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SCHOOL	School of Economics
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ASSESSMENT DATE	July 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)	15
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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**

A resource-based strategy _____.

- A is often based on cross-department combinations of intellectual capital and expertise
- B uses an organisation's valuable and rare resources and competitive capabilities to deliver value to customers that rivals have difficulty matching
- C is typically based on a stand-alone resource strength such as technological expertise
- D refers to an organisation's most efficiently executed value-chain activity

QUESTION 2

An organisation resource weakness or competitive deficiency _____.

- A represents a problem that needs to be turned into a strength because weaknesses prevent an organisation from being a winner in the marketplace
- B causes the organisation to fall into a lower strategic group than it otherwise could compete in
- C prevents an organisation from having a distinctive competence
- D is something an organisation lacks or does poorly (in comparison to rivals) or a condition that puts it at a disadvantage in the marketplace

QUESTION 3

Two analytical tools useful in determining whether an organisation's prices and costs are competitive are _____.

- A SWOT analysis and key success factor analysis
- B SWOT analysis and benchmarking
- C value chain analysis and benchmarking
- D competitive position assessment and competitive strength assessment

QUESTION 4

The options for internally performed value chain activities and improve an organisation's cost competitiveness include which of the following?

- (i) investing in productivity-enhancing, cost-saving technological improvements
- (ii) outsourcing internally performed activities to those able to perform the activities at a lower cost
- (iii) implementing the use of best practices, particularly for high-cost activities
- (iv) eliminating some cost-producing activities from the value chain, especially low value-added activities

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 5

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 6

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 without a precise fix on what problems/roadblocks an organisation confronts, managers are less clear about what value chain activities to benchmark
- C the "worry list" helps organisation managers clarify their thinking about how best to modify the organisation's value chain
- D the "worry list" sets the management agenda for taking actions to improve the organisation's performance and business outlook

QUESTION 7

Which of the following can be considered as something that can be learned from doing a competitive strength assessment?

- (i) The factors on which an organisation is competitively strongest and weakest vis-à-vis key rivals
- (ii) Whether an organisation should correct its weaknesses by adopting best practices and revamping the makeup of its value chain
- (iii) Which of the rated organisations is competitively strongest and what size competitive advantage it enjoys
- (iv) Whether an organisation has a net competitive advantage or a net competitive disadvantage relative to key rivals (with the size of the advantage/disadvantage being indicated by the differences among the organisations' competitive strength scores)

Choose the correct answer:

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

QUESTION 8

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 9

Which of the following can be considered as one of the (five) questions that comprise the task of evaluating an organisation's competitive strength and cost structure?

- (i) What are the organisation's most profitable geographic market segments?
- (ii) How well is the organisation's strategy working?
- (iii) Is the organisation's cost structure and customer value proposition competitive?
- (iv) Is the organisation competitively stronger or weaker than key rivals?

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 10

Which of the following can be considered as a component of evaluating an organisation's competitive strength and cost structure?

- (i) Evaluating how well the strategy is working
- (ii) Scanning the environment to determine an organisation's best and most profitable customers
- (iii) Assessing whether the organisation's costs and prices are competitive
- (iv) Evaluating whether the organisation is competitively stronger or weaker than key rivals

Choose the correct answer:

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

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 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

The generic types of competitive strategies include which one of the following?

- A build market share, maintain market share, and slowly surrender market share
- B offensive strategies and defensive strategies
- C low-cost provider, broad differentiation, focused low-cost, focused differentiation, and best-cost provider strategies
- D low-cost/low-price strategies, high-quality/high-price strategies, medium-quality/medium-price strategies, low-cost/high-price strategies

QUESTION 13

To succeed with a low-cost provider strategy, organisation managers have to _____.

- A pursue backward or forward integration to detour suppliers or buyers with considerable bargaining power and leverage
- B move the performance of most all value chain activities to low-wage countries
- C sell direct to users of their product or service and eliminate use of wholesale and retail intermediaries
- D do two things: (1) perform value chain activities more cost-effectively than rivals and (2) be proactive in revamping the organisation's overall value chain to eliminate or bypass "nonessential" cost-producing activities

QUESTION 14

Achieving a cost advantage over rivals entails _____.

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

QUESTION 15

Successful differentiation allows a organisation to _____.

- A command a premium price for its product and/or increase unit sales and/or gain buyer loyalty to its brand
- B command the largest market share in the industry
- C set the industry ceiling on price
- D avoid being overly concerned about whether entry barriers into the industry

QUESTION 16

The most appealing approaches to differentiation are _____.

