	
A	1.74	1.47	2.04	1.94	2.26	2.79	3.68				2.34	19	5	14	6	A
B	1.91	1.64	3.07	5.04	5.25	5.60	5.91				4.06	24	8	22	10	B
C	1.93	1.89	2.36	2.69	3.64	3.58	3.29				2.77	17	5	17	7	C
D	2.13	2.45	4.68	4.71	4.29	5.28	5.44				4.15	24	8	23	11	D
E	2.34	3.99	4.95	5.92	5.32	5.90	6.87				5.03	24	10	24	13	E
F	3.29	3.39	4.60	5.41	5.96	7.94	8.27				5.50	24	12	24	14	F
G	2.62	2.78	5.75	8.08	9.96	11.75	14.01				7.77	24	20	24	20	G
H	2.19	2.93	3.14	3.67	5.32	5.19	8.58				4.47	24	12	24	12	H
I	2.75	2.82	3.12	3.23	3.83	3.96	4.48				3.46	22	6	21	9	I
J	2.51	3.28	3.41	5.01	6.25	7.89	8.33				5.30	24	12	24	14	J
K	1.99	1.99	2.40	2.21	2.83	3.05	3.27				2.53	17	5	16	7	K
L	2.52	3.68	3.85	3.39	4.08	5.29	7.13				4.25	24	10	23	11	L

Return on Equity (%)

ROE scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor-expected ROE shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading ROE performance. Game-To-Date scores are based on a weighted average of the annual ROE performances.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Wgt Avg.	Y17 Score		G-T-D Score		
	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)		(15.0)	I. E.	B-I-I	I. E.	
A	11.2	10.9	12.3	10.4	11.7	12.2	16.0				12.4	21	13	17	10	A
B	11.9	9.2	15.1	20.7	17.8	16.0	14.5				15.5	19	12	20	13	B
C	12.0	10.5	11.7	11.9	14.1	12.2	10.0				11.7	13	8	16	10	C
D	13.1	13.4	21.0	17.5	13.7	14.6	14.9				15.4	20	12	20	13	D
E	14.8	22.2	23.3	23.2	17.9	17.4	18.0				19.4	22	14	23	16	E
F	20.3	18.7	22.4	22.8	21.7	25.6	25.2				22.8	24	20	24	19	F
G	15.9	14.6	24.8	27.0	26.2	25.0	24.3				23.7	24	19	24	20	G
H	14.0	16.9	16.2	16.8	21.1	17.4	23.0				18.7	24	18	22	16	H
I	16.6	14.6	14.0	12.7	13.2	12.0	12.1				13.2	16	10	18	11	I
J	17.7	16.9	15.4	16.9	18.5	21.3	21.0				18.7	24	17	22	16	J
K	12.4	11.3	12.4	10.4	11.9	11.4	11.0				11.5	15	9	15	10	K
L	15.8	20.4	18.7	15.0	16.7	19.2	21.9				18.5	24	17	22	16	L

Stock Price (\$ per share)

Stock Price scores are based on a 20% or 20 point weighting. Bold numbers indicate achievement of the investor-expected stock price shown below each yearly column head. Best-In-Industry performers earn a top score, and scores of other companies are a percentage of the industry-leading performance. Game-To-Date scores are based solely on the most recent year's stock price.

