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ASSESSORS	Mr T Mlilo Mr S Ngcobo		
MODERATOR	Dr A Chivandi		
DURATION	180 Minutes	**TOTAL MARKS**	150

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	22

INFORMATION/INSTRUCTIONS:

- This is a closed-book assessment.
- Question papers must be handed in together with your answer books.
- Read the questions carefully and answer only what is asked.
- Answer all the questions:
    - Answer **Section A** on the back of your answer book. Indicate the correct answer by circling it.
    - Answer **Section B** in the answer book.
- Number your answers clearly.
- Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
- Structure your answers by using appropriate headings and subheadings.
- The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

SECTION A [50 MARKS]

QUESTION 1

Once a company has decided to employ one of the five basic competitive strategies, then it must also consider such additional strategic choices as __________.

A whether and when to go on the offensive and initiate aggressive strategic moves to improve the company's market position
B whether to outsource certain value chain activities or perform them in-house
C whether to form strategic alliances and collaborative partnerships to add to its accumulation of resources and competitive capabilities
D whether to integrate forward or backward into more stages of the industry value chain
E all of the above

QUESTION 2

Which one of the following is an example of an offensive strategy?

A Blocking the avenues open to challenges
B Signalling challenges that retaliation is likely
C Pursuing continuous product innovation to draw sales and market share away from less innovative rivals
D Introducing new features or models to fill vacant niches in its overall product offering and better match the product

QUESTION 3

A hit-and-run or guerrilla warfare type offensive strategy involves __________.

A random offensive attacks used by a market leader to steal away from unsuspecting smaller rivals
B unexpected attacks (usually by a small competitor) to grab sales and market share from complacent or distracted rivals
C pitting a small company's own competitive strengths head-on against the strengths or much larger rivals
D work best if the guerrilla is the industry's low-cost leader

QUESTION 4

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 can't readily match or duplicate
C using hit-and-run tactics to grab sales and market share away from complacent or distracted rivals
D leapfrogging into next-generation products and technologies, thus forcing rivals to play catch-up

QUESTION 5

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 competing in existing markets and, instead, inventing a new industry or new market segment that renders existing competitors largely irrelevant and allows a company to create and capture altogether new demand

QUESTION 6

Managers in all types of businesses must address the central strategic question, which is __________.

A where are we now?
B where do we want to go from here?
C how are we going to get there?
D when will we know we are there?

QUESTION 7

The competitive moves and business approaches a company's management is using to grow the business, compete successfully, attract and please customers, conduct operations, respond to changing economic and market conditions, and achieve organisational objectives are referred to as its __________.

A strategy
B mission statement
C strategic intent
D business model

QUESTION 8

Which of the following is **NOT** something a company's strategy is concerned with?

A Management's choices about how to attract and please customers
B Management's choices about how quickly and closely to copy the strategies being used by successful rival companies
C Management's choices about how to grow the business
D Management's choices about how to outcompete rivals

QUESTION 9

A company's business model __________.

A concerns the actions and business approaches that will be used to grow the business, conduct operations, please customers, and compete successfully
B relates to the principle business components that will allow the business to generate revenues ample to cover costs and produce a profit
C concerns what moves it plans to make in the marketplace to outcompete rivals
D deals with how it can simultaneously maximise profits and operate in a socially responsible manner

QUESTION 10

A winning strategy is one that __________.

A builds strategic fit, is socially responsible, and maximises shareholder wealth
B is highly profitable and boosts the company's market share
C results in a company becoming the dominant industry leader
D fits the company's internal and external situation, builds sustainable competitive advantage, and improves company performance

QUESTION 11

Which of the following is an integral part of the managerial process of crafting and executing strategy?

A Developing a proven business model
B Setting objectives and using them as yardsticks for measuring the company's performance and progress
C Deciding how much of the company's resources to employ in the pursuit of sustainable competitive advantage
D Communicating the company's mission and purpose to all employees

QUESTION 12

When a company is confronted with significant industry change that mandates radical revisioning of its strategic course, the company is said to have encountered __________.

