



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
DEPARTMENT	Department Of Business Management
CAMPUS	APB
MODULE NAME	Advanced Strategic Management 4A
MODULE CODE	BGS41AF & BGS44A4
SEMESTER	First
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment May / June 2019

ASSESSMENT DATE	May 2019	SESSION	1
ASSESSOR	Mr J Venter		
MODERATOR	Mr S Ngcobo		
DURATION	3 hours	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	13
---	----

INSTRUCTIONS TO CANDIDATES:

1. Answer all the questions
2. Question papers must be handed in.
3. This is a closed book assessment.
4. Read the questions carefully and answer only what is asked.
5. Number your answers clearly.
6. Answer all questions:
7. Answer **Section A** in the back of your answer book. Indicate the correct answer by means of an **X**.
8. Answer **Section B** in the answer book.
9. Write neatly and legibly.
10. Structure your answers by using appropriate headings and sub-headings.
11. The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

SECTION A**[30 MARKS]****QUESTION 1**

Launching a pre-emptive strike type of offensive strategy entails _____.

- A cutting prices below a weak rival's costs
- B moving first to secure an advantageous competitive assets that rivals cannot readily match or duplicate
- C using hit-and-run tactics to grab sales and market share away from complacent or distracted rivals
- D attacking the competitive weaknesses of rivals

QUESTION 2

First-mover advantages are unlikely to be present in which one of the following instances?

- A When pioneering helps build a firm's image and reputation with buyers.
- B When first-time customers remain strongly loyal to pioneering firms in making repeat purchases.
- C When early commitments to new technologies, new-style components, new or emerging distribution channels, and so on can produce an absolute cost advantage over rivals.
- D When rapid market evolution (due to fast-paced changes in technology or buyer preferences) presents opportunities to leapfrog a first-mover's products with more attractive next-version products.

QUESTION 3

Market conditions and factors that tend not to favour first movers include which one of the following?

- A Growth in demand that depends on the development of complementary products or services that are not currently available and new industry infrastructure that is needed before buyer demand can surge.
- B Quick market penetration and strong loyalty among first-time customers.
- C Buyer behaviour that is readily attracted to new technology or product features.
- D Conditions that make imitation difficult and absolute cost advantages that accrue to those who make early commitments to new technologies, components, or distribution channels.

QUESTION 4

Mergers and acquisitions are often driven by such strategic objectives as to _____.

- A expand an organisation's geographic coverage, extend its business into new product categories, or gain quick access to new technologies or other resources and capabilities
- B weaken the bargaining power of either key suppliers or key customers
- C reduce the organisation's vulnerability to industry driving forces
- D facilitate an organisation's shift from one type of competitive strategy to another

QUESTION 5

Mergers and acquisitions _____.

- A are nearly always successful in achieving their desired purpose (unlike strategic alliances and collaborative partnerships)
- B all too frequently do not produce the hoped-for outcomes
- C are generally more effective in securing a new competitive advantage than in protecting an existing competitive advantage
- D are highly risky because of the financial drain that comes from using the organisation's cash resources to pay for the costs of the merger or acquisition

QUESTION 6

Vertical integration strategies _____.

- A extend an organisation's competitive and operating scope because its operations extend across more parts of the total industry value chain
- B are one of the best strategic options for helping organisations win the race for global market leadership
- C are a cost-effective means of expanding an organisation's line-up of products and services
- D are particularly effective in boosting an organisation's ability to expand into additional geographic markets, particularly the markets of foreign countries

QUESTION 7

The strategic impetus for forward vertical integration is _____.

- A the opportunity to capture the profits being earned by forward distribution allies (and thereby increase the organisation's own profits)
- B to reduce or eliminate disruptions in the delivery of the organisation's products to end users
- C to avoid channel conflict
- D to gain better access to end users, improve market awareness, and/or include the end user's purchasing experience as a differentiating feature

QUESTION 8

Outsourcing strategies _____.

- A are nearly always a more attractive strategic option than merger and acquisition strategies
- B carry the substantial risk of raising an organisation's costs
- C involve farming out value chain activities presently performed in-house to outside specialists and strategic allies
- D carry the substantial risk of making an organisation overly dependent on its suppliers

QUESTION 9

Strategic alliances are more likely to be long lasting when _____.

