**Case Study Answers**

to accompany

**Contemporary Strategic Management
an Australian Perspective 2nd Ed.**

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**Case Study 1:**

**Facebook: the evolving strategy**

**Question 1:**

**Whittington has distinguished four theories of strategy based on two dimensions:**

**(1) the extent to which the perspective assumes a profit-maximising motive versus**

**more pluralist motives, and (2) the extent to which the theories assume that strategic**

**management is a deliberate, rational planning process versus an emergent process (See**

**chapter 1).**

**Which of the four theories of strategy (Classical, Evolutionary, Systemic or Processual)**

**suggested by Whittington do you think Facebook has adopted? Justify your**

**answer giving examples from this case study.**

**Answer:**

The case suggests that Facebook has adopted a strategy that does not focus on profit-maximisation; pluralist motives were the initial focus and seem to continue today. With the recent purchase of the ‘Instagram’ app, some may argue that strategic management at Facebook is an emergent process, but their continual focus on growing market share (site usage) with an apparent lack of focus on revenue generation suggests that strategic management at Facebook is a deliberate, rational process with a long-term focus.

A company following a deliberate, pluralist strategy is taking Whittington’s systemic perspective. This perspective considers the context in which strategy takes place. It allows for the fact that the behaviour of people and organisations is influenced by the social and economic systems in which they operate.

**Question 2:**

**There are two approaches to ensure a business is competitive: (1) set a lower price for**

**the product than the competitors, or (2) incorporate ‘added-value’ to differentiate the**

**product in the eye of the customer. Without the ability to compete on price (social network sites are free of charge), Facebook has had to add value to attract customers (site users). List five features of Facebook that add value for users.**

**Answer:**

Without the ability to compete on price (online social networking sites are free for users), Facebook has had to compete for users by incorporating ‘added value’ into its product / service in order to differentiate the site from competing sites in the mind of the customer.

Differentiation occurs in the mind of the consumer, so there are many site features that may (or may not) provide a point of difference. Examples include; links to Instagram, security features, standardised layout, ease of use, and joint ventures with service providers such as Optus.

**Question 3:**

**When Facebook was listed publicly, the company suddenly had to satisfy the needs of**

**thousands of shareholders along with its millions of users (customers). What parts of**

**the business do you think the shareholders focus on and how does this change the strategic focus of the company?**

**Answer:**

When Facebook was listed publicly, the company suddenly had to satisfy the needs of thousands of shareholders along with its millions of users (customers). Students may list many parts of the business they believe the shareholders will focus on, from advertising, to profit, income generation and growth possibly through further acquisitions for example. This could swing the strategic focus of the company further away from its users to its sources of income, the advertisers.

**Question 4:**

**Discuss corporate governance and corporate social responsibility with regard to Facebook’s privacy policy.**

**Answer:**

Corporate governance aims to enhance corporate social responsibilities by recognising ethics and basic human rights, protecting the environment, protecting the community from over development, enhancing fair labour relations and fairly sharing wealth.

Facebook has a moral obligation to act ethically, keeping in mind the interests of society. Facebook is obliged to protect the interests of their users. With over 900 million users globally, they have received backlash and criticism over decisions which have breached acceptable boundaries an example being “quit Facebook Day”.

**Question 5:**

**As a global business, Facebook benefits from a global strategy. What are the two main**

**reasons why a global strategy can provide a greater degree of security than a simple**

**national strategy? List five other benefits that companies can gain from a global strategy and discuss these in relation to Facebook.**

**Answer:**

A global strategy can provide a greater degree of security for two reasons; the globalisation of customer preference and scale economies.

Other benefits from a global strategy include;

 1. cost benefits

 2. exploiting national resource efficiencies

 3. serving global customers

 4. achieving a global-level knowledge of the industry

 5. increasing the range of competitive options available.

Digital companies such as Facebook can expand globally with relative ease, taking full advantage of the globalisation of customer preferences and benefits provided by economies of scale.