



**HERBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES**  
*Department of Management and Hospitality*

**EXAMINATION PAPER**

**MASTER OF COMMERCE**

**PART 1 SEMESTER 1**

**MODULE NARRATION**

**STRATEGIC INFORMATION  
MANAGEMENT AND E-BUSINESS**

**CODE**

GREAT ZIMBABWE UNIVERSITY  
EXAMINATIONS OFFICE

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**DATE**

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**DURATION**

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**3 ½ HOURS**

1. SECTION A IS COMPULSORY
2. ANSWER **ANY THREE** QUESTIONS IN SECTION B
3. AS MUCH AS POSSIBLE **CITE RELEVANT** EXAMPLES

**SECTION A: COMPULSORY AND CARRIES 40 MARKS**

1.

- a) Improve the existing vision statement of Harley-Davidson and justify. **(5marks)**
- b) Demonstrate the importance of a mission statement to the firm. **(10 marks)**
- c) Why is data warehouse critical for Harley-Davidson? **(12 marks)**
- d) Recommend product strategies that could be adopted by the firm for its competitive advantage. **(13 marks)**

**SECTION B: [60 MARKS] ANSWER ANY THREE QUESTIONS ONLY**

- 2. Discuss the difference between e-business and e-commerce. (20)
- 3. Critique the functions of information systems software with practical examples. (20)
- 4. As the Chief Information Officer (CIO) of a firm in a hyper-inflationary environment, motivate how information networks could be employed for sustainable competitive advantage. (20)
- 5. Examine the use of information systems hardware in an industry of your choice. (20)
- 6. Critically evaluate the merits of information systems security in any business. (20)

## Harley-Davidson

In the first half of 2010, Harley-Davidson opened its first five dealerships in India. High import tariffs of 90 percent on motorcycles historically kept Harley out, but the growing upper class in India now warrants Harley opening dealerships there.

Harley-Davidson announced in April 2009 that it will shed an additional 300 to 400 hourly jobs in the 2009–2010 timeframe, on top of the 1,100 jobs it previously planned to eliminate during that period. Its stock declined from 48.05 per share to 9.78 per share in the time period March 8, 2008 to March 7, 2009, although a recent surge put the stock price at 19.45 as of April 27, 2009. Harley is closing several facilities and has indicated its motorcycle sales decreased 13 percent during the first two months of 2009. However, Harley has continued to remain profitable throughout the economic crisis, although its second quarter 2009 profits declined 91 percent.

For that quarter, Harley's U.S. sales fell 35 percent while non-U.S. sales dropped 18 percent. Any serious discussion about Harley-Davidson includes the power of its brand. Mention of Harley creates a vision of rugged individualism, American iron, and passion. The passion runs so deep that many customers and admirers sport a Harley tattoo to express that passion. There aren't too many corporations that inspire that kind of following. How many Honda or Kawasaki tattoos have you seen on riders' arms? What is it about Harley that sets it apart from its competitors, and even from mega-successful companies that aren't its competitors? The mystique is magical.

Harley's heritage is symbolic of the American dream.

Harley's workers and customers relate to and find motivation in this American dream that became a reality. An extension of this concept of "family" is also a key to Harley's success. The HOG (Harley Owner's Group) is a worldwide family of Harley owners that is a million strong. When one purchases a Harley, one becomes part of a family of owners that rides together and parties together, in locations on nearly every continent. Indeed, the Harley Web site beckons riders to "share the adventure." Aside from the shared experience, many Harley riders treasure taking in the back roads and the beauty of scenery unique to each locale. This is especially true in Harley's hometown of Milwaukee, where riders wait impatiently for the snow to melt so that they can experience the year's solo inaugural ride. Nostalgia is also badge of Harley's success. Its unique "potato potato-potato" sound created by its famous V-twin engine is still heard in the rumblings of its motorcycles on the road today, and its legendary styling, overseen by "Willie G" Davidson, himself an icon, has created continuity over the decades. For these reasons and more, Harley remains an American icon more than 100 years after its formation. Harley's History: The Building of a Legend Harley's Web site announces to online visitors that this is "Where Dreams Come True" and beckons readers to "Join the Family You've Always Wanted." The mystique of Harley begins with two families, the Harleys and the Davidson's, who had big dreams back at the turn of the twentieth century in Milwaukee, Wisconsin.

In 1903, what was to become a legendary motorcycle company was formed in the Davidson family's backyard. The "factory" in which they worked was a 10- by 15-foot wooden shed with the words "Harley-Davidson Motor Company" scrawled on the door. The Davidson brothers, William D., Walter, Arthur, and William S. Harley, made their first motorcycle there.