- A they involve collaboration with suppliers or distribution allies or when both parties conclude that continued collaboration is in their mutual interests
- B the alliance involves partners based in countries with distinctly different cultures and consumer buying habits and preferences
- C both partners are experienced with strategic alliances and routinely enter into collaborative agreements with firms in peripheral industries
- D the alliance involves joining forces in R&D to develop new technologies cheaper than an organisation could develop the technology on its own

QUESTION 10

The objective of competitive strategy is to _____.

- A provide detail to the organisation's business model
- B get the organisation into the best strategic group and then dominate it
- C establish a competitively powerful value chain
- D build competitive advantage in the marketplace by giving buyers superior value relative to the offerings of rival sellers

QUESTION 11

While there are many routes to competitive advantage, they all involve _____.

- A building a brand name image that buyers trust
- B delivering superior value to a broad or narrow market of buyers in ways rivals cannot readily match
- C achieving lower costs than rivals and becoming the industry's sales and market share leader
- D finding effective and efficient ways to strengthen the organisation's competitive assets and to reduce its competitive liabilities

QUESTION 12

Achieving a cost advantage over rivals entails _____.

- A concentrating on the primary activities portion of the value chain and outsourcing all support activities
- B being a first mover in pursuing backward and forward integration, and controlling as much of the industry value chain as possible
- C performing value chain activities more cost-effectively than rivals and finding ways to eliminate or bypass some cost-producing activities
- D minimising R&D expenses and paying below-average wages and salaries to conserve on labour costs

QUESTION 13

A strategy to be the industry's overall low-cost provider tends to be more appealing than a differentiation or focus strategy when _____.

- A there are many ways to achieve product differentiation that buyers find appealing
- B buyers use the product in a variety of different ways
- C buyers have high switching costs in changing from one seller's product to another
- D the offerings of rival firms are essentially identical, standardised, commodity-like products

QUESTION 14

In which one of the following market circumstances is a broad differentiation strategy generally not well suited?

- A When buyer needs and preferences are diverse.
- B When few rivals are pursuing a similar differentiation approach.
- C When buyers are homogeneous in their needs and preferences, and are generally satisfied with standardised product.
- D When there are many ways to differentiate the product or service and many buyers perceive these differences as having value.

QUESTION 15

Which one of the following can be considered as a risk of a focused strategy based on either low-cost or differentiation?

- A The chance that niche customers will bargain more aggressively for good deals than customers in the overall marketplace.
- B The chance that competitors will find effective ways to match the focused firm's capabilities in serving the target niche.
- C The potential for the segment to be highly vulnerable to economic cycles.
- D The potential for segment growth to race beyond the production or service capabilities of incumbent firms.

QUESTION 16

The target market of a best-cost provider is _____.

- A brand-conscious buyers
- B value-conscious buyers
- C price-sensitive buyers
- D middle-income buyers

QUESTION 17

An organisation's competitive strategy should _____.

- A be well matched to its internal situation and predicated on leveraging its collection of competitively valuable resources and competencies
- B be aligned towards being at least an average performer within the industry
- C be well attuned to doing an outstanding job of satisfying the needs and expectations of niche buyers
- D have the resources and capabilities to incorporate standard attributes into its product offering

QUESTION 18

One important indicator of how well an organisation's present strategy is working is whether _____.

- A it has more core competencies than close rivals
- B its strategy is built around at least two of the industry's key success factors
- C the organisation is achieving gains in financial strength
- D it has been able to create new industry demand through the use of a blue ocean strategy

QUESTION 19

Imitation by rivals is most challenging when _____.

- A resources are unique
- B resources must be built over time
- C capabilities reflect a high level of social complexity and causal ambiguity
- D resources and capabilities require a high level of capital investment

QUESTION 20

Which one of the following best describes the market opportunities that tend to be most relevant to a particular organisation?

- A Those that provide avenues for taking market share away from close rivals and enhance an organisation's image as a leader in product innovation and product quality.
- B Those that offer the organisation a chance to raise entry barriers.
- C Those that help promote greater diversification of revenues and profits.
- D Those that match up well with the firm's financial resources and competitive capabilities, offer the best growth and profitability, and present the most potential for competitive advantage.

QUESTION 21

Which one of the following is a much-used and potent managerial tool for determining whether an organisation performs particular functions or activities in a manner that represents "the best practice" when both cost and effectiveness are taken into account?

