

STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - AUGUST 2016

NOTES:

Section A: Answer Question 1.

Section B: Answer **two** Questions **only**. Should you provide answers to all of Section B, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first two answers to hand will be marked.

Time Allowed

3.5 hours plus **20 minutes** to read the paper.

Examination Format

This is an open book examination. Hard copy material may be consulted during this examination, subject to the limitations advised on the Institute's website.

Reading Time

During the reading time you may write notes on the examination paper but you may not commence writing in your answer booklet.

Marks

Marks for each question are shown. The pass mark required is 50% in total over the whole paper.

Answers

Start your answer to each question on a new page.

You are reminded to pay particular attention to your communication skills, and care must be taken regarding the format and literacy of your solutions. The marking system will take into account the content of your answers and the extent to which answers are supported with relevant legislation, case law or examples, where appropriate.

Answer Booklets

List on the cover of each answer booklet, in the space provided, the number of each question attempted. Additional instructions are shown on the front cover of each answer booklet.

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SECTION A - ANSWER QUESTION 1

1. Case Study

Brophy Lynch Recruitment Ltd (BLR) is the result of a merger between two recruitment consultants in 2002: Southside Recruitment, located in Dublin, owned by Mark Brophy and Lynch Recruitment from Cork, owned by Gerry Lynch. Mark Brophy originally worked for Gerry Lynch in Lynch Recruitment but in 1995 he moved to Dublin and opened Southside Recruitment. After Mark moved to Dublin he and Gerry remained in touch and they would frequently cooperate to provide services to potential clients.

In 2001, Mark proposed that the two firms should merge. The Irish economy and employment levels were growing and both firms were performing well financially, but Mark argued that the merger would allow them to move to the “next level of competition”. Gerry was persuaded and the deal was finalised in January 2002. Mark and Gerry were to be joint Managing Directors, although over time Mark has become the “de facto boss”.

In the context of the attractive market conditions of the time, BLR continued to perform well, increasing its client base and taking on more staff in Cork and Dublin. Mark pushed to expand into other markets and reluctantly Gerry finally agreed. By the end of 2005, BLR had opened offices in Limerick, Galway and Waterford. Because of the challenges involved Mark and Gerry decided to avoid acquiring companies already in those markets and instead BLR opened its own offices, poaching managers from local rivals to run them. Each of these managers has since left BLR, all citing Mark’s tendency to micro-manage as a frustration, although privately they would admit that Mark’s aggressive management style was in fact the main reason. As a new entrant into these locations, it took some time for the company to establish itself but by the end of 2007, BLR was showing a profit in each city and had created a recognised brand with local businesses.

Similar to all recruitment firms, BLR was faced with huge market and financial challenges in the period 2008-2013. In response, Mark and Gerry closed the Limerick and Waterford Offices in early 2009 and halved the number of staff in Cork, Dublin and Galway. The office closures, the reduction in staff headcount, BLR’s pre-existing aggressive cost management and pricing of recruitment services to potential clients all contributed to the company’s survival. Recognising the improving economic circumstances, BLR reopened its offices in Limerick and Waterford in mid-2014, and has slowly rebuilt its recruitment consultant headcount across all locations.

BLR has always targeted smaller and medium sized businesses. As Gerry commented, “We don’t really have the resources to deal with large client firms or certainly multinationals, and anyway, there are a lot more small firms than big ones, and their business is easier to win, as they do not have any in-house expertise.” Reputation and service level are important factors to attract and retain clients, but in Mark and Gerry’s experience so too is pricing, especially so in recent years. BLR uses the industry standard approach of pricing based on a percentage of the successful candidate’s annual wage/salary. However, local managers have the authority to provide discounts to potential clients to maximise the chance of BLR winning the business.

In general, BLR provides three levels of recruitment service:

1. The basic service involves BLR providing a screened list of candidates, typically five, for the client to interview. If BLR does not already have suitable candidates on its books, it will also advertise the positions.
2. The next level of service additionally involves a BLR consultant taking part in the interview, in particular advising clients about proper interview procedure and management.
3. The most involved level of service requires BLR to develop the person specification, identify and screen candidates, as well as manage the selection and interview process. In addition, BLR may negotiate the candidate’s contract, salary and conditions on behalf of the client. This requires substantial interactions with the client firm and is therefore much more expensive.

SMEs have become more aware of the complex legal implications in the recruitment process, in terms of equality legislation, for example. This has been of benefit to BLR: more SME clients have been willing to use BLR's more involved and expensive services to ensure that they are not leaving themselves open to accusations of inappropriate hiring practices. This is something that BLR highlights in its marketing communications. In both Dublin and Cork, BLR has specialist recruiters for popular sectors: accounting, retail, IT, administration, engineering, and so on. In the other offices, and reflecting lower volumes, BLR tends to have recruiters who are responsible for two or more sectors. To underpin its services, BLR maintains a large database of active and passive candidates, in particular, people whom it has previously placed. It also interacts with the local universities' career centres to identify potential candidates.

BLR uses local newspapers to advertise both itself and the current positions it has available. It uses the tagline, "Brophy Lynch Recruitment - Nationwide Service, Local Knowledge". BLR believes clients, particularly those inexperienced with using recruitment firms, are reassured by the image of BLR's "nationwide" footprint. In addition, Mark, Gerry and the managers of the other offices use local Chambers of Commerce and other business events to network and raise BLR's local visibility. Like most recruitment firms, BLR uses its website to inform potential clients and candidates about its services as well as for advertising current positions. Potential candidates can search for job openings, register with BLR to be informed about future opportunities and upload their CV. BLR has not invested significantly in social media, although it does have a regularly updated Facebook page where open positions are advertised. BLR has a dedicated IT person to manage all IT needs, including the website and Facebook.

Mark and Gerry's personal relationship has deteriorated over the years: at this stage the relationship is cool but professional. Gerry, who is now in his early sixties, has considered exiting the business on several occasions. Mark would admit that he can sometimes be "abrasive" though he would argue that he is simply being tough - but fair. "I have put everything into this business and I expect people to deliver – and I don't see anything wrong with that", he explains.

Similar to most smaller owner-managed firms, BLR is tightly resourced and Mark in particular is very cost aware. BLR's recruitment consultants are incentivised with significant individual performance-contingent bonuses and performance is closely monitored. Similarly, facilities costs are carefully managed. For example, BLR utilises renting and leasing contracts so as to minimise financial commitments and maintain operational flexibility. Unfortunately, this has resulted in some negative consequences. Clients and candidates have sometimes complained about the quality of service provided and about the insistent attitude of the recruitment consultants. This has led to BLR having lower levels of repeat business than rivals. Relatedly, with the notable exception of the Cork office, the "atmosphere" in BLR's offices is frequently tense, with little collegiality. The turnover of recruitment consultants, a stressful role in any case, is higher for BLR than for its rivals.

At the moment, BLR has an average of 190 open positions on its books across the five offices and 31 staff, including 22 recruitment consultants. Although Mark and Gerry are relieved that BLR has survived and that its financial performance is improving, they recognise that there are challenges, not least the consequences for BLR if the Irish economy slows down again.

REQUIREMENT:

Prepare a report for Brophy Lynch Recruitment Ltd in which you:

- (a)** Critically analyse the strategic position of Brophy Lynch Recruitment Ltd, drawing on your assessment of the key drivers of change prevailing in the environment and applying the relevant theories and models;
- (b)** Assess the key issues facing Brophy Lynch Recruitment Ltd and evaluate the firm's options to address such issues; and
- (c)** Make and justify recommendations to ensure the best way forward for the firm.

(Note: The scenario presented above is not intended to be comprehensive. You will be expected to make whatever additional logical assumptions about Brophy Lynch Recruitment Ltd and its environment that will give you sufficient scope to demonstrate a high level of critical thinking, analytical skills and strategic vision, as over 50% of available marks will be allocated to these areas).

