SECTION A

Questions 1 and 2 relate to the case study and should be answered specifically in the context of the information provided. Candidates are strongly advised to carefully read and analyse the information in the case study before attempting to answer questions 1 and 2.

**Question 1**
(25 Marks)

Analyse the strategic options that Excell may adopt in order to achieve market growth and improve performance.

**Comments**

The aim of this question was to test candidates’ ability to analyse a case study situation, their understanding of corporate strategies and the application of strategic options.

Excell (the case study organisation) is an established player in a mature, competitive industry. It is over-reliant on its domestic market, does not have a significant presence in emerging countries, lacks premium products, and has a high cost-base.

In order to compete successfully in the beer industry, Excell must first of all establish a competitive cost structure. Lean supply initiatives and value chain mapping will enable the organisation to reduce waste, add value, and become more efficient. Excell is primarily based in the USA, which is a high-cost country located a long distance from most emerging markets. Thought should be given to relocating the production facilities. Many US firms establish production facilities in Mexico, but this would only be viable for the North American market. It would make sense to establish production facilities near to areas where demand is likely to increase in the future. The emerging markets tend to be in low-cost countries, therefore efficient operations and customer closeness can both be achieved by this arrangement.

Differentiation is also important in the beer industry. There are many competing products in the industry and Excell needs to develop strong brands that customers value, which create an emotional attachment, and are perceived as unique. Robust marketing and advertising initiatives will support the brand values. Excell may also consider focusing on niche products such as premium lagers that can command a higher price. The company is likely to establish different generic strategies for different markets: cost leadership for emerging markets and differentiation and/or focus for mature markets.

Establishing a foothold in emerging countries will involve market development strategies. Thorough market analysis will identify the level of competition and the barriers to entry in terms of both political and economic impediments. An organic growth strategy would take too long to develop the competences required to meet the identified opportunities. Acquiring local companies would facilitate entry into new markets, but Excell's high long-term debt to equity ratio may mitigate this approach.

Joint ventures or licensing arrangements with local players for either importation or production of its products is another possibility. This will reduce the costs of penetrating
new markets for Excell and offer a low-risk method with minimal investment. This approach, however, does limit potential revenue generation as income has to be shared with a partner. Furthermore, the brand may not be supported as well as if Excell had its own operations there, as the partner's main focus will be on its own brands. In addition, Excell will be up against competitors with a stronger presence in the country, which could outmuscle it. A joint venture with a firm that has a strong presence in the emerging markets and that needs to establish itself in the USA would be a good strategic fit.

Product differentiation for mature markets is more likely to require an internal development approach. Innovation, continuous improvement, and the development of product varieties and extensions all help to extend the lifecycle of established products, while investment in marketing and brand management will support the brands. Core competences in these internal resources need to be developed in order to gain competitive advantage in this area.

Diversification into retail outlets could be considered, but this is straying from the organisation's core competences. Most breweries that were vertically integrated in this way have since divested their retail operations for this reason.

Summary

Candidates were expected to demonstrate a good understanding of the strategic options available to Excell and conduct a robust analysis of the strategic options in relation to the case scenario. The better answers used established academic models such as Porter's generic strategies, Ansoff’s growth matrix, and Johnson & Scholes strategic methods as a basis for their analysis and explicitly focused on how particular strategies would achieve market growth and improve performance. The weaker answers described the strategic analysis process or merely identified a range of strategies without analysing them.

Question 2:
(25 marks)

Evaluate the effectiveness of Excell's procurement processes in the television advertising supply chain, and suggest possible areas for improvement.

Comments

The aim of this question was to test candidates’ ability to analyse a case study situation, their understanding of strategic procurement principles and their application of supply chain concepts.

There are a number of positive aspects related to the television advertising supply chain. There appears to be a well established system with competent suppliers and a high level of trust and collaboration that delivers the job on time. However, there are some problem areas.

