

University of Eswatini
Faculty of Commerce
Department of Business Administration
Main Examination
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TITLE OF THE PAPER : STRATEGIC MANAGEMENT II
DEGREE : BACHELOR OF COMMERCE
COURSE : BUS 402/BA441
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

Question 1

Read the case study entitled; Enterprise Rent a Car and answer questions that follow;

Hertz, Avis, and National Car Rental operations are much more visible at airports. Yet Enterprise owns more cars and operates in more locations than Hertz or Avis. Enterprise began operations in St. Louis in 1957, but didn't locate at an airport until 1995. It is the largest rental car company in North America, but only 230 out of its 7,000 worldwide offices are at airports.

In virtually ignoring the highly competitive airport market, Enterprise has chosen a cost-leadership competitive strategy by marketing to people in need of a spare car at neighborhood locations. Its offices are within 15 miles of 90% of the U.S. population. Instead of locating many cars at a few high-priced locations at airports, Enterprise sets up inexpensive offices throughout metropolitan areas. As a result, cars are rented for 30% less than they cost at airports. As soon as one branch office grows to about 150 cars, the company opens another rental office a few miles away. People are increasingly renting from Enterprise even when their current car works fine. According to CEO Andy Taylor, "We call it a 'virtual car.' Small-business people who have to pick up clients call us when they want something better than their own car." Why is this competitive strategy so successful for Enterprise even though its locations are now being imitated by Hertz and Avis?

The secret to Enterprise's success is its well-executed strategy implementation. Clearly laid out programs, budgets, and procedures support the company's competitive strategy by making Enterprise stand out in the mind of the consumer. It was ranked on Business Week's list of "Customer Service Champs" in both 2007 and 2008. When a new rental office opens, employees spend time developing relationships with the service managers of every auto dealership and body shop in the area. Enterprise employees bring pizza and doughnuts to workers at the auto garages across the country. Enterprise forms agreements with dealers to provide replacements for cars brought in for service. At major accounts, the company actually staffs an office at the dealership and has cars parked outside so customers don't have to go to an Enterprise office to complete paperwork.

One key to implementation at Enterprise is staffing—hiring and promoting a certain kind of person. Virtually every Enterprise employee is a college graduate, usually from the bottom half of the class. According to COO Donald Ross, "We hire from the half of the college class that makes the upper half possible. We want athletes, fraternity types—especially fraternity presidents and social directors. People." These new employees begin as management trainees. Instead of regular raises, their pay is tied to branch office profits.

Another key to implementation at Enterprise is leading—specifying clear performance objectives and promoting a team-oriented corporate culture. The company stresses promotion from within and advancement based on performance. Every Enterprise employee, including

top executives, starts at the bottom. As a result, a bond of shared experience connects all employees and managers. Enterprise was included in Business Week's "50 Best Places to Launch a Career" three years in a row. To reinforce a cohesive culture of camaraderie, senior executives routinely do "grunt work" at branch offices. Even Andy Taylor, the CEO, joins the work. "We were visiting an office in Berkeley and it was mobbed, so I started cleaning cars," says Taylor. "As it was happening, I wondered if it was a good use of my time, but the effect on morale was tremendous." Because the financial results of every branch office and every region are available to all, the collegial culture stimulates good-natured competition. "We're this close to beating out Middlesex," grins Woody Erhardt, an area manager in New Jersey. "I want to pound them into the ground. If they lose, they have to throw a party for us, and we get to decide what they wear."

Questions

- a) In the case study, how did Enterprise achieve synergy among functions and business units? (10 marks)
- b) Quite often, a performance gap may be closed by more careful implementation of the organization's strategy. How did Enterprise identify its performance gap? Explain (10 marks)
- c) Examine the strategic challenges that Enterprise will face in its approach to open another rental office a few miles away if a branch office grows to about 150 cars. In your own opinion, is Enterprise's approach sustainable? (20 marks)

SECTION B

Question 2

- a) According to Porter (1998), every firm competing in an industry has a competitive strategy, whether explicit or implicit. This strategy may have been developed explicitly through a planning process or it may have evolved implicitly through the activities of the various functional departments of the firm. Discuss five functional strategies an organization should excel at, to attain a competitive advantage (10 marks)
- b) Strategy implementation involves drawing on and applying all the management functions: planning, organizing, staffing, leading, and controlling. This therefore calls for all elements of a strategy to be checked for potential contradictions and inefficiencies. Examine five key elements an organization should consider to ensure alignment among major components of an organization's corporate strategy (10 marks)

Question 3

- a) Covid-19 has changed the way organizations run their operations. To remain competitive, JKP a local manufacturing company based in Eswatini is redesigning its

operations. As a student of strategic management, what should the company do to successfully implement a cost leadership strategy? (10 marks)

- b) Assume that the of Director Strategy at JKP has advised top management that instead of pursuing a cost leadership strategy, the company should pursue horizontal integration and concentric diversification. If you were hired as an advisor to the Director of Strategy at JPK, describe situations or conditions under which horizontal integration and concentric diversification would be preferred strategic choices (10 marks).

Question 4

- a) What does the statement, " **the firm and the Strategy must become one**" mean? (10 marks) Explain
- b) Why are budgets, schedules, and key success factors essential in operations control and evaluation? (10 marks)

Question 5

Select a company you are familiar with or one in which you conducted strategic assessment in your Strategic Management I course.

- i) Describe the company's structure(organizational) (10 marks)
- ii) How well suited is the structure to the needs and strategy of the organization? (10 marks)

Question 6

- a) Discuss the different types of corporate parenting strategies and explain how they are formulated (10 marks)
- b) In most industries, supply is exceeding demand, while global competition is intensifying. This has led to commoditization of products and services. As such, companies must engage in establishing strategic moves, which are a set of managerial actions and decisions involved in making a major market-creating business offering. You have been hired to design strategies aimed at moving the organization from red oceans to blue oceans. In your own opinion, what four actions should the organization focus to create a blue oceans(value cost-tradeoff)? Explain (10 marks)