TEACHING NOTE

TECHPAL: A CASE STUDY IN SMES DEVELOPMENT STRATEGY

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PART I: INTRODUCTION

This case study has been developed to provide resources to promote learning and understanding in the area of SMEs development strategy.

Purpose

This case study will help students understand the complexities involved in managing the development of SMEs, especially strategic issues faced managers in managing SMEs.

This case study is based on a real company. Although based in an electronics company in Vietnam, many of the issues are the same and faced by managers of SMEs in different countries and sectors.

Audience

Advanced undergraduate or graduate audience

Setting

Industry	Electrics industry
Size	The annual revenue of the company is 500,000 USD
Staff size	40 employees

Learning objectives

By the end of this case, student will be able to:

- Understand the common issues faced by SMEs managers;
- Apply the Five-force model in analyzing a specific industry;
- Conduct a SWOT analysis for a specific company;
- Understand the process to reach a "make-or-buy" decision;
- Develop a sales and marketing plan for a new product; and
- Formulate key aspects of business strategy for SMEs.

How should you use this instructional material?

It is recommended that the class start by having students read the case study. The resources for this case allow the instructor to then choose a combination of recommended activities, depending on the session's learning objectives, and student learning styles. For your convenience, sample answers are included for all student tasks, highlighting the key areas that students should identify through their work.

Recommended Time Schedule

The case study should take approximately 25-30 minutes to read. Instructors may choose to use more or fewer of the provided activities. As a guide, the following timeline is provided for each activity:

Discussion Question	Each question should take about 20-30 minutes to discuss. The instructor can divide the class into groups and ask each group to respond to different questions, or have them all respond to the same one. The instructor can also have students work individually first.
Group Tasks	These activities are more advanced and will require students to work in teams. Each activity takes 30-45 minutes to complete. More time should be allocated if group results are to be presented to the entire class.
Extension Tasks	These tasks encourage students to think about the issues in more depth. Such tasks can be used as homework or independent study and take between 20-30 minutes to complete.

PART II:

TEACHING NOTE

1. **Have students read the case study and underline any unfamiliar terms.**
2. **Review the unfamiliar terms they identified. These might include:**
    - Key success factors
    - Five-force model
    - SWOT
    - Business strategy
    - Competitive advantage
    - Competencies
    - Make-or-buy decision
    - Product development

3. **Discussion Questions**

   These questions could be answered individually, or would also be suitable for small groups or a class-wide debate.

   i) Evaluate the attractiveness of market segments (LED devices, Gas Leak Alarm) using the Porter's five forces model.

   ii) Identify the key success factors for a business in the LED devices segment (this question can be extended into Gas Leak Alarm sector also.)

   iii) Evaluate Techpal's business scope. Should the company maintain its existing lines of products and services? Why or why not?

   iv) Should the company invest in production facilities to manufacture their products internally OR continue outsourcing the production to its partner(s)?

   v) How should the company be reorganized in order to manage more efficiently while maintain the expected growth from shareholders?

4. **Group Tasks**

   These tasks work well with small groups. When asking students to complete these tasks, it may be appropriate to ask them to share their ideas in the form of a short presentation.

   i) Your group is hired by Techpal as management consultants, what are your recommendations for its business strategy?

   ii) Prepare a marketing plan for launching the new product "automatic mouse trap".

5. **Extension tasks**

These tasks are suitable for students who want to further develop their knowledge and skills in this area. They could also be used as independent learning or homework activities to be completed outside of the classroom.

iii) Should Techpal stop the sales of electronic accessories and only focus on manufacturing and selling electronic devices with special applications? Justify your answer.

POSSIBLE ANSWERS TO QUESTIONS

Please note that these are only possible answers, and are not intended to be exhaustive.