- A Competitive strength analysis.
- B Activity-based costing.
- C Resource cost mapping.
- D Benchmarking.

QUESTION 22

An organisation's strategic options for internally performed value chain activities include which of the following?

- (i) Revamping its value chain to eliminate or bypass some cost-producing activities (particularly low value-added activities).
- (ii) Implementing the use of best practices, particularly for high-cost activities.
- (iii) Investing in productivity-enhancing, cost-saving technological improvements.
- (iv) Switching to activity-based costing.

Choose the correct answer:

- A (i), (ii) and (iii)
- B (iii) and (iv)
- C (i), (ii), (iii) and (iv)
- D (ii), (iii) and (iv)

QUESTION 23

Which one of the following can be considered as options for remedying a forward channel-related cost disadvantage?

- (i) Negotiate more favourable prices with suppliers.
- (ii) Integrate forward into organisation-owned retail outlets.
- (iii) Collaborate closely with forward channel allies to identify mutual cost-saving opportunities.
- (iv) Change to a more economical distribution strategy.

Choose the correct answer:

- A (i), (iii) and (iv)
- B (iii) and (iv)
- C (i), (ii), (iii) and (iv)
- D (ii), (iii) and (iv)

QUESTION 24

An organisation's competitive strength scores _____.

- A pinpoint its strengths and weaknesses against rivals and point to offensive and defensive strategies capable of producing first-rate results
- B determine whether an organisation has a cost-effective value chain
- C learn if the organisation's market opportunities are better than those of its rival
- D analyse whether an organisation is well positioned to gain market share and be the industry's profit leader

QUESTION 25

Identifying the strategic issues an organisation faces and compiling a "worry list" of problems and roadblocks is an important component of organisation situation analysis because _____.

- A without a precise fix on what problems/issues an organisation confronts, managers cannot know what the industry's key success factors are
- B the "worry list" sets the management agenda for taking actions to improve the organisation's performance and business outlook
- C without a precise fix on what problems/roadblocks an organisation confronts, managers are less clear about what value chain activities to benchmark
- D the "worry list" helps organisation managers clarify their thinking about how best to modify the organisation's value chain

QUESTION 26

Changing circumstances and ongoing managerial efforts to improve the strategy _____.

- A account for why an organisation's strategy evolves over time
- B explain why an organisation's strategic vision undergoes almost constant change
- C make it very difficult for an organisation to have concrete strategic objectives
- D make it very hard to know what an organisation's strategy really is

QUESTION 27

It is normal for an organisation's strategy to end up being _____.

- A left unchanged from management's original planned set of actions and business approaches since making on-the-spot changes is too risky
- B a combination of defensive moves to protect the organisation's market share and offensive initiatives to set the organisation's product offering apart from rivals
- C like the strategies of other industry members since all organisations are confronting much the same market conditions and competitive pressures
- D a blend of deliberate planned actions to improve the organisation's competitiveness and financial performance and as-needed unplanned reactions to unanticipated developments and fresh market conditions

QUESTION 28

Crafting a strategy involves _____.

- A blending deliberate, planned initiatives with emergent, unplanned reactive responses to changing circumstances, while abandoning planned strategy elements that have failed in the marketplace
- B developing a five-year strategic plan and then fine-tuning it during the remainder of the plan period
- C trying to imitate as much of the market leader's strategy as possible so as not to end up at a competitive disadvantage
- D doing everything possible (in the way of price, quality, service, warranties, advertising, and so on) to make sure the organisation's product and/or service is very clearly differentiated from the product and or service offerings of rivals

QUESTION 29

An organisation may develop an emergent strategy due to which of the following?

- (i) Strategic moves by rival organisations
- (ii) Unexpected shifts in customer preferences
- (iii) Fast-changing technological developments
- (iv) New market opportunities

Choose the correct answer:

- A (ii) and (iv)
- B (ii), (iii) and (iv)
- C (i), (ii) and (iv)
- D (i), (ii), (iii) and (iv)

QUESTION 30

A well-conceived strategy builds an organisation's _____.

- (i) profitability and financial strength
- (ii) competitive strength and market standing
- (iii) distinctive competencies and sustainability
- (iv) competitive edge

Choose the correct answer:

- A (ii) and (iv)
- B (ii), (iii) and (iv)
- C (i), (ii) and (iv)
- D (i), (ii), (iii) and (iv)

SECTION B**[70 MARKS]****QUESTION 1****[16 MARKS]**

Read the case study below and answer the questions that follow.

