

“Strategic Management Case Study Solution”

Student Name:

Student ID:

Course Code:

Supervisor Name:

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1. Introduction

Business analysis is a special field in the business management that is used to for identification business needs, business risks and determining their solutions. There are many analytical tools available to analyze a business or its strategy such as Petsle, SWOT and CATWO, Five Whys, Portor's Five Factors Model etc. These tools are helpful in identifying any problem the business is facing. Most often the solutions are offered in the form of a system development developing the component of a system. Solutions can also be in the form of suggestion for process improvement, change in organization, and change in policy or strategy.

Present report is an in-depth analysis of Firetech Plc Group. The company is dealing with fire and safety products and is currently operating in UK and Europe. The author has conducted this analysis using different tools and suggests change for improvements.

Firetech PLC came into existence as a result of a demerger in 2005. It has three divisions: Aerospace & Specialist Equipment: Residential & Commercial Fire Protection and Industrial Fire Protection. Headquarter of the company is in Colnbrook in the UK. The company also has product evaluation and development facilities in all its manufacturing facilities in the UK, Europe and the US.

With the help of analytical tools such as Petsle, Performance-conduct analysis and SWOT the author was able to identify company's current business situation, strategic benefits and disadvantages as well as positive and negative performance of the company. From the pestle it was revealed what are that political, economic, social, technological, legal and environment factors that are affecting the company or may affect in future. Through SWOT tool the author was able to explore the strengths, weaknesses, opportunities and threats to the company. The use

of five forces model helped to identify potential threats, competitors, rivalry and buying power of suppliers and customers.

Structure-conduct-performance model helped to analyze company's current strategy, positive and negative performance and gaps for improvement. Using all these tools the author was able to conduct an in-depth analysis of the Firetech, its business strategy, potential competitors and future business strategy. This detailed analysis was followed by suggestion of two changes that company can make to its strategy in order to improve its growth.

1.1 PESTLE ANALYSIS OF FIRETECH

1.1.1 POLITICAL

- Political factor includes the business external environment
- For example, the political stability and legislation of the country
- Businesses are influenced by this environment
- In current case, the policies and regulations of the UK and Europe can be considered a political factors
- There is potential of implementation of fire safety legislation on member countries by European Union
- Firetech PLC will be influenced by this potential change
- As per information given the company is already taking measures that are above this legislation
- In order to bring their products in accordance with new legislation the company will save cost

- Company has a competitive advantages as other competitors do not comply with this regulation

1.1.2 ECONOMIC

- Economically company has a strong position in the industry
- Firetech is global leader in fire and safety products
- The company providing its goods and services to aerospace, defense, industrial and commercial consumers.
- Firetech products and services include; diverse ranges of quality fire and safety products, fire systems and services covering detection, protection, prevention and fire fighting.
- External economic condition has a great impact on any business firm
- Since 2011 UK economy go through economic recession
- In the first three quarters of 2011 the economy contracted
- This economic recession lowered forereach profits by reducing sales
- Economy started recovering in the first quarter of 2012 with a positive growth of 1%
- Yet UK economy experienced fluctuations during the year 2012
- This resulted in low performance by all businesses
- However by the end of 2012 a revival was indicated in manufacturing sector
- One positive point is that Firetech is expecting positive consumer spending in 2013
- It is also indicated that there will be low inflation and high employment rate during this year.
- These circumstances are positive for Firetech to increase its profits
- There are controversies in Eurozone which will help to boost business success in the UK

- According to economic assessment reports the Euro zone is likely to go through a slow economic recovery in the coming few years
- This is an encouraging as well as risky situation for Firetech as it means slow business growth.
- One positive economic factor is that US and China are experiencing a stable and rapid economic growth
- Firetech can expand its network to China and US for gaining more profits

1.1.3 SOCIAL

- Socially company has competitive advantage because;
 - Increased trends have been seen in the sales of ‘smoke and carbon dioxide alarms’
 - Increased trends of purchasing other fire and safety products both at retail and other commercial markets.
- Research has shown that now people live longer, so the ration of older people living alone has been increases
- Older people are more at risk of accidental fires due to different problems such as poor mental health, mobility problems and different disabilities.
- Firetech can benefit from this situation by targeting this consumer segment
- Firetech can manufacture and sell fire and safety products that may help elder people such as fire and safety alarms.
- To sell its products and services company need to focus on its marketing strategy
- Awareness campaigns can be run with the mottos such as “save a life”, “live safely”, safeguard your parents etc
- Internet and social media can be used as a marketing strategy.