Questions	**Key areas to cover**
Discuss questions	
3(i) Evaluate the attractiveness of market segments (LED devices, Gas Leak Alarm) using Porter's five forces model.	The attractiveness is medium in general but good under the sophisticated and large-scale-projects segment. - Entry barriers: LOW because there are no special requirements in terms of technology or capital - Competition between firms: MEDIUM to HIGH – There is a large amount of small and medium companies employing similar price-based competition strategies. - Bargaining power of buyers: from MEDIUM to HIGH as local consumers tend to be very price sensitive. - Bargaining power of suppliers: LOW as there are reasdily many suppliers of electronic parts. - Threat of Substitutes: LOW because many of these electronic devices have been custom-made for use by a specific market.
3(ii) Identify the key success factors for a business in LED devices segment (this question can also be extended to the Gas Leak Alarms).	- Quality electronic devices - Price - Timely delivery - Track record - Customer Relationship (corporate customers) - A able Sales Force - Technical competencies (LED technology knowledge and design capability)

3(iii) Evaluate Techpal's business scope. Should the company maintain its existing lines of products and services? Why or why not?	Student responses will vary based on their personal opinions and/or experiences. - Selling electronics components and technological products are related and support to each other. However, the technical consulting services aiming at upgrading manufacturing machines and equipment (focusing on electronic components) to textile and footwear companies seem to be less related. - Techpal may consider moving away from technical consulting services aiming at upgrading manufacturing machines and equipment (focusing on electronic components) to textile and footwear companies. The reason is that it is less related to its specialized competencies. This also requires Techpal to invest a significant amount of money and effort if they want to satisfy the demand of its customers.
3(iv) Should the company invest in production facilities to manufacture their products internally OR continue outsourcing the production to its partner(s)?	Again, student responses will be diverse depending on their personal opinion and/or experiences. **Sample answer:** Techpal should continue outsourcing the production to its partner(s) because: - It allows Techpal to be more flexible to enable it to focus more on product development. - Techpal has efficient and reliable partners - Techpal lacks necessary resources for building and running a factory, especially financial resources and human resources - Techpal does not have the competencies nor experience in organizing and operating a factory nor ensuring quality production.
3(v) How should the company be reorganized in order to	Techpal's changes should be focused on the Technical department and Sales departments. The company may consider moving the LED team from the R&D

manage more efficiently while maintain the expected growth from shareholders?	department to the Technical department and may rename the LED Technology department so that it solely focuses on designing and installing LED board and light systems. The R&D department will then specialize on technological products. The Sales department can then be split into three different teams or sub-departments, each of which will report directly to the CEO. One team is responsible for purchasing and selling electronics components; the second team is in charge of corporate customers who buy LED products; and the third team is responsible for developing and coordinating distribution channels of technological products. The reason is that the company has different products and services serving different groups of customers. In this way, the sales teams understand and serve their customers better since there are committed sub-departments servicing specific markets. The company may need a department that is responsible for coordinating its activities with outsourcing partners and ensuring quality assurance.
Group Tasks	
4 (i) Your group is hired by Techpal as management consultants, what are your recommendations for its business strategy?	The responses will vary, based on their personal opinion and/or experiences. However, instructor may suggest students following framework: • Conduct SWOT analysis; • Establish the strategic goal(s); • Define the competitive scope of the company (both domestic and foreign market/customers); • Recommend competitive advantage(s) which the company will pursue or develop; • Define the core/distinctive competencies and design the value chain that the company may use to build their competitive advantage(s);

4(ii) Prepare a marketing plan for launching the new product "automatic mouse trap".	The marketing should cover the discussion of the product, market analysis and target segment; description of the product, price, sales force/channels, and promotion plans.
Extended Questions	
5(i) Should Techpal stop the sales of electronic components/accessories and only focus on manufacturing and selling electronic devices with special applications?	Student responses will vary depending on their personal opinion and/or experiences. **Sample answer:** The company should not stop the sales of electronic components/accessories because the sale of electronics components accounts for a major portion of its revenues. It also supports other businesses because electronics components are still used by both production development and production.