	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20	Y17 Score		G-T-D Score		
	(32.00)	(34.25)	(36.75)	(39.25)	(42.00)	(44.25)	(46.25)	(48.75)	(51.25)	(53.50)	I. E.	B-I-I	I. E.	B-I-I	
A	18.11	15.03	20.64	20.94	26.97	42.64	68.26				24	6	24	6	A
B	17.89	15.18	36.13	85.72	87.13	76.96	71.07				24	6	24	6	B
C	17.96	17.32	22.68	30.90	49.19	43.28	38.48				17	3	17	3	C
D	22.03	25.46	74.90	73.61	56.01	63.84	70.00				24	6	24	6	D
E	28.15	76.67	99.94	119.31	80.59	83.44	94.76				24	8	24	8	E
F	56.31	51.26	85.15	100.42	104.89	143.82	141.23				24	12	24	12	F
G	29.59	31.31	103.69	157.97	194.30	211.74	245.60				24	20	24	20	G
H	25.75	38.12	41.02	53.51	90.77	83.21	176.36				24	14	24	14	H
I	32.31	31.76	34.76	37.79	46.78	45.78	53.95				22	4	22	4	I
J	35.73	56.15	55.24	95.62	113.02	154.32	137.72				24	11	24	11	J
K	20.11	19.30	22.95	20.72	29.70	33.77	37.67				16	3	16	3	K
L	30.91	63.27	58.36	43.42	52.48	76.98	121.40				24	10	24	10	L

- c. Response for G Force was to improve the crisis management impact when we were responding to the crisis. We responded by purchasing the appropriate

amount of Capacity so that the company could maintain Market share and Growth. This was so that our Economy of Scale could not be outstripped by the competition.

- d. Recovery from this crisis would require the actions to benefit the investors and stakeholders to increase confidence and trust in the company response. The Recovery would also demand the vigilance so that the competitor's will never get the upper hand again.

2) The end result was an increase in Net Profit and an increase in Net Sales for G Force.

Income Statement Data (\$000s)										Total Dividend Payment (\$000s)	Shares of Stock (000s of shares outstanding)
Net Sales Revenues	Cost of Pairs Sold	Warehouse Expenses	Marketing Expenses	Admin Expenses	Operating Profit	Interest Exp (Inc)	Income Taxes	Net Profit			
A	370,722	195,160	29,437	38,418	9,463	98,244	-1,900	28,543	66,601	45,238	18,095
B	348,630	182,616	24,608	48,445	8,213	84,748	-3,885	25,319	59,077	0	10,000
C	287,706	169,674	22,859	39,353	9,265	46,555	-1,351	14,093	32,882	0	10,000
D	391,166	213,191	27,987	57,539	9,012	83,437	-2,283	24,464	57,084	105,000	10,500
E	377,083	198,898	26,148	48,739	9,765	93,533	-2,664	28,259	65,938	13,440	9,600
F	200,657	160,876	14,027	543	9,765	104,546	3,005	22,265	75,286	18,200	9,100
G	574,451	282,081	34,951	57,708	13,764	185,947	-413	55,908	130,452	0	9,310
H	502,139	270,923	29,159	48,922	13,563	139,572	3,052	39,700	92,633	16,200	10,800
I	288,221	166,691	19,168	32,864	8,515	60,983	-3,654	19,208	44,819	0	10,000
J	716,630	362,227	44,513	93,214	16,264	200,412	460	59,384	138,564	17,470	16,638
K	249,966	138,217	18,791	29,767	15,105	48,086	1,081	13,813	32,230	0	9,849
L	394,472	217,217	28,069	39,862	9,265	100,059	333	28,418	66,308	9,295	9,295
	400,070	213,898	26,718	44,615	10,997	103,844	-1,186	30,781	71,823	18,737	11,099

B1. Competitive Power

G Force provides a plausible analysis, with sufficient support, of how competitively powerful the strength was. The following are tests to determine if the resource is able or capable to support a competitive advantage. As well as determining if the competitive advantage can be sustained in the presence of other competition.

1) Is the resource (or capability) competitively valuable? (YES). This resource is directly relevant to the company’s strategy. By adding more capacity, the company became a more effective competitor. From the increased capacity every year the volume of pairs of shoes sold also increased. The increase of Pairs Sold has a strong impact on market share and the dominance of the given region. So having this resource is extremely competitively valuable.