A a learning and growth perspective
B a strategic inflection point
C a strategic roadblock
D an opportunity for corporate entrepreneurship

QUESTION 13

A company's strategic vision concerns __________.

A a company's directional path and future product-customer-market-technology focus
B why the company does certain things in trying to please its customers
C management's story line of how it intends to make a profit with the chosen strategy
D "who we are and what we do"

QUESTION 14

Which of the following are characteristics of an effectively worded strategic vision statement?

A Graphic, directional, and focused
B Challenging, competitive, and "set in concrete"
C Balanced, responsible, and rational
D Achievable, profitable, and ethical

QUESTION 15

The obligations of an investor-owned company's board of directors in the strategy-making, strategy-executing process include __________.

A coming up with compelling strategy proposals to debate against those put forward by top management
B taking the lead in formulating the company's strategic plan but then delegating the task of implementing and executing the strategic plan to the company's CEO and other senior executives
C taking the lead in developing the company's business model and strategic vision
D overseeing the company's financial accounting and financial reporting practices and evaluating the calibre of senior executives' strategy-making/strategy-executing skills

QUESTION 16

Acquisition of an existing firm rather than going de novo may be the least risky and cost-efficient means of overcoming entry barriers such as __________.

A gaining access to local distribution networks, building supplier networks, and establishing working relationships with key government officials
B moving directly to the task of transferring resources and personnel, integrating and redirecting activities into its own operation
C putting its own strategy into place
D accelerating efforts to build a strong market presence

QUESTION 17

The common types of valuable resources and competitive capabilities that management should consider when crafting a strategy include __________.

A a skill, specialised expertise, or competitively important capability.
B valuable physical and intangible assets.
C valuable human assets and intellectual capital.
D All of these.

QUESTION 18

What sets focused (or market niche) strategies apart from low-cost leadership and broad differentiation strategies is __________.

A the extra attention paid to top-notch product performance and product quality.
B their concentrated attention on a narrow piece of the overall market
C greater opportunity for competitive advantage
D their suitability for market situations where most industry rivals have weakly differentiated products

QUESTION 19

Establishing a subsidiary in a foreign market to take advantage of all essential value chain activities requires a strategy that __________

A establishes a wholly owned subsidiary
B acquires a foreign company
C supports direct control over all aspects of operating in a foreign market
D establishes a start-up operation

QUESTION 20

Diversifying into a new industry by forming a new internal subsidiary to enter and compete in the target industry is attractive when ___________.

A all of the potential acquisition candidates are losing money
B it is impractical to outsource most of the value chain activities that have to be performed in the target business/industry
C there is ample time to launch the new business from the ground up
D the company has built up a hoard of cash with which to finance a diversification effort

QUESTION 21

A diversified company that leverages the strategic fits of its related businesses into competitive advantage __________.

A has a distinctive competence in its related businesses
B has a clear path to achieving 1 + 1 = 3 synergy gains in shareholder value
C has a clear path to global market leadership in the industries where it has related businesses
D achieves economies of scope and passes the reduced-costs test for crafting a diversification strategy capable of creating added shareholder value

QUESTION 22

The success of unrelated diversification is dependent on management's ability __________.

A acquire new businesses that utilise much the same technology as existing businesses
B divest businesses whose competitive strategies do *not* match the overall competitive strategy of the corporation
C acquire new businesses having attractive distribution-related and customer-related strategic fits with existing businesses
D spotting bargain-priced companies with big upside potential and then turning around their operations quickly with the aid of the parent company's financial resources and managerial know-how

QUESTION 23

When a company operates in the markets of two or more different countries, its foremost strategic issue is __________