(Total: 50 Marks)

SECTION B - ANSWER TWO QUESTIONS ONLY.

2. Global Computers Inc (GCI) manufactures computers, servers, printers and peripherals. It sells globally and in 2015 it was the seventh largest firm in the sector – down from third five years ago. Since it was founded in California in 1983, GCI has concentrated on the computer and hardware sector. Inadvertently, GCI has evolved to focus on business clients – last year 94% of all sales were to corporate customers. While GCI's sales are global, all 6% of consumer sales last year were in North America.

For the past several years, it has struggled to generate revenue growth and profits have declined each year - this is despite two separate organisational restructurings and an increased marketing spend. The Board has recently appointed a new CEO, Lynda Fordetti; she is the first externally appointed CEO of the firm. Lynda has commissioned market research which found that corporate customers perceived GCI products as “solid, reliable, efficient and technologically sound”, while GCI service levels were seen as “adequate but fine”. The research also showed consumers, in particular outside of North America, were not really aware of GCI, apart from it being “some big computer firm”.

Lynda has decided that going forward, GCI cannot remain concentrated only on the computer and hardware sector. Although outside GCI's current area of competence, Lynda has initially identified two corporate diversification alternatives:

1. Outsourced IT Services. This service would involve GCI building, managing and supporting the full IT infrastructure of client firms. To be accepted, Lynda believes that GCI's service division would have to be entirely separate from its hardware division, and could not push the sale of GCI hardware to client firms.
2. Consumer Devices. This would involve GCI manufacturing mobile phones and tablets for consumers. As the firm is best known in North America, Lynda thinks that GCI would target that market first, before selling the devices more globally.

REQUIREMENT:

Prepare a report for GCI that assesses the strategic rationale for corporate diversification and advises Lynda on which option identified above should be investigated further, if either.

(Total: 25 Marks)

3. Senmake Ltd manufactures sensors for process control equipment and engines. New product development is a critical element of competitiveness but for the past few years Senmake Ltd has not been as successful in developing new products as quickly as its rivals. While it is unclear why this has happened, the recently appointed CEO, Jamie Whelan, has decided to put in place a cross-departmental team (the NPD Team) to address the problem of lack of cross-departmental cooperation, especially in relation to new product development.

The members of the NPD Team will come from several departments: R&D, engineering, procurement, marketing and finance. The remit of the team will be to “provide a conduit for information flow across departments and to identify organisational issues that may impact on new product development.”

Each department will assign a manager as its representative on the NPD Team. Membership of the NPD Team will be in addition to the individual manager's main departmental role, although the departments have been reassured by Jamie that *“all necessary resources and supports will be made available to ensure that the functioning of the NPD Team will not negatively impact on the managers' departmental roles”*.

REQUIREMENT:

Prepare a report for the CEO of Senmake Ltd that:

- (a) Analyses how the firm, and in particular senior management, can facilitate the evolution of a cohesive NPD Team.
(15 Marks)
- (b) Recommends the most effective leadership style for the NPD Team leader to ensure that the team fulfils its remit.
(10 Marks)

(Total: 25 Marks)

4. Sarah Jane O'Sullivan opened her pottery business – Kerry Pottery - in 1983. The business has always produced a very traditional style of pottery: hand-painted and decorated with flowers, trees and farm animals. The hand crafted nature of the process means that production costs are high, but it allows the business to charge high prices: for example, a single dinner plate may cost €20 or a coffee mug €15. The business is located just 5kms outside Killarney, Co Kerry. Killarney is one of Ireland's most popular tourist destinations, in particular for American tourists. The business now includes the pottery, a visitor's centre and shop, and a popular café. The product range includes dinnerware, serveware, flatware, kitchen storage and table linens.

To date, Kerry Pottery's marketing communications strategy has been quite basic. It generally uses a combination of information leaflets in all the local hotels, occasional newspaper advertising in the local paper and a simple website (that does not facilitate online sales). There are also agreements with bus tour operators to include the visitors' centre on their tours of the county. Ultimately though, the business relies greatly on word of mouth and repeat business.

Sarah Jane's daughter, Moira, has taken over the running of the business although Sarah Jane still has to agree to any major decisions. Moira is a little concerned at the customer profile of Killarney Pottery.

- 87% are over 40 years old
- 56% are from the USA, while only 23% are Irish

Moira has proposed to radically change the product range and target market for the business. The proposal involves producing pottery that is much more modern and contemporary in style, and targeting people under 40 years old. She proposes that this will happen incrementally over three years and as a compromise, she suggests that three of the most popular traditional ranges will be retained. She also proposes that this new marketing strategy will require the business makes use of more modern marketing communication approaches.

REQUIREMENT:

- (a) Critically evaluate Moira's proposal to change Kerry Pottery's product range and target market. Should Sarah Jane agree? Justify your answer. (15 Marks)
- (b) Recommend to Moira how digital marketing may be used as part of Kerry Pottery's integrated marketing communications strategy. (10 Marks)

(Total: 25 Marks)

END OF PAPER

SUGGESTED SOLUTIONS

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN IRELAND

STRATEGY & LEADERSHIP

PROFESSIONAL 2 EXAMINATION - AUGUST 2016

SOLUTION 1

From: A Student
CPA Consultants
Dublin
Ireland
29 August 2016

To: Mark Brophy and Gerry Lynch
Brophy Lynch Recruitment Ltd
Main Street
Dublin
Ireland

Date 29 August 2016

Re Strategic Review of Brophy Lynch Recruitment Ltd

Dear Mark and Gerry

Thank you for inviting CPA Consultants to evaluate and report on the Strategic Direction and Options open to Brophy Lynch Recruitment Ltd at this time. The enclosed report has three parts:

- a) Analysis of the strategic position of the business.
- b) Assessment of the key issues facing the business and evaluation of the business's strategic options.
- c) Recommendations to develop the business into the future.

I am available to discuss the report and to provide any additional information or explanations if you should require them.

Yours sincerely
A. Student
CPA Consultants

a) Strategic Analysis of Brophy Lynch Recruitment Ltd

A number of strategic analysis frameworks are used below in order to better understand the strategic position of Brophy Lynch Recruitment Ltd:

- PESTEL
- Five Forces Model
- Resource analysis
- Value Chain
- SWOT

The General Environment (PESTEL)

1. Political and Legal Factors

The most important impact of the political system on the recruitment consultancy sector is the more general influence the political system has – particularly the extent to which the political system ensures a stable political and economic environment. Businesses prefer political and economic stability where change is more predictable. Stability makes business decisions easier and tends to promote increased expenditure by business and consumers. The recruitment consultancy sector only performs well when other sectors of the economy are also doing well and therefore hiring more staff.

Although the election has been run in Ireland and a Government eventually formed, the duration of the minority Government remains uncertain. Similarly, the fallout of the Brexit referendum and the decision of the UK to leave the EU continues to be discussed and influence both political and business decisions. Both of these serve to undermine business confidence and therefore may affect investment decisions and hiring decisions. So, although the recruitment consultancy sector is currently doing well, there are concerns.

There is little specific regulation impacting on the recruitment consultancy sector. The Work Place Relations Licensing Section is the relevant competent authority. A licence and Garda vetting is required to open a recruitment consultancy. However, this is only an administrative process and for “people of good standing” there is no real barrier to entering the sector. This creates a potential problem for sector incumbents as new competitors can enter the market relatively easily.

2. Economic Factors

As alluded to above, the recruitment consultancy sector is strongly influenced by the performance of the general economy, and is strongly pro-cyclical. The Government in its June 2016 Summer Economic Statement forecasts GDP growth of 5% for 2016 with over 2m people in work by the year end: an increase of 50,000. The report indicates an economic growth rate of 3.9% for 2017, with an additional 45,000 in employment. There is also the likelihood of low interest rates and low inflation continuing. Overall, uncertainty from Brexit aside, the Irish economic outlook is positive. During the economic crisis, the recruitment consultancy sector collapsed by an estimated 70%. The positive economic outlook should translate into significant growth in demand for recruitment consultancy services as there will be a greater number of open job positions. Therefore, the medium term future for the sector is positive.