North America	Competitive Efforts of Company G										
	Y10	Y11	Y12	Y13	Y14	Y15	Y16	Y17	Y18	Y19	Y20
INTERNET SEGMENT											
Price (\$/pair at retail)	75.00	75.00	75.00	70.54	71.71	72.66	72.35	73.02	73.12		
S/Q Rating (number of stars)	5	5	5	5	5	5	5	5	5		
Models Offered	180	180	240	346	346	500	500	500	500		
Free Shipping	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes		
Advertising (\$000s)	7000	5000	5000	6200	6400	6400	6400	6400	6400		
Celebrity Appeal	0	0	0	0	70	150	150	245	215		
Online Orders (000s)	68	72	98	167	215	261	316	349	401		
Pairs Sold (000s)	68	72	98	167	215	261	316	349	401		
Market Share	8.3%	7.0%	7.6%	10.9%	11.6%	12.1%	12.7%	12.4%	12.5%		
WHOLESALE SEGMENT											
Price (\$/pair at wholesale)	48.00	48.00	48.00	48.50	49.19	49.50	49.19	49.15	49.15		
S/Q Rating (number of stars)	5	5	5	5	5	5	5	5	5		
Model Availability	200	200	249	347	494	500	500	500	500		
Advertising (\$000s)	7000	5000	5000	6200	6400	6400	6400	6400	6400		
Rebate Offer (\$/pair)	3	2	2	2	2	2	3	3	3		
Retail Outlets Utilized	3000	2500	2292	2604	2991	3008	2908	3403	3607		
Retailer Support (\$/outlet)	400	400	400	400	400	400	400	400	1600		
Delivery Time (weeks)	3	3	3	3	3	3	3	3	4		
Celebrity Appeal	0	0	0	0	70	150	150	245	215		
Retailer Demand (000s)	1282	1144	1316	1699	1981	2170	2321	2588	2776		
Sales Gains/Losses (due to out-of-stock conditions)	0	-75	15	-130	-45	40	-69	-13	-8		
Pairs Sold (000s)	1282	1069	1331	1569	1936	2210	2252	2575	2768		
Market Share	8.3%	6.8%	8.1%	9.1%	10.4%	11.5%	11.2%	12.5%	13.7%		
PRIVATE-LABEL SEGMENT											
Bid Price	35.00	34.45	34.00	33.75	34.99	34.99	39.95	39.95	39.93		
S/Q Rating (number of stars)	4	4	4	4	4	4	4	4	4		
Pairs Offered (000s)	185	198	499	200	136	100	199	100	932		
Pairs Sold (000s)	185	198	499	200	136	100	199	100	932		
Market Share	8.3%	8.5%	19.2%	7.3%	6.3%	3.7%	7.3%	3.8%	24.2%		

iNet Price

S/Q Rating

2) Is the resource rare – is it something rival lack? (YES). G Force knew from the beginning that capacity was going to be the most important resource for exponential

growth. While the resource is not rare, it is something that rivals lacked. It was a race to see who could grow their company quickest while still being able to maintain profitability.