The first problem is that Excell does not have any visibility over its supply chain beyond the first-tier supplier and is totally reliant on FFC for supply market knowledge. There is no evidence of competitive tension in the supply chain relationships. While it is a good idea to use suppliers and contractors that are familiar with the needs of the organisation
and to have close working relationships, the lack of competitive tension may lead to supplier lock-in and subsequent complacency or opportunism.

The second problem is that the marketing department is making the buying decisions and may not adopt a sufficiently robust appraisal of the commercial situation. Its priority may be to get the job done at any cost. The lack of time available to source these initiatives clearly impinges on the ability to achieve value for money outcomes.

A third problem is that there is no agreed up front price for the purchase and no means of evaluating supplier performance. Paying suppliers according to the time spent on the project does not incentivise them to look for innovative ways of becoming more efficient. Although the project completed on time, there was no assessment of whether this constituted good performance in terms of value for money. There is no way of knowing whether the advertising campaign succeeded in achieving its objectives or even if there were any defined objectives.

The appointment of a specialist procurement professional would aid the television advertising supply chain. The new recruit should work closely with the marketing department, but operate within a separate commercial reporting structure. The specialist would act as a category manager for marketing and advertising spend, and bring an in-depth understanding of the supply market to the organisation, thus reducing the information asymmetry between Excell and FFC.

Better internal demand management would enable sufficient time to be allowed for effective procurement. Current suppliers' performance would be benchmarked and alternative sources identified and appraised. Up-front costs should be agreed based on competitive pricing strategies. Project outcomes should be identified and used as measures of supplier performance. For an advertising campaign, the outcomes could relate to better consumer awareness or increased sales.

The procurement specialist will need to exercise great care in dealing with the marketing department and incumbent suppliers in such a sensitive area. Tact, integrity and influencing skills will be required as well as the more traditional commercial competences.

Summary

Candidates were expected to demonstrate a robust understanding of the supply chain issues relating to the case scenario, and put forward appropriate strategic procurement principles that would improve the situation. The better answers first of all established the nature of the purchase in terms of value and risk, and then used this information as a means to inform their analysis of the current situation and their suggestions for improvement. The weaker answers stated best practice principles without attempting to understand the nature of the purchase or the case study situation.
SECTION B

Candidates have a choice to answer TWO questions from four in section B. Candidates are strongly advised to carefully read all the questions in section B before selecting TWO questions to answer.

Question 3
(25 marks)

Evaluate Mintzberg’s contribution to the debate on strategy and strategic management.

Comments

The aim of this question was to test candidates’ understanding of Mintzberg’s thinking and their ability to relate Mintzberg’s work to the strategy and strategic management debate.

Mintzberg argued that there was not a single meaning of strategy and outlined a number of different definitions based on his '5 Ps'. Strategy is not just a prescriptive PLAN looking forward, but could also be descriptive in terms of a PATTERN of behaviour looking back. Strategy could also be a POSITION (looking at the firm's products and markets), a PERSPECTIVE (looking at the fundamental way in which the organisation conducts its business), or merely a tactical PLOY to outmanoeuvre competitors through offensive or defensive actions.

Mintzberg challenged the rational planning approach to strategy development, whereby organisations adopt highly systemised analysis and evaluation techniques driven by extensive research in order to devise optimal solutions. Mintzberg did not believe that the world was straightforward enough for this approach to work. Its complexity and uncertainty meant that it was impossible to analyse everything in advance and predict the future, as the external environment is constantly changing. Furthermore, Mintzberg argued that the search for optimal decision making was futile, as managers' decisions are based on the organizational context within which they operate. Managers should accept that decisions are as much to do with collective and individual experience, organizational politics and the history and culture of the organisation as they are to do with strategy.

Mintzberg saw strategy as being crafted rather than planned. The crafting of strategy requires skill, dedication, and perfection through the mastery of detail. To some extent, thinking and reason are replaced by a fluid process of learning based on intimacy and harmony with organizational processes and culture.