3. Social and Cultural

Similar to all other areas of Irish business the recruitment consultancy sector is also impacted by societal and cultural changes. For example, compared to even twenty years ago, Ireland is much more multi-cultural: as an illustration, about 120,000 Polish born people live here.

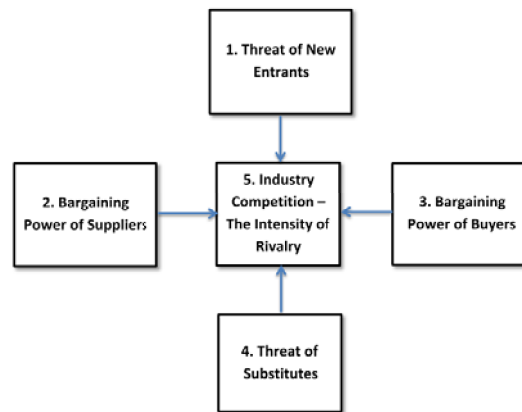
This multiculturalism can be an opportunity for recruitment consultancy firms: immigrants may represent a distinct and new market segment. On the other hand, the immigrant candidate pool presents additional challenges, particularly in the areas of language, skills differences and recognition of qualifications.

People are more educated than in the past, even compared to twenty years ago. Potential candidates now have more qualifications and greater capabilities – which, everything else being equal, should make it more straightforward for recruitment consultancy firms to place them. However, these candidates also have higher expectations – both of recruitment consultancy firms and employing organisations. Candidates are better informed than previously; they are more aware of expected salaries and benefits, the reputation of employers as well as their own rights as candidates and as employees

4. Technology

The recruitment consultancy sector is not technology intensive. In general, the main impact of technology in the sector is the job advertisement websites that have significantly replaced advertising through newspapers. The use of firms' own sites or specialised job websites facilitates both recruitment firms looking to find a pool of candidates for an open position and potential candidates looking for a job. Technology, as alluded to above, also permits candidates to be more informed about potential jobs and employers than previously. An estimate (from the USA) suggests that a candidate's network of contacts contributed to perhaps 60% of successful job searches. Websites such as LinkedIn are an important resource for individuals to build these networks of contacts as well as for recruitment consultancy firms to find potential candidates.

Competitive Environment (Porter's Five Forces Model)



Porter's Five Forces Model provides an insight into the nature and dynamics of competition in the recruitment consultancy sector.

1. The Intensity of Rivalry

The intensity of industry rivalry tends to be the greatest influence on medium to long term industry attractiveness. The recruitment consultancy sector is fragmented: there are many local, regional, national and even international competitors. For example, according to the Workplace Relations Commission, there are around 225 recruitment consultancy firms in Dublin alone. Recruitment firms provide a service based on a combination of expertise, reputation, experience and access to potential candidates. The sector is not restrictively regulated and the market is now again growing quickly in line with the Irish economy. While cost is obviously an issue, perhaps the key one for some clients, a recruitment firm's reputation and previous experience with that client are also key deciding factors on which recruitment consultancy firm a client might retain. Switching costs tend to be high as client firms will have built a relationship and a confidence in a particular recruitment firm and therefore be more reluctant to move. Overall, this tends to suggest that the level of rivalry in the sector is low to medium.

2. The Threat of New Entry

The number and difficulty of barriers to entry will influence the threat of new entrants into the recruitment consultancy sector. Incumbent firms try to create switching costs in the form of providing differentiated (better) services and as mentioned, a positive previous experience with a recruitment firm will be an important factor in clients deciding to reuse them. Similarly, unless they are international firms entering the Irish market, new entrants by definition lack reputation and experience, which are also important selection criteria for potential client firms. Lastly, neither the relatively low level of financing required nor the requirement to have a license present significant entry difficulties. Overall therefore, there are relatively significant barriers for new entrants to overcome, and the potential for new entrants would tend to be low to medium.

3. The bargaining power of buyers

The recruitment consultancy sector is a business to business market, providing recruitment services to client firms. As mentioned, the sector is fragmented, meaning that buyers will have several alternative providers available and in general business buyers tend to be more informed and motivated to negotiate than the general public. This would tend to increase their level of bargaining influence. The extent to which incumbents are able to effectively differentiate their services from those of rivals would tend to mitigate buyers bargaining influence. Overall therefore buyers have medium to high levels of influence and client firms must be happy with the service provided or they will likely change provider.

4. The Threat of Substitutes

A substitute is provided by a different industry but fulfils the same requirement, or close to it. If a service is to be perceived as a genuine substitute, it must be comparable, similarly priced and as readily available. The recruitment consultancy sector provides a service that can, and historically was, done in-house. Many firms still do not use a recruitment firm. In particular, SMEs have the contradictory concerns of not possessing the technical recruitment knowledge, but not wishing to use limited resources on a recruitment service. While in-house recruitment is potentially an effective "substitute", the rationale for external recruitment firms remain relevant: expertise, access to candidate pools, legal issues, etc. Similarly, a website such as LinkedIn may be viewed as a substitute, in that it allows the hiring firm to identify potential suitable candidates. Overall, the influence of substitutes seems to be relatively low, although SMEs do tend to be more informal in their processes, including recruitment, and in-house recruitment would likely be more prevalent in that sector.

5. The Bargaining Power of Suppliers

It is difficult to identify suppliers of any “key inputs” for the recruitment consultancy sector. The supply of labour, in the form of trained and experienced recruitment consultants is perhaps the most influential. That said, the number of people with HR degrees or similar business or psychology degrees, people who previously held a role as a recruitment consultant, as well as migrants or Irish people with such qualifications wishing to return to Ireland, would suggest that there is little shortage of prospective recruitment consultants for the industry at present. Overall therefore, suppliers seem to have little influence in the sector at the moment.

Resources and Competences

Resources may be assessed from a number of perspectives

1. Physical resources, human resources, financial resources, intangible resources
2. Strategic capabilities: unique resources and competencies

1. Physical Resources

As almost a pure service industry, physical resources are not critical in the recruitment sector. BLR has five offices around the country, though given Mark’s emphasis on cost management these are likely to be no more than adequately appointed. The offices location, layout, etc, are unlikely to be a key part of BLR’s brand or add to its reputation.

2. Human Resources

BLR has 22 recruitment consultants with expertise and experience in various sectors, although their turnover is relatively high. The firm has three office managers – for Galway, Limerick and Waterford. However, they seem to be micro-managed and turnover is again high. Mark and Gerry, as the owner-managers, are the most important human resources of the business, but their relationship is not as good as it needs to be.

3. Financial Resources

Although the details are not given, it would seem that BLR is trading profitably. It survived the economic crisis and took hard-hitting cuts to do so, though there may be legacy financial issues/debt as a result. BLR, and in particular Mark, have a focus on cost – therefore it is likely that BLR has strong financial management. BLR aggressively price their recruitment services and therefore their fees and margins are likely to be lower than the sectoral average.