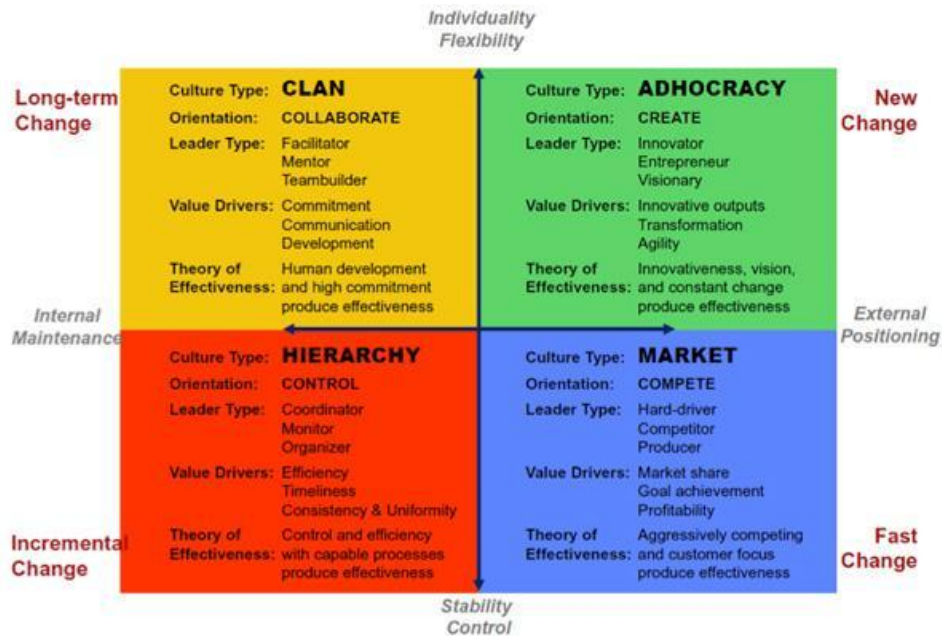
North America Year 17	Competitive Efforts by Company												Ind. Avg.	Co. G vs. Ind. Avg.
	A	B	C	D	E	F	G	H	I	J	K	L		
INTERNET SEGMENT														
Price (\$/pair at retail)	65.15	70.50	77.50	75.00	71.50	0.00	73.02	73.10	75.00	71.50	73.00	72.00	72.48	+0.7%
S/Q Rating (number of stars)	6	6	4	6	5	0	5	6	3	6	5	6	5.3	-0.3 star
Models Offered	259	200	190	250	180	0	500	150	60	350	50	230	220+	+127.3%
Free Shipping	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Some	Avg.
Advertising (\$000s)	8700	9800	7000	9000	7000	0	6400	8000	6400	9934	6000	6000	7658	-16.4%
Celebrity Appeal	0	0	0	185	130	0	245	0	0	165	0	120	77+	+218.2%
Online Orders (000s)	429	267	140	314	224	0	349	184	113	404	132	264	256	+36.3%
Pairs Sold (000s)	429	267	140	314	224	0	349	184	113	404	132	264	256	+36.3%
Market Share	15.2%	9.5%	5.0%	11.1%	7.9%	0.0%	12.4%	6.5%	4.0%	14.3%	4.7%	9.4%	9.1%	+3.3pts.
WHOLESALE SEGMENT														
Price (\$/pair at wholesale)	53.25	48.45	46.75	50.00	51.00	48.00	49.15	49.50	49.50	47.77	50.00	52.50	49.66	-1.0%
S/Q Rating (number of stars)	6	6	4	6	5	4	5	6	3	6	5	6	5.2	-0.2 star
Model Availability	263	200	200	250	249	100	500	150	321	350	52	254	241+	+107.5%
Advertising (\$000s)	8700	9800	7000	9000	7000	0	6400	8000	6400	9934	6000	6000	7020	-8.8%
Rebate Offer (\$/pair)	4	4	3	5	5	0	3	5	4	4	6	3	3.83	-21.7%
Retail Outlets Utilized	2744	3806	2101	4204	2393	100	3403	3095	1656	5556	1925	2200	2765	+23.1%
Retailer Support (\$/outlet)	500	440	400	400	400	100	400	400	380	700	425	350	408	-2.0%
Delivery Time (weeks)	2	2	2	2	3	4	3	2	3	3	3	4	2.8	+7.1%
Celebrity Appeal	0	0	0	185	130	0	245	0	0	165	0	120	70+	+250.0%
Retailer Demand (000s)	1636	1986	1216	2501	1601	457	2588	1618	1504	3159	1022	1405	1724	+50.1%
Sales Gains/Losses (due to out-of-stock conditions)	30	18	23	-237	29	4	-13	31	-22	61	19	26	-3	
Pairs Sold (000s)	1666	2004	1239	2264	1630	461	2575	1649	1482	3220	1041	1431	1722	+49.5%
Market Share	8.1%	9.7%	6.0%	11.0%	7.9%	2.2%	12.5%	8.0%	7.2%	15.6%	5.0%	6.9%	8.3%	+4.1 pts.
PRIVATE-LABEL SEGMENT														
Bid Price (max = \$44.66)	30.00	0.00	0.00	0.00	0.00	39.95	39.95	39.50	40.00	0.00	35.00	0.00	Total	Private-Label
S/Q Rating (min = 4 stars)	5	0	0	0	0	4	4	5	4	0	5	0	Pairs (000s)	
Pairs Offered (000s)	458	0	0	0	0	1352	100	386	134	0	185	0	Demand = 4,184	
Pairs Sold (000s)	458	0	0	0	0	1352	100	386	134	0	185	0	Offered = 2,615	
Market Share	17.5%	0.0%	0.0%	0.0%	0.0%	51.7%	3.8%	14.8%	5.1%	0.0%	7.1%	0.0%	Sold = 2,615	

