University of Eswatini

Faculty of Commerce

Department of Business Administration

Main Examination

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TITLE OF THE PAPER	:	STRATEGIC MANAGEMENT
DEGREE	:	MASTER OF BUSINESS ADMINISTRATION
COURSE	:	BUS 619
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 one

Read the case study entitled **P&G and Unilever Restructuring for Growth** and answer questions that follow;

Most people are familiar with brands such as Tide, Crest, Pampers, Dove, Axe, Pringles, and Hellman's. These and many household trademarks are produced by two of the largest MNEs in the world: Procter & Gamble and Unilever. Based in Cincinnati, Ohio, Procter & Gamble markets approximately 300 brands to consumers in over 140 countries. P&G's greatest competitor, Unilever, is a British/Dutch firm with dual headquarters. Despite their dominating world presences, both companies recently went through large scale restructurings to increase their market shares.

Organization 2005

In 1999, P&G announced a new restructuring plan named Organization 2005. In his new role as CEO, Durk Jager saw the need for P&G to create new growth opportunities, and believed Organization 2005 would be the means of exploiting those opportunities. At the announcement of the plan, Jager said, "Organization 2005 marks the most dramatic change to P&G's structure, work processes and culture in the company's history…The result will be bigger innovation, faster speed to market and greater growth." In simple terms, the plan consisted of the following:

Global Business Units (GBU): P&G moved from four business units based on geographic regions to seven GBUs based on product lines. This change would drive greater innovation and speed by centering strategy and profit responsibility globally on brands, rather than geographies. Most corporate staff moved into the new business units. The remaining staff was refocused on developing cutting-edge new knowledge and serving corporate needs.

Market Development Organizations (MDO): Eight MDOs were established to tailor global marketing programs to local markets and develop strategies to build P&G's entire business based on superior local consumer and customer knowledge.

Global Business Services (GBS): Support divisions like human resources, accounting, order management, and information technology were consolidated into a single corporate organization that would serve the seven GBUs.

Company Culture: P&G redesigned reward systems and training programs to improve result orientation amongst employees. Executive compensation was changed to be more in line with business goals to encourage stronger growth. These changes were made effective on July 1, 1999. P&G anticipated that Organization 2005 would increase long-term annual sales growth to 6–8% and accelerate earnings per share growth to 13–15% in each of the next five years, through 2004. The plan was expected to cost $1.9 billion. Although the future looked brilliant on paper, the implementation of Organization 2005 didn't get off to a good start. Jager put excessive pressure on P&G managers to introduce new products faster, and decided to sell all products under the same name worldwide. In Germany, for example, its dishwashing soap changed from Fairy to Dawn. Since Dawn was an unknown brand, sales plummeted. Managers responded negatively to his confrontational style. Employees were unhappy with the relocations and new lines of authority created by Organization 2005. Organization 2005 didn't produce the expected results—at least not immediately. In 2000, P&G showed weaker than expected earnings. On March 7, 2000, the announcement of an operating loss caused the company's stock price to drop dramatically. By April, Jager accepted responsibility for the poor performance and resigned. Jager's successor, Alan G. Lafley, carried on the restructuring initiatives of Organization 2005, but changed strategies by focusing on strengthening existing product lines rather than introducing new ones. The new CEO's efforts were more successful than his predecessor's. By 2003, P&G's sales grew 6%, its biggest increase since 1996.

Unilever's Path to Growth

At roughly the same time P&G put into place Organization 2005, Unilever initiated its own plan called Path to Growth. Unilever's management felt the same need P&G did to increase growth by strengthening its market share. Formed from the merger of British detergent maker Lever Bros. with Margarine Unie of the Netherlands in 1931, Unilver had to resolve the problems of a company with co-chairmen and dual corporate headquarters in Rotterdam and London. Traditionally, Unilever operated as a multi-domestic company in order to respond to national differences in product preferences in its several markets. However, this strategy resulted in very few economies of scale and little coordination across units, even in the same country. Competitors like P&G and L'Oreal of France with more centralized organizations were more able to respond quickly to changes in consumer tastes. The idea behind the Path to Growth plan was to reduce duplication and focus management attention on core products. The firm reported: "The cornerstone of the plan is the focus of product innovation and brand development on a portfolio of around 400 leading brands (from 1600 brands in 1999) which