4. Intangible Resources

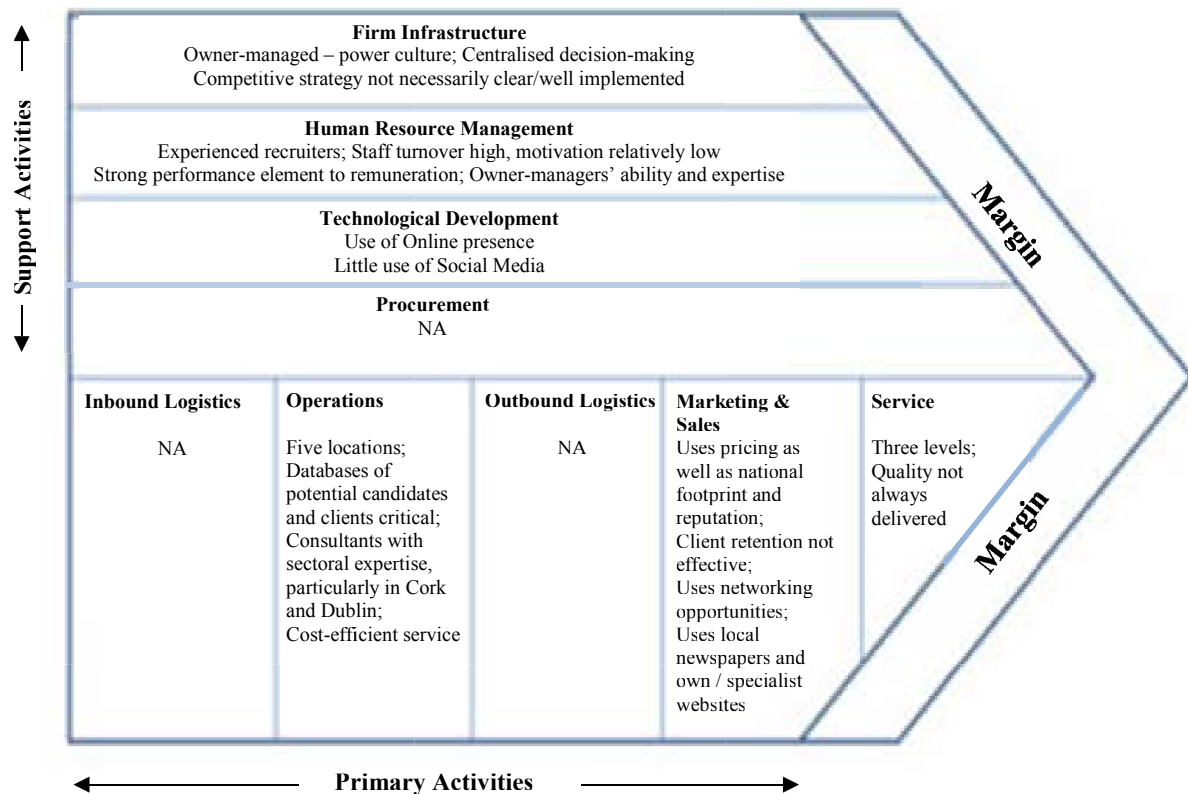
As they are the least imitable, intangible resources are likely to be the most effective source of competitive advantage. BLR has been in business for almost 15 years, and Mark and Gerry have an even greater amount of experience in the sector. BLR is well known in each of its locations and it has a large client base and database of active and passive potential candidates.

5. Unique resources and competencies

The resource based view of the firm, popularised by Barney, holds that firms should build their competitive strategy on the key and unique resources and capabilities it possesses. In particular, those resources and capabilities that are superior to rivals. The relevant unique resources and competencies that BLR may leverage include:

- Brand name and recognition
- Mark and Gerry’s experience and abilities
- Expertise in recruitment process, in particular the recruitment needs of SMEs
- Ability to manage its cost base
- Database of clients and contacts
- Database of potential candidates

Value Chain of Brophy Lynch Recruitment Ltd



SWOT Analysis for Brophy Lynch Recruitment Ltd

A useful analytical summary and decision-making tool is a SWOT Analysis. However, the analyses need to be based on research and data, not just management opinion.

Internal	<p>Strengths</p> <ul style="list-style-type: none"> Mark and Gerry <ul style="list-style-type: none"> Their managerial ability and experience has kept BLR in business Balanced national footprint and not reliant on any one location Client base and contacts Database of potential candidates Cost management Financially sound Significant level of experience in the sector Well-known brand Organisational flexibility in response to changes in the business environment 	<p>Weaknesses</p> <ul style="list-style-type: none"> Deteriorated relationship between Mark and Gerry Competitive strategy not fully coherent The high turnover of office managers and recruitment consultants Motivation of staff, including office managers The tense / dysfunctional organisational culture Reputation for poorer service delivery and consultants' attitudes Mark's leadership style
External	<p>Opportunities</p> <ul style="list-style-type: none"> The continuing economic recovery across Ireland Increased employment levels and therefore greater demand for recruitment services Increasingly stringent legal requirements driving need for SMEs to outsource recruitment process Increasing population and labour force BLR's aggressive pricing coupled with SME's sensitivity to costs Geographic expansion outside of main cities Diversification into other [HR] services to SMEs Increased use of social media 	<p>Threats</p> <ul style="list-style-type: none"> Possibility that Irish economic recovery will stall Uncertainty in the aftermath of the Brexit UK Referendum may reduce SME recruitment Increased competition, including from web-based rivals Clients increased service expectations Availability of financing for start-ups and SME's wishing to expand

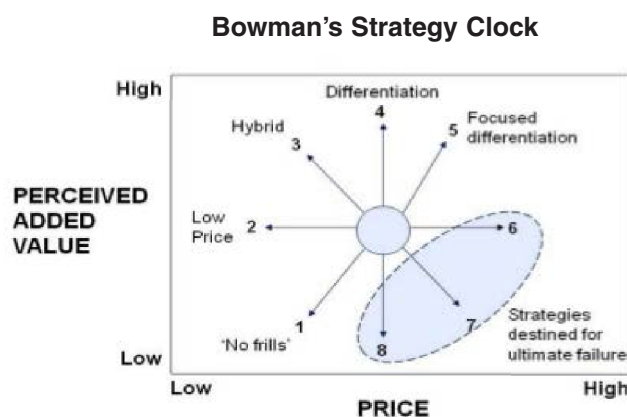
b) Key Issues and Options for Brophy Lynch Recruitment Ltd

In the context of the above analysis and Mark and Gerry's deteriorating relationship, the following are the key issues on which BLR needs to reflect and develop a strategy and response.

Issues

1. The reputation of BLR. The firm has a difficulty in retaining clients. The level of service BLR provides is not always to the expected standard and this has led to clients sometimes switching to rival firms. Mark and Gerry do not seem to perceive this as a problem at the moment, but if it continues BLR's reputation – a key selling point for a recruitment firm – will be damaged.
2. Turnover of recruitment consultants. BLR's turnover rate for recruitment consultants is relatively high and this is probably a contributor to the previous issue. The reasons for the turnover may include the culture and atmosphere in the offices and Mark's leadership style. Irrespective, as recruitment consultants leave, they bring with them valuable experience and organisational knowledge.
3. The uncertainty and fallout of Brexit. Businesses prefer political and economic stability, in particular when making longer term decisions. It is likely that economic growth and jobs growth will be reduced as a consequence of the UK's decision to leave the EU.
4. Organisational agility. In the past, BLR has had the ability and leadership to significantly adapt as circumstances required it – closing offices and reducing headcount. It needs to ensure that it has the capacity and is prepared to flexibly respond to the as yet unknown economic and labour market implications of Brexit – and other possible shocks.
5. The level of margins. As part of their competitive approach, BLR deliberately price aggressively. BLR also aggressively manages its cost base, but the firm needs to ensure that the fees charged to win business are sufficient to make a return for the business. The firm's aggressive cost management may be a factor in the high rates of recruitment consultant turnover.
6. The leadership of the firm. It is unusual to have joint managing directors, and it may lead to inconsistencies in decisions, and to Mark and Gerry spending too much time and energy on their relationship rather than managing the business. Relatedly, Mark's abrasive approach is likely to undermine the business over time – for example, pushing the office managers to leave.
7. Future growth. BLR is currently competing in five locations across Ireland. Notwithstanding the uncertainty mentioned above, BLR may have the possibility of expanding into other – Irish – locations. In addition, BLR may be able to provide a wider range of HR services to clients.
8. The use of technology. BLR currently uses its website to promote itself and the open positions it has available. Technology, especially "social media" provide a range of opportunities for a firm such as BLR both from a marketing and operational point of view.

