



# Strategic Management Module 10

June 2010

Suggested Solutions

## SECTION A – Compulsory Question

### Question 1

Your answer should include analysis of two of the following models: PEST, SWOT, Porter's 5 forces:

- All organisations operate in an external (macro-environment) shaped by influences emanating from the economy at large: population demographics; societal values and life styles; government legislation and regulation; technological factors and industry and competitive arena in which org. operates.
- These factors have a bearing on the decisions the org. makes about its direction, objectives, strategy and business model.
- Discussion, critical evaluation, and examples of Porter's five forces model in the Irish Food Industry
- Rivalry among existing competitors
- Threat of new entrants
- Availability of substitute products
- Bargaining power of Suppliers
- Bargaining power of Buyers
- Strategically, influences coming from the outer ring of the macro-environment can have a high impact on the organisation's business situation and have a very significant impact on the organisation's direction and strategy. For example, all organisations have to craft strategies that are responsive to environmental regulations.
- Happenings in the outer ring of the macro-environment may occur rapidly or slowly, with or without advance warning and the impact of outer-ring factors on an organisation's choice of strategy may range from big to small.
- As an organisation's management scan the external environment, they must be alert for potentially important outer-ring developments, assess their impact and influence and adapt the organisation's direction and strategy as needed.
- Appraising an organisation's resource strengths/weaknesses and its external opportunities/threats (**SWOT Analysis**) provides an overview of whether an organisation's situation is fundamentally healthy or unhealthy. The SWOT analysis provides the basis for crafting strategy that capitalises on its resources, aims at capturing the organisation's best opportunities and defends against threats to its well-being.

[2 x 10 Marks]

(b) Discussion of Porter's Low cost, Differentiation and Focused strategy. Healthy Foods Limited is pursuing a strategy of differentiation by offering a broad range of high quality organic products at high prices. Some students might argue that it is a niche market.

[5 Marks]

## **SECTION B – ANSWER ANY THREE QUESTIONS**

### **Question 2**

#### **Discussion of any 5 points below:**

- Understanding of Culture – (values, beliefs and assumptions of the organization) and the types of culture – Strong, Weak, Adaptive, High Performance
  - The tighter the culture-strategy fit, the more that the culture steers company personnel into displaying behaviours and adopting operating practices that promote good strategy execution.
  - Strong culture facilitate understanding the way the company performs it's business
  - Encourages ethical behavior – link between ethics and culture, the role of the leader, importance of code of ethics and the use of rewards and punishments
  - Promotes strong employee identification with and commitment to the company's vision, performance targets and strategy.
  - Creates the right work climate
- [5 x 4 Marks]**
- Examples of weak cultures – Banks & Insurance companies– Anglo Irish Bank, The Quinn Group, FAS, The Catholic Church – cultures of secrecy, examples of strong Cultures – Google, Wal Mart, South West Airlines

**[5 Marks]**

### **Question 3**

#### **Discussion of the points below:**

- Overzealous pursuit of personal gain
  - Heavy pressures on company managers to meet or beat performance targets
  - A company culture that puts profitability and good business performance ahead of ethical behavior
  - Immoral, Amoral employees and managers
  - Lack of a strict code of ethics – punishment for wrong doing
  - Lacking of training of staff on the company code of ethics
  - Examples – FAS, Enron, WorldCom, Nike, Banks
- [5 x 5 Marks]**

#### Question 4

##### 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:

- 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.

[5 x 3 Marks]

##### • Examples – FedEx, Ryanair online site, Vodafone,

[5 Marks]

- 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

### Question 5

Discussion of any 7 points below:

- Providing attractive perks and benefits
- Promotion from within where possible
- Making sure the ideas and suggestions of employees are valued and acted on where possible
- Creating a work atmosphere where there is genuine caring, sincerity and mutual respect
- Sharing a strategic vision with employees
- Sharing information with employees of a financial strategic nature
- Having knockout facilities – having state of the art working facilities - Google
- Flexibility in people management

**[7 x 3 Marks]**

- Examples

**[4 Marks]**

### Question 6

Discussion of the points below:

- Choice of method of entry – Export strategies, Franchising, Licensing Agreements, Strategic Alliances, Joint Ventures and discussion of benefits of why companies expand into foreign markets – access to new customers, lower costs, spreading of risk, to capitalise on its core competencies.
- Locating activities among nations in ways that lower costs (Labour costs, Energy costs, Cost of land, Taxation policies) or achieve greater product differentiation – Eastern Europe, China, Japan
- Efficient/effective transfer of competitively valuable competencies and capabilities from company operations in one country to company operations in another country
- Coordinating dispersed activities in ways a domestic-only competitor cannot

**[4 x 5 Marks]**

- Examples

**[5 Marks]**