QUESTION ONE **[50]**

Read the following and answer the questions that follow:

Tough Mudder is a New York-based company that hosts endurance obstacle events – a rapidly growing sport also known as 'mud runs'. In 2014, over one million participants each paid between $100 and $180 to tackle a 10-to 12-mile Tough Mudder course featuring 15 to 20 challenging obstacles at 60 different locations in nine different countries. The obstacles include wading through a dumpster filled with ice (the Arctic Enema), crawling through a series of pipes part-filled with mud (Boa Constrictor) and dashing through live wires carrying up to 10 000 volts (Electroshock Therapy).

Tough Mudder's website describes the experience as follows:

> Tough Mudder events are hardcore obstacle courses designed to test your all around strength, stamina, mental grit and camaraderie. With the most innovative courses, over one million inspiring participants, and more than $5 million raised for the Wounded Warrior Project, Tough Mudder is the premier adventure challenge series in the world. But Tough Mudder is more than an event; it's a way of thinking. By running a Tough Mudder challenge, you'll unlock a true sense of accomplishment, have a great time and discover a camaraderie with your fellow participants that's experienced all too rarely these days.

Tough Mudder was founded in 2010 by school friends Will Dean and Guy Livingston. While a Harvard MBA student, Dean entered Harvard Business School's annual business plan competition using Tough Guy, a UK obstacle race based on British Special Forces training, as the basis for his plan. On graduating from Harvard Dean and Livingstone launched their first Tough Mudder event in May 2010 attracting 4500 participants.
Tough Mudder market for was targeting the market for endurance sports which comprised traditional endurance sports such as marathons, triathlons and orienteering and newer activities, including:

- Adventure races: off-road, triathlon-based events that typically include trekking, orienteering, mountain biking and paddling.
- Obstacle mud runs: cross-country running events with a variety of challenging obstacles.
- Novelty events: fun events such as 5 km races in which competitors are doused in paint (Colour Run), running with real bulls (Great Bull Run) and food fights (Tomato Royale).

Obstacle mud runs were initiated in the UK in 1986 with the annual Tough Guy race and in the US with Warrior Dash in July 2009. Spartan Races began in May 2010 (the same time as Tough Mudder). A flood of new entrants followed and by 2013 there were about 350 organisations offering obstacle mud runs in the US.

Tough Mudder's strategic priority was to establish leadership in an increasingly crowded market. How to position Tough Mudder in relation both to other endurance sports and to other obstacle runs was a key issue for Dean and Livingstone. They used several variables to analyse their market: degree of risk, competition vs. collaboration and the potential for brand building. While traditional endurance sports – such as marathons and triathlons – were low risk and highly competitive, they viewed the area of the market characterised by high risk and collaboration as 'white space' (or Blue Ocean). Hence, Tough Mudder would be high risk (exhaustion, hypothermia, broken bones, electrocution and drowning) and collaborative – it would be untimed and team-based. Tough Mudder also needed to present itself as formidable ("Probably the toughest Event on the Planet") while attracting a large range of participants. Making it a collaborative event and giving participants the option to bypass individual obstacles helped reconcile these conflicting objectives. Team collaboration was a central theme: Tough Mudder would foster “a true sense of camaraderie... We want everyone to compete, but being a Tough Mudder is also about making sure no man is left behind, not worrying about your finish time”.

The spirit of unity and collaboration provided a central element of Tough Mudder’s marketing strategy. Tough Mudder has relied almost exclusively on Facebook for building its profile, encouraging participation and building community among its participants. Its Facebook advertisements target specific locations, demographics and ‘likes’ such as ice hockey and other physical sports. It also runs sponsored stories in Facebook’s news and uses Facebook Exchange to show advertisements to people who visit the Tough Mudder website. Most important, Facebook is the ideal medium for Tough Mudder to exploit its greatest appeal to participants: the ability of participants to proclaim their courage, endurance and fighting spirit.

To reinforce its reputation for toughness, in 2011 Tough Mudder launched an annual competitive run to find ‘The World’s Toughest Mudder’: individuals and teams competed to complete the greatest number of course laps during a 24-hour period. The *Financial Times* described the event as “Le Mans on foot”.