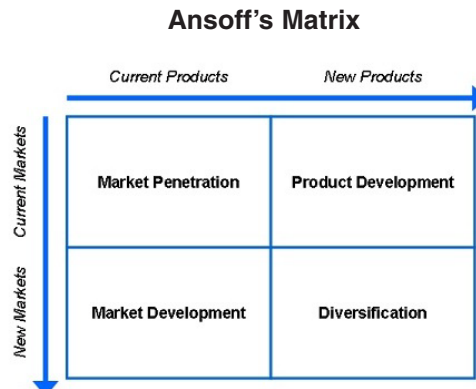
Options



Bowman's "Strategy Clock" uses and extends Porter's generic competitive strategy model and identifies eight possible strategies. The model explains the cost and perceived value combinations many firms use, as well as identifying the likelihood of success for each strategy. The competitive strategy used by a firm will depend on the competences and resources it can deploy: for example, managing costs, or innovation or service level.

Although BLR does try to promote its reputation and recruitment expertise, it seems to use pricing as a main competitive weapon. It targets SMEs as its main clients and these firms do tend to be more price sensitive as they generally have less resources. BLR's perceived level of service – and presumably capabilities – seems clearly average, and its differentiation is nominal. Points three, four and five on Bowman's Strategy Clock require a level of innovation and service that BLR seem unlikely to be able to deliver. Therefore, BLR's competitive strategy seems to reflect mostly point two on Bowman's Strategy Clock, where lower prices (fees) are charged for an "average" service. BLR's emphasis on managing costs is further evidence of this strategy.

The extent to which BLR can continue to be successful using this strategy will depend on a number of factors, and most importantly, its ability to manage its costs. There is also already evidence that BLR is not delivering the level of service that is expected by clients – even at a lower level of fees. In addition, it is possible that BLR's efforts to manage costs are a contributing factor in recruitment consultants' decision to leave the firm – further undermining service quality levels.



The generic growth strategies described by Ansoff's framework illustrates the present and potential products and market combinations that a firm may pursue. Ansoff identified four possible product-market combinations, depending on a combination of existing products and new products and existing markets and new markets.

Most importantly, BLR needs to ensure that it protects and consolidates its existing markets. BLR's client retention rate is lower than that of rivals, and while SMEs are numerous, it is always easier to retain existing clients than attract new ones. BLR will need to improve the quality of service, notwithstanding the fees charged, to maintain clients' loyalty.

In addition, BLR may attempt to develop new geographic markets –particularly the larger towns outside of the five cities. It is unclear whether BLR has the resources, particularly managerial to do this effectively, although they do have experience of expanding in this way, and the investment cost of such start-ups is low.

Lastly, BLR may investigate new service development: that is providing new services to existing or potentially new clients. There are a range of new service possibilities, including for example, managing payroll and employee records for SME clients and providing legal and HR legislation compliance support for clients. Again, while new service development is reasonably feasible, any new services will be outside of BLR's current abilities and will require investment to establish and promote them.

c) **Recommendations for Brophy Lynch Recruitment Ltd**

The following are recommendations that Brophy Lynch Recruitment Ltd may use to address its current concerns and to develop into the future.

1. The joint managing directors, Mark Brophy and Gerry Lynch need to discuss their relationship. The two men need to ensure that while there may be two MDs running BLR, there is consistent decision-making and a clear vision. This is not necessarily happening at present.
2. BLR needs to address its service reputation. Reputation is a critical success factor in the recruitment sector. BLR's reputation has been undermined to an extent. It needs to investigate how it is perceived in the market and the reasons for this. It then needs to resolve these problems.
3. The motivation level of recruitment consultants needs to be improved. Related to this, the organisational culture that pervades BLR's offices needs to be changed. The recruitment consultants are rewarded with highly incentivised pay, which can be stressful, and this may need to be rebalanced with greater elements of non-performance pay. In addition, Mark will need to tone down his aggressive approach and his tendency to micro-manage.
4. The turnover of recruitment consultants, and office managers, needs to be reviewed and addressed. This turnover of staff is likely to be a main contributing factor to BLR's reputational issue. The strategies suggested to improve motivation will likely also reduce the staff turnover.
5. BLR is in effect using a Low Price strategy – point two on Bowman's Clock. The firm should continue to do this as it has been relatively successful to date. However, as noted above it does need to better manage its reputation and service level, especially as price is frequently not the main factor in clients' choice of

- recruitment firm. In addition, BLR will need to continue to aggressively manage its cost base, so as to ensure that its aggressive pricing does not wipe out the margin it achieves.
6. The firm is too reliant on the recruitment consultancy sector. This has had huge consequences for the firm in the past. To avoid this in the future, BLR should investigate diversifying its business so that in future its revenue and cash streams come from a number of sectors. Other HR related services would be an obvious possibility, especially if targeted at its existing clients. Similarly, BLR should investigate the possibility of increasing the number of cities and towns where it competes beyond the current five locations.
 7. BLR should leverage technology, in particular digital and online media more than it is currently doing. BLR currently uses its website to promote itself and the open positions it has available, but social media provides a range of options for BLR. For example, a website such as “LinkedIn” can be used to identify passive candidates and for networking.

Indicative Marking Scheme for Question 1

	Marks
(a) Application of PESTEL	
• PESTEL implications should be related to the case scenario	
• 6 elements x 2 marks; maximum of 10 marks	10
Application of Five Forces Model	
• Indicators identified by Porter must be used to reach a conclusion for each force	
• 5 forces x 2 marks	10
Analysis of Resources and Competences	
• Explain main resources, should indicate relative importance to competitiveness	3
• Explain main competences, should indicate relative importance to competitiveness	3
• Use of Value Chain analysis	<u>3</u>
	9
Preparation of a SWOT Analysis	
• Should relate and link strengths to weaknesses, opportunities and threats	
• Issues in the SWOT should be prioritised, not just listed	5
	<u>34</u>
(b) Assessment of issues and options	
• Must be logical and clearly relate to previous analysis	
• Should refer to relevant models (Bowman or Porter, Ansoff...)	
• Issues and options should be prioritised, not just listed	8
(c) Strategy / Proposals	
• Must be logical and clearly relate to previous analysis	
• Recommendation(s) should be prioritised, not just listed and justified	<u>8</u>
Total Marks	50

SOLUTION 2

To: Mark Brophy and Gerry Lynch
Brophy Lynch Recruitment Ltd
Main Street
Dublin, Ireland

From: A Student
CPA Consultants
Dublin, Ireland

Date: 29 August 2016

Introduction

As part of its corporate strategy, a firm must decide the breath of its activities. A firm can concentrate on one area or decide to diversify into a number of areas, perhaps unrelated to one another. This is an issue that Global Computers Inc (GCI) has decided that it needs to revisit.

The Concentration Strategy

At present, GCI is using a concentration strategy. This may be deliberate or may simply be the unconscious result of not previously addressing diversification. A concentration strategy is where a firm concentrates on a single sector and focuses all of its resources and competences on competing successfully within one particular product market. This is GCI's current corporate strategy: it focuses on the computer hardware sector. GCI has been very successful in this over the years, to the point where it was the third largest firm in the sector in the world. The sector has changed however and is at this stage mature: the problem facing CGI illustrates the huge drawback of the concentration strategy: where the performance of a firm is closely related to a single sector, when that sector faces difficulties, or as in this case becomes mature and sectoral growth levels off, the firm faces the same difficulties, perhaps even more so. This is exactly what confronts GCI; it is tied to a single sector whose future growth is likely to be limited.