- A those that are the most costly to incorporate
- B those that match the differentiating features offered by rivals in the industry
- C those that can be made even more attractive to buyers via clever advertising
- D those that are hard or expensive for rivals to duplicate and that also have considerable buyer appeal

QUESTION 17

A focused differentiation strategy aims at securing competitive advantage _____.

- A by providing niche members with a top-of-the-line product at a premium price
- B by catering to buyers looking for an upscale product at an attractively low price
- C with a product or service offering carefully designed to appeal to the unique preferences and needs of a narrow, well-defined group of buyers
- D by developing product attributes that no other organisation in the industry has

QUESTION 18

A organisation pursuing a best-cost provider strategy _____.

- A seeks to deliver superior value to buyers by satisfying their expectations on key quality/service/features/performance attributes and beating their expectations on price (given what rivals are charging for much the same attributes)
- B seeks to be the low-cost provider in the largest and fastest-growing (or best) market segment
- C tries to have the best cost (as compared to rivals) for each activity in the industry's value chain
- D tries to outcompete a low-cost provider by attracting buyers on the basis of charging the best price

QUESTION 19

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 toward 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 20

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

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

QUESTION 21

Which of the following can be considered among the principal offensive strategy options that an organisation can employ?

- (i) Leapfrogging competitors by being the first adopter of next-generation technologies or being first to market with next-generation products
- (ii) Offering an equally good or better product at a lower price
- (iii) Blocking the avenues open to challengers
- (iv) Attacking the competitive weakness of rivals

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 22

A blue ocean type of offensive strategy _____.

- A refers to initiatives by a market leader to steal customers away from unsuspecting smaller rivals
- B involves a pre-emptive strike to secure an advantageous position in a fast-growing market segment
- C entails attacking rivals head-on with deep price discounts and continuous product innovation
- D involves abandoning efforts to beat out competitors in existing markets and, instead, inventing a new industry or new market segment that renders existing competitors largely irrelevant and allows an organisation to create and capture altogether new demand

QUESTION 23

Being first to initiate a strategic move can have a high payoff in all but which one of the following instances?

- A When pioneering helps build an organisation's image and reputation with buyers
- B When first-time customers remain strongly loyal to pioneering organisations 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 pioneering leadership is more costly than followership

QUESTION 24

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

- A 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
- B When pioneering helps build an organisation's image and reputation with buyers
- C When first-time customers remain strongly loyal to pioneering organisations in making repeat purchases
- D 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

QUESTION 25

The difference between a merger and an acquisition is _____.

- A that a merger involves one organisation purchasing the assets of another organisation with cash, whereas an acquisition involves one organisation becoming the owner of another organisation by buying all of the shares of its common stock
- B that a merger is the combining of two or more organisations into a single corporate entity (with the newly created organisation often taking on a new name) whereas an acquisition is a combination in which one organisation, the acquirer, purchases and absorbs the operations of another, the acquired
- C basically a play on words—in both instances, two organisations become one
- D that the brands of both organisations are retained in a merger whereas with an acquisition there is only one surviving brand name

QUESTION 26

Why do mergers and acquisitions sometimes fail to produce anticipated results?

- (i) They do not produce the hoped for outcomes and changes to existing operations may not eventuate.
- (ii) Cost savings may prove smaller than expected.
- (iii) Gains in competitive capabilities may take substantially longer or never materialize.
- (iv) Efforts to mesh corporate cultures can stall due to formidable resistance from organisation members and key employees can become disenchanted and leave

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 27

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 28

The strategic impetus for forward vertical integration is to _____.

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

QUESTION 29

The big risk of employing an outsourcing strategy is _____.

- A the increased time it takes to respond effectively to the fresh strategic moves of rival organisations
- B hollowing out the competitive capabilities an organisation needs to be a master of its own destiny
- C impairing an organisation's capability to be a leader in product innovation
- D increased vulnerability to shifts in buyer demand

QUESTION 30

Experience indicates that strategic alliances _____.

