QUESTION ONE **[28]**

Read the following extract and answer the questions that follow:

SAB Miller in India

For SABMiller, operating in India was an extremely promising proposition, which explained its decision to invest $500 million (R$ billion) to modernise and double its capacity in the fastest growing beer market in the world. It is also one of the most difficult, with high taxes, bureaucracy, social stigma regarding drinking, not to mention religious opposition to drinking, being just some of the barriers facing brewers in India.,

SABMiller is renowned for its ability to operate in any part of the world. From its origins in South Africa, it has grown to become one of the largest brewers in the world, with operations in 75 countries across six continents, and strong positions in several major markets such as China. In India, SABMiller is the second-largest brewer, holding about 37% of the market and together with market leader, United Breweries, controlling more than 80% of the market. Despite this strong position, its Indian operation contributed only $350 million (R2.8 billion) 0f SABMiller's total revenue of $21.4 billion (R171 billion) in 2008. United Breweries owns the leading brand, Kingfisher, while SABMiller is chipping away at the Kingfisher brand with its global brands such as Foster's and Peroni.

Alcohol consumption in India is far behind world standard, with distilled spirits at about 65% and beer at only 3% of the world average. There are several reasons for this, one of the most obvious being the heavy state taxation on beer- four times higher than the global average. This makes beer vey expensive for the general population. In addition, the state controls distribution and pricing. Retail outlets are relatively few and far between, with one outlet for every 21 000 drinkers. SABMiller made only 2.3% operating profit on its turnover of $350 million in 2008.

India is also not a natural beer market. Only about a third of the 1.1 billion population drink alcohol and most of these prefer spirits such as arrack, the traditional spirit of choice. Beer drinking in India carries a social stigma. No advertising is allowed, and to build brand recognition, brewers lend their brand to other products, such as mineral water, sodas and even an airline (in the case of Kingfisher). In trying to deal with this, SABMiller engaged a broad section of stakeholders and promoted the responsible use of alcohol as a key means to overcome concerns.

SABMiller feels that their business is restricted more by structural factors such as taxes and a lack of distribution outlets than by the general state of the Indian economy. Economic growth has ensured that the Indian population is becoming more wealthy and urbanised, and beer is the preferred drink of the youth. The beer market is expected to grow at double figures per annum, with many consumers migrating over time from low-quality, cheaper beers to more expensive, premium brands. This is despite difficult trading conditions, compounded by power cuts, supplier cartels and complex labelling laws.

With the market expected to grow five-fold in 10 years, the big players in the industry are crowding in. Anheuser-Busch has acquired Crown Beers and is planning to launch the Budweiser brand in India, while Heineken is also expanding its interests (it already holds 37.5% of United Breweries). Belgian brewer InBev, which owns the Stella Artois and Becks brands, is also entering the market.

Ultimately, the question investors will ask is whether SABMiller's perseverance in the Indian market will pay.

Adapted from Louw and Venter (2010) <u>Strategic Management Developing Sustainability in Southern Africa 2nd</u> edition Oxford University Press

1.1	Conduct an industry analysis of the beer industry in India from SABMiller's perspective.	(10)
1.2	Evaluate SABMiller's strategies for dealing with competitive forces.	(10)
1.3	Discuss the factors that might affect or influence SABMiller's strategic choices	(8)

QUESTION TWO **[12]**

Read the following extract and answer the question that follows:

Job Evaluation Redesign at Bayer Group

Bayer Corporation is a subsidiary of Bayer Group AG, a Germany-based global chemical company. Several years ago, Bayer Corporation was created by combining three different operating companies, each with its own markets, products, and cultures—Mobay Chemicals, Miles, Inc., and Agfa. Bayer executives recognized that compensation systems were a critical component of creating a corporate culture that embodies the values and visions developed during the strategic planning for the new firm. Once the merger of the three entities had occurred, a new organisational structure was implemented. This structure had fewer layers and levels, and was developed to give Bayer employees the flexibility to move across organisational units and internationally. Bayer, like many organisations today, compensated people for doing specific jobs. But they wanted to reward people for their flexibility in playing different roles in the organisation and moving between jobs. At the same time, Bayer executives wanted a simple compensation system that was tied to the core values and culture that Bayer hoped would evolve.

Bayer began its transition to a different compensation system by establishing a task force of 14 executives chaired by Bayer's Vice-President of Benefits. This Job Advisory Committee, as it was labeled, was to recommend the processes needed to move to a job evaluation system more aligned with the new organisation. Job evaluation, the systematic process of determining the internal value of jobs in relation to other jobs, had previously been done in two of the companies using a traditional point factor system; however the third entity had not used a formal job evaluation system. The committee began by identifying the advantages and disadvantages of the existing point system. The committee identified many features of the old system that were working well, particularly the involvement of managers and employees in the job evaluation "pointing" process. But the committee felt that the existing point factors and dimensions were too task based, and they did not reflect the flexibility desired as part of the organisational culture. Also, greater recognition of employees' capabilities, not just their jobs and budgetary responsibilities, needed to be considered. Assisted by a major consulting firm over a period of time and a number of meetings, the committee decided to redesign the job evaluation system and focus on work-value competencies.

The new work-value clusters defined were:

- Improvement opportunity
- Contribution
- Capability
- Expertise and complexity
- Leadership and integration
- Relationship-building skills

For these six clusters, the committee identified scales and point values. The process of developing the new factors and points took about a year. Once the new system had been tested by pointing jobs on both the old and new systems, fine-tuning was needed. Ultimately, a cross section of benchmark jobs was pointed using the new system and the results calibrated statistically to the old system, rather than having all jobs in the organisation repointed again.

The ultimate test of the new job evaluation system has been its acceptance and use throughout Bayer. Based on feedback from managers and employees alike, the new system is working well. Bayer's job evaluation system has become the means of aligning its compensation system with the business values of the new corporate culture being created. The compensation plan also supports business strategies and rewards employees as Bayer grows and meets its strategic objectives. Greater recognition of employees' capabilities, not just their jobs and budgetary responsibilities, needed to be considered.

2.1 Evaluate the change process at Bayer. (12)

QUESTION THREE **[20]**

3.1 Define the term 'strategy' and discuss the factors that make strategy crucial to an organisation (10)

3.2 Discuss strategic leadership as a key driver of strategy implementation (10)

QUESTION FOUR **[20]**

4.1 Discuss the relationship between strategy and organisational culture (10)

4.2 Discuss the reasons why companies enter into strategic alliances (10)

QUESTION FIVE **[20]**

The diagnostic process is a cyclical one that involves data gathering, interpretation, identification of problem areas and possible action programmes (Harvey and Brown)

With reference to this:

5.1 Explain what organisational diagnosis is and outline the benefits of a thorough scientific organisation diagnosis. (10)

5.2 Discuss the key issues that a change agent looks for in an organisation during an organisational diagnosis. (10)

QUESTION SIX **[20]**

The process of change is made complex by the interaction of social, technical and psychological factors. The advocates of change must deal with resistance to change before implementing any change initiative.

With reference to this:

6.1 Discuss the reasons why both people and organisations resist change (10)

6.2 Outline the phases in the life cycle of resistance to change and discuss the strategies that can be employed to counter resistance at each identified phase. (10)