Infinity Solutions: Strategic Management Strategies

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Executive Summary

The purpose of this report is to examine and analyze the strategic management strategies that were implemented in our strategic management simulation project. In this way, we aim to address a variety of critical strategic decisions that were made in each quarter of the simulation, discuss the results, and identify areas of improvement discovered within the internal and external operations of Infinity Solutions. This report will discuss the strategic opportunities that were presented to our virtual company and how our management team responded to these opportunities with the goal of earning a competitive advantage for our company. We will also examine the various strategic management tools that were implemented into the decision-making processes of Infinity Solutions and the benefits of doing so in terms of strategic planning, continuous improvement, and overall company performance. Our team is confident that this detailed analysis of Infinity Solutions will demonstrate both our technical and applied accumulation of strategic management strategies.

Introduction

In this marketplace simulation, our task was to introduce a new line of microcomputers into the international market. With a rapidly growing demand and consumer base for personal computers, there were several market segments to keep in mind among PC buyers to select our target market. These areas include the costcutter segment, the workhorse, the innovator, the Mercedes, and the traveler segment. After evaluating the consumer and market demands in each of these sectors, our team determine that our company would primarily focus on the workhorse, costcutter, and innovator sectors. With several other new firms also entering the market, it was vital that we were able to differentiate our new company from our competitors. With this information, our team created Infinity Solutions. Infinity Solutions is an innovative personal computer company with a passion for providing high quality products and services. Our company's purpose is to provide high quality, reliable computers that allow individuals to bring their productivity to infinite heights with our innovative development and superior customer service. Our company's core values lie predominantly in our integrity, customer support, and our ability to provide powerful and reliable technology orientated solutions for our customers. Throughout this analysis, we will discuss the strategic management tools and decisions that were implemented to align our strategic actions with our business identity and core values.

Methodology

The methodology and theoretical framework that was followed throughout this simulation project focuses on the research, collection, and analysis of market research and past performance data. These quantitative measures helped to guide our decision-making processes to align our business strategies. First, market research was conducted to better understand the competitive environment. This enables us to keep tabs on even our strongest competitors and develop a consumer portfolio to help our company satisfy the wants and needs of our consumers. This data was collected quarterly via our performance report summaries provided by the marketplace simulation game. Each quarter, both quantitative and qualitative data was analyzed by our management team to make better predictions about the future of the industry market. These forecasts were developed by evaluating overall market trends and the competitive strategies of other firms in order to make better strategic decisions that are indicative of a successful company.

Analysis of Strategic Decisions

Quarter 1

The objective of this simulation is to initiate a new international microcomputer business. In each of the first four quarters, there will be 1,000,000 investment and venture capitalists will inject an extra 5,000,000 in quarter 5. The executive team has eight quarters to create a business from the scratch and earn significant profits from its operations. For performance measurement, there will be a "Balanced scorecard" tool and the achieved results could be compared with other competitors. The firm's performance will be based on the following factors:

- Financial result
- Marketing effectiveness
- Market performance
- Investments in the firm's future
- Human resource management

- Financial risk
- Creation of wealth
- Asset management
- Manufacturing productivity.

The existing market of the PC business situation has these specifications: Other businesses could also enter the market. The microcomputer industry is in the preliminary stage of its life cycle. No well-known competitor yet. All competitors will enter with similar resources and data of the market. All firms will sell through sales offices around the world and via a web channel. The target market will be the business sector. No sales through retail stores. Market potential will vary because of local and global economic circumstances.

There are five major market segments in PC market. The circles indicate the price and performance of each segment. Each segment has distinctive needs and involves a different strategy.

1. The Costcutter segment: a large sector with an easy-to-use computer. highly price sensitive.
2. The Workhorse segment: main group of customers with an easy-to-use PC with a moderate price.
3. The Innovator segment: a small division needs the newest technology, pay higher for performance.
4. The Mercedes segment: looking to use PC for engineering purposes, pay more for higher performance.
5. The Traveler segment needs to use on the way like managers and salespeople, price sensitive.

