JUNE 2017 MAIN EXAMINATION

MODULE:

STRATEGIC AND CHANGE MANAGEMENT

PROGRAMME:

MASTER OF BUSINESS ADMINISTRATION
(NQF 9)

DATE:	07 June 2017	TIME:	09h00 – 12h00
DURATION:	3 hours	MARKS:	100
EXAMINER:	O Seedat	MODERATOR:	Dr D Veerasamy

INSTRUCTIONS TO CANDIDATES:

1. Candidates are required to answer **ALL** questions.
1. This is a closed book examination.
2. No written material may be brought into the examination room.
3. Write legibly and neatly.
4. Do **not turn over this page** until permitted by the Invigilator.

*This question paper consists of **seven (7) typed pages** excluding the cover page*

QUESTION ONE **[40]**

Read the following and answer the questions that follow:

Richard Branson founded Virgin in 1970 and has effectively used his personality to bring the Virgin brand to the attention of the consumer. The Virgin Group has grown over the last 40 years to become one of the largest private companies in the United Kingdom. Virgin has more than 200 branded companies worldwide, employing about 50 000 employees in 29 countries with revenues in excess of $16 billion.

The largest and most celebrated business, Virgin Atlantic celebrated 25 years of flying people across the Atlantic Ocean in 2009 with a striking advertising campaign which portrayed the excitement and fun of flying with, or working at, Virgin. Branson believes in the value of careful brand enhancement and the benefits of transferring this brand image across a diverse portfolio.

Virgin began selling music records in 1970 and its rapid growth led to an oxford Street shop in London a year later. Further expansion into the music industry followed with the Virgin record label in 1973. Virgin Atlantic was founded in 1984 and a year later Virgin Holidays began. These became the core of the Virgin group. In 1987 Virgin Records America was established. In 1988 Virgin Megastores (retail outlets with a huge selection of music and related products) were opened in Glasgow and Paris, followed by numerous other British, European, American, Japanese and Pacific Basin cities. Virgin was becoming an international company.

Virgin at this stage of its existence was involved largely in two industries: travel/holidays and music. From the 1990s onwards there followed numerous acquisitions, divestments and joint ventures that resulted in a highly diversified group. Chief amongst these were:

- The sale in 1992 of Virgin Records to EMI for 510 million pounds.
- The acquisition of the Our Price chain of shops in 1994, making Virgin Retail the UK's largest music retailer.
- The launch of a low cost airline, Virgin Express in 1996.
- The acquisition in 1997 of the West Coast rail franchise in the UK.
- The launch of Virgin One, a tabloid television channel in 1997.
- The launch in 1999 of Virgin Mobile, using the networks of other providers via a joint venture with T-mobile.
- The launch of a network of health clubs in 1999 and, in 2006, the acquisition of the Holmes Place health chain, to give Virgin a significant market share in the UK.
- The sale in 2000 of 49 percent of Virgin Atlantic to Singapore Airlines.

- The launch in 2008 of Virgin Mobile India I partnership with the Tata group.
- The purchase of a private bank (Church House Trust) in 2010 which enabled Virgin to apply for a full banking license.

A move to merge several of its offerings occurred in 2006, when four Virgin companies combined to become one media company providing television, broadband, telephone and mobile telephone services in partnership with NTL-Natwest. This company, trading as Virgin Media, had a total of 9 million subscribers.

Since 2000 Virgin has also set up a futuristic attempt to launch a passenger service into suborbital space (Virgin Galactic) as well as more down to earth businesses like Virgin Comics and Virgin Healthcare. Other strategic developments during this time:

1993 – Virgin Radio commences broadcasting

1994 – launch of Virgin Vodka and Virgin Cola

1995 – launch of Virgin Direct, a investment product

1996 – launch of Virgin Net, an internet service provider.

1997 – Virgin Trains is founded to run a rail franchise in the UK.

1997 – Virgin Cosmetics launches with four flagship stores.

1997 – Virgin one commences operations in tabloid TV

2000 – Nine new companies are launched, including a new low cost airline and mobile service, both in Australia.

2006 – Virgin Express airline merged with SN Brussels Airline

2006 – Launch of airline in Nigeria.

Virgin states on its website that it is a "leading branded venture capital organisation' and companies are part of a family rather than a hierarchy. Virgin has minimal layers of management, no bureaucracy and a small global headquarters. Branson sees Virgin as adding value in three main ways in addition to the brand. These are: its public relations and marketing skills; its experience with 'green-field' start ups; and its understanding of opportunities presented by 'institutionalised' markets – by this he means those dominated by a few competitors who are not giving good value to customers because they have become inefficient, complacent, or preoccupied with rivals.

Richard Branson does not mention his departure in interviews but states that the company has been carefully groomed to continue without him, and that the brand is now globally well known. The key questions facing Virgin are:

- Does such a portfolio of businesses make strategic sense? , and
- Will Virgin's conglomerate group of diverse companies survive after Richard Branson departs?

Adapted from: Johnson G, Whittington R and Scholes K (2011) <u>Exploring Strategy Ninth edition</u>. Pearson

1.1 The Ansoff product/market growth matrix provides a way of generating four basic directions for corporate strategy:

PRODUCTS / SERVICES

MARKETS	Existing	New
Existing	A Market penetration	B New products and services
New	C Market development	D Conglomerate diversification

Discuss Virgin's various diversification moves in terms of the Ansoff matrix. (10)

1.2 Evaluate the strategic direction undertaken by Virgin (i.e. answer the question - "does such a portfolio of businesses make strategic sense?") (10)

1.3 Discuss how Virgin adds value to the group as a corporate parent and suggest ways in which it can do more to add value. (10)

1.4 Discuss the challenges that would be faced by a successor to Richard Branson and suggest what such a successor should do. (10)

QUESTION TWO **[15]**

Discuss the Model of Adaptive Orientation, as proposed by Harvey and Brown (2006) that attempts to illustrate the various orientations used by managers in their approach to planned change.

QUESTION THREE **[15]**

In addition to the driving forces of change, implementation of any change programme needs to take account of the restraining forces of change. Managers should anticipate some employee resistance and plan for this eventuality in the change strategy (Brown, 2011:171)

With reference to this, discuss the reasons for employee resistance to change and suggest how acceptance of change can be improved.

QUESTION FOUR **[20]**

END OF QUESTION PAPER