

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER 2015/2016

TITLE OF PAPER: STRATEGIC MANAGEMENT II

COURSE CODE: IDE BA505

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

GlaxoSmithKline's internal CEO succession model

GlaxoSmithKline (GSK), the world's second largest pharmaceutical company, took a rigorous and controversial approach in selecting its CEO. Three internal candidates, Chries Viehbacher, president of US pharmaceuticals, David Staut, president of global pharmaceutical operations and Andrew Witty, president of European pharmaceuticals competed publicly to become the new CEO. The "public horse race" organised by GSK implied the risk of fierce rivalry within the company, while JeanPierre Garnier, Glaxo's former CEO, argued that this process gave the company's board a full understanding of the candidates.

Dr Garnier supervised the year-long CEO-level projects, which were carried out by the candidates and the company's chairman, Sir Christopher Gent, who discussed the process with GSK's shareholders. Simultaneously, external consultants were hired to evaluate the candidates' leadership capabilities.

The candidates had to review the different functions of the company, including supply chain management, and marketing and sales, as a basis for competition. The company conducted 360-degree assessments although these were not found very helpful as the basis for comparison of the reviews was not clear. Additionally a monitoring panel was installed consisting of 14 internal executives who had all worked directly with the candidates. Feedback from this panel was gathered by interviews called "450-degree analyses", which were consequently reported to Jean-Pierre Garner. The interviews had to conclude on the quality of decision making of the candidates, the suitability of their capabilities with the company's strategic needs, and their leadership qualities and characters. These interviews seemed an ideal method for data collection as they provided comparable information on the candidates.

The results complemented the findings from the year-long projects, enabling the company to select Andrew Witty as its top CEO candidate. Witty faces some tough challenges following his appointment. The company's shares have fallen as investors are not convinced that the company will grow its shares in the long term.

The selection process raised a lot of questions on the aftermath of the competition. How would the other two candidates react to GSK's final decision? How was Glaxo able to retain the "unsuccessful" candidates. Other companies such as Glaxo's main competitor, Pfizer experienced similar difficulties when vice chairman Karen Katen left the company after not getting the executive job. Although the two remaining contenders at Glaxo were offered a seat on the board and a substantial amount of shares in GSK, the two decided to leave the company.

Source: Volberda et.al(2010) Strategic Management- Concepts and Cases – Cengage

Questions:

- a) In looking for a new CEO, GlaxoSmithKline chose to focus on internal candidates. What were, at the outset, the potential benefits and detriments of this option? (20)
- b) How do you think the “public horse race” aided the selection procedure for a new CEO? (10)
- c) While the selection procedure yielded a new CEO, it also led to the departure of two top executives who did not get the job. In hindsight, how does this reflect on GSK’s selection procedure? (10)

SECTION B

Answer any three questions from this section

Question 1

Organisational structure is key to strategy implementation. How? (20)

Question 2

Discuss the concept of the balanced scorecard in relation to the evaluation and control in strategic management. (20)

Question 3

Discuss the strategies for managing culture when merging two organisations that are almost equal in size. (20)

Question 4

Critically evaluate strategies that can be undertaken by a non-profit making organisation such as NERCHA. (20)