

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**MAIN EXAMINATION PAPER 2015/2016**

**TITLE OF PAPER: STRATEGIC MANAGEMENT I**

**COURSE CODE: BA504**

**YEAR OF STUDY: B.COM LEVEL VII (IDE)**

**TIME ALLOWED: THREE (3) HOURS**

**INSTRUCTIONS:**

- 1. This paper consists of Sections A and B.**
- 2. The case study question – Section A, is compulsory.**
- 3. Answer any three questions from section B.**

**NOTE: Marks will be awarded for good communication in English and for orderly presentation of work.**

**This examination paper should not be opened until permission has been granted by the invigilator.**

## **SECTION A**

*This section is compulsory.*

### **NISSAN AND RENAULT- A HORIZONTAL COMPLIMENTARY STRATEGIC ALLIANCE**

In 2010, Nissan Motors was one of the three largest Japanese car manufacturers alongside Toyota and Honda, while Renault is the fourth largest automobile manufacturer in the world. For both of these companies their current position in the automotive market is owed significantly to a strategic alliance setup in 1999 to bring the two separate brands together.

The idea to set up the strategic alliance has allowed each separate company to retain its culture and brand identity over the last ten years, with the key link between the two sides being a cross-shareholding. Through this cross-shareholding Renault, the larger of the two companies prior to 1999, holds a 44 percent stake in Nissan shares and Nissan a 15 percent stake in Renault shares in 2010. This results in each company having a direct interest in the results of the other, leading to a freedom in communication and honesty between the two companies that might not be found in other strategic alliances in which the companies remain autonomous in financial performance, such as the failed deal between Chrysler and Daimler Benz.

Another key aspect that has been cited as a reason for the success of the Renault-Nissan alliance is the formation of Renault-Nissan b.v., a strategic management company set up to create a common strategy and manage synergies between the two sides of the alliance. The company is jointly owned by Renault and Nissan and is therefore neutral in its decision making, keeping both sides satisfied that the decisions are being made in the best interest of the alliance, not one side or the other. In addition, a number of committees made up of representatives from both Renault and Nissan exist which are coordinated by the Coordination Bureau. This includes a small dedicated team of six persons from Nissan and five from Renault, who apply their in-depth understanding of their own companies to help develop synergies at all levels of the alliance, pushing for greater standardization in the long term.

The alliance has set itself three key objectives:

- To be recognized by customers as being among the best three automotive groups in the quality and value of its products and services in each region and market segment.
- To be among the best three automotive groups in key technologies, each partner being a leader in specific domains of excellence.
- To consistently generate a total operating profit among the top three automobile groups in the world, by maintaining a high profit margin and pursuing growth.

As of 2008, the combined brands held under the alliance accounted for 9.4 percent of global automobile sales, making the Renault-Nissan collaboration one of the world's top five car manufacturing companies in that year. This is slightly outside the key objectives outlined above, but is a clear step forward from what the two companies would be achieving if they had not been in collaboration over the last ten years.

Source: Volberda H.W. et al. Strategic Management – Concepts and Cases South Western/ Cengage Learning (2011)

Questions:

- a. Why is the Nissan and Renault case a good example of a horizontal complimentary strategic alliance? (20)
- b. Discuss the main challenges confronting this alliance in the ever changing automobile sector. (20)

**Section B**

***Answer any three questions from this section.***

1. Fully explain how buyer bargaining power can create competitive pressures in an industry. (limit your discussion to five points) (20)
2. Discuss the role of information technology in the formulation of strategy. (You may make specific reference to internet ) (20)
3. When is the threat of entry in an industry weak? When is it strong? How does it affect the current players? (20)
4. When does vertical integration make sense to an organization? Discuss the risks associated with vertical integration. (20)
5. When is unrelated diversification an attractive strategic option?(limit your response to four points) Discuss the limitations associated with the use of this strategic option.(limit your response to four points) (20)