



Strategic Management

Module 10

November 2009

Suggested Solutions

Section A - Question 1

Discussion of any 5 of the following points:

- Communicate clearly and honestly to employees – explain rationale for cutting costs or downsizing, keep staff informed of what is happening and why decisions are made. Don't allow rumours to arise, gossip can cause panic.
- Ensure managers are more visible in the organization in a time of crisis.
- Empowerment of workers might compensate for lack of available financial incentives
- Flexibility in the workplace
- Create downtime, such as a night out to help the team bond.
- Prevent burnout by intervening early
- Listen to employees' concerns
- Offer hope by for example, telling how the company overcame previous downturns.
- Spend soberly in the company
- Use of praise or recognition of a job well done, the use of intrinsic methods of motivation rather than intrinsic.
- Let people know they are respected and needed.
- Have a fair and equitable performance management system.

[5 x 5 Marks]

Total Marks 25

Question 2

- **Discussion and application of the Porter's five forces model**
- Components
 1. Rivalry among existing players
 2. Threat of new entrants
 3. Threat of substitutes
 4. Bargaining power of Buyers
 5. Bargaining power of Suppliers
- 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 4 Marks]

- **Critique of model**

[5 Marks]

- Model assumes perfect competition.
- Market if best applicable for analysis of simple market structures
- Assumes relatively static market structures – does not take into account the **dynamics of the market. – globalisation and the upsurge of the internet**

Total Marks 25

Question 3

- **Value chain analysis** is a systematic method of studying the direct and support activities undertaken by a firm - broken down into primary and support activities.
- Conceptually the value chain is a useful way of analysing resources and functions within an organisation in the context of how they might individually contribute to competitive advantage.
- The linkages between them should be assessed, because it is from these interrelationships and linkages that synergy in the form of additional cost savings or differentiation is created.

[5 Marks]

Discussion of 5 of the following points:

- **A cost advantage can arise from:**
 - Low cost distribution, efficient production, an excellent sales force that succeeds in winning appropriate orders and benefits from improving its links with other organisations *e.g. Tesco's links with Proctor & Gamble and Marks & Spencer's link with suppliers.*
- Cost drivers that influence the value chain:
 - Economies of scale and potential experience and learning curve
 - benefits!
 - Capacity utilisation - linked to production control and the existence of
 - bottlenecks.
 - Linkages - time spent liaising with other departments can incur costs
 - but create savings and differentiation through interrelationships and shared activities.
 - Interrelationships and shared activities - possibly a shared sales force, shared advertising or shared plant can generate savings.
 - Close links between other departments can increase quality and ensure that the needs of customers are matched more effectively.
 - Integration - this incorporates the extent to which the organisation is vertically integrated, *e.g. manufacturing its own component parts instead of simply assembling bought-in components or designing and manufacturing its own machinery.*
 - Timing - buying and selling at the appropriate time. It is important to invest in stocks to ensure deliveries when customers want them - at the same time stockholding costs must be monitored and controlled.
 - Policies - policy standards for procurement or production may be wrong. If they are set too low, quality may be lost and prove detrimental. If they are too high in relation to actual needs of the market, costs may be incurred unnecessarily.
 - Location issues - this includes wage costs, which can vary between different regions, and the costs of supporting a particular organisation structure.

[5 x 4 Marks]

Total Marks 25

Question 4

- Discussion of benchmarking,
- Types of benchmarking – Internal, External, Generic
- Rules of benchmarking

[5 Marks]

- Any 5 benefits outlined below:
 - Increased productivity and individual design
 - Strategic tool for aiding future direction
 - Enhanced learning
 - Growth potential
 - Assessment of performance tool
 - Continuous improvement tool
 - Vehicle to improve performance

[5 x 3 Marks]

Examples

[5 Marks]

Total Marks 25

Question 5

- Leading by example – acting as a role model
- Making sure products and services are safe and reliable
- Training staff on Social responsibility and Corporate Citizenship
- Having family friendly employment practices
- Operating safe work places
- Taking special pains to protect the environment – reduce CO2 emissions, recycling
- Taking an active role in community affairs
- Interacting with community officials to minimise the impact of lay-offs being a generous supporter of charitable causes and projects that benefit society

[5 x 4 Marks]

- Examples

[5 Marks]

Total Marks 25

Question 6

Discussion of any 5 points below:

- When an activity can be performed more cheaply by outside specialists
- An activity is not a strategy critical activity
- It reduces the risk exposure of changing technology and/or changing buyer preferences
- It improves the firm's ability to innovate
- It streamlines company operations
- It allows the company to assemble diverse kinds of expertise speedily and efficiently
- It allows to company to concentrate on its core business

[5 x 4 Marks]

- Examples

[5 Marks]

Total Marks 25