University of Eswatini

Faculty of Commerce

Department of Business Administration

Main Examinations

University Examinations August 2020

TITLE OF THE PAPER	:	STRATEGIC MANAGEMENT
DEGREE	:	BACHELOR OF COMMERCE
COURSE	:	BUS 402/BA441/BA505 (FULL-TIME AND IDE)
TIME ALLOWED	:	THREE (3 HOURS)

Instructions

1. **There are two sections in this paper, A and B.**
2. **Section A is compulsory. Answer any three questions in section B**

SECTION A-COMPULSORY

Read the case study below and answer questions which follow;

In 1895 in Czechoslovakia, two keen cyclists, Vaclav Laurin and Vaclav Klement, designed and produced their own bicycle. Their business became Škoda in 1925. Škoda went on to anufacture cycles, cars, farm ploughs and airplanes in Eastern Europe. Škoda overcame hard times over the next 65 years. These included war, economic depression and political change. By 1990 the Czech management of Škoda was looking for a strong foreign partner.

Volkswagen AG (VAG) was chosen because of its reputation for strength, quality and reliability. It is the largest car manufacturer in Europe providing an average of more than 5 million cars a year – giving it a 12% share of the world car market. Volkswagen AG comprises the Volkswagen, Audi, Škoda, SEAT, Volkswagen Commercial Vehicles, Lamborghini, Bentley and Bugatti brands. Each brand has its own specific character and is independent in the market. Škoda UK sells Škoda cars through its network of independent franchised dealers. To improve its performance in the competitive car market, Škoda UK's management needed to assess its brand positioning. Brand positioning means establishing adistinctive image for the brand compared to competing brands. Only then could it grow from being a small player.

To aid its decision-making, Škoda UK obtained market research data from internal and external strategic audits. This enabled it to take advantage of new opportunities and respond to threats.

The audit provided a summary of the business's overall strategic position by using a SWOT analysis. SWOT is an acronym which stands for: • Strengths – the internal elements of the business that contribute to improvement and growth • Weaknesses – the attributes that will hinder a business or make it vulnerable to failure • Opportunities – the external conditions that could enable future growth • Threats – the external factors which could negatively affect the business.

To identify its strengths, Škoda UK carried out research. It asked customers directly for their opinions about its cars. It also used reliable independent surveys that tested customers' feelings. For example, the annual JD Power customersatisfaction survey asks owners what they feel about cars they have owned for at least six months. JD Power surveys almost 20,000 car owners using detailed questionnaires. Škoda has been in the top five manufacturers in this survey for the past 13 years.In Top Gear's 2007 customer satisfaction survey, 56,000 viewers gave their opinions on 152 models and voted Škoda the 'number 1 car maker'. Škoda's Octavia model has also won the 2008 Auto Express Driver Power 'Best Car

A SWOT analysis identifies areas of weakness insidethe business. Škoda UK's analysis showed that in order to grow it needed to address key questions about the brand position. Škoda has only 1.7% market share. This made it a very small player in the market for cars. The main issue it needed to address was: how did Škoda fit into this highly competitive, fragmented market? This weakness was partly due to out-dated perceptions of the brand. These related to Škoda's eastern European origins. In the past the cars had an image of poor vehicle quality, design,assembly, and materials. Crucially, this poor perception also affected Škoda owners. For many people, car ownership is all about image. If you are a Škoda driver, what do other people think? From 1999 onwards, under Volkswagen AG ownership, Škoda changed this negative image. Škoda cars were no longer seen as low-budget or low quality. However, a brand 'health check' in 2006 showed that Škoda still had a weak and neutral image in the mid-market range it occupies, compared to other players in this area, for example, Ford, Peugeot and Renault. This meant that whilst the brand no longer had a poor image, it did not have a strong appeal either.

Questions

a) Will the selected competitive approach/model help Škoda to acquire superior returns? Explain (10marks)
b) Why did Škoda pursue a diversification strategy? (15marks)
c) If you were the manager in the case study, advise the firm on actions to take to realize cost leadership (15 marks)

SECTION B

Question two

a) Discuss the determinants of National Competitive Advantage(10 marks)

b) How might a firm's management decide whether it should continue to invest in current known technology or in new, but untested technology? (10 marks)

Question three

a) A firm's operations strategy is often affected by a product's life cycle. As the sales of a product increase, there will be an increase in production volume and the activities to support the movement of the product to the final consumer. With relevant examples, discuss 5 operations strategy priorities(10 marks)

b) After identifying your strategic priorities in (a) above, your manager has advised that you develop an implementation plan. In your opinion, why is strategy implementation the most difficult part of the strategic management process? (10 marks)

Question four

a) To qualify as the basis for sustainable competitive advantage, a resource must pass 4 tests. Discuss them(10 marks)

b) The Resourced Based view of the firm states that, strategy is dictated by the firm's unique resources and capabilities. Explain how a firm can use the Resource Based view of the firm to achieve above average returns (10 marks)

Question five

a) XY is a local company registered in 1979 in Eswatini. The company manufactures only one product. With the advent of Corona Virus, the company has been hit hard. What five growth strategies should this company consider ? Explain (10 marks)

b) You have been told that management suspects that a turn round strategy might be appropriate to refocus the organization in the single product category. What options does this company have to implement a turn round strategy? Explain (10 marks)

Question six

a) From an entrepreneurs' perspective, discuss the characteristics of an attractive industry(10 marks)

b) You have been asked to head the strategy development team in your organization. Your manager has asked you to draw a table showing elements of a Plan of Action and Milestone(Action Plan). What will you include(draw it) ? Explain why each element is important(10 marks)