A whether to use strategic alliances to help defeat its rivals
B whether to vary the company's competitive approach to fit specific market conditions and buyer preferences in each host country or whether to employ essentially the same strategy in all countries.
C whether to maintain a national (one-country) manufacturing base and export goods to the other countries
D choosing which foreign companies to team up with via strategic alliances or joint ventures

QUESTION 24

The transnational approach of a firm using a "think global, act local" version of a global strategy entails __________

A producing and marketing a variety of product versions under the same brand name, with each different version being designed specifically to accommodate the needs and preferences of buyers in a particular country
B little or no strategy coordination across countries
C pursuing the same basic competitive strategy theme (low-cost, differentiation, best-cost, focused) in all countries where the firm does business but giving local managers some latitude to adjust product attributes to better satisfy local buyers and to adjust production, distribution, and marketing to be responsive to local market conditions.
D selling the company's products under a wide variety of brand names (often one brand for each country or group of neighboring countries) so that buyers in each country market will think they are buying a locally made brand.

QUESTION 25

Which of the following is a diversified business with one major “core” business and a collection of small related or unrelated businesses?

A Broadly diversified enterprise
B Narrowly diversified enterprise
C Multi-business enterprise
D Dominant business enterprise

QUESTION 26

The purposes of defensive strategies include __________.

A discouraging deep price discounting on the part of ambitious rivals seeking to capture additional sales and market share
B lowering the risk of being attacked by rivals, weakening the impact of any attack that occurs, and influencing challengers to aim their offensive efforts at other rivals
C insulating a company from the impact of competitive pressure and industry driving forces
D weakening competitors in ways that make them largely irrelevant

QUESTION 27

The difference between a merger and an acquisition is __________.

A that a merger involves one company purchasing the assets of another company with cash, whereas an acquisition involves one company becoming the owner of another company by buying all of the shares of its common stock.
B that a merger is the combining of two or more companies into a single corporate entity (with the newly created company often taking on a new name), whereas an acquisition is a combination in which one company, the acquirer, purchases and absorbs the operations of another, the acquired
C that the brands of both companies are retained in a merger, whereas with an acquisition there is only one surviving brand name
D that a merger involves two or more companies deciding to adopt the same strategy, whereas an acquisition involves one company becoming the owner of another company but with each company still pursuing its own separate strategy

QUESTION 28

The two most compelling reasons for a company to pursue vertical integration (either forward or backward) are to __________.

A expand into foreign markets and control more of the industry value chain
B broaden the firm’s product line and avoid the need for outsourcing
C enable use of offensive strategies and gain a first-mover advantage over rivals in revamping the industry value chain
D strengthen the company’s competitive position and boost its profitability

QUESTION 29

One of the biggest strategic challenges to competing in the international arena include __________.

A how to avoid the risks of shifting exchange rates
B whether to charge the same price in all country markets
C how many foreign firms to license to produce and distribute the company’s products
D whether to offer a mostly standardised product worldwide or whether to customise the company’s offerings in each different country market to match the tastes and preferences of local buyers

QUESTION 30

The market size and market growth rates in the foreign market can be influenced negatively by __________.

A population sizes, income levels and cultural influences, the current state of the infrastructure and distribution and retail networks available
B the ability of management to tailor a strategy to take into consideration all the country difference
C the large size of emerging markets such as China and India
D competitive rivalry that is only moderate in some countries

QUESTION 31

The advantages of manufacturing goods in a particular country and exporting them to foreign markets __________.

A are greatest when local distributors and dealers in that country can be convinced *not* to carry products that are made outside the country's borders
B are largely unaffected by fluctuating exchange rates
C are weakened when that country's currency grows stronger relative to the currencies of the countries where the output is being sold
D are seriously compromised by the potential for local government officials to raise tariffs on the imports of foreign-made goods into their country

QUESTION 32

Which of the following statements concerning the effects of fluctuating exchange rates on companies competing in foreign markets is true?

