Organizational Diagnostic Model

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Abstract

This paper offers an organizational diagnostic model by examining various segments. The first section of the paper offers a discussion and an analysis of key metrics based on previously offered data; SLP 1 and SLP 2. The paper proceeds to design comparative tables that reflect the module prices, process improvement rates, periodic financial analysis of the core products. The comparative analysis tables make it possible to project sales, determine market share, and examine how pricing can be used to tackle market competition. The third section discusses various recommendations that I would put in place to ensure better sales and to bolster performance. Diversification, horizontal integration, market research, and pricing review are identified as possible recommendations and considerations. The paper proceeds to discuss comparisons of pricing modules as represented in SLP 1 and SLP 2. A key observation is that the company offered relatively lower module prices in SLP 1 as opposed to SLP 2. Such low pricing modules are attributed to averting market competition and as a result of higher returns and profitability that made it possible for the company to offer low-cost products without incurring significant losses.

The Discussion and Analysis of Key Metrics

The first decision point captures the year range from 2008 to 2012. The module price for this duration is $0.13, and the cost to process improvements is 5% of the total profits and revenues. And there are five years to advance. This analysis supports that the provided module price has potential weaknesses and strengths regarding pricing structure, projected revenues, and alterations in cost and market shares. First and foremost, a module price of $0.13 will affect the company's market share in two ways. If the provided price is lower than the competition [the one provided by competitors] consumers are likely to purchase the product at the speculated module price. More clearly, a low price or cost will attract cost-centric consumers. On the long term, the company will reap increased sales, better market share, and a strong brand positioning. However, if the provided module price of $0.13 is higher than the one provided by competitors, it may affect overall sales, will alter the flow of consumers and will lead to decreased stock prices and profitability. A higher module price will shrink sales because consumers will purchase the products and commodities offered by consumers. Also, given the fact that the $0.13 module price runs for a five-year duration, the company may incur significant losses at the end of the stipulated duration. Hence, this analysis reveals that the module price should be set strictly based on three dynamics; [1] the cost offered by the market or the competition, [2] a cost that factors in direct costs [3] And a module cost that takes into account the indirect costs [supplies, distribution, marketing, and advertising].

Inclusion of Comparative Tables and Discussions

Year	*Module Price [$]*	*Improvements*	*Speculated Sales Units*	*Total Amount [$]*
2008	0.13	6.5	1000	130
2009	0.13	13	2000	260
2010	0.13	19.5	3000	390
2011	0.13	26	4000	520
2012	0.13	32.5	5000	650

The assumption made is that the cost of the improvement is 5% of all the total sales. In this case, the company will incur $6.5 improvement costs in 2008, $13 in 2009, $19.5 in 2010, $26 in 2011, and $32.5 in 2012. Another major assumption is that the company will enjoy increasing sales from year to year. This assumption is based on the fact that the company will be in business for long and the process earn consumer trust, understand market dynamics, and comprehend buyer behavior – and in the process increase their market insight. The collection of the above factors will positively affect sales. Another major assumption is that the module price will remain constant during the five-year cycle. The most important data in this analysis is the module price and the number of units sold every year. Increase in the unit volume sales will enhance profitability and returns. On the other hand, increase in module price may shrink annual sales particularly as the business losses cost-sensitive consumers and buyers. Hence, this analysis reveals that a balance in the module price should be examined in line with the price offered by the market to ensure there are average to higher sales.

Giving Strategic Recommendations

The first recommendation is that the company should conduct radical market research. An analysis of the market will help establish a range of factors that are pertinent in improving pricing, strategy, and brand positioning. A market analysis will help identify the cost offered by competitors for the same products, establish consumer buying behavior, determine potential market segments, and in the process assist the company to establish the most appropriate pricing (Lovering, 2018).

