

Institute of Incorporated Public Accountants

May 2012 Examinations

Module 10

Strategic Management

Marking scheme

SECTION A – Compulsory Question

Question 1

Acting as a consultant for a client who is considering entering the Irish Mobile Phone Industry, **advise** the company on the **usefulness** of a Strategic Group Map in identifying the competitive approaches and market positions in the sector. Ensure to include in your answer a Strategic Group Map of the Irish Mobile Phone Industry.

Discussion of Strategic Group Maps:

Main participants in Mobile phone industry: Vodafone, 02, Meteor, 3 mobile, Tesco mobile, An Post, E mobile; – for information go to callcosts.ie

- Strategic groups and space analysis offers a 'picture' of an industry based on the most significant dimensions of competitive strategy within that industry.
- It is up to the analyst using industry knowledge to select those dimensions that most accurately capture the driving aspects of positioning as a basis for the axes to be used – call/texts/mms cost, prepay/bill customers, level of customer service, billing options, coverage, pay options, ability to carry forward unused calls or texts, flexibility in options
- Students should make it clear that a strategic group is defined as a cluster of firms within an industry following the same or similar strategies.
- Members of a strategic group are likely to have common configurations or resources which may act as mobility barriers, i.e. Vodafone and O2.
- Strategic space can be used to identify areas of opportunity within an industry -some of this space may not be viable, but the dynamics of an industry can change over time.
- Identifies any gaps in the market, and to assess what moves rivals might make in the future, (move to another strategic group) **(10 marks)**

Usefulness:

- Analytical tool to measure the position of firm in a given market, to assess if they are strongly or weakly positioned.
- Helps to identify which forms in the sector are close competitors
- Helps to identify the desirable positions as prevailing market conditions favour some strategic groups and hurt others.
- Identifies variances in profit potential
- Identifies the firms that are close competitors and those that are distant.

Examples

(5 marks)

(Total 25 marks)

SECTION B – Answer any three questions

Question 2

As a change agent in a company, you are asked to **advise** the company on the change process they should engage in to change a problem culture which is currently not supporting effective strategy execution.

- Step 1: Identify facets of present culture that are conducive to strategy execution and operating excellence and those that are not.
- Step 2: Specify what new actions, behaviours and work practices should be prominent in the “new” culture.
- Step 3: Talk openly about problems of present culture and how new behaviours will improve performance
- Step 4: Follow with visible, forceful actions – both substantive and symbolic – to ingrain a new set of behaviours, practices and cultural norms.

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 and examples.

(Total 25 marks)

Question 3

Discuss how to build an ethical organisation giving examples of **“ethical”** companies and practices from your readings.

Answer should include the discussion of the following points:

- Having a strict code of conduct and value statements
- Ethics training and induction
- Recruitment of the right calibre of staff who share the same ethical principles
- Stringent use of rewards and punishments
- Top management leading by example
- Promoting accountability and transparency
- Ethics audits both internal and external/ Use of Ethics hotline
- Examples from J&J – their use of the Credo, Starbucks – supporting small farmers, Fairtrade coffee, The use of Philanthropy, The Body Shop – their business principles.

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

“The role of the reward system is to align the well-being of organisation members with realising the company’s vision”. (Thompson et al 2010).

Discuss the how and why the use of well designed incentives and reward systems can be management's single most powerful tool for promoting adept strategy execution and operating excellence. Please ensure to draw on your notes and case material in answering this question. **(Total 25 marks)**

- Provide attractive perks and fringe benefits.
- Make the performance payoff a major, not minor, piece of the total compensation package.
- Have incentives that extend to all managers and all workers, not just top management
- Administer the reward system with scrupulous objectivity and fairness.
- Tie incentives to performance outcomes directly linked to good strategy execution and financial performance.
- Make sure the performance each individual or team is expected to achieve involve outcomes that the individual or team can personally affect.
- Keep the time between achieving the target performance outcome and the payment of the reward as short as possible.
- Make liberal use of non monetary rewards
- Avoid using the system to find ways to reward effort rather than results.
- Promote from within where ever possible
- Provide good working facilities.
- Examples

Any 7x 3 marks for points like the above plus 4 marks for overall quality of answer.

(Total 25 marks)

Question 5

Discuss how to capture the benefits of best practice and continuous improvement programs giving examples from your readings and case study analysis.

- Select indicators of successful strategy execution and how to implement them; TQM, Six Sigma, Business Process reengineering. ISO9000, Q marks, EFQM
- Benchmark against the best – principles of benchmarking, benefits of benchmarking
- Build a Total Quality culture – change the culture to incorporate best practices

(3 x 6 marks)

- Examples

(7 marks)

(Total 25 marks)

Question 6

“In this new wave of technology, you can’t do it all yourself, you have to form alliances” (Thompson et al 2011).

(Total 25 marks)

Discuss, using illustrations to support your answer the importance of forming strategic alliances to help organisations to build a global presence in the market.

Discussion to include:

- Accelerate market presence
- Gain inside knowledge of unfamiliar markets
- Access to skills and competencies
- Expedite development of new technology
- Supply chain efficiency
- Economies of scale – production/marketing
- To overcome deficits in technical and manufacturing expertise
- Improved market access

(7 marks x 3 points like above)

(Integration of examples = 4 marks)

(Total 25 marks)