A Companies that are manufacturing goods in a particular country and are exporting much of what they produce are benefited when that country's currency grows weaker relative to the currencies of the countries that the goods are being exported to.
B Domestic companies under pressure from lower-cost imports are hurt even more when their government's currency grows weaker in relation to the currencies of the countries where the imported goods are being made.
C Fluctuating exchange rates do *not* pose significant risks to a company's competitiveness in foreign markets.
D The advantages of manufacturing goods in a particular country are largely unaffected by fluctuating exchange rates.

QUESTION 33

Using domestic plants as a production base for exporting goods to selected foreign country markets __________.

A can be an excellent initial strategy to pursue international sales
B can be a competitively successful strategy when a company is focusing on vacant market niches in each foreign country
C works well when a firm does *not* have the financial resources to employ cross-market subsidisation
D is usually a weak strategy when competitors are pursuing multi-country strategies

QUESTION 34

The advantages of using an export strategy to build a customer base in foreign markets include __________.

A being able to minimise shipping costs, avoid tariffs, and curb the effects of fluctuating exchange rates
B minimising capital requirements and involvement in foreign markets
C being cheaper and more cost effective than licensing and franchising
D facilitating the establishment of profit sanctuaries in foreign countries and being more suited to accommodating local buyer tastes than a global strategy

QUESTION 35

The advantages of using a franchising strategy to pursue opportunities in foreign markets include __________.

A having franchisees bear most of the costs and risks of establishing foreign locations and requiring the franchisor to expend only the resources to recruit, train, and support foreign franchisees
B being particularly well suited to the global expansion efforts of companies with multi-country strategies
C helping build multiple profit sanctuaries
D being well suited to the global expansion efforts of manufacturers

QUESTION 36

A company's broad macro-environment refers to __________.

A the industry and competitive arena in which the company operates
B general economic conditions plus the factors driving change in the markets being served
C all the strategically significant forces and factors outside a company's boundaries general economic conditions, population demographics, societal values and lifestyles. Technological factors, and governmental legislation and regulation
D the competitive market environment that exists between a company and its competitors

QUESTION 37

The state of competition in an industry is a function of __________.

A competitive pressures coming from the attempts of companies in other industries attempting to win buyers over to their substitute products
B competitive pressures associated with the threat of new entrants into the marketplace
C competitive pressures associated with the bargaining power of suppliers and customers
D all of these

QUESTION 38

Competitive pressures stemming from buyer bargaining power tend to be weaker when __________.

A the number of buyers is small, such that each customer's business tends to be particularly important to a seller
B buyer demand is growing slowly or maybe even declining
C the costs incurred by buyers in switching to competing brands or to substitute products are relatively high
D buyers are well informed about sellers' products, prices, and costs

QUESTION 39

Just how strong the competitive pressures are from substitute products depends on __________.

A whether the available substitutes are strongly or weakly differentiated and whether buyers make purchases frequently or infrequently
B whether attractively priced substitutes are readily available and the ease with which buyers can switch to substitutes
C whether the available substitutes are products or services
D whether the producers of substitutes have ample budgets for new product R&D

QUESTION 40

The best test of whether potential entry is a strong or weak competitive force is __________.

A the strength of buyer loyalty to existing brands
B whether the industry’s driving forces make it harder or easier for new entrants to be successful
C to ask if the industry’s growth and profit prospects are strongly attractive to potential entry candidates
D whether the industry offers an opportunity for a blue ocean strategy

QUESTION 41

One important indicator of how well a company’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 company 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 42

A resource-based strategy __________.

A is often based on cross-department combinations of intellectual capital and expertise
B uses a company’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 a company’s most efficiently executed value-chain activity

QUESTION 43

For a particular company resource to have meaningful competitive power and perhaps qualify as a basis for competitive advantage, it should __________.

A be competitively important, hard for competitors to copy or imitate, rare and something rivals lack, and not be easily trumped by the substitute resources/capabilities of rivals
B be something that a company does internally rather than in collaborative arrangements with outsiders
C be patentable
D be rooted in the company’s organisational capital, information capital, or human capital

QUESTION 44

A company that lacks a stand-alone resource that is competitively powerful may attempt to develop a competitive advantage through __________.

