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MGMT 6104 Strategic Management

Assignment:	Article Application Essays
Due Dates:	Per course schedule (computer-printed copy, beginning of class)
Time Estimate:	2 to 3 hours per essay
Grade Points:	100 each
Late Submission:	20 point per day deduction
Grading Criteria:	80 points content and application, 20 points writing (clear, concise, correct)

Instructions:

This assignment will introduce you to two articles from the field of strategic management. In addition, you will research and select one additional article. For each article, prepare a two-page application essay. Avoid summarizing the article. Instead, identify key concepts in the article that are particularly meaningful in context of your current (or past) organization. Explain why the concepts are significant to you and how you could apply them. You can also make application to the Capstone simulation.

Formatting requirements:

1. 12 point font, 1-inch margins.
2. Name, date, and article citation at the top of the paper; use APA style for article citation.
3. Double space, indent beginning of each paragraph; two pages (about 500 words)

The student essay on the following page provides an example of both content and format. Other examples are posted on D2L in the Articles folder under Assignments.

The following two articles are required. They are available in PDF form on D2L in the Assignments / Articles folder. Note the formatting below represents correct APA style.

Article One

Porter, M.E. (1996, November-December). What is strategy? *Harvard Business Review*, 61-78.

Article Two

Kaplan, R.S., & Norton, D.P. (1996, January-February). Using the balanced scorecard as a strategic management system. *Harvard Business Review*, 75-85.

Article Three (Your Choice)

Use the following CSU Galileo databases to research and select an article for your third application essay:

- ABI/INFORM Complete (ProQuest)
- Business Source Complete (EBSCOhost)

You may also choose from additional articles posted on D2L in the Articles folder. Select an article that is particularly relevant to you and your business situation and relate to some of the strategic themes in our Capstone stimulation and class lectures, such as vision/mission, leadership, internal/external analysis, or tactics. The article must be substantial and scholarly, similar in length and quality to the two required articles. If you select an article that is not posted on D2L, include a copy of the article with your essay. Be sure to use the correct APA style in referencing your article (see <http://owl.english.purdue.edu/> and the link APA Formatting and Style Guide for help)

Percy Jernigan

January 31, 2009

Porter, M.E. (1996, November-December). What is strategy? *Harvard Business Review*, 61-78.

Michael Porter identifies two strategic principles that relate to my former organization, Indymac Bank: positioning, and fit. Indymac was founded on the concept of providing residential loans to previously underserved borrowers. These borrowers were self-employed, yet had substantial liquid assets and excellent credit scores that made these loans valuable assets. Indymac's model was to sell these mortgages in the secondary mortgage backed securities market or hold them in their own portfolio as an appreciable asset. This approach was the company's strategic positioning as it performed different activities from its rivals. Because these loans usually required large down payments and substantial assets, the company had no problem holding them on their books. The company practiced a variety-based position as it specialized in a particular customer segment and allowed other lenders to concentrate on the other parts of the mortgage lending market.

With the explosion of sub-prime lending and the large margins that accompanied it, Indymac's focus shifted, and the company adjusted its focus to the large returns from the sub-prime loans. The company's "straddle strategy" contributed to its downfall. The company did not position itself for the trade-offs of repositioning the strategy. We began to produce more loans that were of lower quality. The trade-off of high risk, high return sub-prime adjusted the company's strategy to one that was not sustainable. Strategy is about combining activities that complement each other. The lenient underwriting standards of the sub-prime deals carried over to the standards for the core self-employed borrowers. The company lowered the standards for both to the point that the line between them became skewed. If the additional activity takes away from the activity of the core strategy, both activities suffer.

One of the key concepts is to understand the difference between operational effectiveness and strategy. Performing similar activities as your rivals is operational effectiveness, while strategy involves performing different activities than your rivals or performing the same activities in different ways. Operational effectiveness alone is not sustainable as competitors can quickly imitate the techniques, technologies, and improvements to meet customer needs.

Strategy involves choosing a different set of activities to deliver a unique value. Indymac's strategy to serve the self-employed borrower was a unique position. Venturing into additional markets was not sustainable. Indymac tried to be all things to all people, which clouded employee judgment when making operational decisions that affected the entire company.

Developing a fit among a company's activities is a key concept that allows a company to concentrate on value-added processes. Application of this principle would have directed a company such as Indymac to concentrate on its proper fit in the market and focus its strategy toward maximizing the core model. The concept of fit is important because discrete activities affect one another. Indymac did not truly understand how changing one activity would affect the others. Straddling forces a company to reconfigure many activities and is difficult to sustain. Continuity of the system is essential to a company's strategy. Indymac fell into the growth trap by adopting activities that did not fit the strategy. Application of the concepts of positioning and fit might have helped Indymac survive.



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