



Strategic Management Module 10

November 2010

Suggested Solutions

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 – Compulsory Question

Question 1

(a)

Business ethics: the study of good, evil, right and wrong, and just and unjust actions in business.

Why should business be ethical?

- To meet demand of business stakeholders – customers, employees, environment, community (sustainability)
- To enhance business performance – ethics pays – link between ethics and good financial performance
- To comply with legal requirements – corporate governance
- To prevent or minimize harm to consumers(banking failures – loans to directors – the cost of bailout, NAMA, foreign exchange errors), the environment, the employees, handling of information, product safety
- To promote personal morality

(b)

- Establish standards and procedures – written documents – Code of Conduct, Value statements, Disciplinary procedures
- Create high level oversight – top management’s involvement and enforcement
- Screen out criminals – background checks, checking references.
- Communicate standards to employees – training is very important
- Monitor and set up an anonymous hotline
- Enforce standards, discipline violators – use incentives and punishments
- Assess areas of risk, modify programme

(c)

- Be inquiring critics and oversee the company’s direction, strategy and business approaches
- Evaluate the calibre of senior executives’ strategy-making and strategy executing skills.
- Institute a compensation plan for top executives that rewards them for actions and results that serve stakeholder interests.
- Oversee the company’s financial accounting and financial reporting practices – having regular meetings to find out what is going on in the company.
- Senior executives must lead by example

(Total 25 marks)

SECTION B – ANSWER ANY THREE QUESTIONS

Question 2

Discussion of the following:

A global strategy involves:

- Pursuing same competitive strategy worldwide (low cost, differentiation, focus)
 - Sell same products under same brand name – focus on global brands
 - Locate plants on maximum locational advantage – low cost production, EOS
 - Use best suppliers worldwide
 - Co-ordinate marketing and distribution worldwide.
 - Compete on basis of same technological, competencies and capabilities worldwide
- (10 marks)**

Why use global strategy:

- Access to new customers
 - Achieve lower costs and enhance competitiveness
 - Capitalise on core competencies
 - To spread business risk across a wider market base
- (5 marks)**

Methods that can be used to compete internationally:

- Exploit a multinational or global competitors' ability to deploy R&D, parts manufacturing, assembly distribution centers and other activities in other countries in a way to decrease costs and achieve greater product differentiation.
 - Efficient and effective transfer of competitively valuable competencies and capabilities from its domestic market to foreign markets
 - Draw on a multinational or global competitor's ability to deepen or broaden its resource strengths and capabilities and to coordinate its dispersed activities in ways that a domestic only competitor cannot.
 - Achieving locational advantages.
 - Pursuing Strategic Alliances or Joint Venture
 - Franchising/Licensing agreements
- (10 marks)**

Question 3

Discussion of any 5 points

(5 x 5 marks)

- Find out what facets of the present culture is strategy supportive and which is not.
- Communicate openly to all concerned about which aspects of culture need to change – meetings, emails, publications.
- Follow quickly with visible, aggressive actions to modify change –reward visible changes in culture.
- Revise policies and procedures to help drive cultural change – reward systems, promotional policies.
- Alter incentive compensation to reflect desired behaviours.
- Visibly praise and recognise people who display the new cultural traits
- Recruit and select people who have the desired cultural values.
- Replace key executives who are strongly associated with the old.
- Communicate the message of the benefits of the new culture.

(Total 25 marks)

Question 4

- Brief explanation of Value Chain concept with examples
- **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.

(10 marks)

- **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.
 - **Examples – costs savings from buying in bulk, sharing a common sales force team, sharing distribution costs.**

(10 marks)

(5 marks)

(Total 25 marks)

Question 5

Discussion of the 8 main components for implementing strategy

- Building a capable organisation – having a highly skilled work force who are competent and knowledgeable
- Allocating resources – how to make decisions on resource allocation
- Establishing strategy supportive strategies
- Initiating best practices for continuous improvement – TQM, Benchmarking, Outsourcing
- Installing support systems – IT systems. MIS, CRM
- Tying reward to achievement – rewards based on performance
- Shaping corporate structure to fit strategy – structure follows strategy.
- Exercising strategic leadership **(8 x 3.125 marks)**

Question 6

1. Staying on top of what is happening and how well things are doing – MBWA, Participative Management
2. Promoting a culture in which the organisation is ‘energised’ to accomplish strategy and perform at a high level – encourage innovation and creativity, can do attitude
3. Keeping the organisation responsive to changing conditions, alert for new opportunities, enthusiastic about innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
4. Building consensus, containing ‘power struggles’ and dealing with the politics of crafting and implementing strategy.
5. Enforcing ethical standards – code of ethics.
6. Pushing corrective actions to improve strategy execution and overall organisation performance. **(6 x 3 marks)**

**Examples – Herb Kelleher – Southwest Airlines practised the process of MBWA(management by wandering about) by getting on flights and checking the levels of customer service himself, talking to other customers – getting information first hand. Does Michael O’Leary do the same?
Open communication – 360 degree feedback**

(7 marks)

(Total 25 marks)