A improved employee training programmes, new marketing promotions, or technological enhancements to production processes
B the development of a new business strategy that draws upon existing resource strengths
C extensive strategic planning and resource identification sessions involving managers at all levels of the organisation
D bundled resources that enable superior performance of cross-functional capabilities that can be leveraged to support its business model and strategy

QUESTION 45

Every organisation has many resources, capabilities and routines; however, those few things the company does really well and that are performed with a very high proficiency are termed __________

A core competencies
B distinct capabilities
C sustainable activities
D distributive factors

QUESTION 46

The objective of competitive strategy is to __________.

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

QUESTION 47

To succeed with a low-cost provider strategy, company 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 firm's overall value chain to eliminate or bypass "non-essential" cost-producing activities.

QUESTION 48

A competitive strategy of striving to be the low-cost provider is particularly attractive when __________.

A buyers are not price sensitive
B the industry is made up of a large number or equal-sized rivals
C price competition is especially vigorous, buyers have low switching costs, and the majority of industry sales are made to a few, large volume buyers
D there are many ways to achieve product differentiation that have value to buyers

QUESTION 49

In which of the following circumstances is a strategy to be the industry's overall low-cost provider not particularly well matched to the market situation?

A When the offerings of rival firms are essentially identical, standardised, commodity-like products.
B When buyers have widely varying needs and special requirements and when the cost of switching purchases from one seller to another is relatively high.
C When there are few ways to achieve differentiation that have value to buyers.
D When price competition is especially vigorous.

QUESTION 50

Opportunities to differentiate a company's product offering __________.

A are always dependent on the capabilities of the company's R&D staff
B are more likely to be captured by highly skilled marketers
C can exist in supply chain activities, R&D, manufacturing activities, distribution and shipping or marketing, sales, and customer service
D are usually tied to product quality and durability and product reliability and proliferation

SECTION B [100 MARKS]

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

SOUTHWEST AIRLINES IN 2010

In 2010, Southwest Airlines was the market share leader in domestic air travel in the United States; it transported more passengers from US airports to U. destinations than any other airline, and it offered more regularly scheduled domestic flights than any other airline. Southwest also had the enviable distinction of being the only major US air carrier that was consistently profitable. The US airline industry had lost money in 15 of the 30 years. Yet Southwest had reported a profit every year since 1973, chiefly because of its zealous pursuit of low operating costs, low fares, and customer-pleasing service.

From humble beginnings, Southwest had climbed up through the industry ranks to become a major competitive force in the domestic segment of the US airline industry. It had weathered industry downturns, dramatic increases in the prices of jet fuel, cataclysmic falloffs in airline traffic due to terrorist attacks and economy-wide recessions, and fare wars and other attempts by rivals to undercut its business, all the while adding more and more flights to more and more airports. Since 2000, the number of passengers flying Southwest had increased by more than 28 million annually, whereas passenger traffic on domestic routes had declined at such carriers as American Airlines, Delta, Continental, United, and US Airways.

When advance reservations were weak for particular weeks or times of the day or on certain routes, Southwest made a regular practice of initiating special fare promotions to stimulate ticket sales on flights that otherwise would have had numerous empty seats. For instance, the company had used fare sales to combat slack air travel during much of the recession of 2008–2009.

The combined effect of Southwest's "Bags Fly Free" ads and periodic fare sales resulted in company-record load factors for every month from July through December 2009. (A load factor was the percentage of all available seats on all flights that were occupied by fare-paying passengers.) Southwest continued to run the "Bags Fly Free" ads during the first half of 2010.