- Is the resource hard to copy? (Depends) The resource of capacity would difficult to duplicate if the competing company does not have the financial health in order to expand at the scale and the size of our company. So this would be a hard resource to copy if the competition does not have the financial resources. Plus, the competition might notice the expansion and counter by creating even more capacity as well.
- Can the resource be trumped by different types of resources and capabilities? (Depends). This resource could be trumped by the competition but at what cost? If the company spends too much on capacity. That a company could be penalized for having

too much capacity. As a result, it will be forced to increase unit prices to offset the cost of the new plant's capacity.

C. Organizational Culture

Organization Culture is a very important part in the strategy success equation. The values and behaviors that contribute to the unique social and psychological environment of an organization. (organizational culture) A culture that has its behaviors, actions and processes in align with company's strategic plan will have a better chance of successful strategic plan execution. Even if a company has a very good strategic plan, it could be hampered if the organization has a bad organizational culture. Every organization culture is shaped by four key elements: the founder's values, business and industry environment, the national culture and the seniors leaders' behavior and vision. Practices, Policies, and Procedures that are implemented in pursuit of organizational goals are influenced by the Organizational Culture. Those practices, policies and procedures affect employees' attitudes and behaviors that result in a variety of different outcomes.



G Force understood that it was “competing” against several other companies to be the best. So when it came time to select a Competing Values Framework, G Force had selected the Market Culture. The Market Culture seemed to have an emphasis on Strategy and its main thrust was to compete. This means that G Force was goal oriented by concentrating on customer focus, productivity, enhancing competitiveness and financial victory. Market has a strong external focus and highly values stability & control. This Market Culture does not tolerate Flexibility & Discretion and does not have an internal focus & integration culture. G Force’s decision process was driven by customer satisfaction, profits and productivity.

The leader always put pressure on the managers to make expected sales goals. At the same time, the managers place pressure on the employees to react fast, work hard, and delivery the quality products on time.

After careful review of the simulation, I noticed that G Force would not have been able to sustain their competitive edge. This is because of the fast changes, lack of internal views on the

employee's satisfaction and concerns. Market values does not have value drivers of commitment, communication and development like the Clan Culture to have long term sustainability.

C1. Approach Comparison

The following are 10 principal managerial components that can be used in the strategy process to support the culture:

- 1) Staffing the organization with managers and employees capable of executing the strategy well. This would require putting together a very strong management team. These managers must be smart people who are clear thinkers, capable of figuring out what needs to done, good at managing people and skilled at delivering results. Also, it is required for recruiting and retaining employees. These employees would have the needed experience, intellectual capital and technical skills. Since the company knows that it can be expensive to have pairs rejected, the company finds that spending the maximum of \$5000 per worker in Best Training Practices would yield the best results for the company. We know what the company needs. The company sees the value of spending the most on our employees by training them in the TQM/Six Sigma Quality Programs. This educates the employees but also assures the company that the production of the shoes will be of the best quality.
- 2) The Building of organizational capabilities required for a successful strategy execution of strengthening the core competencies and competitive capabilities. Performing Strategy-critical Value Chain activities that are proficient along with updating those activities to match the customer expectations as well as the ever changing market conditions. G Force strategic alignment was towards gaining the competitive

