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# UNDERGRADUATE UNIVERSITY EXAMINATIONS

## SCHOOL OF MANAGEMENT AND LEADERSHIP

## DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/ BACHELOR OF COMMERCE

**BML 209/BML 312/BCM 422: STRATEGIC MANAGEMENT**

**DATE: 28TH NOVEMBER 2022**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

## INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

## QUESTION ONE

**Read the Case Study below carefully and answer the questions that follow:**

Global Leading Store has grown to become the world's largest corporation. In 2008, the discount retailer whose mantra is "everyday low prices" had sales of $410 billion, 7,400 stores in 15 countries, and 2 million employees. Some 8% of all retail sales in the United States are made at a Global Leading Store. Global Leading Store is not only large; it is also very profitable. In 2008, the company earned a return on invested capital of 14.5%, better than its well-managed rivals Costco and Target, which earned 11.7% and 9.5%, respectively. Global Leading Store has been consistently more profitable than its rivals for years, although of late its rivals have been closing the gap. Global Leading Store's consistently superior profitability reflects a competitive advantage that is based on a number of strategies. Back in 1962, Global Leading Store was one of the first companies to apply the self-service supermarket business model developed by grocery chains to general merchandise. Unlike its rivals such as Kmart and Target who focused on urban and suburban locations, Sam Walton's Global Leading Store concentrated on small southern towns that were ignored by its rivals.

Global Leading Store grew quickly by pricing lower than local retailers, often putting them out of business. By the time its rivals realized that small towns could support large discount, general merchandise stores, Global Leading Store had already pre-empted them. These towns, which were large enough to support one discount retailer—but not two— provided a secure profit base for Global Leading Store. The company was also an innovator in information systems, logistics, and human resource practices. These strategies resulted in higher productivity and lower costs than its rivals, which enabled the company to earn a high profit while charging low prices. Global Leading Store led the way among American retailers in developing and implementing sophisticated product tracking systems by using bar code technology and checkout scanners. This information technology-enabled Global Leading Store to track what was selling and adjust its inventory accordingly so that the products found in a store matched local demand. By avoiding overstocking,

Global Leading Store did not have to hold periodic sales to shift unsold inventory. Over time, Global Leading Store linked this information system to a nationwide network of distribution centres where inventory was stored and then shipped to stores within a 250-mile radius on a daily basis. The combination of distribution centres and information centres enabled Global Leading Store to reduce the amount of inventory it held in stores, thereby devoting more of that valuable space to selling and reducing the amount of capital it had tied up in inventory.

With regard to human resources, the tone was set by Sam Walton. He had a strong belief that employees should be respected and rewarded for helping to improve the profitability of the company. Underpinning this belief, Walton referred to employees as associates. He established a profit-sharing plan for all employees and, after the company went public in 1970, a program that allowed employees to purchase Global Leading Store stock at a discount to its market value. Global Leading Store was rewarded for this approach by high employee productivity, which translated into lower operating costs and higher profitability.

As Global Leading Store grew larger, the sheer size and purchasing power of the company enabled it to drive down the prices that it paid suppliers, passing on those saving to customers in the form of lower prices, which enabled Global Leading Store to gain more market share and hence demand even lower prices. To take the sting out of the persistent demands for lower prices, Global Leading Store shared its sales information with suppliers on a daily basis, enabling them to gain efficiencies by configuring their own production schedules to sales at Global Leading Store. By the 1990s, Global Leading Store was already the largest general seller of general merchandise in America. To keep its growth going, Global Leading Store started to diversify into the grocery business, opening 200,000-square-foot supercentre stores that sold groceries and general merchandise under one roof. Global Leading Store also diversified into the warehouse club business with the establishment of Sam's Club. The company began expanding internationally in 1991 with its entry into Mexico.

For all its success, however, Global Leading Store is now encountering very real limits to profitable growth. The U.S. market is approaching saturation, and growth overseas has proved more difficult than the company hoped. The company was forced to exit Germany and South Korea after losing money there and has found it tough going into several other developed nations, such as Britain. Moreover, rivals Target and Costco have continued to improve their performances and are now snapping at Global Leading Store's heels.

**Required**

a) Evaluate strategies Global Leading Store employed to be able to achieve competitive advantage in this case. **(9 marks)**

b) Identify four benefits Global Leading Store obtained from implementing the chosen strategies. **(8 marks)**

c) Discuss three challenges Global Leading Store is facing that are eroding its profitability and market share. **(9 marks)**

**QUESTION TWO**

a) Identify the difference between strategy and strategic management. **(6 marks)**

b) Explain corporate governance and examine the role and the responsibility of the company's board of directors in overseeing the strategic management process. **(9 marks)**

**QUESTION THREE**

a) Evaluate the major dimensions of strategic decisions. **(6 marks)**

b) Explain your understanding of the term" Macro Environment" and briefly discuss six of its components. **(9 marks)**

**QUESTION FOUR**

a) Examine the contribution of Porter's Five Forces model in assessing the attractiveness of an industry. **(10 marks)**

b) Define distinctive capabilities and evaluate three characteristics of distinctive capabilities. **(5 marks)**

**QUESTION FIVE**

a) Managers facing a strategic decision about how to position a business within an industry need to understand several fundamental cost issues. Examine sources of cost advantages. **(10 marks)**

b) Explain elements to consider during strategy implementation. **(5 marks)**

**QUESTION SIX**

a) Explain the three basic activities involved in strategy evaluation. **(6 marks)**

b) There are many tools that are used in strategy control and evaluation. Explain and discuss how the balanced scorecard and Rumelt's four criteria are used. **(9 marks)**