During World War I, Harley-Davidson supplied the military with 20,000 motorcycles. During this time, there were major advancements in the design of motorcycles, and Harley was the leader. However, a decade after the war ended, the Great Depression devastated the motorcycle industry. Only Harley-Davidson and Indian survived through the 1930s. Harley also contributed to the successful U.S. efforts in World War II, during which it supplied more than 90,000 motorcycles to the military. After the war, demand for motorcycles exploded, and Harley-Davidson added facilities in Milwaukee in 1947. After competitor Indian closed in 1953, Harley-Davidson was the sole American motorcycle manufacturer for decades. Harley ended family ownership in 1965 with a public offering. Only four years later, the company merged with the American Machine and Foundry Company (AMF), a longtime producer of leisure products.

By the early 1970s, the Japanese were importing huge numbers of lower-priced motorcycles into the United States. Japanese firms were able to capture a large portion of Harley's market share. Because it had expanded production so quickly, Harley was also having quality problems. In 1981, 13 of Harley's senior executives purchased the business from AMF. In 1986, Harley-Davidson, Inc. became publicly held for the first time since 1969. That same year, Harley regained its place at the top of the U.S. super-heavyweight market, beating out Honda. Harley was listed on the New York Stock Exchange in 1987, and its market share continued to grow.

Notable events in the first decade of the twenty-first century for Harley include celebration of its 100th year anniversary in 2003, and 105th in 2008, and the opening of the Harley-Davidson Museum in Milwaukee in 2008. According to Harley, its museum project was designed to deliver a unique experience that builds and strengthens bonds between riders and Harley-Davidson, and enhances the brand among the public at large. The facility also includes a restaurant and café, a retail store, and special event place. Also taking place in 2008 was Harley-Davidson's acquisition of MV Agusta. Throughout this first decade of the twenty-first century, Harley-Davidson continues to be highly regarded in the philanthropy area. Harley might be best known for its association with the Muscular Dystrophy Association, raising upward of \$50 million for the charity. The Harley-Davidson Foundation focuses its giving on education and community revitalization, and it also supports arts and culture, health initiatives, and the environment.

Mission Statement, Vision Statement, and Values Harley's mission statement is: We fulfill dreams through the experiences of motorcycling, by providing to motorcyclists and to the general public an expanding line of motorcycles, branded products and services in selected market segments.

This philosophy is what helps set Harley apart from its competitors. According to Harley, it takes more than just building and selling motorcycles to fulfill the dreams of its customers. It takes unforgettable experiences, and Harley is dedicated to creating experiences and developing relationships with all of its stakeholders. Harley believes that is what sets it apart from the crowd, and why its brand strength is legendary. Harley's vision statement is:

Harley-Davidson is an action-oriented, international company, a leader in its commitment to continuously improve its mutually beneficial relationships with stakeholders (customers, suppliers, employees, shareholders, government, and society). Harley Davidson believes the key to success is to balance stakeholders' interests through the empowerment of all employees to focus on value-added activities.

Harley also emphasizes the importance of its five stated Values: (1) Tell the Truth; (2) Be Fair; (3) Keep Your Promises; (4) Respect the Individual; and (5) Encourage Intellectual Curiosity. According to Harley, its Values represent the heart of how it runs its business. The Values guide their actions and serve as the framework for the decisions and contributions its employees make at every level of the Company. Harley-Davidson states that the Values are more than just a list of “feel good” buzzwords; they reflect how Harley employees relate to each other and to all of their stakeholders, including customers, dealers, and suppliers.

**Organizational Structure** As indicated in Exhibit 1, Harley’s organizational structure consists of executive vice presidents and senior vice presidents, who oversee key functional areas. These vice presidents are members of a group of leaders known as the Senior Leadership Group. The Senior Leadership Group consists of a broad group of leaders representing key functions and individuals in the Motor Company, Buell, MV, HDFFS, and Harley-Davidson. The group meets several times each year to have a dialogue with the chief executive officer (CEO) and to share business information. Although this group is not a decision-making body, it evaluates and discusses critical, enterprise-wide business challenges throughout the year. The CEO of Harley determines membership in the Senior Leadership Group.

Certain members of the Senior Leadership Group are also members of the Leadership and Strategy Council, which consists of the CEO of Harley-Davidson and the presidents of the Motor Company, Buell and HDFFS, certain senior officers of the Motor Company (senior vice president, manufacturing; senior vice president, product development; and senior vice president and chief marketing officer) and certain other Harley-Davidson executives (executive vice president and chief financial officer; executive vice president, chief organizational transformation officer; and executive vice president, general counsel and secretary).