- advantage by using lean operations and tight project management. This was done through programs such as TQM / Six Sigma training programs. Those training applications not educated the employees to become skilled workers, but it tightened the value chain in all areas of primary and secondary activities.
- 3) Creating a strategy-supportive organization structure. Our organization structure was based on the strategy of basing the department decisions by the input from other departments. Our manufacturing plan was based upon the productivity and the number sales by our employees. Manufacturing success was based on the employee's efficiency due to our compensation and incentive pay packages. Our organization structure was a simple structure because all of the decisions were made by the CEO. The importance of the strategy-supportive organization structure is to produce a work climate and an organizational esprit de corps environment. This type of environment thrives on meeting performance targets and being part of the winning effort.
 - 4) Allocate Sufficient Budgetary (and other) resources to the strategy execution effort. Since our company was a combination of Low-Cost Providers and Broad Differentiation Strategy, we applied all of resources towards increasing manufacturing capacity and even Models Available. While we were lower cost oriented, we never compromised our product quality to produce the lowest cost product. This shows that our culture was designed to maintain an S/Q rating of 5 Stars. However, reworking of the budget to make it strategy-supportive is crucial. This implementation process is crucial because every organization unit needs to have equipment, people, facilities, and other resources to carry out its part of the strategic plan.

- 5) Implement Policies and Procedures to help with strategy execution. These policies which are given out at meeting aids in the task implementation. The Strategy-supportive policies promote consistency in how particular strategy-critical activities are performed and helps to create a strategy-supportive work climate and corporate culture. We accomplished this by creating our Mission Statement that provides a very simple, concise strategy base direction of the company.
- 6) Best Practices and Continuous improvement. Competent strategy execution entails unyielding managerial commitment to the best practices and continuous improvement. Our company emphasized the Best Practices Training and the maximum TQM/Six Sigma Quality Programs because it would improve efficiency, create a better product, and creates greater customer satisfaction.
- 7) Install information and operating systems that enable the company personnel to carry out their strategic roles proficiently. Company Strategies can not be implemented well without a number of support systems in place to carry on business operations. A state-of-the-art support system that is well-conceived can not only facilitate better strategy execution but could also strengthen the organization capabilities. A company with strong organization capabilities could provide a competitive edge over the competition. While G Force does not appear to have physical operating systems, it does have employees and personnel that could be trained and updated in high quality programs like TQM/Six Sigma to become the most efficient operators in the industry. So G Force saw the value of TQM/Six Sigma quality programs, and how that expenditure of \$2.50 per pair translates to more production and greater efficiency of production.

- 8) Tie rewards and incentives directly to the achievement of strategic and financial targets.

We utilized cash bonuses and Incentive pay for every pair of shoes that was not rejected.

The incentive pay for our employees as \$1.25 in the N.A plant for every pair that was

not rejected and \$.40 in A.P. Plant for every pair that was not rejected. By tying the

Incentive Pay to our strategic plans primary products, we were able to manage the sales focus on our strategic targets.

- 9) Instill a corporate culture that promotes good strategy execution.

This could be done with a top-down guidance about how certain things are done.

They would include channel individual effect along the strategy supportive path, align

actions and behavior of the employees with requirements for a good strategy execution and

placing limits on independent actions to overcome resistance to change.

Our company was very helpful in ensuring consistency in how strategy-critical activities were performed. This improved the quality and reliability of the strategy

execution. It also helped align & coordinate the execution efforts of other individuals and groups throughout the company.

Promote the policy & procedures and mission statement so that work climate facilitates the good strategy execution. Also create the physical work environment that reflects the values of the company which includes creative thinking. We used Slogans, Language and Sayings that reinforced the G Force corporate strategy. Our company could have benefited more by having more rewards, status symbols and promotions criteria to encourage culture achievement.

- 10) Exercise of the internal leadership needed to propel strategy implantation forward.

Our strategic leaders encourage employees to be innovative in order to keep the organization responsive to the changing conditions. This innovative strategy can alert the company to new opportunities and invigorate the company to pursue fresh initiatives. Strategic leaders also must actively push the corrective actions to improve the strategy execution and overall strategic performance. This internal leadership was crucial in determining the branded distribution of the shoes. Without the feedback from the internal leadership, it would have been difficult for G Force to determine the proper distribution amount for the various locations. This internal leadership was extremely responsive to the changing external conditions that kept inventory at the tightest surplus/shortfall possible.