That said, the concentration corporate strategy is the more common among firms and has clear benefits compared to when a firm decides to diversify. With a concentration strategy, there is less chance that scarce resources will be stretched thinly over too many competing activities. This is also the case for GCI: one of the most important "resources" in a firm is management time and expertise. When a firm uses a concentration strategy all of management's attention and experience is focused on the firm being successful in one area. In the case of GCI, GCI's management can remain focused on the computer hardware sector and therefore be acutely aware of the issues and trends in the sector. On the other hand, if a firm diversifies, this attention and experience will necessarily be diluted. Lastly, because of this depth of attention to a single sector facilitated by concentrated firms, important competencies are more likely to emerge. This is likely to have been the case with GCI, as it is one of the top producers of computer hardware in the world.

It is important to remember that using a concentration corporate strategy still provides significant opportunities for firm growth. A firm – such as GCI – can develop new linked products – computer peripherals for example – to sell to its existing corporate clients, or for that matter push sales of its existing range to consumers, where it has a very small market share.

The Diversification Strategy

In contrast to the concentration corporate strategy, the diversification strategy refers to the process of entering other sectors that are distinct and different from a firm's core or original sector. The rationale of the diversified business is that it creates added value by building a multi-business firm where the whole is greater than the sum of its parts. This is the strategy that GCI is now investigating: moving away from its concentration on computer hardware and into new business sectors. Diversification is a continuum: it can be more related to the current business sector, where there are "strategic fits", or it can be quite different, or unrelated, to the current business sector, lacking any such strategic fits.

As previously alluded to, and very relevant to GCI's decision, diversification allows a firm to spread business and economic risk across a range of businesses sectors. This means that the impact on the performance of a business as one sector weakens, or where the economy weakens, is ameliorated. This implication is very attractive to GCI. The computer hardware sector is mature and there is unlikely to be significant growth opportunities in the future. In addition, GCI seems to be losing competitiveness in the sector as it has slipped to seventh in the sector. If GCI were to intelligently diversify, it would open new opportunities for significant growth for the business.

In addition to the above key issue for GCI, there are a number of other reasons for firms to consider diversification. Organisational scale frequently confers benefits on businesses. If GCI were to diversify, it may be able to become more efficient overall as it can apply existing resources and capabilities to new market sectors. Diversification may also allow GCI to increase its market power and attractiveness to clients as it can offer a more comprehensive range of products and / or services to client firms at the same time, not just computer hardware. This is especially the case for GCI if it targets its existing client base with the new Outsourced IT Services option.

BLR's Options

GCI has initially identified two alternatives for possible diversification. However, while not specifically within GCI's current area of competence, the options identified do have opportunities for strategic fits and possible synergies with the existing business, albeit at differing points in the value chain. In the case of Outsourced IT Services, while GCI currently has no expertise in the area, it could obviously use its current client base as its target market for the new service, at least initially. The corporate client base is familiar with the GCI brand, and with the firm's abilities and reputation. There is thus the likelihood of significant marketing and sales synergies with this option. This is important, because as firms move further away from their current business the uncertainties and risks increase. GCI is a known quantity to existing clients and this would reduce the risk factor confronting both GCI and its potential Outsourced IT Services clients.

In a similar manner, GCI has lengthy experience in the design and production of hardware devices, albeit computers, etc, and GCI should be able to leverage this expertise and experience to design and produce consumer devices. Therefore, there are again likely synergy opportunities with this option: this time in the areas of technology, design, operations, and R&D. As mentioned, as GCI moves further away from its current business the risks increase so the existence of these important strategic fits would be an important base from which to build a product range and consequently market presence. GCI is almost unknown as a consumer brand so it would need to build on its technology expertise and experience to create devices that consumers are willing to purchase – from a relatively unknown firm.

GCI will need to research the market potential and existing levels of competition in the proposed sectors. There is little benefit to GCI if it diversifies into a sector that is already well served with incumbents or where there is little growth potential. While both options mentioned *prima facie* have good growth potential, there are powerful incumbents in both. For example, rivals to GCI would likely include Samsung and Apple in consumer devices and Hewlett Packard and IBM outsourced IT.

As a new entrant into these sectors GCI will have to overcome the extant barriers to entry and have the financial resources to compete against such large, well resourced incumbents. Both options will require considerable investment. Similarly, both sectors require quite specialised knowledge, including client relationship management or consumer marketing, which at present GCI does not possess. Therefore, either option will necessitate significant investment on the part of GCI to obtain and build the necessary competences and resources necessary to compete in the sector.

Conclusion

There is a strong argument for GCI to diversify its business and reduce its reliance on the computer hardware sector. A preliminary review suggests that the two options identified are both suitable and feasible, although GCI will have to investigate the longer term attractiveness of the two sectors, especially in light of the existing, powerful incumbents. In addition, GCI will have to identify the gaps between the competences and resources necessary to enter either sector and what it has available now. The identified gaps in competence and resources, and the time, investment and difficulty associated with bridging that gap may push GCI to pursue one alternative over the other.

As a means of entry into either sector, GCI should also investigate alternative entry methods. It seems clear that GCI is currently looking to diversify organically, however, it would be useful for GCI to investigate the possibility of using an acquisition, or even a merger as a means of entry. This would allow them to more easily overcome the gap in sectoral experience and knowledge GCI inevitably has.

Indicative Marking Scheme for Question 2

	Marks
(a) Nature of concentration and diversification [to GCI]	3
Rationale for corporate diversification. These may include:	
• Escape mature market	2
• Reduced performance in current market	2
• Leverage existing resources and competences, eg technology, brandname	2
• Possibilities for synergy	2
• Computer hardware rivals have already similarly diversified	2
• The expectations of stakeholders, especially shareholders	2
• Reduce business risk	2
• But dilution of management time and expertise; budgets etc	2
• Any other relevant point	<u>2</u>
6 issues x 2 marks; maximum 12 marks	12
Assessment of options	
• Outsourced IT Services	4
• Consumer Devices	4
• Conclusion	<u>2</u>
	10
Total Marks	25

SOLUTION 3

To Mr Jamie Whelan
Senmake Ltd
Galway, Ireland

From: A Student
CPA Consultants
Dublin, Ireland

Date: 29 August 2016

Introduction

The use of teams has become a very common phenomenon across organisations. There are various forms of teams in contemporary organisations: the top management team, once-off project teams, functional and cross functional teams and these days more use of distributed, or virtual teams. Irrespective of the nature of the team involved, effective teams bring a number of significant benefits to an organisation. These include bringing together people in a formal way to leverage their mixture of talents and experiences, improved problem-solving and enhanced co-ordination and communication. Senmake Ltd is putting a cross-functional team in place in the hope that the team can contribute to improvements in its product development processes.

Developing a Cohesive NPD Team

However, calling a group of people a “team” does not necessarily make it so. An organisation must invest time, effort and resources into building an effective, cohesive team if the team is to achieve its objectives. A cohesive team has strong team identity, mutual respect and trust among team members and is motivated to deliver the team’s objectives. For example, Mullins (2010) outlines that there are four building blocks to group cohesiveness: all of which Senmake Ltd can influence to its benefit.

1. Team membership
2. Team evolution
3. Organisational environment
4. The work environment

Team membership

There are several issues in relation to team membership that are key to team cohesiveness, including the size of the team and the inter-personal compatibility of members. Senmake Ltd has decided that one representative from each of the five relevant departments is necessary. Senior management need to be sure that this is a sufficient number of members for the team to achieve its remit, otherwise it may be seen as a pointless exercise and even demotivating for team members and staff in general. Related, senior management need to ensure that the proposed team members are compatible and able to work constructively together in a team environment. The members’ personalities, personal histories and capabilities need to be reviewed to ensure that this can happen. Therefore, although the firm is allowing each department to appoint its own representative, senior management must co-ordinate to ensure that the departments are aware of the type of “team player” necessary for the NPD Team.