**Harley’s Business Segments** Harley-Davidson operates in two segments: (1) financial services and (2) motorcycles and related products.

#### Financial Services

The financial services segment includes the group of companies doing business as Harley Davidson Financial Services (HDFS), which provides wholesale and retail financing and, as an agent, provides insurance and insurance-related programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business principally in the United States and Canada. HDFS’s 2008 operating income decreased 61.0 percent. In February 2009, billionaire Warren Buffet’s Berkshire Hathaway invested \$300 million in Harley-Davidson. Harley says Berkshire and Harley’s biggest shareholder, Davis Selected Advisers, L.P., are each committed to buying \$300 million in senior unsecured notes, due in 2014. The money will be used to support Harley’s finance company and its ongoing motorcycle lending activities.

#### Motorcycles and Related Products

The motorcycle and related products segment of Harley-Davidson includes (1) Parts & Accessories (P&A); (2) General Merchandise; (3) Licensing; and (4) Motorcycles. The major P&A products are replacement parts and mechanical and cosmetic accessories. Worldwide P&A net revenue comprised 15.4 percent, 15.2 percent, and 14.9 percent of net revenue in the Motorcycles segment in 2008, 2007,

and 2006, respectively. Worldwide General Merchandise net revenue, which includes apparel and collectibles, comprised 5.6 percent, 5.3 percent, and 4.8 percent of net revenue in the Motorcycles segment in 2008, 2007, and 2006, respectively. With regarding to licensing, the company creates an awareness of its most significant brand, Harley-Davidson, among its customers and the nonriding public through a wide range of products by licensing the name "Harley-Davidson" and other trademarks owned by the company. Licensed products include T-shirts, jewelry, small leather goods, and toys. Although the majority of licensing activity occurs in the United States, Harley continues to expand these activities in international markets, such as into India in 2010. Royalty revenues from licensing, included in Motorcycles segment net revenue, were \$45.4 million, \$46.0 million, and \$45.5 million in 2008, 2007, and 2006, respectively.

Harleys are sold under the brands of Harley-Davidson Motor Company, Buell Motorcycle Company, Cagiva, and MV Agusta (which was acquired by Harley-Davidson in 2008). The Motorcycle segment designs, manufactures, and sells at wholesale primarily heavyweight (engine displacement of 651+cc) touring, custom, and performance motorcycles. Harley-Davidson, which is the only major American motorcycle manufacturer, conducts business globally, with sales primarily in North America, Europe, Asia/Pacific, and Latin America. (See Exhibits 2 and 3 for a summary of Harley's motorcycle shipments by product line and by region.)

Harley's worldwide motorcycles sales generated approximately 80 percent of the total net revenue in the Motorcycles segment during each of the years 2008, 2007, and 2006.

The company manufactures five families of motorcycles: (1) Touring, (2) Dyna, (3) Softail, (4) Sportster, and (5) VRSC. The engines range in size from 883cc's to 1803cc's. Harley's heavyweight class of motorcycles is divided into four segments: standard, performance, touring, and custom. The standard segment emphasizes simplicity and cost, and the performance segment emphasizes handling and acceleration. The touring segment for the company focuses on comfort for long-distance travel. Harley-Davidson pioneered this segment of the heavyweight market. Harley's custom segment gives owners the opportunity to customize their bikes. Limited-edition, factory-custom motorcycles are sold through its Custom Vehicle Operation (CVO) program. Motorcycles sold through the CVO program are available in limited quantities and offer unique features, paint schemes, and accessories.

Buell motorcycle products emphasize innovative design, responsive handling, and overall performance. Buell manufactures four families of motorcycles: (1) Sportbike, (2) Street, (3) Adventure, and (4) Blast. The Blast features a smaller 492cc single-cylinder engine, ideal for many new riders. MV motorcycle products emphasize exquisite design and high performance. Buell is active in the racing community and gains publicity from those efforts.

The heavyweight (651+cc) motorcycle market is highly competitive. Harley Davidson's major competitors are based outside the United States and generally have financial and marketing resources that are substantially greater than those of Harley-Davidson. They also have larger worldwide revenue and are more diversified than Harley-Davidson. In addition to these larger, established competitors, Harley-Davidson has competitors headquartered in the United States. These competitors generally offer heavyweight motorcycles with traditional styling that compete directly with many of Harley-Davidson's products. These competitors currently have production and sales volumes that are lower than Harley Davidson's and have considerably lower U.S. market share than Harley-Davidson.

Harley actively promotes the motorcycling lifestyle in the form of events, rides, rallies, and Harley Owners Group (HOG). Harley considers the availability of financing through HDFFS as a competitive advantage.