Establish the firm in quarter 1 by following actions:

- Name the company: Infinity Solutions
- Sell 1,000,000 in stock to the executive team.
- Assign corporate responsibilities to the team.
- Establish personal goals, team norms, and a decision-making process.
- Make a contract for a survey of potential consumers.

Money timeline

In the first year, 4,000,000 was invested. The firm will issue 40,000 shares of common stock to the members of the executive team at 100 per share. There would be an opportunity to have additional equity funding by the venture capital community to receive up to 5,000,000 for future development of the firm.

3-month certificate of deposit account for current quarter	900,000
Quarterly interest rate	1.5
Interest to earn	13500

Pro Forma Income Statement

Current asset + long term asset	1,015,300
Debt	0
Equity (Common Stock+ Retained Earnings)	1,015,300

Quarter 2

In quarter 2, the goals of infinity solution company were studying the market research to decide on the preliminary business strategy. Then working on the tactical details of the selected strategy. Main decision made in quarter 2 included:

Analysis of the market research. Assess different trends and their effects on exchange rates. Our team tried to progress an initial business strategy and choose two segments to focus on. The other decision was making a production line and set the fixed capacity and finally develop the sales channel and design some brands to attract different targets.

In this quarter operating profit was $ -88,000 and Cash Balance of end of first period was $15,300.

Mission Statement of infinity solutions:

Our company's purpose is to provide high-quality, reliable computers that allow individuals to bring their productivity to infinite heights with our innovative development and superior customer service.

Core values of infinity solutions includes: Technology oriented, Problem solver, Integrity, and Customer support

Problems:

1. How can we increase our cash in the second quarter?
2. How can we maximize profits in the second quarter?
3. How can we become a stronger competitor?

Offered solutions by executive team:

1. We can solve this problem by increasing our stock and increase sales and retained earnings.
2. Build products with high sales.
3. Invest in market research and engage in corporate espionage.

Target Segments: 1 - Workhorse, 2 - Costcutter, 3 - Innovator, 4 - Traveler, 5 - Mercedes

Appropriate resource providing is important to achievement, and these decisions exists at every step of firm's strategic development. In second quarter, we invested an additional 1 million. Infinity solution chose multiple price/differentiation strategy to have value for the money as a competitive advantage.

Financial Resources

Net equity available as of last quarter	1,015,300
New equity investment this quarter	1,000,000
Total equity funding available this quarter	2,015,300

Corporate Strategic Thrusts

Our executive team decided to choose a long-term perspective to build a durable competitive position and make safe decisions and preventing the company from risks. Moreover, tried to mix smart ideas and have creativity to introduce innovative ideas into the market.

Marketing Strategic Thrusts

Infinity Solution targeted to have a variety of computers for all sectors. Considering R&D Investments we Chose specific R&D projects to share budgets with other competitors and through competitive pricing strategy, we monitored the market prices. As a powerful tool our company decided to Have high visibility through proper advertising. Finally, being aware of market presence importance we tried to start finding a good niche, perform in a profitable way.

Sales channel strategic thrusts

In this quarter a new office in NORAM region in Chicago city was opened. Its total cost was $270,000. We tried to put equal weight on brick-and-mortar and web and focused on the greatest sales potential market. Also, our firm focused on the strongest competition in the market.

Talking about human resource strategic thrusts our team decided to make progress versus cost control and make a balance between costs and investment. Furthermore, through having compensation in production line and sales force teams we offered competitive payment packages. Regarding sales staffs in this quarter the leaders decided to keep high ratio of service people to sales team.

For production facility location Mexico City was selected with a material cost index of 99 which is considerably lower than the average.