- A are generally successful
- B work well in cooperatively developing new technologies and new products but seldom work well in promoting greater supply chain efficiency
- C work best when they are aimed at achieving a mutually beneficial competitive advantage for the allies
- D stand a reasonable chance of helping an organisation reduce competitive disadvantage, but very rarely form the basis of a durable competitive advantage over rivals

SECTION B**[70 MARKS]****QUESTION 1****[22 MARKS]**

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

GROWING YEAR ON YEAR – HATCH AFRICA

Consulting engineering and project implementation organisation, Hatch Africa, has experienced steady growth since opening its doors in South Africa on 4 July 1995. The organisation prides itself on delivering strong project outcomes to its clients in the mining and metals, energy, and infrastructure sectors.

The results of the Discovery Healthy Organisation Index, the largest workplace wellness survey in South Africa, have been released and Hatch has emerged as the healthiest large organisation in the country in 2012. The professional services organisation delivers an array of technical and strategic services to the mining, metallurgical, energy, and infrastructure sectors. Hatch received the award for combining the health of employees (measured using the Vitality Age risk factors) with the health-related facilities and programmes that the organisation provides to their employees overall. Vital Health Foods, South Africa's leading health food manufacturer and producer of vitamins, minerals and supplements, won healthiest medium-sized organisation, and BSG (Africa), a business and software solutions organisation, and last year's overall winner, won healthiest small organisation.

The Hatch Africa Woodmead campus, which is the single largest Hatch office globally, accounts for an estimated 16 per cent of Hatch's global throughput. Hatch has experienced much of its global growth within the last decade, and is currently successfully managing capital projects with an aggregate value of more than \$50 billion.

In 2001, Hatch embarked on a diversification strategy that added core business units with advanced technological and strategic focuses on infrastructure and energy to the organisation's already highly-developed mining and metals portfolios. Hatch's participation in these sectors has been reinforced through the formation of partnerships and acquisitions of key participants in the energy and infrastructure sectors. To this extent, Hatch has formed strategic global partnerships with UK-based Mott McDonald and Australian-based Aurecon to establish itself more substantially in the global infrastructure sector.

Similarly, Hatch recently merged with North America's leading energy sector project house. Acres, and has formed an alliance with the highly-rated energy service provider, Sargent & Lundy. This has allowed Hatch to expand its engineering and strategic capabilities in the hydropower, gas and coal power, nuclear energy, and oil and gas development sectors.

Through these initiatives. Hatch has been successful in diversifying the capabilities of the organisation to the extent that 70 per cent of the current global project portfolio is located in the mining and metals sector, 15 per cent in the infrastructure sector and 15 per cent in the energy sector.

Locally, Hatch Africa has the strategic vision that 50 per cent of its business will come from

mining and metals; and the other 50 per cent equally from energy and infrastructure. Soon after this vision was put into motion. Hatch Africa, along with its joint venture partners, was engaged by Transnet as the managing contractors for their capital expansion programme. The agreement allowed Hatch Africa to become a multi-disciplinary and multi-sectoral service provider. Hatch Africa grew into the infrastructure business, which gave it the momentum and ability to keep growing.

Hatch Africa has positioned itself as an organisation that is more than willing to take on challenging projects. Hatch Africa likes to look for challenges that other organisations would be rather nervous to take on. For example, utilising the knowledge that Hatch Africa has, it built the biggest platinum furnaces that have ever been envisaged, while at the same time, improving operating costs and the cost of production for the client. Hatch Africa is rather risk averse as an organisation and aims to make sure that the reward is great for the client.

One such project is the development of a multipurpose horse cart. Township coal-cart horses and their owners will have a load taken off their shoulders, as well as a new lease on life, thanks to a generous donation and an innovative cart design from Hatch Africa – an industry leader in engineering, project and construction management services, process and business consulting and operational services to the mining, metallurgical, energy and infrastructure industries.

Marketing coordinator, Michelle Reinhard, facilitated the introduction of the Society for Animals in Distress (SAID) to Hatch after being alerted to certain pre-existing problems with horse carts and limited income opportunities for coal-yard owners. As a result, Hatch Africa designed a lightweight, multi-purpose cart that will benefit working animals and the community at large. What's more. Hatch donated R20 000 to SAID to enable them to purchase the necessary cart components.

Hatch designated eight students in various engineering disciplines from its bursary programme to design a new cart to afford coal-yard owners other opportunities besides the sale and distribution of coal. The commodity is only in demand during the winter months, and SAID identified a definite need for income-generating activities during the summer.

"We have been associated with SAID for the past four years, and when they approached us with this project, we were more than happy to assist with this diverse and worthy cause," explains Arlen Loehmer, Hatch Africa hub lead for systems and process control. "The outcome of this project resulted in the completion of a multipurpose cart that will not only be used to transport coal, but also to assist the greater community, acting as a delivery vehicle for informal shops, or as a mode of transportation for weddings and funerals."