Some facts about Southwest Airlines:

1. Southwest's low fares.
2. The Southwest spirit and fun company culture − the esprit de corps among Southwest employees is pretty impressive. Southwest's employees seem unusually committed and engaged in doing their part to deliver very good customer service and to make the company successful.
3. The tight strategy-culture fit.
4. The competitive power of the company's strategy and the tight fits among the pieces of the strategy − Southwest's strategy is quite well-crafted and well-conceived, having been thought through down to the last detail. And it has produced a low-cost

competitive advantage based. In virtually every market where Southwest has presence, it has emerged as the market share leader and often has a high share of the passenger traffic at the airports it serves. It is very, very tough for rival airlines to compete against Southwest, and there are few instances where Southwest has gone head-to-head against its rivals and lost out.

5. Southwest's very capable top management tea − this is a very well-managed company any way you look at it, with few missteps and bumps in the road over the years. Herb Kelleher's leadership was exemplary and instrumental in the company's success.

6. The approaches to low-cost operations the company has put in place − it is one thing to espouse low-cost leadership and quite another to figure out how to pull it off. Southwest has done a terrific job of keeping its costs low relative to other major US airlines.

7. Southwest's execution of its strategy has been superb.

8. Southwest has crafted a competitively powerful strategy and executed it beautifully.

9. Southwest's low-cost/low-fare strategy strikes a chord with fare-conscious flyers. Southwest has grown over the years to become the number 1 airline in terms of passengers carried − more people now fly Southwest than any other airline. This is testimony to the market effectiveness of Southwest's strategy.

10. Southwest has put some muscle behind its desire to be a low-cost airline, having come up with a host of strategic moves to actually create and sustain a low-cost advantage. Southwest's cost advantage gives it pricing power − Southwest can charge low fares and make money; rivals, if they choose to match Southwest's low fares for competitive reasons, will lose money on these routes. This is indeed a potent competitive edge.

11. It is no accident that Southwest has been profitable while rivals have lost billions of dollars.

12. There can be no doubt that Southwest has prospered with its low-cost provider strategy. The company has enjoyed steady, though not spectacularly rapid, growth. It has been profitable every year since 1973. A good case can be made that Southwest's strategy is producing a company that is "built to last".

13. The careful attention paid to recruiting, screening, and hiring new employees. Southwest hired employees for attitude and trained for skills. Southwest received 90 043 résumés and hired 831 new employees in 2009. In 2007, prior to the onset of the recession, Southwest received 329 200 résumés and hired 4 200 new employees.

14. Management's success in involving and engaging employees in seeking out and implementing ways to save on costs. Southwest's pilots had been instrumental in developing new protocols for takeoffs and landings that conserved fuel

15. Southwest Airlines had never laid off or furloughed any of its employees since the company began operations in 1971. Southwest had built up considerable goodwill with its unions over the years by avoiding layoffs.

16. Southwest's compensation policies and practices. Southwest's pay scales tended to be above the industry average - sometimes even at or near the top of the industry and its benefit packages compared favorably with those at other airlines. Southwest also had an attractive profit-sharing plan.

17. Southwest's employees enjoyed substantial authority and decision-making power. The company relies heavily upon empowerment of employees and decentralized decision-making. According to Kelleher:

18. We've tried to create an environment where people are able to, in effect, bypass even the fairly lean structures that we have so that they don't have to convene a meeting of the sages in order to get something done. In many cases, they can just go ahead and do it on their own.

19. Southwest's supervisory positions were filled internally, reflecting management's belief that people who had "been there and done that" would be more likely to appreciate and understand the demands that people under them were experiencing and, also, more likely to enjoy the respect of their peers and higher-level managers.

20. Management's strong commitment to and skills in building a strong strategy-supportive culture, accompanied by efforts to ingrain core values that were equally strategy supportive. Southwest management has done a very, very commendable job over the years in creating and nurturing core values and a culture that has promoted good strategy execution and operating excellence.

