

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

SUPPLEMENTARY EXAMINATION PAPER

JULY 2012

(IDE AND FULL-TIME STUDENTS)

TITLE OF PAPER: STRATEGIC MANAGEMENT AND BUSINESS POLICY

COURSE CODE : BA511 / IDE BA511

DURATION : 3 HOURS

INSTRUCTIONS :

1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS SIX (6)
2. THE PAPER CONSISTS OF TWO SECTIONS; SECTION A AND SECTION B.
3. ATTEMPT SECTION A WHICH IS COMPULSORY AND ANY OTHER THREE (3) QUESTIONS IN SECTION B.
4. THE MARKS ALLOCATED FOR A QUESTION/PART QUESTION ARE INDICATED AT THE END OF EACH QUESTION/PARTQUESTION.
5. WHERE APPLICABLE, ALL WORKINGS/CALCULATIONS MUST BE CLERLY SHOWN.

NOTE: MAXIMUM MARKS WILL BE AWARDED FOR GOOD QUALITY LAYOUT, ACCURACY AND PRESENTATION OF WORK.

THIS PAPER MUST NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR

SECTION A: CASE STUDY – Read the case below and answer the questions that follow

Spar Picks up Speed

Spar, the ‘quiet upstart from Durban’ has shaken up the retail industry. In just ten years, Spar claimed to have increased its share of the South African retail market from 15% to between 20 and 25%. Spar was aiming for number 1, although it was still trailing Shoprite Checkers and Pick n’Pay – one of the best-run companies in South Africa.

It has been suggested that Spar owes its success to copying the best tactics of Pick n’ Pay and Woolworths, although Dave Hughs, the Spar CEO, suggests that all local retailers copy offshore stores. For shoppers, the effect is the same. The general improvement in Spar’s quality is an obvious example. Spar packages and markets its goods as attractively as Pick n’ Pay and Woolworths do. All three groups compete for shoppers wanting fresh foods, convenience, pre-packed items and a deli service. Spar also adopted the ‘Theatre of Food’ concept (credited to Pick n’ Pay) aimed at entertaining consumers while shopping. In these new-format stores, consumers can see the butcher at work and buy prepared meals from an in-store deli where what is for sale is made in full view of shoppers.

What are the reasons for Spar’s success? One strategy has to do with the way individual franchisees (owner-managers) are allowed to tailor their product ranges to suit their target markets.

Spar has grown from a chain of 459 corner stores in 1992 to 700 mostly medium-sized supermarkets nationwide. The Western Cape is one of the few areas where Spar does not have much of a presence, owing to a shortage of good sites.

Despite low interest rates the retail sector has been facing tough time. High levels of unemployment, the drain of the country’s big spenders offshore and the costs of cell phones and gambling have all eroded disposable income. The impact of the climbing oil price and the sharp fall of the Rand over the past three months were the biggest difficulties faced by the retailers last year.

In the longer term, HIV/Aids presents a big challenge to retailers. More South Africans are infected than in any other country in the world. In November 2001, chilling research from the Medical Research Council of SA found that between

5 million and 7 million South Africans will die of the diseases in the next decade.

Sean Summers, Pick n' Pay CEO, says retailers walk a fine line between profits and sales. 'Yes, we continue to squeeze margins because that's one way to get more business. But if we can squeeze double-digit top-line growth out of this market in 2002, we will be happy;' For shareholders wanting profit growth, that could be reason for caution.

None of the big three food retailers has many tactics left to try. Each has sent investigating teams into most cities and towns and opened stores if the criteria seemed right. Brand awareness has been polished. Any gaps in their strategies are narrowing. And the stakes are high.

What lies in the future for Spar?

Spar is aiming at growing the number of stores. 'We want to grow in the Western Cape, though the area is the backyard of Wollworths, Pick n' Pay and Shoprite' Hughs says.

Spar and Pick n' Pay are also increasingly targeting SA's mostly black mass market. This low income group is Shoprite's traditional market. Here, as elsewhere, Spar will set up franchise stores.

Spar and Pick n' Pay aim to increase the number and efficiency of the large stores: Superspar to Spar and Superstones to Pick n' Pay.

Like Pick n' Pay, Spar has plans for enhancing its range of (higher margin) pharmaceutical products.

Questions

- a) Conduct an industry analysis for Spar based on the information available in the case. (20)
- b) From the perspective of Pick n' Pay, what are the key aspects that would characterise spar as a competitor? (10)
- c) Discuss the possible problems that could emanate from an incorrect assessment of the environment by Spar. (10)

SECTION B

Answer any THREE (3) questions from this section.

QUESTION 2

A multinational car assembly company with branches in South Africa is considering setting up a shop in Swaziland. Advise the company of the possible options for international entry available to it and the best possible option it could adopt, giving reasons for your answer. (20 marks)

QUESTION 3

Describe in detail any four of the “functional” strategies used to achieve corporate and business unit objectives that maximize resource productivity. (20 marks)

QUESTION 4

- a) Why is an understanding of national cultures important in strategic management? (10 marks)
- b) How can an organization best manage cultural differences following a merger or an acquisition? (10 marks)

QUESTION 5

- a) Critically evaluate the sources of competitive intelligence, stating clearly the purpose that competitive intelligence would serve in strategic management. (14 marks)
- b) What is meant by environmental uncertainty? Why is it important in strategic management and how can it be measured? (6 marks)

QUESTION 6

Using illustrative examples, discuss about the three generic strategic for competitive advantage as postulated by Michael Porter. (20 marks)