- Awareness campaigns can also be used to let common man know about the importance of fire and safety instruments and equipments at home.
- In brief more attention is needed to be given to social factor as;
 - it will help Firetech to know current trends in consumer markets
- Firetech should establish a research and information management department which may;
 - Collect information about latest trends among all consumer groups at local and global level
 - Guide the manufacturing department
 - Prepare promotional campaigns
 - Thus company will be able to target the exact customers

1.1.4 TECHNOLOGICAL

- In the business of fire and safety, technologically latest advancement have been seen such as;
 - latest smoke alarms,
 - home sprinklers
 - fire retardant bedding
 - flame retardant furniture such as foam filled furniture products
- Firetech is aware with the importance of remaining technologically up to date
- The manufacturing department is equipped with latest facilities
- Yet, the company is carefully considers to provide these products in a targeted manner
- Company is facing budget constraints so it is important to cover all the necessary markets
- Firetech conducts an analyses of the needs, risk and consumer's trend at planning level
- Firetech is fully aware with the importance of providing latest designs in products

- The manufacturing and design department of the company is preparing latest fire and safety products such as Reduced Intensity Propensity (RIP) cigarettes.
- At organizational level Firetech has ensured to use communication technology and, in particular, social media.
- To take care the technological aspect company appointed at Firetech has a technology director

1.1.5 LEGAL

- The businesses need to conduct their business in accordance with the local and international legislation
- Firetech PLC takes care of the legal aspect in manufacturing and distributing fire and safety products
- According to 2013 report, European Union is going to introduce a new legislation for member countries related to fire and safety.
- Firetech has a competitive advantage
- Legally company is at strong edge as European Parliament is seeking to harmonize different fire safety legislations for member-countries as well as comparing the existing national situations.
- Firetech already holds considerable skills related to different aspects of this anticipated legislation.
- As indicated by Firetech directors that company will benefit in case this new legislation is implemented through;
 - reducing product costs
 - saving costs in commercial fire fighting systems that are to install in European countries

- competitive advantage because competitors will face increased manufacturing cost to make their products in accordance with new legislation
- Yet this legislation if implemented will influence effectiveness of these fire-safety systems and fire safety products as thus the risk to life and property will increase.
- The Firetech has an executive committee who takes care of future trends and establishes company strategy.

1.1.6 ENVIRONMENTAL

- Global warming and changing patterns of weathers have impact on Fire and Safety products demands
- Due to changing weather patterns the world is witnessing long dry spells and burst floods as well as severe winter weather.
- These extreme weather conditions result in different fire risks such as upland and wild land fires and recurrent outpouring of drainage systems
- This extremity in weather lead to the possibility of segregation of individuals and communities.
- In such conditions people do not have ability to heat their homes properly
- which is a cause of increased risk of fire
- In this situation demand for portable heating appliances and use of solid fuels increases.
- Research reveal that fire accidents are occurring mostly due to people's lifestyle choices
- Accidents are occurring due to smoking, alcohol, prescribed medicines and disability
- All this indicate the need to focus on social aspect
- Firetech has its research base in Colnbrook in the UK where products are developed and evaluated.

- However company has not shown a specific policy toward environment and environmental safety.

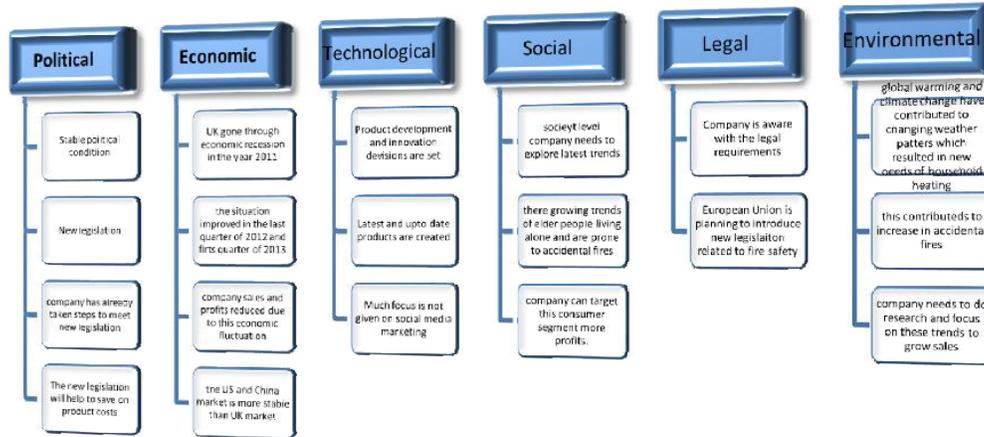


Figure 1-Petsle Analysis

1.2 Key Drivers for Change

From the Petsle analysis it is evident that politically, economically, technologically, environmentally and legally, company enjoys a strong position because of its strong market position, research based top quality products and consideration of legal aspect in production and distribution. However company does not have a specific policy toward environment and environmental safety.