D. Creativity and Innovation

Creativity and Innovation must be viewed as the gasoline that fuels the economic engine of G Force. Innovation does not come quickly like a Eureka moment, and it does not come by sheer luck. Innovation is a time-consuming activity that takes hard work and dedication which requires resources. Innovation is also not static and is a dynamic process of ebbs and flows over time and can be systematized. The potential benefits include revenue growth, new products, new services, lower costs, improved products and improved processes. These innovations could be short term and long term. Innovation can grow but needs a foundation to help it grow prosper and deliver the benefits. With the proper organizational culture of leadership, people and execution these innovations will deliver intended benefits. There are three components that influence the benefits of innovation: challenges of innovation, seeds of innovation and the nutrients of innovation.

G Force had chosen the Market Culture, so their innovations were going to be focused on finding new ways to generate more profit, increase the speed of production, quicker systems that confront problems more quickly and to market aggressively against the competition.

The first way G Force sparked innovation was by the naming the company. G Force wanted a name to reflect our approach to the industry. We wanted our name to become synonymous with fast moving, competitive, high pressure, speed and profit from performance. We thought the name of G Force was the perfect name to match our aggressive goal oriented culture. Our hopes were that the customers would feel the same way about our products in which they would associate our brand identity as the best in the industry and create a cult following.

The second way G Force sparked innovation was by spending a 100k on Energy Initiatives every year. These energy initiatives were designed to improve energy efficiency and using renewable energy resources to reduce operating costs. The end result would be less overhead expenses which could translate to a higher operating profit margin for the company.

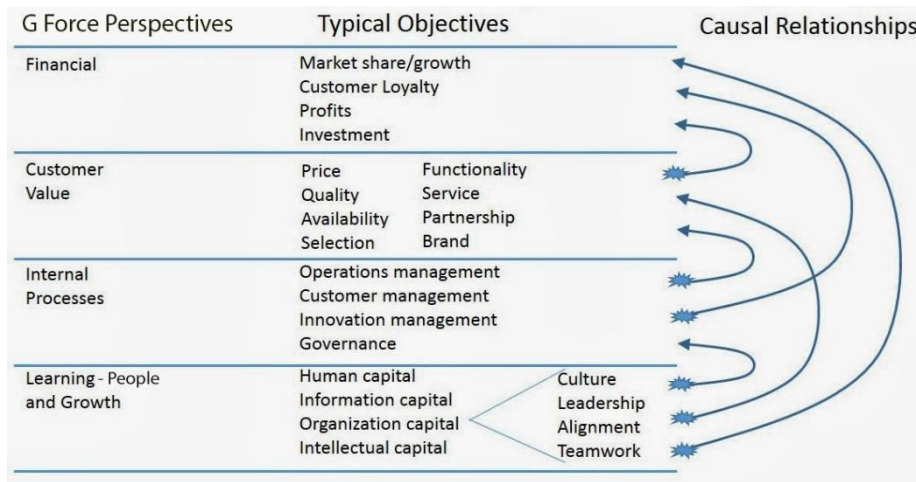
Another Innovation ideas were to create a variety of Models of Shoes. While this innovation was later adopted by the competition. G Force enjoyed the notion of doing something different rather than doing the same thing better. By increasing the various models, the company did not rely on invention but to make use of a better, novel idea and method. The increase of different Models could have been designed by the individuals/teams within the company that wanted to participate in the teaming and barnstorming process. After the Models were produced, the employees/teams could see the fruits of their labor, and if they had the most successful selling model shoe, the winner would win an award or get a reward for their success. This would play perfectly into our Market model of competitiveness while rewarding the individuals/teams that bring the most value to the company.