Partnering with other organisations has been a central feature of Tough Mudder’s growth. Its partnerships have been important for building market momentum, providing resources and capabilities that Tough Mudder lacked and generating additional sources of revenue. Since its inaugural run in 201, Tough Mudder has been an official sponsor of the Wounded Warriors Project, a charity that offers support to wounded war veterans. The relationship reinforces Tough Mudder’s military associations and helps legitimise Tough Mudder’s image of toughness, resilience and bravery. Its military connections were further reinforced in September 2013 when the US Army Reserve agreed to sponsor eight Tough Mudder events for promotional and recruiting purposes.
Other sponsorships were primarily to generate revenue. Commercial sponsors include Under Armour, official outfitter to Tough Mudder; Dos Equis, supplier of beer to refresh Tough Mudder finishers, and General Mills, whose Wheaties are the official cereal of Tough Mudder.

As CEO of Tough Mudder, Will Dean focuses upon key priorities. “There are only two things a leader should worry about,” he told *Inc.* Magazine, “strategy and culture... We aspire to become a household brand name, so mapping out a long-term strategy is crucial”. At the core of Tough Mudder’s strategy is its sense of identity, which is reinforced through the culture of the company: “Since Day 1, we’ve had a clear brand and mission: to create life-changing experiences. That clear focus means that every employee is aligned on the same vision and knows what they’re working toward... We know who we are and what we stand for” said Dean. The other key responsibility of Will Dean as CEO is hiring. Tough Mudder grew from eight employees in 2010 to over 200 by the end of 2014. “A business is only as good as the people who build it”, observed Dean, who has been meticulous in seeking out the best available talent and ensuring that its new staff share his own passion and values.

By 2014, the industry appeared to be consolidating and the market leaders – Tough Mudder, Spartan Races and Warrior Dash – were vying for dominance. While Tough Mudder was generally regarded as the market leader, its margin of leadership over Spartan races and Warrior Dash was narrow. Spartan races, which offered obstacle races of between 3 and 13 miles, hosted 34 events in the US and Canada in 2014 as well as events in 11 other countries. In 2013, it signed Reebok as its lead partner. In 2014, Warrior Dash offered its 5 km runs in 35 US locations plus seven in Mexico and two in Denmark.

CEO Will Dean recognises that sustaining Tough Mudder's growth and market leadership will be an ongoing challenge. Staying ahead of the competition involved two major activities at Tough Mudder. First, meticulous attention to customer feedback; through customer surveys, on-site observations and following social media communities, Tough Mudder continually sought clues to how it could improve the experience of its participants. Second was the continual development of obstacles and course design.
Adapted from Grant R M and Jordan J (2015) <u>Foundations of Strategy</u> Second edition. Wiley

Questions

1.1	Describe Tough Mudder's strategy and discuss the reasons why the strategy has been successful.	(14)
1.2	Using examples from the case, distinguish between strategy and tactics.	(6)
1.3	Outline the challenges and opportunities currently facing Tough Mudder.	(8)
1.4	Discuss how Tough Mudder should adapt its strategy to meet the identified challenges and exploit the identified opportunities.	(10)
1.5	Discuss the characteristics of strategic leadership exercised by Will Dean	(12)

QUESTION TWO [30]

Read the following and answer the questions that follow:

Fiat – the quest for global leadership

Founded in 1899, the Fiat Group has over 100 years experience in the car industry. In addition to the Fiat brand, it includes the luxury brands, Maserati and Ferrari, as well as truck manufacturer Iveco. Fiat is one of Italy's largest multinational organisations.
By the late 1990s, Fiat was underperforming. Its market share in the global car industry was declining as a result of years of underinvestment and poor corporate strategies. Between 2001 and 2004, Fiat had three different CEOs and in 2004 the operating loss was €585 million.
Fiat's performance improved after Sergio Marchionne became CEO in 2004. Marchionne had big ambitions of turning Fiat into a global company. In 2008 the company made a healthy profit of about €3 billion.