Pro Forma Balance Sheet of quarter 2

Long term asset	1,334,758
Debt	0
Equity	1,334,758

Financial Strategy tactical decisions in quarter 2

Have a reasonable financial risk	Total Expenses:680,542
Invest the cash money	Cash Balance: 234,758
Invest in decisions that have a high probability of success	Sales Centers Opened in Chicago
Invest in decisions that could have a high impact	Total Expenses: $680,542
Share control to increase growth and profits	Increase in Common Stock: $1,000,000

Quarter 3

In this quarter, we started to test marketing tools. Also, we made some decision on main tactics in our business strategy including modifying the current brands, hire sales team and production workers, promote web marketing tactics, setting the sales price, design magazine advertisement, arrange localized ads, plan the production of our brands, buying market research report, and finally try to have a good cash account.

Financial Resources

Net equity available as of last quarter	1,334,758
New equity investment this quarter	1,000,000
Total equity funding available this quarter	2,334,758
Total cash available	234,758

During the third quarter, our company continued to perform the strategy that we selected in the last quarter and our marketing tactical decisions focused mainly on pricing and promoting the products. In the segments that are our major targets, we needed one or two choices for the clients to offer. In quarter three we designed 2 brands of Vision and Zola. Vision is a laptop with a total component cost of $583 while Zola is a desktop with a total component cost of $1,301. In setting pricing for our new products, we considered these parameters: costs of production and operations, price elasticity, competitive prices. We decided to set different Prices and priorities in our two main market regions: in NORAM our priority was Vision with a retail price of $2,099 while Zola was our second priority with a retail price of $3,099.

In Europe, our priority was Vision with retail price of $1999 and our second priority Zola retail price was $2899.

As our next tactical plan, we focused on an advertising campaign. The objective was to generate an advertising package to inform and impress potential customers to purchase our product to discover what our customers respond to the most. Two magazine ads were designed for the test market. Their cost this quarter to design/modify each of them was $ 30,000.

Starting this quarter, we purchased market research data about customer views of brands, prices, and ads. This data is more trustworthy as it gives an accurate belief of actual brands including data about our competitors' brands, prices, sales team, and campaigns. The key goal of third quarter's test market was to boost our information of the market. We purchased this market research for NORAM, LATAM, Europe market, its total expenses were 69,000.

We hired salespeople for Chicago and Paris offices, the total sales force budget in this quarter was $ 280,055. Also, we opened a web sales center with a total cost of $190,000, its total web personnel budget was $121,818.

Target and Replenish Point for quarter 3:

Brand Name	Replenishment Point	Target Point	Production Priority
Vision	50	100	2
Zola	75	120	1

One of the main production rules in this quarter was prioritizing production of the brand with the lowest inventory according to recent days demand.

As changeover could affect the productivity of production line significantly our executive team decided to have $400,000 R&D investment to develop changeover.

Pro Forma Balance Sheet

Current Assets	1,529,062
Debt	0
Equity	1,529,062

Quarter 4

Coming into Q4, we were riding high with great results from our first sales quarter. While our net income was lower than ever, we had 51% market share and were confident that we could keep our high market share going forward.

We created a new desktop computer, the Foster, which was aimed at the costcutter and workhorse market sectors. Everything was base spec except it had lite office and bookkeeping software and standard networking. Due to the smashing success of our other designs, the Vision and Zola, we decided not to change them. We listed them for sale at prices on par with the lowest price willing to pay for each matching target segment. Because the costcutter segment likes price rebates, we increased the retail price of the Foster by $100 and then offered a $100 rebate. For all models, we offered a Point of Purchase Display so that customers could interact with the computer and see for themselves how good it is before buying.

To advertise, we bought magazine ads for each model that is targeted towards each target segment. Rather than invest heavily in advertising in a single market, we invested in one or two ads in each city. Unfortunately, because there are so many different regional publications, we could not replicate the strategy in regional ads markets. Instead, we found a good mix of high media preference and value for our dollar and put one or two ads in a spread of a few of the best publications.

We split our salespeople across our target markets in each region and left one salesperson without specialization in each region. This was done so that we had someone that could float between positions in case our demand projections were not as accurate as we hoped. We followed similar practices when hiring web salespeople. We also opened two new sales offices in Santiago and Sao Paulo because no other company had offices in Latin America and those two cities had the highest market potential. We believed we had good web traffic and did not want to pay for something we did not have cash for so we did not put any money into increasing web traffic or productivity. We did, however, open a new web sales center in Latin America as it had the best market potential. To ensure we were hiring the most productive employees, we increased health benefits, vacation time, pension, and compensation for both sales and production employees.