A major recommendation is for the company to offer a pricing strategy that is similar to but fairly lower than competitors. A major assumption is that an ‘entry’ price should be lower to attract consumers and not extremely low to raise questions about the quality and effectiveness of offered products. Hence, this analysis reveals that the senior management should set prices that are similar to those offered by competitors (Lovering, 2018). Alternatively, the prices can be lower than competitors as long as the company does not incur losses or higher operational costs. Hence, this recommendation agrees that the company will reap significant returns on investment ROI if the cost is either lower or similar to that of the competition. An entry-level pricing structure will significantly influence sales, profits, and overall annual returns.

The cost of process improvement should be raised from the reported 5% to 10%. This is because the quality is an intricate factor when evaluating the success of most entry-level products. The cost of process improvement will cover over-arching factors including product inputs and materials, design processes, enhancing the effectiveness and reliability of the product, and improving the overall marketing and sales processes (Lovering, 2018). Hence, a part of process improvement is to ensure the company reserves substantial expenses in enhancing the quality and scale of offered products. During the first ten years, the product should constantly be improved to exceed similar or alternative products.

A major recommendation is with regards to the business scope and size. What I would do differently is to leverage the horizontal integration to gain broader market insight. Horizontal integration refers to a process of acquiring companies and businesses that are in the same line of business. For instance, a company that offers fasteners and hardware for construction industry may acquire another existing business that offers plastic and metal design. The horizontal integration is beneficial for two principal purposes. First, the acquired business enables the mother company to gains a broad market insight. Second, the horizontal integration enables the company acquiring to gain a broad market share as a result of consuming customers initially owned by the bought enterprise. Hence, as a manager or executive, I would leverage horizontal integration to better target and seize the market.

Comparisons and Contrasts of the Pricing Models in SLP 1 and SLP 2

There are key variations in the pricing models leveraged in SLP 1 and 2. For instance, SLP 1 shows that a module price of $0.15 was leveraged in the period 2008 – 2012 while $0.13 was used in SLP 2 during the same period. This means that a fall in the module price attracted increased sales, generated better market share, and influenced cost-sensitive consumers. Also, the company might have incurred slightly higher operating expenses to reduce the module cost. More clearly, the ability of a company to offer a relatively lower cost output means that it has incurred relatively higher for the design and manufacture of the product.

The module price reduced from $0.13 to $0.11 in the period 2013 – 2018. The fall in prices may indicate a fall in operational costs including the cost of designing, generating, and distributing the core products. Also, a decline of a module could be possible in response to competition. Usually, a company may leverage the strategic decision to cut product cost to offer better pricing to consumers and hence increase market share. Hence, a decline in module cost as represented in SLP 1 and SLP 2 may be possible as a result of a reaction to a market change.

The module pricing fell from $0.11 to $0.08 in the period 2018 – 2022. The decline in the price may be as a result in decline in production and operational costs. Such a decline shows that the company incurred relatively higher returns and profits to offer a competitive pricing structure. Hence, this analysis supports that the ability of a company to offer lower costs during two different business periods indicate a fall in production, operational, and distribution costs. When analyzing the final period of 2023 – 2025, there is a sharp decline in the module prices. Although the process improvement remains constant at 5%, the module cost falls sharply from $0.09 to $0.08. Hence, such a decline, similar to previous periods, implying that the company incurred less operational and production costs. It also implies that the company might have made higher profits and returns to afford a lower pricing module in the coming periods. Hence, this analysis reveals the ability to offer low cost while maintaining constant process improvement percentages is a reflection of better profitability. It is alternatively a reflection of attempts to beat the competition through cost-centric business strategies (Sadler and Craig, 2003).

Conclusion

It is evident that both SLP 1 and SLP 2 captures different pricing structures despite offering similar process improvement rates. This analysis confirms that the company made genuine efforts to reduce module prices for two major purposes. First, the organization conceptualized to offer better pricing and low cost to capture more clients and consumers. Also, lower pricing rates maybe as a result of high competition which means that the company used to cost to create a competitive advantage. Nevertheless, it is important that the company examines alternative strategies like cost leadership, product focus, and differentiation as key alternatives to low pricing.

References

Lovering, C. (2018). *Competitive Pricing Strategy*. The Chron Official. Retrieved from http://smallbusiness.chron.com/competitive-pricing-strategy-59220.html