Fiat traditionally had a strong market position in Italy and across Europe. Market analysts believed that the company needed to have a strong presence in North America and it Asia if it wanted to become a global leader in the car industry. There was only one way of growing the company quickily, through strategic alliances.

Fiat had some experience of big alliances. In 2000, Fiat formed a strategic alliance with General Motors (GM) with the aim of selling more cars in North America and cutting operating costs as a result of joint purchasing and manufacturing. In 2001, Fiat made savings of about €200 million thanks to the alliance.

However, Fiat's financial difficulties continued after 2001 and the company asked General Motors to exercise the option of buying the company. The Fiat-GM partnership agreement included a clause that gave General Motors the first right to purchase Fiat at a fair market price, if Fiat decided to sell the car business. GM refused and the Fiat-GM alliance was dissolved in 2005.

Marchionne continued to search for opportunities to collaborate with other companies. The global recession presented an unexpected opportunity, as the US car company Chrysler declared bankruptcy in 2009. As part of a plan to rescue Chrysler, Fiat and Chrysler formed a strategic alliance, with Fiat taking 20% of Chrysler's shares. The alliance gave Fiat a better access to the US market, while Chrysler benefitted from producing smaller fuel-efficient cars and engines developed by Fiat.

Meanwhile, Fiat expanded elsewhere in the world through joint ventures. In India, Fiat formed a joint venture with Tata Motors in 2007, to manufacture cars, engines, and transmission systems. Fiat wanted to expand car sales in India, while Tata wanted to gain new technology and export markets. In China, Fiat's truck manufacturing company, Iveco, already had two established joint ventures in the truck business. In 2009, Fiat entered into a joint venture with China's Guangzhou Automobile Industry Group – in order to produce cars and car engines in China's Hunan Province. Fiat's previous attempt to enter the Chinese market through an alliance failed when the company dissolved a partnership with Nanjing Automotive Corporation in 2007.

Strategic alliances have not only brought many tangible benefits for Fiat, but they are turning Fiat from a regional company into a global company. Marchionne regards alliances as a core component of Fiat's global strategy. "there is no limit to these ventures," he says.

Fiat's alliances

Alliance	**Country**	**Fiat shareholding interest (%)**
Fiat Group Automobiles Financial Services	Italy	50.0
Societa Europea Veicoli Leggeri-Sevel	Italy	50.0
Fiat Zastava	Serbia	67.0
Transolver Finance Establecimiento	Spain	50.0
Fiat-Guangzhou Automobile Industry Group	China	50.0
SAIC Iveco Commercial Vehicle Investment Company Limited	China	50.0
Naveco Limited	China	50.0
Fiat / Tata Motors	India	50.0
Fiat / OJSC-Sollers	Russia	50.0
Tofas – Turk Otomobil Fabrikasi Tofas	Turkey	37.9
Turk Traktor Ve Ziraat Makinileri	Turkey	37.5
New Holland HFT Japan	Japan	50.0
LBX Company	US	50.0
CNH de Mexico SA de CV	Mexico	50.0

Adapted from Frynas and Mellahi (2011) <u>Global Strategic Management 2nd edition</u>. Oxford University Press

2.1 Discuss the drivers and motives for the strategic alliances established by Fiat. (10)

2.2 Discuss the advantages and risks of Fiat's global strategic alliance strategy. (10)

2.3 Discuss the ways in which Fiat can manage the strategic alliance risks (10)

QUESTION THREE **[20]**

Organisational change involves moving from the known to the unknown. Because the future is uncertain and may adversely affect people's competencies, worth, and coping abilities, organisation members generally do not support change unless compelling reasons convince them to do so. Similarly, organisations tend to be heavily invested in the status quo, and they resist changing it in the face of uncertain future benefits. Consequently, a key issue is how to motivate commitment to organisational change.

With reference to this:

3.1 Discuss the ways in which managers can create readiness for change. (8)

3.2 Discuss, in detail, the strategies for dealing with resistance to change. (12)