



ASSIGNMENT MEMORANDUM

**SUBJECT : STRATEGIC MANAGEMENT (STRM)
BUSINESS MANAGEMENT 3 (BM303)**

ASSIGNMENT : 2ND SEMESTER 2011

Marks will be awarded for:

- Logical argument and sound reasoning
- Evidence of independent research (i.e. consulting and using relevant sources of information)
- Application of knowledge
- Neat presentation and structure.

Prescribed textbook: Hill, C.W.L., and Jones, G.R. 2009. *Theory of Strategic Management with Cases*. 8th edn. South Western, Cengage Learning.

QUESTION 1

[15]

In most companies there are two types of managers: **general** and **functional**. The concept of levels of strategic management is best explained in the context of a large company with different divisions or business units where the company has created a separate, self-contained division to manage each. In these companies one will find three levels of management:

1. Corporate management – these are the CEO, senior executives, board of directors and other corporate level management.
2. Business level management – operating within a ‘self-contained’ division with its own functions etc. – this level of management translates the corporate strategy into the concrete strategies for the business unit.
3. Functional level management – these managers are responsible for the specific function.

Answers must present the organisational structure of the company chosen, and demonstrate a good working knowledge of the levels of management that exist therein.

Reference: Hill & Jones 2009: Chapter 1, pp. 10-11

Allow 5 marks for each point plus 3 marks for the use of an example/s.

QUESTION 2**[25]**

2.1 The answer requires a discussion of the three main reasons that scholars and businesspeople alike frequently use to argue against the formal strategic planning process.

These are:

1. Unpredictability of the real world: This suggests that the unpredictability, complexity and ambiguity found in the real business world will render even the most carefully thought out strategic plans useless. It is argued that in the ever changing unpredictable world companies should rather develop abilities to respond quickly to change and adjust the direction of the business accordingly
2. Serendipity and strategy: The argument here is that many successful strategies are not the result of well executed strategic planning but rather of serendipity.
3. Strategy making by lower-level managers: The view is that in formal strategic planning too much emphasis is placed on the CEO and other senior executives, and that very often individual managers 'deep within' the company have a key contribution to make in developing the strategy of the company. **(15)**

Reference: Hill & Jones 2009: Chapter 1, pp. 21-23

Allow 5 marks for each point.

2.2 The answer can include a discussion of any five of the following:

- Vision, eloquence and consistency of actions
- The ability to articulate the business model
- Commitment to the vision, business model and people. Lead by action and example.
- Being well informed – having a network of formal and informal sources
- Willingness to trust and empower
- The astute use of power
- Emotional intelligence. **(10)**

Reference: Hill & Jones 2009: Chapter 1, pp. 30-33

Allow 2 marks for a description of each of the 5 points above.

QUESTION 3**[25]**

Answers should provide a definition of the term value chain – an idea that a company is a chain of activities for transforming inputs into outputs that customers' value.

This 'transformation process' involves a number of primary and secondary (support) activities that add value to the product (and ultimately the customer)

Essentially there are two broad sets of activities making up a value chain:

1. Primary activities
2. Support activities

Primary activities include:

- a. Research and development
- b. Production
- c. Marketing and sales
- d. Customer service

Support activities include:

- a. Materials management – not applicable in the bank example in the strict sense, but would equate to documentation to branches as well as the optimal resources of points of representation. This would impact on the turn around times of service delivery.
- b. Human resources
- c. Information systems
- d. Company infrastructure

Answers must provide examples of how these primary and support activities add value to the business of banking in the context of the information provided in the assignment.

Reference: Hill & Jones 2009: Chapter 3, pp. 81-85

QUESTION 4

[25]

Answers should:

- 1) Synthesise the attached articles
- 2) Show a thorough knowledge of the company that has been researched and reasons for its failure.

Answers should first briefly discuss what it means for a company to 'fail'. Typically, if a company loses its competitive advantage and as a result its profitability falls the company will then fail.

The question then is why does a company lose its competitive advantage and profits?

There are three interrelated reasons for failure:

- a. Inertia – companies find it difficult to change and adapt their strategies when adapting to changing market and competitive conditions.
- b. Prior strategic commitments – these may 'lock' a company into a specific strategy band when that strategy is no longer relevant or needs to be altered the company is not able to do so.
- c. The Icarus principle – when a company's greatest asset leads to its demise. Companies that are initially successful believe that more of what led to their success will keep them successful in the future.

Allow 5 marks for each of the three points above.

Steps to avoid failure:

- a. Focus on the building blocks of competitive advantage
- b. Institute continuous improvement and learning

- c. Be aware of best practices in the industry and benchmark against these
- d. Overcome inertia (internal barriers to change)
- e. Luck – this still has a role to play

Reference: Hill & Jones 2009: Chapter 4, pp. 99-102
Allow 2 marks for each of the points above.

PRESENTATION [10]