We expected similar demand improvements as the previous quarter so we doubled our projected demand per sales person and balanced in our new Foster computer. Similarly, we increased our operating capacity and projected worker productivity to match the growth we expected. Since we only had one quarter so far, we guessed towards the high side and hoped for the best. Again, not wanting to spend money we did not have, we did not spend any money on improving the changeover rate. Our target and replenishment points and production priorities were set based on the expected demand from the salespeople. We set our production rules in such a way that we would not have overstock of any computer should demand be much lower than expected. Because the hard drive and monitor are the most important components, we began quality inspections on those as well as variance studies.

Before we submitted the quarter’s decisions, we were warned about our emergency loan. We were also warned that our pricing for the Foster was very close to the cost to produce. We were not worried about this as we believed that we would have incredibly high demand for it that would push other companies out of the costcutter and workhorse markets.

Quarter 5

Although we lost some market share in quarter four, we were still riding high at 39% market share in quarter 5. For the first time ever, we were turning a profit and were excited to carry this forward. We did notice, however, that only a quarter of our total sales came from both the Vision and Foster combined. The Zola accounted for the other 75% of our sales.

Due to the smashing success of the Zola, we felt no need to change the design of the brand in any way. Our hubris also led us to not use our newfound wealth for research and development. Believing that there was no reason to change anything when we were doing so well, we also did not change our prices, ads, or ad placement.

In the sales department, while we did not hire any new employees in our existing markets, we did hire new employees in our new markets. We also redistributed them so that there were more employees with specialized training focused towards or target markets. In keeping with our rapid expansion model, we opened two new stores in Johannesburg and Tokyo so that we would be able to capture demand in the biggest markets in to new regions. We started three new web traffic contracts to increase traffic to our website and opened a new web sales center in Europe so that we could expand our operations. To make sure we were hiring the best and happiest employees, we increased health benefits, vacation time, pension, and compensation for both sales and production employees.

Because we hired new salespeople to meet expected demand, we kept the demand projections the same for both online and in person salespeople. Our Zola model had done considerably better the previous quarter than our other model so we put all our eggs in one basket and projected 100% of demand for the Zola. We incrementally increased our operating capacity and projected worker capacity to meet our new limits. When analyzing the Quarterly Changeover Improvement in %, we saw that the marginal rate of return began to decrease significantly after investing $400,000 so that is how much we invested. In keeping with our eggs in one basket strategy, we only produced the Zola and chose a replenishment and target point that we thought was reasonable. In order to reduce stockout or overstock penalties as much as possible, we optimized the production rules so that we would not over produce when there was not demand for the Zola. In order to not burn through cash we did not have, we invested in a fixed capacity increase of 200 units per day. To make sure that our products are always achieving standards, we invested in every kind of quality assurance possible.

Before submitting, we saw warnings for low prior ad judgement, low prior brand judgement, and a warning to consider producing more brands. We had addressed the first two by modifying our ads and brands. To address the third, we created the Foster so that we did not have to wait to start producing it in the future.

Quarter 6

Our demand and market share had fallen drastically from the decisions in quarter 5. We made the decision to only produce and sell Zola since our other two brands weren't selling very well. This issue arose because of our extreme demand during Q3 and Q4. We were unprepared to produce for the demand we had generated. Since last quarter we started to construct more production capacity we tried to prevent stock outs as much as possible. This led to only having a demand of 1,001 units and 11% market share. This low demand meant we didn’t have enough cash to cover all operating costs and invest in new manufacturing. The shortage of cash led to a $2,278,890 emergency loan for 22,789 shares of the company. Our team wanted to learn from these mistakes and push to mitigate them in future quarters. We now didn't have to worry about adding any more production capacity, but we desperately needed to get our market share back to make it worthwhile. This heavily relied on sales channel and marketing to be successful. For quarter 6 we decided that we needed to play it safe and increase our total demand so that we could claim dominance of the market again.