E. Balance Scorecard Effectiveness

G Force Balanced Scorecard had a very distinct vision and strategy. The overall focus is to make a balance between the quantitative and qualitative performance or financial and non-financial measures. A performance metric used in strategic management to identify and improve various internal functions and their resulting external outcomes. The balanced scorecard attempts to measure and provide feedback to organizations in order to assist in implementing strategies and objectives. (Balanced Scorecard) This scorecard will give the employees a better understanding on what they need to concentrate on in both quantitative and qualitative performance factors. Through this scorecard, the employees will notice other qualitative issues such as Market Share, Customer Loyalty, Customer Satisfaction, Productivity Rates, etc. Which should be properly assessed.

The first section to think about is the Balanced Scorecard. The Balanced Scorecard is a way to think about your organization holistically. This holistic thinking of the company can be broken down into four sections. The first perspective is the Financial Section. The financial perspective is about how we are looking to our shareholders. The financial perspective is to propose investments that can reap tangible and intangible benefits for the stakeholders. This leads us to the second perspective which is our Customers. G Force needs to view the value that they give to their customers in order to achieve our financial goals. The third perspective is the Internal Processes. This focuses on the Internal Processes in which G Force needs to excel at or take place in order to provide value to the Customers and achieve our Financial Goals or Target to be reached. The fourth perspective is the People perspective. The People perspective requires G

Force to identify which skills and capabilities does G Force need in the organization to drive the Internal Processes, to provide value to our Customers and to reach our financial targets.



G Force was working with a small number of strategic objectives by setting targets for the objectives. The G force would measure against those targets on a yearly/round basis to determine success or failure. These were performance measures that were only few, easily understood and could be acted upon quickly.

The Scorecard is about monitoring and measuring of the company’s strategic plan. Ours were broken down into our four categories. All of the goals should be seen in the plan.

Overall our Balance Scorecard was a success for our organization. G Force only selected a few perspectives at a time. We felt that too many perspectives could have created a law of diminishing returns where simple actions could be taken. This did help G Force align their direction of focus and was a good bench to see what did or did not work for the company.

G Force Balanced Scorecard				Leading Lagging	
Perspective	Objectives/Goals	Measures	Targets	Target	Actual
Financial	Increase Revenue	Annual revenue growth	+25%	+25%	+20% (lagging)
	New Models as an indication of the health of our revenue mix	Percent revenues from new (Models) products	+30%	+30%	+25% (leading)
Customer	Satisfy the customer with more models to choose from	Customer retention	+80%	+80%	+82% (leading)
	Customer needs more shoes in their region to increase marketshare	Share of products to different regions	+40%	+40%	+35% (lagging)
Internal Business Processes	Create Scalability by producing more models	Product Models	#1 or 2# in Product models in ranking	#1 or 2# in Product models in ranking	#1 in Product models in ranking (lagging)
	Development to bring more Models to market before the competition	Time to Market	12 months	12 months	24 months (lagging)
People – Learning and Growth	Acquire, develop and retrain strategic skills that enable strategic objectives	Special skills/training available for new Models	90%	90%	90% (lagging)
		Succession planning for qualified employees	50%	50%	48% (lagging)

E1. Development

G Force provides a logical explanation, with sufficient detail, of how to develop a balanced scorecard that ensures appropriate emphasis on both leading and lagging indicators.

Our Balanced Scorecard placed emphasis on both leading and lagging indicators. A leading indicator is a reliable indicator of the future company success as it measures how successful the strategic plan has been implemented. A leading indicator is a measure of real influence of G Forces objectives. G Force did notice that Leading indicators are harder to identify, but they seemed to have the most influence and can make a difference. The lagging indicator is a measure of results from past actions and decisions. A lagging indicator is an actual measure of the success or failure of G Forces objectives. The secret to our success to winning the simulation was keeping a balanced scorecard year over year to reflect upon our success and failures. We were successful in seeing the barriers and hurdles by watching the leading and lagging indicators and the opportunities they presented. While the chart above shows a very simple outline, each perspective could be isolated, and a deeper analysis could be applied to each section on an even more granular level.

Our balanced scorecard was extremely important in alignment through strategy maps, improved communications which resulted in a better performing organization.

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