Mintzberg's emergent approach to strategy recognises that intended strategies are often replaced with emergent themes that have a greater bearing on the realised strategy of the organisation. It emphasises flexibility in terms of the ability to adapt to changes in the external and internal environments and it tends to be bottom-up, informal and responsive. Rather than being planned in a logical way, strategies emerge over time through the activities of the organisation and are implemented informally. Some have criticised the emergent approach for its lack of direction and focus, and Quinn took the concept further by defining logical incrementalism as a means to address these issues.
Mintzberg believed that there should be close alignment between strategy and structure and suggested six structural stereotypes (configurations) that would suit particular situational factors related to the external environment or the nature of the organisation itself. These are: simple structures, machine bureaucracies, professional bureaucracies, divisionalised structures, adhocracies, and missionary structures.

Summary

Candidates were expected to demonstrate a critical understanding of Mintzberg's thinking and relate it effectively within the strategy and strategic management debate. Answers were generally of a poor standard. Most candidates identified the 5 Ps, but the understanding and explanations of them were poor and much more was required for a 25 mark question. Candidates should at least have discussed the emergent nature of strategy and the concept of strategy as a craft. The better answers evaluated Mintzberg's work in relation to strategy and the strategic management process. The weaker answers consisted of poor explanations and suffered from limited scope.

Question 4
(25 marks)

Explain how an organisation can achieve a fully integrated supply chain, and demonstrate the benefits of doing so.

Comments

The aim of this question was to test candidates’ knowledge of supply chain concepts and their understanding of the benefits of supply chain integration.

Supply chain integration can exist at a number of levels of sophistication. At Level 1 an organisation is internally focused on functional and process improvement. Most integration effort will revolve around rationalising products, consolidating spend, and buying effectively. Poor inter-functional cooperation and lack of communication systems are particular concerns. Level 2 is still internally focused, but there is now integration across the various internal functions with cross-functional working and cooperation. Integrated planning, forecasting and management information systems are set up, procurement is involved early in the decision-making process, customer focus groups established, spend is segmented, and transactional purchases automated. Sharing information is a major concern.

Level 3 starts to address external integration issues. Relationships are formed with strategic suppliers and key customers, joint design, development and waste reduction initiatives are set up, there are sophisticated communication tools, and a focus on value-add. Level 4 extends the concept of integration across the whole supply chain from the initial supplier to the end customer through robust e-commerce and e-business initiatives. Relationship marketing is a key concept in achieving internal and external integration, as is the accurate forecasting of demand.

The benefits of supply chain integration is the alignment of supply and demand, reduced waste, improved information flow, less sub-optimisation, lead time compression, reduced time to market, more efficiency, more agility, and more customer focus.
Summary

Candidates were expected to demonstrate a robust understanding of internal supply chain integration, external supply chain integration and the benefits that can be achieved. Some candidates interpreted "integration" in terms of boundary-of-the-firm decisions (forward and backward integration), and this gained some marks. However, a much broader discussion was required related to the integration of functions, systems, processes, information, people, suppliers, and customers. Internal as well as external integration was expected to be considered.

Question 5
(25 marks)

Part (a)
(12 marks)

Examine how organisations can address both the ‘hard’ and ‘soft’ elements of change when implementing corporate strategies.

Comments

The aim of this question was to test candidates’ knowledge of ‘hard’ and ‘soft’ change elements and their understanding of the implications of change implementation.

McKinsey's 7-S framework is often used as a means to differentiate between the 'hard' (strategy, structure, systems) and 'soft' (style, staff, skills, shared values) elements of change.

Firstly, the correct STRATEGY needs to be chosen that is suitable to the environment in which the organisation operates, is feasible in terms of its use of resources, and is acceptable to all stakeholders. STRUCTURE follows strategy very closely, and the organisation structure may need to change in order for the strategy to succeed. In terms of SYSTEMS, new control systems and operating procedures may be required. Additional STAFF may need to be recruited, or new SKILLS developed by training existing employees. Finally, there is the question of SHARED VALUES. Members must buy in to the new strategy and accept that it will benefit the organisation. This is perhaps the most difficult area to change, as it is concerned with the values, norms and underlying beliefs of the organisation and involves a cultural paradigm shift.