21. Southwest managers were expected to spend at least one-third of their time out of the office, walking around the facilities under their supervision, observing firsthand what was going on, listening to employees and being responsive to their concerns. This helped keep managers well-informed about employee concerns and promoted effective employee-management relationships. Company managers were very approachable.

22. Management encouraged union members and negotiators to research their pressing issues and to conduct employee surveys before each contract negotiation. Southwest's contracts with the unions representing its employees were relatively free of restrictive work rules and narrow job classifications that might impede worker productivity. All of the contracts allowed any qualified employee to perform any function − thus pilots, ticket agents, and gate personnel could help load and unload baggage when needed and flight attendants could pick up trash and make flight cabins more presentable for passengers boarding the next flight.

23. Southwest management's strong conviction and operative principle that "employees come first and customers come second" has been a crucial factor in achieving high levels of customer satisfaction and high employee productivity. The importance placed on employees reflected management's belief that delivering superior service required employees who not only were passionate about their jobs but who also knew the company was genuinely concerned for their well-being and committed to providing them with job security. Southwest's thesis was simple: Keep employees happy − then they will keep customers happy. This approach seems to work well for Southwest!!!

24. Management's beliefs that employees were the company's most important asset were visibly symbolized by designating the personnel department as the People Department (and, most recently the People and Leadership Department) and titling the head of the department as the vice president of people. The message Herb Kelleher penned in 1990 that was prominently displayed in the lobby of Southwest's headquarters in Dallas is particularly telling:

25. The people of Southwest Airlines are “the creators” of what we have become − and of what we will be.
26. Our people transformed an idea into a legend. That legend will continue to grow only so long as it is nourished - by our people’s indomitable spirit, boundless energy, immense goodwill, and burning desire to excel.
27. Our thanks − and our love − to the people of Southwest Airlines for creating a marvelous family and a wondrous airline.
28. The strength and depth of management’s commitment to deliver high quality customer service − as stated in the company’s mission statement in case Exhibit 4 (which company management gives every appearance of having lived up to and tried to achieve):
29. The mission of Southwest Airlines is dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.
30. CEO Gary Kelly was continuing to stress the importance of top-rate customer service, as evidenced by the four factors he saw as being keys to Southwest’s recipe for success:
31. Hire great people; treat ‘em like family.
32. Care for our Customers warmly and personally, like they’re guests in our home.
33. Stay prepared for bad times with a strong balance sheet, lots of cash, and a stout fuel hedge.

The company operated only one type of aircraft − Boeing 737s − to minimize the size of spare parts inventories, simplify the training of maintenance and repair personnel, improve the proficiency and speed with which maintenance routines could be done, and simplify the task of scheduling planes for particular flights.

QUESTION 1 [57 MARKS]

1.1 Is there anything that you find particularly impressive about Southwest Airlines? (7)

1.2 What is it that you like or dislike about the company’s strategy? Does Southwest have a winning strategy? (14)

1.3 What are the key policies, procedures, operating practices, and core values underlying Southwest’s efforts to implement and execute its low-cost/no frills strategy? (18)

1.4 What are the key elements of Southwest’s culture? Is Southwest a strong culture company? Why or why not? What problems do you foresee that Gary Kelly has in sustaining the culture? (18)

QUESTION 2 **[21 MARKS]**

2.1 Identify and explain five stages of crafting and executing a strategy. (5)

2.2 The concept of the value chain is useful when performing an internal analysis, managers can look at the different value-chain activities of the firm, identifying which activities result in the creation of the most value and which are not performing as well as they might be. Identify one product or service of your choice and apply value chain analysis model to create value for buyers. (16)

QUESTION 3 **[22 MARKS]**

It is important for both organisation units 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.

3.1 Taking the statement written above into consideration, as a manager of XYZ company how would you explain to your lower level managers the six guidelines for creating incentives compensation systems that link employee behaviour to organisational objectives. (12)

3.2 Discuss the five most important nonmonetary approaches used to enhance motivation among employees with an organisation. (10)

END OF ASSESSMENT