The key point or drivers for change are;

- Economically US and China are emerging markets and their economies are more stable than UK and Europe which is an economic opportunity for Firetech and company can expand its business to get more profit

- Secondly to remain up to date about consumer markets and its latest trends, Firetech needs to establish a research and information management department.
- Further, it has also been noted that internet and social media marketing have become more popular tools to promote products and services as people like to search on internet and read reviews before buying a product. So, in order to sell its products and services company need to focus on its marketing strategy.

1. SCP model (Structure Conduct and Performance Model)

2.1 Introduction

The structure-conduct-performance model is helpful in describing the structure of a business firm and the way it is sustaining in the competitive environment. The model covers company's strategies for growth and maintenance of performance how many competitors are there in the market, where the substitute products are, and how the company is facing the threat of new entrants.

2.2-Conduct

2.2.1 Generic Strategy

The Firetech follows differentiation strategy which helped the company to become a global leader in fire and safety business. The company has been able to maintain its position by producing and promoting a strong brand. This has been achieved by streamlining business with the legal conditions of local and global business.

2.2.2 Directional Strategy

Firetech follows product development strategy. Being an industry leader and it keeps an eye on the upcoming trends and legislations. Developing products according to upcoming legislations is one of its specialty from which company benefited a lot.

2.3 Intl Strategy

Company has adopted market acquisition strategy (joint ventures) and is expecting more growth in 2013 through market acquisitions. The company is also expecting to acquire more resources through the sale of Warmlux.

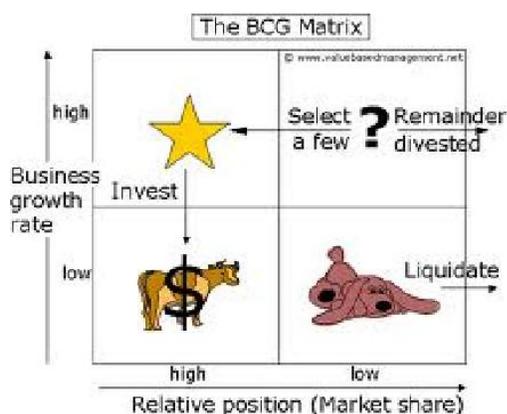
To mitigate the potential risks such as currency exchange fluctuations and a rise in the prices of Raw Materials Company has taken initiatives such as hedging contracts.

It is the business strategy of the company that enabled it to attract more consumers from all markets. The company has adopted a divisional strategy using which company has been expanding its business to new markets.

2.3 Performance

Performance of a business can be defined as how well it is achieving, maintaining and sustaining competitive advantage. The Firetech has been able to maintain a good cash flow. The company was also able to improve return on capital.

2.3.1 BCG Matrix



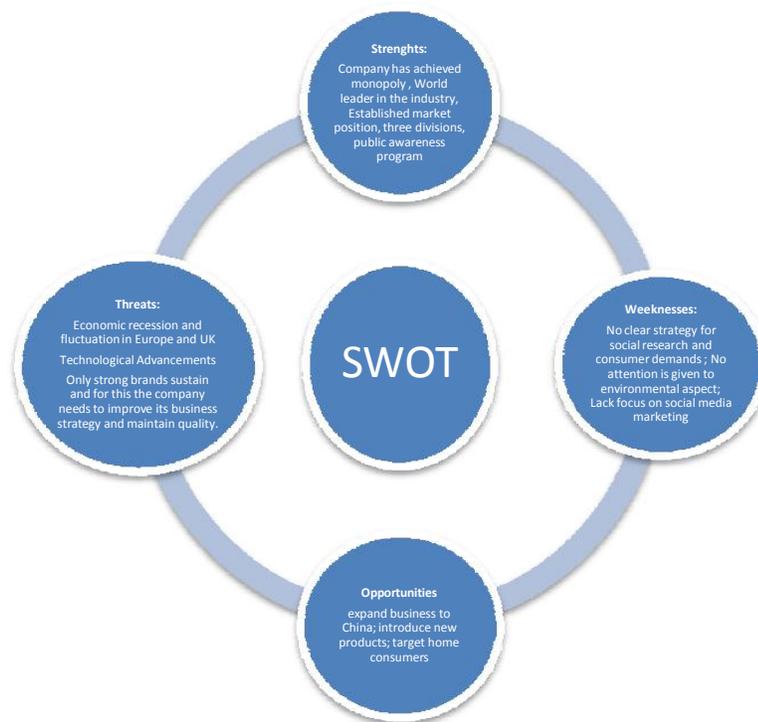
Using BCG Matrix if we see Firetech PLC model resemble Cash cow that shows low growth but high market share as currently Firetech PLC is operating and UK and Europe where it is business

