

Institute of Incorporated Public Accountants

August 2013 Examinations

Module 10

Strategic Management

Marking scheme

SECTION A – Compulsory Question

Question 1

Change is inevitable in today's business environment.

It is important to understand that most changes will be met with varying degrees of resistance by stakeholders and it is important for managers to understand the basis for this resistance to change.

(a) Explain the main reasons for resistance to change by employees to change management programmes giving examples. **(16 marks)**

(b) Outline three ways in which managers can try to reduce this resistance. **(9 marks)**

(a) Discussion of any four of the following points:

- Fear of the unknown – not knowing the person, job, organisation
 - Fear of loss – loss of job security, pay and benefits, status, power
 - Fear of failure
 - Disruption of interpersonal relationships
 - Personality conflicts
 - Politics
 - Cultural assumptions and values
 - Examples – downsizing plans, changing of work methods or practices
- (4 x 4 marks)**

(b) Discussion of the **three** ways used to reduce this resistance

1. Communication of rationale for change and the impacts on the individual
2. Participation by employees in the change process
3. Empathy and support

(3 x 3 marks)

(Total 25 marks)

SECTION B – Answer any three questions

Question 2

Synergy is the golden prize of related diversification!

Discuss this statement giving examples from your readings and case study analysis.

Answer to include:

Related diversification – is diversification into a business activity that is linked to a company's existing activity or activities, by commonality between one or more components of each activity's value chain. **(3 marks)**

Discussion of the concept of Strategic Fits or synergies; these linkages or strategic fits are based on cost savings or skills transfers in the areas of supply chain management, R&D, manufacturing, distribution, marketing or technological commonality.

Examples L'Oreal, Gillette, Johnson and Johnson, PepsiCo, Adidas.

(10 marks)

Discussion of issues on Synergy of mergers of related businesses: - Synergy and integration and how to reduce the risks associated with a related merger.

- Avoid high pressure deals
- Same industry mergers are less risky
- Synergies in cost reductions are easier than revenue increase
- Clarify sources of revenue increase
- Do not make a bad situation worse – Volpe Brown Whelan **(5 marks)**

Benefits of Related Diversification – the company is more focused in their direction, can transfer competencies among businesses, can avail of economies of scale and scope, use of a common brand name or image, sharing other resources that support value chain activities. Synergy 1+1 effect. **(3 marks)**

Other Examples

(4 marks)

(Total 25 marks)

Question 3

“Building core competencies and competitive capabilities is a time-consuming, managerially challenging exercise” (Thompson et al, 2011, p. 385).

Discuss this statement drawing on your notes and cases to enhance your answer.

- Benchmarking can help but the actual implementation of replicating and implementing is a difficult task.
- By making capability building activities part of everyday routine in the company as a key part of strategy implementation many firms can build in capability enhancement more easily.
- Various approaches can be used, for example, internal development, acquiring capabilities through mergers and acquisitions and accessing capabilities via collaborative partnerships.
- Upgrading employee skills and knowledge resources can also assist the capability building process.

4 x 5 marks for the above type of points and the elaboration of same and **5 marks** for the overall quality of the answer.

(Total 25 marks)

Question 4

Discuss **six** primary ways companies can achieve a cost advantage by reconfiguring their value chains. Please give examples to support your answer.

- Cutting out distributors and dealers by selling direct.
- Replacing certain activities with faster and cheaper on line technology
- Streamlining activities
- Relocating facilities to cut out shipping and handling costs – companies relocating to China, Brazil, India
- Offering a frills free product - Ryanair
- Offering a limited product line rather than a full product line

6 x 3 marks for the above type of answer and its elaboration and **7** for overall quality of answer. **(Total 25 marks)**

Question 5

Discuss the importance of benchmarking for improving the firm's knowledge base on how to achieve competitive advantage in the future. Please ensure to include in your answer articles and case examples to support your answer.

Discussion of benchmarking, types of benchmarking, rules of benchmarking and benefits outlined below: **(5 marks)**

- Increased productivity and individual design
- Strategic tool for aiding future direction
- Enhanced learning
- Growth potential
- Assessment of performance tool
- Continuous improvement tool
- Vehicle to improve performance

(7 x 2 marks)

Examples

(6 marks)

(Total 25 marks)

Question 6

In today's highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for large corporations to survive and prosper. The firms must engage in **Strategic Planning**.

Discuss the main stages in the Strategic Planning process giving examples to support your answer.

Answer must include **brief discussion** of the following stages:

1. Setting mission, vision and objectives – strategic and financial objectives
2. Environmental scan – Internal analysis of the firm, Analysis of the firm's industry – 5 forces, External Macro environment (PEST analysis)
3. Strategy formulation – how can the firm achieve competitive advantage – use of generic strategies
4. Strategy Implementation – how to implement strategies – use of programs, budgets and procedures. Most important stage.
5. Evaluation and Control – define the parameters to be measured and the target values, and compare measured results with the pre-defined standards, make changes if necessary.

(5 x 4 marks)

6. Examples

(5 marks)

(Total 25 marks)

