

Stimuli (Opportunities & Threats in <u>External</u> Environment)		Organization (Strengths & Weaknesses <u>Internal</u> as Moderating Variables)	Response (What the firm did)
General: political/legal: In the 1880's there were no laws regarding monopolies. ✓	Task: customers: In 1888, 95% of buyers purchased De Beers diamonds. ✓	Internal owner: Rhodes' was a shrewd (and manipulative) businessman. Internal: culture: information and control of information is necessary.	Information management: tallied annual number of marriages to predict demand for diamonds, then modified production accordingly. Throughout history, used environmental scanners to understand flow of diamonds through pipeline, and perform regular and extensive consumer surveys. ✓
General: political/legal: In the 1880's there were no laws regarding monopolies. ✓	Task: competitor: Anglo-American company purchased huge diamond mine in southwest African in 1919.	Internal owners: Rhodes died in 1902. Internal: culture: create, define and control diamond industry. ✓	MTAA: Acquired a well know/well run company, CDM, and put the owner/manager, E. Oppenheimer on the De Beers board (keep friends close and enemies closer). ✓
General: economic: Great depression hit between 1929 and 1933. ✓	Task: strategic allies: distribution network/London syndicate on verge of bankruptcy. ✓	Internal: board of directors: eligible to buy additional company stock; E. Oppenheimer appointed himself chairperson after acquiring majority of stock. Internal: culture: create, define and control diamond industry. ✓	MTAA: increased vertical integration by purchasing the diamond distribution network (London syndicate). ✓
	Task: customers: fewer customers demanded less expensive diamonds. Task: competitors: ✓ New diamond mines and Angola and Zaire maintained production rates during Great Depression. ✓		Strategic: Through CSO, bought competitor's diamonds and reduced internal production to maintain price.

<p>General: international: in 1940's, WWI occurred.</p>	<p>Customers: war effort increased demand for diamonds for industrial grinding equipment.</p>		
<p>General: political/legal: South Africa promoted racial segregation. Other countries promoted racial integration.</p>	<p>Task: regulators: media regarded De Beers racial record as relatively good. Task: suppliers: Soviet Union canceled contract with CSO due to S. Africa's racial positions.</p>	<p>Internal: physical: diamond mines and company located in South Africa. Internal: employees: executives founded and supported South African's Progressive party.</p>	<p>Direct influence of the environment: Created unofficial agreements with the Soviet Union at reduced commission rate to distribute their diamonds through the CSO, thus maintaining control over majority of diamonds available for sale.</p>
<p>General: political/legal: developing countries often had political instability.</p>	<p>Suppliers: supplying countries were heavily dependant on diamond export to generate hard currency.</p>	<p>Culture: always wanted to have "monopolistic" control of the diamond industry.</p>	<p>Strategic: CSO paid for diamonds in U.S. dollars and required suppliers to sell 100% of their production to them.</p>
<p>General: political/legal: diamond smuggling was illegal.</p>	<p>Suppliers: smugglers sold to De Beers buyers. Regulators: governments couldn't control diamond smuggling.</p>	<p>Culture: control diamond supply and demand at all costs.</p>	<p>Direct influence of the environment: hired ex-head of Britain's MI-5 to reduce diamond smuggling through jungle ambushes.</p>
<p>General: international: no international standard for defining diamond quality.</p>	<p>Regulators: no regulations or controls defining the quality of a diamond.</p>	<p>Internal: employees: value diamonds subjectively.</p>	<p>Direct influence of the environment: target marketing to consumers to facilitate diamond education (according to their terms) and increase demand for diamonds by defining entire market.</p>

<p>General: economic: In 1970's, inflation concerns were global. ✓</p>	<p>Customers: purchased rough diamonds and held as inventory as hedge against inflation. ✓ Task: regulators: Israeli banks provided below market interest rates to the diamond trade. Internal: customers: Tel Aviv was host to one of the largest diamond cutting industries.</p>	<p>Internal: culture: control global supply of diamonds. Internal: employees: regularly made arbitrary decisions. ✓</p>	<p>Direct influence of the environment: Asked Israeli to charge market rates to the diamond trade and imposed a surcharge of 40% on rough diamonds to stem speculation (and maintain control of total supply).</p>
<p>General: political/legal: In the 1980's, monopolies are illegal. ✓</p>	<p>Suppliers: In early 1980's, suppliers became competitors by saying "no" to "my way of the highway" approach by the CSO.</p>	<p>Internal: culture: "my way or the highway". Board of directors: H. Oppenheimer due to retire. Internal owners: Oppenheimer's family had controlled business for 50 years.</p>	<p>Strategic: no response left companies future undeterminable.</p>

How socially responsible was the firm? Social Obligation

Why did you classify this way? They attempted to create a monopoly at every turn...strategic acquisitions, controlling production in response to information obtained by monitoring environmental demand, and coercing governments/regulatory bodies to look the other way (i.e. smuggling ambushes) or change policy in favor of De Beers (Israeli interest rate increases to diamond trade).

*Nicole
done
10/10*