leader and covers whole market so the company has good market share but low growth due to economic fluctuations.

Further, the company has not faced any competitive disadvantage because it is enjoying monopoly in the market. A consumer awareness program has been launched by the company through which the company has been able to access up to 30% of the US consumer market. This strategy also enabled company to sustain competition.

3.1 SWOT Analysis

SWOT is a business analysis tool that is aimed at knowing the strengths, weaknesses, opportunities and threats of a business;



3.1.1 STRENGTHS

- Company has achieved monopoly by acquiring its competitors
- World leader in the industry
- Established market position
- Divided into three divisions for meeting the needs and demands of market

- Promotion of products through public awareness program

3.1.2 WEEKNESSES

- No clear strategy for social research and consumer demands
- No attention is given to environmental aspect
- Lack focus on social media marketing

3.1.3 OPPORTUNITIES

- Opportunity to expand business to China
- Opportunity to introduce new products
- Opportunity to target home consumers

3.1.4 THREATS

- Recession and fluctuating economy
- Threat of new technological advancements
- Threats of new entrants

3.2 Porters 5 forces

The five forces model by Michael Porter is a framework to analyze an industry and develop a business. Using the theory of industrial organization economic Porter derived five forces that determine how competitive an industry is to what extent the industry is able to attract a market. According to Porter an attractive industry is one that has presented all the five forces and can achieve profitability. These five forces include; threats of substitute products, threat of new products, intense rivalry among existing players, bargaining power of suppliers and buying power of buyers. Below is a discussion of these five forces in the context of Firetech;

3.2.1 Threats of substitute products

There are not many competitors in the market and Firetech as there are only few companies offering fire and safety products and these companies were merged into Firetech, so currently the company is enjoying monopoly in UK market.

3.2.2 Threat of new products

Currently company is not facing any competitors and not threats of new products. The company has established its policy to design and provide innovative products using latest technology. Thus company has a strong and established brand.

3.2.3 Intense rivalry among existing players

In Europe and UK, company does not face any competitors so there are no rivals however if company goes for expansion to emerging markets it will have to face rivalry.

3.2.4 Bargaining power of suppliers

Company is enjoying monopoly so it has power to set prices and gain more profits.