Team evolution

Tuckman (1965) identified the key stages in any team’s (group’s) evolution. Senmake Ltd’s senior management needs to ensure that the team can move effectively through the process from forming and storming through to norming and then performing. To facilitate the NPD Team’s evolution senior management may do a range of things. As mentioned, it is critical that team players, who are open and ready to cooperate, are assigned to the team. The members will need training and coaching on teamwork, as well as negotiation skills, etc, and time to adapt to their team role. To prevent significant issues during the storming stage, senior management may decide the NPD Team leader taking the issue away from the team – the team leader role may even rotate. The team will need clarity as to its purpose and remit, and the limits of its authority. Senior management will need to ensure this to allow the team to reach the team performance stage quickly. Lastly, senior management need to provide ongoing encouragement and support and importantly, act on the team’s recommendations, otherwise the team will see itself as redundant.

Organisational environment

In terms of organisational environment, senior management need to ensure that there are HR policies and procedures that effectively underpin the operation of the NPD Team so that membership of the team does not undermine the managers’ careers and ambitions. Senmake Ltd need to review the effects that performance evaluation systems, promotion and rewards, and opportunities for personal development have on members of the team. The competitive threat and Senmake Ltd’s inability to develop products may be used by senior management as factors to cohere the team. The leadership of the team is also a critical issue. This will be addressed later in the report.

The work environment

The NPD team need to be made aware of the expectations that the firm has for the team. The remit given it needs to be reinforced and perhaps clarified in terms of timelines and specific targets. The senior management of the firm need to ensure that the team members are given the training, the time and the resources necessary to perform the task given them. For example, senior management may decide to backfill their departmental roles for a period while the team is being developed and members are only feeling their way into their roles. Similarly, Senmake Ltd may provide administrative support, technology, and even perhaps a dedicated work space to support the team as much as possible. Doing this would also signal the importance of the initiative to the firm and its future.

Overall, while the development of the NPD Team is a new initiative for Senmake Ltd, there are a range of actions and decisions that senior management can use to positively influence the level of cohesion in the team and ultimately, its likelihood of success.

Leading the NPD Team

Effective leadership is a key ingredient in organisational success. The same is true of teams: without leadership the team will drift, and lack direction and energy. Leadership can be an elusive quality, but in general it is seen to be the ability of a person to influence others toward the achievement of an objective. A person's ability to lead can be based on a range of factors: experience, knowledge, force of personality, etc.

From the point of view of the NPD Team, team leadership will be key as this is a new and untried initiative for the firm, and the effectiveness of the team may be critical to the competitiveness of the firm. The context in which the team is being put into place may be important also: the team members are themselves all managers and there is likely to be some level of distrust between the members given the recent problem of lack of cross-departmental cooperation. Leadership of the team will be critical to ensure the team evolves from forming to performing as quickly as possible. It is not clear if the NPD Team will choose a leader itself or whether senior management will appoint a team member to that role. Irrespective, legitimacy will be critical to the appointment: the other team members – all managers – must accept the authority of the team leader.

Two leadership models that provide insight into the most effective leadership style for the NPD Team leader are:

1. The [Managerial] Leadership Grid
2. Path-Goal Theory

The Managerial Leadership Grid

This approach draws attention to the kinds of behaviour of people in leadership situations. It was developed by Blake and Mouton (1964) and is a graphic portrayal of leadership styles through a managerial grid. According to the model, managers can emphasise a combination of two behaviours:

- Concern for people (accommodating people's needs, supporting and praising people, etc)
- Concern for production (defining group tasks, planning the work schedules, etc)

The NPD Team leader will need to invest time and energy into both aspects of the team. It is important for the competitiveness of the firm that the team effectively addresses its remit, while concomitantly the team members will likely be suspicious and anxious given the current difficulties between the departments. The Leadership Grid identifies five categories of leadership style. For example, the "Task Management" style is more concerned about operations and employees are simply a means to an end. This style may increase output in the short run but due to the strict policies and procedures, high labour turnover is inevitable. The other leadership styles include: "Impoverished Management", "Middle of the Road Management" and "Country Club Management". However, the leadership most appropriate in the context of the NPD Team would seem to be "Team Management". This style is the most effective in general according to Blake and Mouton. The leader believes that empowerment, commitment, and respect are the key elements in creating a team atmosphere which will then lead to higher employee satisfaction and productivity. The NPD Team leader will be dealing with fellow managers and will need to be sensitive to their positions. However, because of their experience and abilities, once the team ethos and commitment is developed, the NPD Team will be able to deliver on its objectives.

Path-Goal Theory

Path-Goal Theory was developed by House (1971) and is a contingency theory of leadership: (organisational) circumstances may dictate the most effective form of leadership. In this theory, the effectiveness of leadership depends of the extent to which the leader addresses the expectations of the subordinates. House identified four styles of leadership. Supportive leadership focuses on relationships and sensitivity to individual team members' needs. Directive leadership focuses on communicating clear goals and expectations, and works best when projects are unstructured. Achievement-oriented leadership tends to be most effective when team members are unmotivated or unchallenged in their work. The leader shows confidence in the team members' abilities and sets challenging goals for the team.

However, the team leadership style that may best fit the circumstances for the NPD Team is House's Participative Style. This leadership style focuses on mutual participation of the team members. The NPD Team remit is complex and challenging. It is to be formed to provide information flow and investigate complex issues around lack of cross-departmental co-operation. This will not happen without the full participation of team members. The team members themselves are experienced managers, experts from their respective departments, and a main reason that the team is to be formed is to leverage such experience and ideas.

Conclusion

Senmake Ltd have an opportunity to use the NPD Team to resolve the linked problems of new product development and departmental cooperation. However, the firm needs to recognise that merely creating a "team" will not of itself be sufficient. The firm and the senior management need to support and resource the NPD Team so that it becomes cohesive. Related, the NPD Team leader needs to have legitimacy and utilise the leadership styles that will drive the performance of the team.

Indicative Marking Scheme for Question 3

	Marks	
(a) Importance of effective, cohesive teams [to Senmake Ltd]	3	
How senior management may influence the NPD Team. For example, how they can influence:		
<ul style="list-style-type: none">• The membership of the team, including the number of members, members' personalities, conflicts...• The evolution of the team, including impact on forming, storming ...• The NPD Team's organisational environment, including HR policies, performance evaluation...• The NPD Team's work environment, including reporting deadlines, team budget, backfilling of roles...		
6 issues x 2 marks; maximum 12 marks	<u>12</u>	15
(b) Importance of team leadership [for the NPD Team]	2	
The lessons/implications from one or more leadership theories for NPD team		
leader 6 lessons/ implications x 1.5 marks; maximum 8 marks	<u>8</u>	<u>10</u>
Total Marks	25	

SOLUTION 4

(a) Introduction

An effective marketing strategy is a critical element to the success of any business. Marketing is the process of planning and executing the development, pricing, promotion and distribution of goods or services for the benefit of the organisation and the customer. The marketing strategy needs to be integrated with the firm's business strategy and the strategy of the other business functions. If this is not the case, there is the danger of an inconsistent offering to the customer. This will result in customers potentially moving to a rival. Therefore, the marketing department has to work with design, operations, procurement, and so on, to provide an attractive offering to customers.

Evaluating the Proposed Marketing Strategy

Moira's proposed marketing strategy cannot be evaluated without first reviewing the existing strategy used by Kerry Pottery. Kerry Pottery has been in business for over 30 years. During that time, it has grown larger and more successful, and now has a visitor's centre and shop, as well as a café. There are several likely reasons for this, but one reason is the marketing strategy used, probably unbeknownst, by Sarah Jane. She seems to have identified a relatively large and affluent target market: middle aged and older people. Similarly, Killarney is a location where a lot of tourists holiday, and the tourists that visit Killarney tend to be older, including a high number of retirees and foreign, particularly US, visitors. The pottery produced by Kerry Pottery is quite traditional in style, suiting the conservative tastes of the target group. The pottery is hand crafted and painted: while this increases costs it again suggests the image of "tradition" and of quality. As a result, Kerry Pottery can charge a higher price for the pottery – but this is again consistent with the traditional and quality image it is portraying. Therefore, while it may have emerged informally, Kerry Pottery's marketing strategy seems coherent and consistent. In terms of marketing communications, the relatively basic approach has worked, and resulted in Kerry Pottery being on the map, particularly for tourists.

