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Revision

Practice 25-mark exam question

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To what extent is leadership the most important influence on the success of a new strategy within a competitive market? (25 marks)

Model answer

A good leader can motivate workers and make key strategic decisions that can lead the business to success in competitive markets. Any new strategy would require the support and motivation of the workforce in order to succeed.

A good leader can motivate workers to believe in an idea and that extra drive and determination can be crucial in competitive markets. It was Mayo who said that good communication from leaders is what motivates workers and this would lead them to be more productive in achieving a new strategy. It is the role of the leader to sell the idea of a new strategy and ensure that all functional areas support it. A good example of this is Thomas Cook, which has stated it plans to move into more upmarket holidays due to the squeeze on profit margins within the budget sector. If this strategy is to succeed then it will rely on good customer service to differentiate itself from the competition. The leader would need to ensure that staff will be motivated and even more important is that they have the required training to provide this service. It would be the job of a leader to identify these training needs and support the strategy. If this is done then workers will have the required skills and this would be a massive influence on any success. If the leader is autocratic then quick decision making and expertise could also be very important when adopting new strategies. This will mean that the workers have a clear vision of what is required and this can lead to the success of any new strategy.

However, there are many other influences that will determine the success of any new strategy. An important influence would be the external environment and in particular the change in customer habits. The success of Thomas Cook's new strategy will be significantly influenced by the changing customer habits. If customers remain fixated on securing the cheapest deal then a more expensive product could fail. Furthermore, the state of the economy will influence the amount of disposable income that people have to spend and a 9% increase in prices suggested by Thomas Cook might lead to a number of customers looking at cheaper options, which would result in a massive loss of sales and revenue. The external environment is very important in other industries such as fashion, cars and the supermarket industry. The success of any strategy could be ruined by a change in market conditions. For example, Tesco launched its Fresh & Easy brand in the USA back in 2008 and this was under the leadership of Terry Leahy who by all accounts was their best-ever leader. This strategy was a major failure and the company used retrenchment 2 years later to close down the operations. The major issue was the state of the economy in the USA. It was launched as a mid-range supermarket but the USA had just entered a harsh recession and price was the key factor in any purchases. The strategy failed due to the economy and this was the biggest influence on any success.

In conclusion, I believe that a good leader helps the success of a new strategy but the greatest influence is the external environment in which they operate.

Although the leader is an influence and it is important that they can make good decisions it is the environment that a business operates in that will be a major influence on the success. The external environment is probably even more important within competitive markets as the smallest changes can derail even good strategic decisions. The importance of the external environment will depend on the type of business and this could limit its influence in certain markets. For example, the market for luxury hotels may have much less impact from the external environment than budget airlines.

Examiner comments

Mark: 21/25

An excellent response fully focused on the question. The answer starts with a clear understanding of leadership and its importance. A depth and range of knowledge and understanding is demonstrated that is precise and well selected. Analysis occurs throughout and is relatively well developed and applied effectively to the context of adopting new strategies, e.g. Thomas Cook. The student continually answers the exact question and integrates some lovely examples to add depth and development.

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