In the United States, Harley-Davidson competes most heavily in the touring and custom segments of the heavyweight motorcycle market, which accounted for approximately 84 percent, 80 percent, and 79 percent of total heavyweight retail unit registrations in the United States during 2008, 2007, and 2006, respectively. The larger-displacement custom and touring motorcycles are generally the most profitable for Harley-Davidson. During 2008, the heavyweight portion of the market represented approximately 55 percent of the total U.S. motorcycle market in terms of new units registered. For the last 21 years, Harley Davidson motorcycles have led the industry in the United States for retail unit registrations of new heavyweight motorcycles. The Harley-Davidson motorcycle share of the heavyweight market was 45.5 percent and 48.7 percent in 2008 and 2007, respectively.

**Marketing and Distribution** Harley-Davidson has approximately 686 independently owned full-service dealerships in the United States. The marketing efforts are divided between dealer promotions, customer events, and advertising through national television, print, radio and direct mailings, as well as electronic advertising. Harley-Davidson also sponsors racing activities and special promotional events, and it participates in all major motorcycle consumer shows and rallies. On an ongoing basis, Harley-Davidson promotes its products and lifestyle through The Harley Owners Group (HOG), which was founded in 1983 and currently has approximately 1.1 million members worldwide. HOG is the industry's largest company-sponsored motorcycle enthusiast organization ([www.hog.com](http://www.hog.com)). The Buell Riders' Adventure Group (BRAG) formed in recent years has grown to approximately 10,000 members. Both HOG and BRAG sponsor events, including national rallies and rides, across the United States and around the world for motorcycle enthusiasts. Harley faces the competitive forces from companies such as Honda, Suzuki, Kawasaki, and Yamaha to maintain its dominant overall market share in the U.S. Heavyweight Motorcycle market.

To reach out to current non-riders as well as expert riders, Harley-Davidson created its Academy of Motorcycling in 2000. The Academy's Rider's Edge program offers a series of rider education experiences that provide both new and experienced riders with deeper engagement in the sport of motorcycling by teaching basic and advanced motorcycling skills and knowledge in a way that is fun and engaging. The courses are conducted by a network of select Harley-Davidson dealerships nationwide enabling students to experience the Harley-Davidson lifestyle, environment, people, and products as they learn. The company Web site, [www.harley-davidson.com](http://www.harley-davidson.com), is also used to market its products and services. The Web site features an online catalog that allows retail customers to create and share product wish lists, use a dealer locator, and place catalog orders.

The average U.S. retail purchaser of a new Harley-Davidson motorcycle is a married man in his mid to late forties (nearly two thirds of U.S. retail purchasers on new Harley Davidson motorcycles are between the ages of 35 and 54) with a median household income of approximately \$87,000. Nearly three quarters of the U.S. retail sales of new Harley-Davidson motorcycles are to buyers with at least one year of education beyond high school, and 32 percent of the buyers have college/graduate degrees. Approximately 12 percent of U.S. retail motorcycle sales of new Harley-Davidson motorcycles are to female buyers.

**International Sales**

The European heavyweight motorcycle market is roughly 80 percent of the size of the U.S. market. Traditional U.S.-style touring motorcycles represent less than 5 percent of the European heavyweight motorcycle market. Harley-Davidson continues to expand its product offerings to compete in the standard and performance segments with motorcycles such as Harley-Davidson's XR1200 and Nightster, the Buell 1125R, and MV models. Harley Davidson's traditional Harley-Davidson products compete primarily in the custom and touring segments.

In addition to Europe and the United States, Harley-Davidson also competes in Canada, Japan, and Australia. In Canada, the company's market share based on registrations was 41.9 percent, 39.0 percent, and 38.2 percent during 2008, 2007, and 2006, respectively.

In terms of non-U.S. distribution, Harley-Davidson has 71 full service dealerships in Canada, 383 in Europe, 201 in Asia Pacific, and 32 in Latin America. The MV brand, which was added in 2008, distributes its motorcycles and prints and advertising (P&A) to independent dealers primarily through subsidiaries located in Germany, Switzerland, and the United States. In Italy and France, MV distributes its products to independent dealers directly. MV's network of approximately 500 independent dealers is primarily located in Europe with approximately 40 independent dealers in the United States.