Overall therefore, Sarah Jane's original marketing strategy has been successful, at least until now. The question needs to be then asked: why change? Moira has taken over the running of the business and she has identified some concerns: the age profile of customers and the over-reliance on one demographic, US tourists. Moira has proposed modernising the product range as a means to address these concerns. It is presumed that the other elements of the marketing approach –hand crafting and painting, premium pricing, etc – will remain in place.

Older people and retirees, sometimes called the "grey market", have in fact become an important target market for many goods and services. This is particularly the case as many in this group would have relatively high levels of discretionary spend: their children have left and their mortgage is paid. While naturally the longevity of the individuals in this demographic group is limited, people live and are healthier for longer. At the same time, there are by definition people continuously aging into this demographic. Therefore, while it is better to have a wider age range of customer, there seems no prima facie reason to be over concerned about the older target market of Kerry Pottery.

Moira is also concerned about the over-reliance on customers from the USA, who account for 56% of all customers. This does present a potential problem. Tourism, and in particular foreign tourism, is closely linked to economic circumstances – holidays are a discretionary spend. In addition, the movement of the US Dollar against the Euro will have another impact on the number of US tourists in Ireland, and their spend while here: as the US Dollar weakens, so too does the numbers of US tourists fall. Therefore, an over-reliance on this group does create a potential issue for the business.

It needs to be clarified whether the issues Moira has identified are already impacting on the business. Are sales and visitor numbers already down? What is the basis for the depth of her worry? While both issues may be a concern, Moira's response to change drastically what until now seems to have been a successful marketing strategy may be an over-reaction, and should not be rushed. It also needs to be ascertained the amount and depth of market research that Moira has done in advance of her proposal. Is there substance to her belief that her proposal will address her concerns – will younger customers in fact buy the more contemporary designs?

Without doubt, there are benefits to the proposal put forward by Moira, especially the compromise proposal of retaining the most popular traditional ranges as well as "modernising" the overall range. The proposal to sell more contemporary products would likely make the business more attractive to a younger demographic than currently. And, while not certain, it is likely that a greater proportion of these new customers would be Irish, reducing the reliance on US tourists identified by Moira. It may also be useful to have some well-known Irish designers give their name to some of the contemporary designs, as other similar businesses have done. The hand crafted production quality and designer "look" should be able to attract the desired younger customers, while underpinning the premium image - and pricing – Kerry Pottery already has. However, there is a significant danger in the proposal as well. While Kerry Pottery knows that its current designs sell, it cannot know for certain until it

launches them, whether the contemporary designs will sell – irrespective of the reaction in any market research that has been done. Secondly, there are merits to have the two distinct traditional and contemporary pottery ranges, but it may also lead to a dilution of the identity and image Kerry Pottery has built over 30 years.

Conclusion

Before Sarah Jane and Moira make a decision that will fundamentally change the nature of Kerry Pottery, they need to do more research and reflect on whether such a change is necessary at all, or whether it is better for the business to make any changes more gradually than Moira envisages. In the absence of the detailed market research that this decision requires, any recommendation must be tentative. However, Kerry Pottery should continue with its strategy of selling traditionally styled pottery – there is a proven, existing market there. Kerry Pottery should also gradually introduce some more contemporary ranges: but the balance should for the foreseeable future be toward the traditional range.

- (b) To date, Kerry Pottery has generally used traditional promotional methods – newspapers, leaflets, etc – as well as a static, non-interactive website. However, the revolutions of social media and mobile allow businesses to have a more enhanced and interactive relationship with customers and the marketplace. The use of “digital marketing” involves the promotion of brands using forms of electronic media, for example, the Internet, social media, mobile phones and electronic billboards.

Irrespective of whether Kerry Pottery decides to introduce the contemporary pottery range as discussed above, digital marketing can be a very effective element in the firm’s marketing communications strategy. The following are the most likely and common digital marketing tools available to Kerry Pottery.

First, and most obviously, Kerry Pottery does not make effective use of its website. At present it is only a static presence but it has significant potential – both to increase the firm’s visibility to customers (and potential distributors) but to actually drive sales. Kerry Pottery needs to invest in a modern web presence that provides full sales functionality. Kerry Pottery is presumably already shipping the majority of sales made to tourists back to their home country, therefore it has experience in shipping abroad. Using the website for sales will also allow those tourists who already are familiar with Kerry Pottery and who have already purchased while in Ireland to make further purchases without returning to Ireland as a tourist. There is considerable potential in this market.

In order to maximise the benefit from the website, Kerry Pottery will need to consider how to maximise the visibility of the website. To achieve this, the firm needs to invest in “search engine optimisation”. This is the process of influencing the visibility of a website in a web search engine’s unpaid results, by ensuring it is close to the top of the results shown. In addition, the firm may utilise both online advertising and search engine marketing, where the firm’s link will appear on the search results page and Kerry Pottery will pay a small fee each time someone clicks on the advertisement link and is redirected to its website.

Email marketing, though related to the website, is another form of electronic marketing open to Kerry Pottery. “Personalised” emails may be sent to customers reminding them of upcoming events in the shop and visitors centre, of special sales events and of new product launches. To obtain customers’ email details, Kerry Pottery may be able to use its website for people to “register” or ask customers to complete a form when purchasing. There typically needs to be a benefit to the customer from doing this – discounts and prize draws being among the most common.

Kerry Pottery uses “word of mouth”, in its traditional sense, as a means of promoting itself. Social networking sites can also act as “electronic word of mouth”, sometimes called e-word of mouth. An obvious platform to use for this is Facebook, which has around 1.6bn users worldwide. However, similar to the website already mentioned, effort and investment would need to be made to create visibility. In addition to Facebook, among the most popular social media apps that Kerry Pottery may use are Instagram, Snapchat and Twitter. Kerry Pottery should use a combination of these apps to become visible in the social media world, but with so many users on so many apps it is difficult for firms to break through the “noise”. In combination with this, Kerry Pottery may use referral marketing, where they use a well-known celebrity to post messages about their pottery. Online bloggers would be another useful source of referral marketing. The level of penetration rates of these media is continuing to increase, albeit especially with younger people, so social media will likely be an important marketing communications option for Kerry Pottery going forward.

The use of digital marketing as part of Kerry Pottery’s marketing communications strategy may change how the firm promotes itself. However, using these media – website, email, social media – effectively will require time and investment. Kerry Pottery cannot use the static approach that it does with its current website. There is a lot of online marketing communications noise, and if the firm is to leverage results from these communications channels it needs to have a dynamic and creative presence and message. To make the most use of these media therefore Kerry Pottery will need access to the necessary expertise and creative talents. Moira (and Sarah Jane) need to recognise this and be willing to invest in the initiative, otherwise it will not work.

Indicative Marking Scheme for Question 4

	Marks
(a) Importance of effective marketing [to Kerry Pottery]	3
Issues may include:	
• Current strategy seems to be successful - at least up to now.	2
• Over-reliance on the "Grey Market"	2
• Over-reliance on the US market	2
• Market research necessary before changing product or market	2
• Compromise option possible	2
• Role of Sarah Jane v Moira	2
• Any other relevant issue	2
• Conclusion	2
6 issues x 2 marks; maximum 12 marks	12
	15
 (b) Importance of digital marketing in future [to Kerry Pottery].	
Will need investment and active engagement...	2
Four options, with detailed explanation. For example:	
• Fully interactive website	2
• Facebook presence	2
• Search engine optimisation	2
• Social media and "electronic word of mouth"	2
• Email marketing	2
• Any other relevant option	2
4 options x 2 marks; maximum 8 marks	8
	10
 Total Marks	25