JOHNSON & JOHNSON (J&J) – CORPORATE-LEVEL STRATEGIES

Johnson & Johnson (J&J), once a consumer products organisation known for its Band-Aid line and its baby care products, has evolved into a \$61 billion diversified enterprise consisting of some 250-plus operating organisations organised into three divisions, namely pharmaceuticals, medical devices and diagnostics, and consumer health care products. Over the past decade, J&J has made acquisitions totalling more than \$50 billion. About 10 to 15 per cent of J&J's annual growth in revenue has come from acquisitions. Much of the organisations' recent growth has been in the pharmaceutical division, which in 2007 accounted for 41 per cent of J&J's revenues and 48 per cent of its operating profits. While each of J&J's business units sets its own strategies and operates with its own finance and human resource departments, corporate management strongly encourages cross-business cooperation and collaboration, believing that many of the advances of 21st century medicine will come from applying advances in one discipline to another. J&J's drug-coated stent grew out of a discussion between a drug researcher and a researcher in the organisation's stent business. The innovative product helps prevent infection after cardiac procedures. (When stents are inserted to prop open arteries following angioplasty, the drug coating helps prevent infection). A gene technology database compiled by the organisation's gene research lab was shared with personnel from the diagnostics division, which developed a test that the drug researchers used to predict which patients would benefit most from an experimental cancer therapy. J&J's liquid Band-Aid product (a liquid coating applied to hard-to-cover places like fingers and knuckles) is based on material used in wound-closing products sold by the organisation's hospital products organisation. J&J's corporate management maintains close collaboration among people in the various business units, where numerous cross-business strategic fits exist. This strategy gives J&J an edge on competitors, most of whom cannot match the organisation's breadth and depth of expertise.

Source: Adapted from: Lazenby, K. (Editor). 2014 *The Strategic Management Process. A South African Perspective.* p. 196.

Questions

1.1 Which corporate-level strategy does Johnson & Johnson pursue? Explain. (7)

Note: Make use of examples from the case study to indicate your understanding of the subject matter.

1.2 What benefits did Johnson & Johnson obtain through the implementation of its strategy? Discuss. (4)

Note: Make use of examples from the case study to indicate your understanding of the subject matter.

- 1.3 What is Johnson & Johnson's competitive advantage in the industry in which it operates? Explain. (5)

Note: Make use of examples from the case study to indicate your understanding of the subject matter.

QUESTION 2

[20 MARKS]

It is important for both organisations and individuals to be properly aligned with strategic priorities and enthusiastically committed to executing strategy. To get employees' sustained, energetic commitment, management has to be resourceful in designing and using motivational incentives – both monetary and nonmonetary.

Identify and discuss any five monetary and any five non-monetary motivational incentives.

QUESTION 3

[24 MARKS]

- 3.1 While most organisation managers are careful to ensure that an organisation's strategy is within the bounds of what is legal, evidence indicates they are not always so careful to ensure that their strategies are within the bounds of what is considered ethical. In recent years, there have been revelations of ethical misconduct on the part of managers. Apart from "the business of business is business, not ethics" kind of thinking apparent in recent high-profile business scandals, three other main drivers of unethical business behaviour also stand out

Explain three other main drivers of unethical business behaviour (6)

- 3.2 Notions of right and wrong, fair and unfair, moral and immoral, ethical and unethical are present in all societies, organisations, and individuals. There are schools of thought about the extent to which the ethical standards travel across cultures and whether multinational organisations can apply the same set of ethical standards in all of the locations where they operate.

Contrast the School of Ethical Universalism and the School of Ethical Relativism. (10)

- 3.3 The idea that businesses have an obligation to foster social betterment, a much-debated topic in the past 50 years, took root in the 19th century when progressive organisations in the aftermath of the industrial revolution began to provide workers with housing and other amenities.

Explain what is meant by Corporate Social Responsibility and what it involves. (8)

QUESTION 4

[10 MARKS]

An organisation may opt to expand outside its domestic market for any of five major reasons.

Identify and discuss the five reasons.

Note: Make use of examples to enhance your explanation.

END OF ASSESSMENT