will lead to less fragmentation of resources and bigger hit innovations. By end 2004 we expect our leading brands to represent 95% of the business (compared to 75% in 1999). The increase in brand power reflects the contribution from our acquisitions, the planned acceleration in exit from the non-corporate businesses and the disposal or 'harvesting' of tail brands." To accomplish this, Unilever planned get rid of over 100 manufacturing plants to streamline its supply chain.The Path to Growth took the power away from national managers and put it into the hands of product managers, who would have responsibility for pushing the products worldwide. Through the plan, Unilever expected to grow sales by 5-6% annually with operating margins of more than 16%. The estimated cost of the plan was €5 billion. Country managers used to wide autonomy rejected the move to globalization, and the co-chairmen of Unilever replaced many senior managers with younger executives more supportive of the global model resulting from the Path to Growth. By 2003, Unilever's revenues were about the same as those of P&G, but with twice the number of employees and about half the profits. Still, there was much to be happy about. The company reported that operating margins of 15.7% and free cash flow of €16.4 billion. Unilever had successfully sold 140 businesses such that leading brands represented 93% of sales by 2003.

Questions

a) Use the case study to assess the statement, "structure follows strategy". Provide evidence to justify your answer(10 marks)
b) Strategic leadership is concerned with managing the strategy-making process to increase the performance of an organization or a company, thereby increasing the value of the enterprise to its owners, its shareholders. Do you agree with the statement that P&G's leadership was an asset during the restructuring process? Explain (10 marks).
c) Speed to market gives an organization the much needed advantage to reach out to customers much faster than rivals. Why did this fail in P&G's case? (10 marks)
d) Uniliver and P&G embarked on several corporate strategies which did not yield much. If you were the manager at P&G, propose alternative growth strategy(ies) and justify your choice (10 marks)

SECTION B

Question two

a) The ambition to identify the strategic beliefs of executives across a variety of settings can therefore easily lead to an empirical nightmare. It must be accepted that it is not practical to measure and compare executives' cognitive maps in a fine-grained manner. How does this statement qualify the assumptions of the design school of thought in Strategic management? Explain (10 marks)
b) According to Ackoff (1980), the first challenge for executives who are intent on determining a strategic course of action is to *define the mess* in which the organization finds itself. If strategy is a course of action for solving strategic problems with the aim of achieving the organization's purpose, then determining the organizational purpose is strictly speaking not a strategic issue, but a supra-strategic issue. Discuss this

statement and explain why strategy without clearly articulated purpose is like a ship without a radar? (10 marks)

Question three

a) Consider two small business. Business A is a car wash, and business B is a small bar. Both are located in a small town near Manzini. Examine the forces of the environment that would be relevant/affect them and explain how these forces might be influenced by the two businesses (10 marks)

b) Translate the demographic data below into a set of assumptions for;
   i. a small community hospital(2 marks),
   ii. an urban school system(2 marks)
   iii. motor Vehicle Manufacturing (2 marks)

c) How will this demographic data rank in importance with other relevant trends that might affect each of these businesses? Explain (4 marks)

Ages	**1980-1985**	**1985-1990**	**1990-1995**
Under 15	3.4	70	10.6
15-17	-11.6	-10.3	-20.1
18-24	-5.4	-9.7	-13.6
25-34	10.2	3.0	13.5
35-44	22.2	16.6	42.4
45-54	-0.9	12.4	11.5
55-65	2.4	-4.1	-1.9
Over 65	9.6	9.1	19.1

Question four

a) How does the design of a reward system for a diversified organization differ from the design of a system for an organization following a concentration strategy? (10 marks)

b) Established in 1978 in Eswatini, company X which deals in production of Farm Equipment intends to expand her operations to East Africa. How might the use of the Market Commitment Model (MCM) be useful in company X's entry into the East African market space? (10 marks)

Question five

a) 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. How should an organization ensure internal and external alignment during strategy implementation? (10 marks)

b) "Objectives are the core of a strategic plan". Discuss this statement and explain the various corporate areas where objectives are needed (10 marks).

Question six

a) A company has decided to expand its international operations. Managers are concerned about the effectiveness of the existing controls. They believe that the growth of international operations requires broadening the scope of the control system. In your opinion, what changes will you recommend and why?(10 marks)

b) Companies in industries that go through major form of deregulation often find it necessary to change their culture. The airline, banking, hotel, trucking, and telephone industries have all gone through deregulation within the last 20 years. Pick one specific company from these or other industries that have undergone deregulation and analyse how the company has attempted to align its culture with a new strategy(ies)(10 marks)