#### Competitors

Harley-Davidson's revenue for the full year 2008 was \$5.59 billion compared to \$5.73 billion in 2007, a 2.3 percent decrease. The 2008 full-year net income was \$654.7 million, compared to \$933.8 million in 2007. Diluted earnings per share were \$2.79, a decrease of 25.4 percent compared to \$3.74 in 2007. For 2008, wholesale shipments of Harley Davidson motorcycles were 303,479 units, an 8.2 percent decrease compared to 330,619 units in 2007. For the full year 2009, Harley-Davidson plans to ship between 264,000 and 273,000 new Harley-Davidson motorcycles, a 10 to 13 percent reduction from 2008. Most Harley competitors are diversified in the automotive market. Harley's suggested retail price for its motorcycles is generally higher than its competitors'. Harley's financial services operations face competition from various banks, insurance companies, and other financial institutions that may have access to additional sources of capital at more competitive rates and terms.

Harley's competitors include Honda, Yamaha, Suzuki, Kawasaki, Polaris, BMW, and Triumph. Honda is the world's largest motorcycle producer, ahead of Yamaha and Suzuki, which are the second and third largest. Honda's sales are favorable, particularly in Asia, and it is looking to increase production in India. Honda is planning for growth in Asia, continued recovery in Europe, and for a probable downturn in the United States. Honda produces a number of products other than motorcycles, most notably the Honda and Acura brand automobiles. All-terrain vehicles (ATVs), generators, personal watercraft, snow blowers, and scooters are also sold under the Honda brand.

Like Honda, Yamaha and Suzuki are also more diversified than Harley in terms of product offerings. Both focus on ATVs, scooters, and marine and watercraft in addition to various motorcycle product lines. Currently, Yamaha has seen decreasing motorcycle sales in Japan, the United States, and Europe, but is faring better in Southeast Asia and Latin America. Yamaha recently has undertaken temporary factory shutdowns in Japan and bonus pay reductions at least through 2009. Suzuki, which also sells automobiles, operates in more than 190 countries. Suzuki's motorcycle product line includes cruisers, motocross, off-road, scooter, street, and touring models. Kawasaki's motorcycle production is a part of its consumer products and machinery division. Polaris, based in Minnesota, is one of the world's top

makers of snowmobiles and off-road vehicles, and it is also known for its Victory cruiser and touring motorcycles. Polaris's plan is to achieve \$3 billion in overall sales by 2009. It is focusing on developing new products, including its first luxury touring motorcycle models.

BMW and Triumph are also competitors of Harley-Davidson, and both have a cachet attached to their brands. BMW (Bayerische Motoren Werke), a top German automaker, also includes motorcycles as part of its product offerings. The 2007 figures indicate that BMW motorcycle sales broke the 100,000 unit mark for the second year in a row. BMW also offers leather suits, gloves, boots, and other motorcycling apparel. Triumph Motorcycles, a private company in the United Kingdom, finds its roots in the original Triumph organization, which built cars that had quite a following. The automaker went bankrupt in the early 1980s, and the Triumph Motorcycle Company emerged in 1983 when John S. Bloor bought the Triumph name and manufacturing rights. Triumph's sales in 2007 reached \$398,600,000. Triumph is known for its liquid-cooled three-cylinder engines, and, like Harley-Davidson, sells trademarked motorcycling apparel. Triumph's motorcycles are sold in over 20 major national markets.

#### Finance

Harley's income statements and balance sheets are provided in Exhibits 4 and 5. In its Form 10-K (Annual Report) filed on February 17, 2009, Harley-Davidson's 2008 net revenue and net income were down 2.3 percent and 29.9 percent, respectively, compared to 2007. Operating income for the Motorcycles segment was down 21.5 percent, and operating income for the Financial Services segment decreased 61.0 percent. Diluted earnings per share were \$2.79 in 2008, a 25.4 percent decrease compared to last year's \$3.74. Worldwide retail sales of Harley-Davidson motorcycles were down 7.1 percent in 2008 as compared to 2007. In the United States, retail sales of Harley-Davidson motorcycles in 2008 were down 13.0 percent; international retail sales were up 10.3 percent as compared to 2007. However, international retail sales growth slowed to 0.7 percent during the fourth quarter of 2008 as a result of deteriorating economic conditions outside the United States.

Harley CEO James Ziemer just retired and with that came the installation of Keith Wandell as president and chief executive officer of the company on May 1, 2009. CEO Wandell says Harley's credit losses have risen to 3.41 percent, from 2.71 percent the prior year, creating havoc for the company as hundreds of buyers and dealers cannot obtain financing and hundreds more default on loans. Many Harley owners who have put their heart and soul into their bikes now are having to sell them, which is a windfall benefit for other folks who have always wanted a Harley at a deal/steal. Basic consumer and commercial financing problems continue to plague Harley as 2009 nears an end. Discretionary spending on high-end consumer goods such as motorcycles has declined drastically.