Now that we had the operating capacity to produce products, we added two new brands Steve and Skinny Steve. We also made some improvements to Zola since it didn't sell last quarter as it did previously. Steve was our workhouse and powerful brand to sell to the workhorse and Mercedes clients. Skinny Steve is a laptop version of Steve to focus on the innovator market. Valkyrie was our answer to the cost cutter market since it was barebones and affordable. To support these brands, we also added salespeople in MEA, LATAM, and APAC to staff our newly build facilities. We also opened a web center in MEA and APAC with the addition of 22 new web salespeople to our other centers. We ran two ads for Steve and Valkyrie to target different markets and one for Skinny Steve.

For manufacturing we had to first get rid of unwanted inventory. The company had 230 units of the now outdated Zola that we sold off to make some of the costs back. We ran at 125 units per day of our 250 maximum capacity. We projected that our worker productivity would be 95% which would deliver the units we needed to meet our estimated demand. To get this high worker productivity we had to heavily increase our production worker compensation by 40%. Overall we were able to keep production changes to a minimum since we had already invested in changeover and operating capacity.

With our emergency loan we also decided that it was not ideal to invest in research and development at this time so that we can recover from our low demand. We felt that we were playing this quarter safe and had expected a high demand from our investments in sales and marketing. We had a proforma cash balance of $436k after paying off the emergency loan. The only warning we had was to make sure to pay back our emergency loan. As long as our demand estimates were correct and our marketing push worked, we would make a good amount this quarter.

Quarter 7

After reviewing the results from quarter 6 we knew that we still had a rough road ahead for the company. Our market share did jump from Q5: 11% to Q6: 24% and demand from 1,001 to 6,320. This was still lower than what we had forecasted with the massive number of sales employees we hired last quarter. This lower than anticipated demand led us to borrowing another emergency loan of $867,740 which brought our total loan going into quarter 7 to $3,146,630 with 31,466 shares of the company given to loan sharks. We also incurred interest on our load of $136,733. Our team had another wakeup call and knew we needed to get this loan attacked and paid off. To free up some cash and lower our interest rate we decided it would be best to take out a long-term loan of $3 million. This would help us get our financial crisis in order. Now we still needed to make more gains on our demand since we still didn’t turn any profits from our sales.

Steve was our #1 seller as expected but it had double the sales of the other two brands combined. We wanted to get our sales of Skinny Steve up since we had very good margins on the brand. To do this we used the extra free cash from the loan to invest in a long-term battery. This would allow us to use the R&D to capture the innovator market that other companies weren’t focusing on. We also saw that our brick and mortar sales was higher than web sales, so we increased our web staff from 36 to 60 to stimulate our web sales after opening the new web centers. Our team saw that our company had the lowest sales force productivity across the board, so we analyzed the trends of sales force pay and made sure to beat the competition to encourage higher productivity to drive higher demand. We also set it as a goal to keep above the curve of pay so that our workers would be more productive.

With the previous quarters raise of pay for production workers we now had a 100% worker productivity. To make sure this high production went into next quarter we increased their salaries again. This allowed us to increase our operating capacity to 150 to match the estimated demand with our salesforce raises and web center new hires. To mitigate future warranty costs, we invested in quality inspections on the case, hard drive, and monitor. This would lower the chances of having to pay for warranty fixes and keep our customer satisfaction as high as possible. We also adjusted the target and replenish points to reflect the demand of the three brands last quarter.

During the final check we were told to have more brands and increase our brand judgement. Our marketing VP decided that it was okay to ignore this warning and continue with the submission. There was also the warning of the emergency loan, this should be taken care of with the long-term loan we took. Although taking a loan to payoff other debt isn't ideal, we believe it was the best strategy to push the company forward.

