



# Strategic Management Module 10 June 2009

Instructions:

Time Allowed: Three hours

Section A – This question is compulsory and **MUST** be attempted

Section B - Answer any three questions

All questions carry equal marks

## Section A - Question 1

### Nike

The Nike brand name is commonly associated with trainers. However, Nike produces a range of leisure and sports gear. Several leading sports personalities endorse its products. The company is profitable, and arguably in part for this reason, has been targeted by environmentalist and other campaign groups. Nike, like its leading competitors such as Adidas and Reebok, focuses on design, marketing and outsources manufacturing from around the world. Nike purchases supplies from 700 different factories in over 50 countries. It is typical and logical to use low-cost labour around the world, so long as exploitation is not an issue. Lower production costs allow for lower prices - there is the issue of what constitutes an acceptable margin for the brand owner.

Nike has been accused of condoning worker exploitation in some of these factories. Under-age child labour and sexual harassment have been cited. Nike has, not unexpectedly, been worried by the allegations, flagging how campaigners have been making greater use of the internet to spread their allegations and generate adverse publicity for the company. Moreover, Nike employees in the US have been targeted, when realistically they can have little personal influence on working conditions in developing countries. However, such targeting makes for an effective campaign to which the company must react. Nike has admitted that making trainers is routine and tedious.

One story that became prominent concerned a student customer who wanted to take up Nike's offer of customising his trainers. The student wanted 'Sweatshop' printing on his shoes. Nike refused. The customer appeared to accept the rejection but then e-mailed the company with a letter that he also put on the internet. He asked for a photograph of the 10-year old Vietnamese girl who made his shoes.

Nike has responded.

- It has required subcontract manufacturers to stipulate a minimum age for workers it employs
- It has helped to set up and part-fund the Global Alliance for Workers and Communities, which monitors and criticises some of the practices it sees – experience shows it does not spare its funders
- It has invested in training for factory managers and supervisors, highlighting employees' rights but really focusing on the links between productivity and employees' satisfaction.

(Source: Skapinker, M. (2002), Why Nike has broken into a sweat, *Financial Times*, 7<sup>th</sup> March.)

You are required to prepare the written presentation:

- (a) Outlining the role and importance of business ethics and social responsibility making reference to Nike and other organisations that you are familiar with. **[10 Marks]**
- (b) The main components of a code of ethics programme in a company **[10 Marks]**
- (c) the benefits of the programme to the company **[5 Marks]**

**Total Marks 25**

## Section B - Question 2

Using illustrations to support your answer, critically evaluate five strategies that an organisation should consider in order to survive in an emerging industry.

**Total Marks 25**

## Question 3

“Shareholder value can be delivered through related and unrelated diversification” (Thompson, et al., 2008). Define and using illustrations, critically discuss related and unrelated diversification.

**Total Marks 25**

## Question 4

“Firm strategies can’t be implemented without putting in place a number of support systems for business operations” (Thompson et al., 2008). Using illustrations critically discuss five systems that can be used.

**Total Marks 25**

## Question 5

Discuss the importance for an organisation to monitor its external environment? Select two appropriate environmental assessment models and indicate, using examples, how these might be applied in the process of developing a competitive strategy.

**Total Marks 25**

## Question 6

(a) Evaluate the potential benefits of entering into a strategic alliance to progress an international strategy.

**[15 Marks]**

(b) What factors affect the successful management of such partnerships?

**[10 Marks]**

**Total Marks 25**