



Professional 2 – Module 10

Strategic Management Solutions

August 2014

SECTION A – Compulsory Question

Question 1

- (a) You have recently been employed as a procurement adviser for an expanding low cost/affordable Fashion company in Ireland. Your main role involves researching the competitive dynamics of the industry and advising the company on the nature of the competition and whether expansion is a viable option or not.

Using Porter's five forces framework, **evaluate** the use of the model as a method for evaluating the intensity of competition, giving examples to support your answer.

(15 marks)

- **Discussion of the 5 forces of Porter's model:**
 1. Rivalry among existing players – Penney's, H&M, Zara, Bershka, New Look, Tesco, Dunnes Stores, Forever 21 – competition is very intense
 2. Threat of new entrants – Low – Difficult to compete with Penney's in variety and cost
 3. Threat of substitutes – medium/high – increasing use of internet to do shopping
 4. Bargaining power of Buyers – depends on size of buyers – Individual customers have low bargaining power, bigger buyers have more influence
 5. Bargaining power of Suppliers – Big suppliers – Strong bargaining power, small suppliers less power

- Students must draw their own conclusions on nature of competition
- It assesses the overall attractiveness of the industry and gives insights into profitability.

- It supports decisions about entry or exit to market.
- It reveals drivers for change in the industry.
- It can help organisations develop options to influence them in a way that improves their competitive position.
- It can reveal insights about potential future attractiveness of industry.
- Examples

(5 x 3 marks)

(b) Outline in your opinion, the key success factors for the retail fashion industry in Ireland. **(10 marks)**

- Price/Value for money
 - Variety – different sizes and colour
 - Ability to copy upmarket brands at much lower cost
 - Size of market and number of competitors, ease of entry to market
 - Customer loyalty
 - Brand image and reputation
 - Location
 - Use of e-business
- (Any 5 x 2 marks)**

(Total 25 marks)

SECTION B – Answer any three questions

Question 2

- (a) **Critically evaluate** how firms can build shareholder value through unrelated diversification. Please ensure to use examples to support your answer.

(15 marks)

Discussion of the following points:

Unrelated diversification – no strategic fits, involves not putting all your eggs in one basket. Spreading the risk to have a balanced portfolio. Is financially driven.

Elaboration upon the following at 3 x 2 marks each:

- Astute corporate parenting by management
- Cross business allocation of financial resources
- Acquiring and restructuring Undervalued companies

4 marks for use of examples, 5 marks academic elaboration and answer quality.

- (b) **Explain** the concept of a Blue Ocean strategy giving an example to support your answer. **(10 marks)**

Discussion of a blue and red ocean strategy:

- Red ocean strategies are the known market space as it exists today – high competition, intense rivalry.
- Blue Oceans on the other hand represent the opposite – they are the unknown market space with industries that are not existent today!! No competition, no rules of the game.

(5 marks)

- How are they created?? – The basis of the Blue Ocean strategy is called Value Innovation - the key is value for the consumer. A new and uncontested market place is made accessible by differentiation and cost reduction.
- **Example** – Virgin Galactic – aim making private space travel available to everyone by creating the world's first commercial spaceline – Tourism Space – a new industry.

(5 marks)

(Total 25 marks)

Question 3

"A Strong culture, provided it embraces execution-supportive attitudes, behaviours and work practices, is definitely a healthy culture" (Thompson et al, 2013).

Discuss the above statement, drawing on your notes and cases to enhance your answer. **(25 marks)**

Discussion of the elements of a strong culture:

- High performance cultures
- Adaptive cultures
- The employees role in assisting good strategy execution
- Can do culture
- Culture that inspires high loyalty and dedication
- Commitment
- Supportive cultures
- Accept change
- Changing environment where internal operating responses and new behaviours are required on the part of members.

9 x 2 marks for the above type of answer and its elaboration, 4 marks for examples and 3 marks for the quality of the overall answer.

(Total 25 marks)

Question 4

Discuss the common shortcomings in company mission statements and how they can be overcome. Please ensure to give examples to support your answer.

- Vague and incomplete
- Not forward looking
- Too broad
- Bland and uninspiring
- Not distinctive
- Too reliant on superlatives.
- Difficult to remember
- Lack of Humour

6 x 3 marks for the above type of answer and its elaboration and 7 marks for examples.

(Total 25 marks)

Question 5

Outline the difficulties and strategic issues a firm may encounter when pursuing an international strategy giving examples to support your answer.

(Total 25 marks)

Discussion of the following points:

- Management of currency transfers and exchange rates
- Predicting costs and profitability
- Cultural and attitudinal differences between countries – trading in the BRICS countries
- Transfer pricing
- Political risk – use of networking or guanxi in China, trade quotas or restrictions, legal restrictions
- Availability of funds to finance international business expansion
- Problems of withdrawing funds from other countries - India
- Marketing and promotional costs of developing international markets
- Access to key suppliers
- Government restrictions
- **Use of examples:**

(Any 6 points by 3 marks)

(7 marks)

(Total 25 marks)

Question 6

Discuss the impact of an E-business strategy on developing and sustaining competitive advantage in organisations. **Illustrate** your answer with examples.

Discussions of:

What is e-business – buying and selling of goods over the internet – how is it different to e-commerce?

(5 marks)

Discussion of any 5 benefits of E-business:

(5 x 3 marks)

- Makes it possible to compete globally
- Intensifies competition
- Entry barriers low
- On line buyers gain bargaining power
- Technology is advancing rapidly
- Demands the company to move swiftly
- Opportunities to re configure industry and company value chains.
- Can be an economical means to deliver customer service
- Capital is available readily in the e commerce funding.
The needed e commerce resource in short supply is human talent,
- Technology and managerial expertise.
- **Examples – FedEx, Ryanair online site, Vodafone, Amazon**

- Conducting a **SWOT** analysis on the use of e-commerce in business
- **Opportunities** – Global marketing/advertising, Time and distance barriers no longer an issue, promotes globalisation, improved customer services, use of videoconferencing to conduct meetings, global sourcing, web page designs
- **Threats:** Revolution of competition, companies can be easily forced out of business – easy to copy and emulate a company's website features, security issues, confidentiality, costs of implementing e-commerce can be very high.
- **Strengths** – Access to larger pools of information, more qualified staff and graduates, improved communication networks
- **Weakness**- Over reliance on technology, Lack of proper security, fraud.

(5 marks)

(Total 25 marks)