3.2.5 Bargaining power of buyers

Buyers do not have bargaining power because there are no alternative products

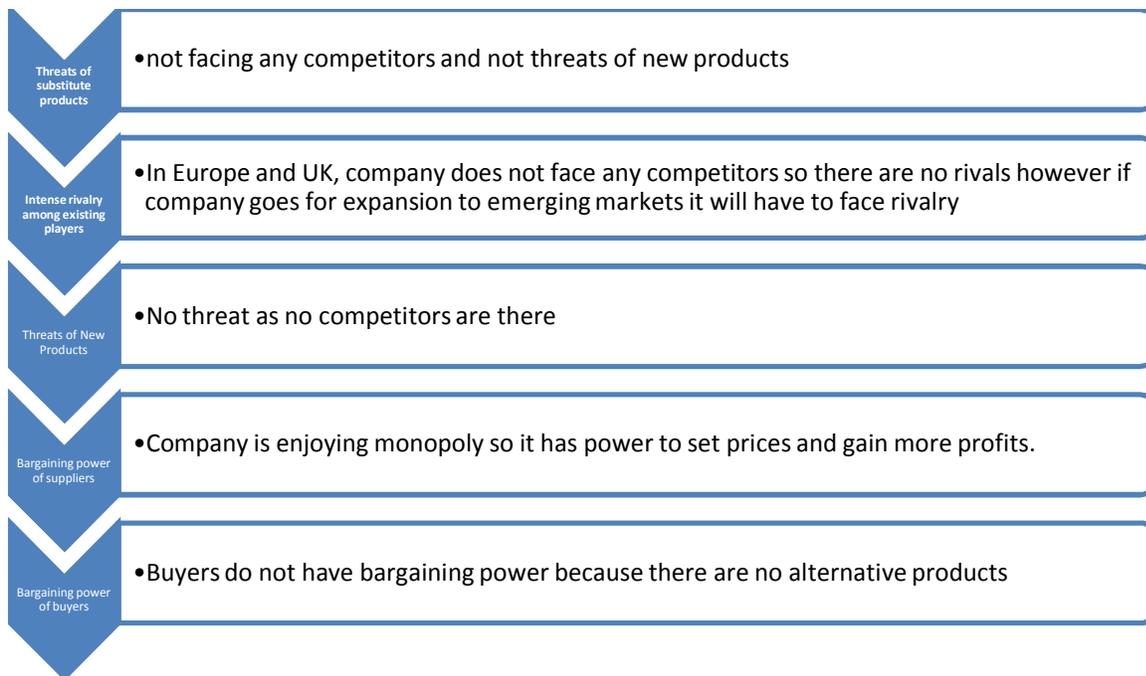


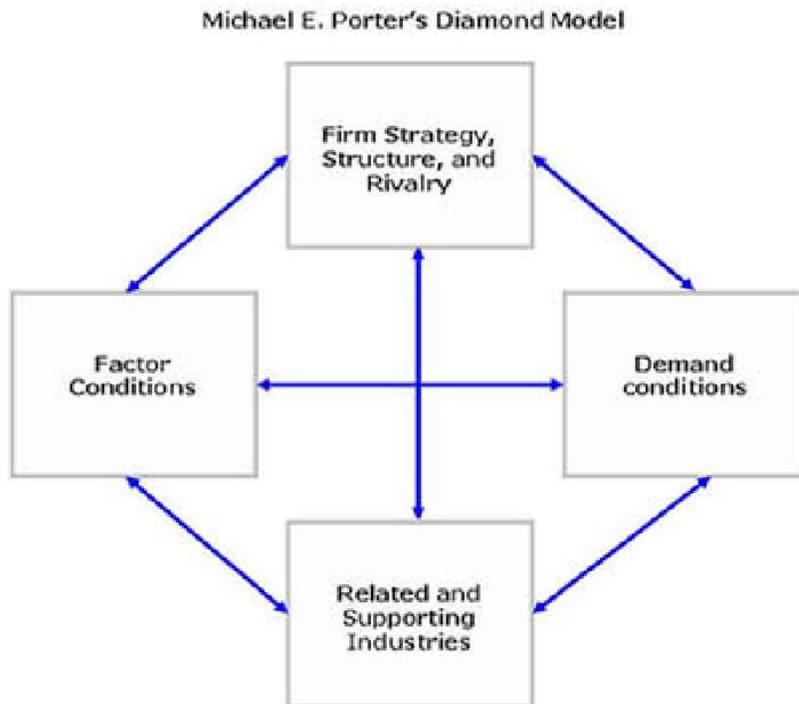
Figure 2-SWOT ANALYSIS

3.3 Porter’s Diamond Model

Michael Peter presented his diamond model in his book Competitive Advantage of Nations. Through this model the author describe the way popular industries become competitive under specific condition. Porter’s diamond model basically describes that competitive benefits particular countries and nations have over other. However at a business firm level it discusses different conditions such as demand conditions, related and supporting industries and company’s strategy, structure and rivalry play decide its growth.

Porter’s Diamond Model-Factors	Competitive Advantage
Factor Conditions	Firetech has skilled human resources, specialized technologies in the manufacturing unit
Demand Conditions	In its current position company has enough source-high brand reputation and good service quality however in case company expands its business it will have to higher brand quality and competitive end-users.
Related and Supporting Industries	Company enjoys monopoly however suppliers want to rise prices for raw materials and company’s directors are negotiating with them

Firm Strategy, structure and rivalry	Firetech current strategy suits its competitive advantage however company, to remain competitive company relies on product development
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3.4 Suggestion

From the Pestsle, SWOT, and performance analysis it is evident that politically, economically, technologically, environmentally and legally, company enjoys a strong position because of its strong market position, research based top quality products and consideration of legal aspect in production and distribution. However company does not have a specific policy toward environment and environmental safety.

The key suggestions are;

- Expand business to US and China
- Establish a research and information management department to remain up to date about consumer markets and its latest trends

- Focus on internet and social media marketing

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