Summary

Candidates were expected to demonstrate a robust understanding of the 'hard' and 'soft' elements of strategic change, and how these need to be managed. Candidates were expected to differentiate explicitly between 'hard' and 'soft' elements, rather than simply provide a general discussion of change management. Furthermore, the aim was not merely to identify the elements, but to demonstrate specifically how they should be addressed.
Part (b)
(13 marks)

Assess how an organisation can achieve commitment to its purpose and goals.

Comments

The aim of this question was to test candidates’ understanding of an organisation’s purpose and goals, and how commitment and alignment to the purpose and goals can be achieved.

An organisation can achieve commitment to its purpose and goals in a number of ways. Corporate vision and mission statements can be devised, and corporate, business and functional plans may be drawn up. A hierarchy of objectives should be established, incorporating critical success factors and key performance indicators that are specific, measurable, achievable, relevant and time-constrained. A communications policy and process should be drawn up which covers a number of communication channels and a range of different media. Finally, individuals need to be incentivised to encourage goal congruence. This can be achieved through personal development plans linked to a robust performance management system.

Summary

Candidates were expected to demonstrate a robust understanding of how an organisation’s corporate purpose and goals can be defined, and how commitment and alignment to them can be achieved. Part (b) was intended to be separate from part (a), but in some cases candidates interpreted it as a follow-up ("purpose and goals" of a specific strategic change). This was an understandable interpretation of the question and due credit was therefore given to answers that adopted a change management approach, rather than the answer that the assessor expected. This approach would not have been acceptable had there been two completely separate questions.

Question 6
(25 marks)

Evaluate the concept of ‘lean’ as an approach to strategic supply chain management.

Comments

The aim of this question was to test candidates’ understanding of the lean approach to supply chain management and their ability to evaluate the lean approach in terms of its benefits, limitations and applicability.

The two concepts of value stream and waste are at the heart of lean thinking. Activities that add value (from the customer's perspective) are emphasised and those that create waste and efficiency are eradicated. The seven common types of waste are: over-production, waiting, re-work, excess processing, excess movement, excess transportation, and excess stock. Techniques for waste reduction are: level scheduling, reduction of demand amplification, demand-pull systems, and root cause elimination. The benefits of lean thinking that are generally put forward are: improved flow, less interruption, reduced
work in process, reduced transportation, reducing handling, less quality problems, reduced lead-times, faster response times, standardisation, and continuous improvement. These can be summarised as less waste and more added value. Close, collaborative relationships with suppliers are essential in order to leverage lean concepts throughout the supply chain.

Criticisms of the lean approach concern its empiricist nature (based on one case study), problems with extending it to other industries and beyond the shop-floor context, and its rigidity that makes it unsuitable for volatile markets. Furthermore, a number of studies have shown that lean does not necessarily lead to competitive advantage. The value generated often has to be passed on to customers in highly competitive markets. It may therefore be a market qualifier rather than an order winner. If everyone in the industry adopts lean as best practice, individual companies do not achieve differentiation. Lean can also be taken too far (anorexic rather than lean) and may need to be adopted in conjunction with more flexible and responsive approaches such as agility. Lean is likely to be appropriate in process-based industries with stable markets, constant and regular demand, and standardised products.

Summary

Candidates were expected to demonstrate an understanding of the lean approach, the benefits attributed to it, the perceived limitations, and its applicability. The concept of lean can be seen as an operational system or a broader philosophy. Both interpretations were acceptable, but better answers included both. The question did not explicitly ask candidates to evaluate alternative approaches to lean. It was therefore possible to attain a pass without reference to agility or hybrid arrangements, as long as a robust analysis of the good points, bad points, and applicability of lean was provided. The weaker answers described the lean concept, rather than conducted an evaluation.
APPENDIX: Matrix indicating the learning objectives of the unit content that each question is testing

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<tr>
<th>Question No.</th>
<th>Learning Objective</th>
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