Quarter 8

Our decisions we made in quarter 7 started to show with a market share of 27% which was the highest of all the companies. We had the highest market share in innovator and workhorse while we tied with PhoenixWare in costcutter. Our demand for last quarter was 8,256 with a majority of the sales from our web sales channel. This showed us that our large push last quarter to staff our sales center paid off since we previously had low web sales. For quarter 8 our goal is to turn a profit since our cashflow was still negative at -$172,593. We also wanted to keep growing our market share to help with the cash flow issue.

For brands the we created a new one called Ultron to replace Skinny Steve since the sales for Skinny Steve was still low at 3% of total sales. We wanted to capture some of the travel market since our market share there is only 4%. We did not change any of our other brands which ended up impacting us in a negative way. The only new add was the one for Ultron and all of the others were left the same. As a hail mary, we hired 84 new salespeople in our stores to try and drive demand higher and dominate the market. We did not hire any new web salespeople which was bad decision considering most of our sales were from the web already.

In manufacturing we had to sell off all of our inventory of 170 Skinny Steve units since we were no longer going to be selling them. We also increased the operating capacity to 230 in order to be able to supply enough units for our ultimate hail mary we had planning. Our increased manufacturing salaries paid off again since we were able to maintain the 100% worker productivity. Since our #1 seller is still Steve, we made sure that the target and replenishment points provided low to zero stock outs of that brand.

Overall, the decisions were made to maintain and push us into the final quarter with a hail mary to return to our former glory. We had high operation expenses that kept us in a bad financial situation and the only thing that could get us out of those would have been raising prices. From the market analysis we paid for it didn’t seem like that was a viable option. We could have redone some more brands this quarter to help generate more sales or license more R&D since we only had the battery one.

Quarter 9

Going into Quarter 9 was a little intimidating because as it was the last quarter, we had no decisions to make, only results to look at and force us to think about our mistakes. Because we did not buy market research for Quarter 9 in Quarter 8, we cannot see our competitor's results for a direct comparison.

What we can see, however, is the industry results for Quarter 8. Our total performance was very poor with a result of 6.841 to PhoenixWare's 339.490. Our financial performance was even worse with us in last at 41.638 and PhoenixWare in first with 151.524. Nevertheless, we were at least decent at some things. We came in second in Human Resource Management and third each in Asset Management and Manufacturing Productivity.

Despite our poor performance in Q8, in Q9 we had 17% overall market share, almost as high as the two lowest companies combined. We held a 26% and 25% market share in Innovator and Workhorse, respectively.

Our past decisions to take out loans stuck with us through to the end. We turned a profit of $1,742 which is positively tiny but a profit nonetheless and ended up with a negative net income of $-136,173 because of interest charges on the loan.

Again, because we did not purchase market research for Q9, we cannot derive any further insights because the data is not available to us.

Conclusion and Next Steps

In summary, after analyzing the various strategic tools that were implemented by Infinity Solutions, our management team is confident that these decisions helped pave the way for a successful start-up. Every decision that was made in each business quarter helped shape and refine the internal and external processes of Infinity Solutions and helped our company establish a strong competitive advantage in a highly competitive market. As seen above, there were several areas of improvement that could be developed to enhance the overall strategic management strategies of Infinity Solutions. Even though the simulation has ended, we can still speculate what our next steps may have looked like if there were future quarters. Reflecting on our analysis of our strategic decisions quarter by quarter has helped bring solutions to light by discussing the management techniques implemented by Infinity Solutions. Throughout this analysis, we were able to delve into our team's strategic vision and see how this vision was designed and developed into the very strategic choices that got our company to where we ended in quarter 9. Furthermore, we utilized several strategic management tools to address, improve on, and make the best of the various strategic situations that our company faced throughout this business simulation. We also discussed how a variety of these strategic management tools were used to align our business goals of high-quality products and services with our strategic decisions. With further research and collaboration, we may discover alternative strategic management tools better suited to address the concerns that were encountered throughout the simulation. We can only hope that our team has been able to convey appropriate strategic management tools to design effective and efficient solutions to improve this great company that is, Infinity Solutions.

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