



Strategic Management Module 10

June 2010

Suggested Solution

SECTION A – Compulsory Question - Question 1

You have recently bought a small and dynamic company which specialises in developing organic cosmetic products and fake tan products. For success in this industry, innovation and creativity are important factors, together with providing superior customer service at affordable prices. The company realises that building a capable organisation with highly qualified staff is also a key success factor. One of the key challenges for management is to ensure that all staff is highly motivated. You and the top management team have to devise a strategy for the firm's future, which includes the need to motivate your staff and get their support for this strategy.

- a) **Discuss** the motivational approaches that the top management team need to address in order to make their workplace more appealing and spur strategic employee commitment in the strategy execution process. **(15 marks)**

Discussion of any five points (5 x 3 marks)

- Provide attractive perks and fringe benefits
- Rely on promotion from within when possible
- Make sure ideas and suggestions of employees are valued and respected
- Create a work atmosphere where there is genuine sincerity and mutual respect among all employees
- State strategic vision in inspirational terms to make employees feel they are part of something worthwhile
- Share financial and strategic information with employees
- Have knockout facilities – state of the art facilities – Google, Intel
- Be flexible in how company approaches people management in multicultural environments.
- Use of performance related pay
- Liberal use of non monetary incentives – praise, recognition, flexibility in the workplace, empowerment.

- b) **Outline** the barriers that might impede successful execution. **(10 marks)**

Outline any 5 points:

- Lack of Financial, technical and human resources
- Weak leadership
- Poor Culture
- Poor policies and operating procedures
- Competition
- Bureaucratic structures – inflexibility
- Recession
- Technological constraints

(Any 5 points x 2 marks)

(Total 25 marks)

SECTION B – Answer any three questions - Question 2

Identify and discuss five key stages involved in crafting and executing the Strategic Management process, giving examples.

Discussion of the five key stages in the Strategic Management Process

1. Developing a mission statement and Strategic vision – examples
 - A mission statement - identifies the business purpose, the present business strategy.
 - A mission statement answers the “who we are” “what we do” and “why we are here,” questions.
 - A vision statement a futuristic and answers the questions – “where we are going and how we are going to get there”.
 - Examples of mission and vision statements
2. Setting Objectives –
 - Converts the strategic vision into specific performance targets that act as yardsticks to performance
 - Objectives must be Specific, Measurable, Attainable, Realistic and Time bound
 - Identify the two main types of objectives - financial and strategic – give examples
3. Crafting the Strategies
 - Give brief description of Corporate, Business, Operational and Functional strategies that companies can pursue
4. Implementation of strategies
 - Execution of the strategies is the most crucial part of the Strategic Management process
 - Briefly outline that the organization need the resources both financial and human resources to implement strategy, they need the right structure and systems in place, and they have to motivate staff to achieve strategy, culture and business processes
5. Evaluation and Control
 - Evaluating the company’s progress, assessing the impact of new external developments, and making corrective adjustments.

(5 x 5 marks)

(Total 25 marks)

Question 3

“If organisations want to stay competitive, they need to understand the importance of E-business to successful strategy execution” (Thompson and Strickland, 2010)

Discuss the strategy shaping characteristics of the E-Business environment as it applies to a company operating in today’s dynamic environment, giving examples to support your answer. **(Total 25 marks)**

Discussion of 5 of the following at 3 marks each:

(15 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 resource in e -business, human talent is in short supply.
- Technology and managerial expertise.
- Improves Supply Chain management and Customer relationship management & ERP
- General Examples – Uses of company websites, Uses of EPOS/RFID, Uses of ERP/MRP, Examples of E-bay, Amazon, Google, Aer Lingus, Ryanair, Tesco online.
- For example – **Tesco** shoppers use the internet to do their shopping online, Tesco has to ensure that its’ website is quick and user friendly and is able to process the customers’ requirements. Customers order and pay for goods online. This is an example of e-business.
- **EPOS** – Electronic Point of Sale – uses of bar coding on products to identify type and cost of product but also as a means of inventory control.
- **RFID** – Radio frequency identification – means of tracking and identifying products along the supply chain.

(10 marks)

Question 4

Discuss the role of Portfolio Analysis in assessing the businesses of a diversified company, using any two models to support your answer.

(Total 25 marks)

Discussion of role and uses of Portfolio analysis:

- PA is a strategic management tool used to help make decisions regarding a firm's products or businesses.
- As many businesses have more than one product or more than one business it has widespread use.
- PA gives management an overview of the long term prospects and competitive strengths and weaknesses of an organisation's various businesses.
- Enables management to evaluate whether a set of businesses is in keeping with the company objectives.
- The objective of PA is to help managers construct a balanced portfolio of businesses which will allow the organisation to achieve its objectives.

(3 x 4 marks)

Examples of models to be explained:

BCG matrix, GE 9 cell matrix, PLC Model, Ansoff's model

(2 x 6.5 marks)

(Total 25 marks)

Question 5

Benchmarking is the process by which companies look at the “best” in the industry and try to imitate their styles and processes.

Evaluate the rationale for benchmarking exercises and discuss the benefits of benchmarking to the company. Please ensure to include an example to support your answer.

(Total 25 marks)

Answer should include:

- Discussion of benchmarking, what it is?
- Types of benchmarking – Internal, External, Competitive, Generic, Single/Multiple process benchmarking **(5 marks)**
- Reasons and benefits:
 - Increased productivity and individual design
 - Strategic tool
 - Enhanced learning
 - growth potential
 - Assessment of performance tool
 - Continuous improvement tool
 - Vehicle to improve performance **(5 x 3 marks)**
- **Examples – Internal benchmarking** – where two departments compare performance, financial performance, productivity, efficiency, staff turnover, customer complaint procedure with the view to improving their performance.
- **External benchmarking** – where one company compares its’ performance to the best in the industry, on areas like superior customer service or product development. They try to emulate their superior performance by learning how they deliver it – understanding their processes.

(5 marks)

(Total 25 marks)

Question 6

Discuss the main driving forces causing the industry's structure and business environment to change on a continuous basis giving an example to support your answer.

Explanation of any 6 key driving forces:

- Globalisation of the industry – increased competition, outsourcing to low cost locations, China, India
 - Economic decline – downturn in the economy
 - The upsurge of the E-business and the new e-commerce opportunities
 - Changes in Industry growth rate
 - Changes in buyer demographics and new ways of using products
 - Product Innovation
 - Technological change
 - Marketing innovation
 - Entry or exit barriers
 - Changes in cost and efficiency
 - Regulatory influences and government policy changes
 - Changing societal concerns, attitudes and life styles
 - Health and safety issues
 - Environmental issues
 - Corporate Governance issues – Ethics, CSR
- (6 x 3 marks)**

Example – how the economic decline has affected business performance, less purchasing power for consumers, decline in sales, loss of jobs, closure of business.

Example - How consumers are more aware of their impact on the environment – reducing CO2 emissions, recycling, reducing waste, Toyota – developing the hybrid engine.

Example – Consumers are more demanding – wanting lower cost products and better quality and product variety – consumers are more educated – impact of internet

(7 marks)

(Total 25 marks)