The Hatch Africa team needed to meet the following requirements:

- Design a cart versatile enough to allow the owner to perform a variety of functions.
- The dimension of the cart, excluding the draw-pole, should be approximately that of a long-wheel base single-cab bakkie.
- The cart should be able to carry a coal load of 600 kg, excluding driver and passenger.

- The design should be roadworthy and comfortable so as not to harm the animals.
- The budget of the design must be kept between R8 000 and R10 000.

Loehmer notes that it took the engineering students two years to complete the project. “The designs were completed after the first year, but on their return, the students were faced with a number of challenges relating to the design of the cart. Firstly, the original axle design did not allow the cart to turn 360 degrees, and the shaft that rests on the horse’s back was not height adjustable,” he explains.

Despite these setbacks, Loehmer says that the students were undeterred, and having learnt from their mistakes, they displayed passion and determination during the final leg of their task. They successfully completed the project after consultation with an equine veterinarian, who explained key design aspects that could affect the safety and comfort of the animals. The drawings detailing the design were then professionally approved by Steve Stacey, head of structural engineering at Hatch Africa.

“The students gained valuable insight into a real-life project undertaking, and it has changed their understanding of how engineering works. We are proud to be part of a project that will bring so many benefits to local communities, and we are committed to making a noticeable difference wherever we can,” Loehmer continues.

The introduction of this new cart will complement the horse-care training that the coal-yard owners and workers have received from SAID. What’s more, a number of community members have also been trained as farriers and harness-makers; thus creating employment opportunities while ensuring quality hoof care for the horses and also empowering residents.

SAID executive general manager. Heather Miller, hopes to receive more corporate donations in order to distribute the new carts to coal-yard owners in SAID’s operational areas. She says: “I would li

ke to thank Hatch Africa for enabling us to introduce this practical new cart that will make a profound difference in the lives of both the residents of greater Tembisa, and the working equine. Through owner-training and veterinary care, the condition of some 300 working horses in these areas has improved considerably,” she concludes.

Looking ahead, it was pointed out that Hatch Africa’s strategy and philosophy of engaging with its clients has put it in a much more assured position that will help them to exist successfully, despite adverse economic climates.

Hatch Africa aims to remain fit and agile in order to accommodate economic fluctuations that may be on the horizon. There is, however, a renewed confidence with regard to Hatch Africa’s metals clients. They feel as though they have ‘weathered the storm’ and can now position themselves to grow responsibly again. Hatch Africa feels as though it can grow with these expectations.

What’s more, it is believed that the infrastructure and energy requirements for the Southern African region remains a high priority, and that Hatch Africa is well positioned for what it

believes will be a steady load of work with quite expansive growth. Meanwhile Hatch Africa is also well positioned to retain its tools and skills, as well as the ability to continue to execute good projects.

Source: Lazenby, K. (Editor). (2014) *The Strategic Management Process. A South African Perspective*. pp. 147 - 149

Questions

- 1.1 Using Porter's Five Forces model, evaluate whether Hatch wields some bargaining power as a supplier. (6)
- 1.2 Discuss Hatch's competitive position regarding the other four aspects of Porter's Five Forces model. (8)
- 1.3 Apply a PESTE analysis for Hatch. (8)

QUESTION 2

[12 MARKS]

- 2.1 Explain the concept "business ethics". (2)
- 2.2 Evaluate the concept of corporate social responsibility (CSR). (10)

QUESTION 3

[20 MARKS]

- 3.1 Combining the operations of two organisations, via merger or acquisition (horizontal merger and acquisition strategies) is an attractive strategic option for achieving operating economies, strengthening the resulting organisation's competencies and competitiveness.
Discuss the five (5) objectives of merger and acquisition strategies. (10)
- 3.2 Identify and discuss the five (5) reasons when an organisation could follow an outsourcing strategy successfully. (10)

QUESTION 4

[16 MARKS]

Organisations can pursue differentiation from many angles. Nevertheless, the most appealing approaches to differentiation are those that are hard or expensive for rivals to duplicate.

Explain eight (8) ways that managers can enhance differentiation through the systematic management of uniqueness drivers.

Note: A uniqueness driver is a value chain activity or factor that can have a strong effect on customer value and creating differentiation.

END OF ASSESSMENT