



## NOVEMBER 2018 MAIN EXAMINATION

MODULE:

**STRATEGIC AND CHANGE MANAGEMENT**

PROGRAMME:

**MASTER OF BUSINESS ADMINISTRATION**

**(NQF 9)**

DATE:	20 November 2018	TIME:	09h00-12h00
DURATION:	3 Hours	MARKS:	100
EXAMINER:	O M Seedat	MODERATOR:	A Kader

### INSTRUCTIONS TO CANDIDATES:

1. Candidates are required to answer **ALL** questions.
2. This is a closed book examination.
3. No written material may be brought into the examination room.
4. Write legibly and neatly.
5. Do **not turn over this page** until permitted by the Invigilator.

*This question paper consists of **three (3) typed pages** excluding the cover page*

## QUESTION ONE

[50]

Read the following and answer the questions that follow:

### **Wal-Mart's Competitive Advantage**

Wal-Mart is one of the most extraordinary success stories in business history. Started in 1962 by Sam Walton, Wal-Mart has grown to become the world's largest cooperation. In 2012, the discount retailer – whose mantra is “everyday low prices” – had sales of \$440 billion, close to 10 000 stores in 27 countries, and 2.2 million employees. Some 8% of all retail sales in the United States are made at a Wal-Mart store. Wal-Mart is not only large; it is also very profitable. Between 2003 and 2012, the company's average return on invested capital was 12.96%, better than its well-managed rivals Costco and target, which earned 10.74% and 9.6 % respectively.

Wal-Mart's persistently superior profitability reflects a competitive advantage that is based upon a number of strategies. Back in 1962 Wal-Mart 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 K-Mart and Target that focused on urban and suburban locations, Wal-Mart concentrated on small towns that were ignored by its rivals. Wal-Mart grew quickly by pricing its products lower than those of local retailers, often putting them out of business. By the time its rivals realised that small towns could support a large discount general merchandise store, Wal-Mart had pre-empted them. These towns, which were large enough to support one discount retailer but not two, provided a secure profit-base for Wal-Mart.

The company was also an innovator in information systems, logistics and human resource practices. These strategies resulted in higher productivity and lower costs as compared to rivals, which enabled the company to earn a high profit while charging low prices. Wal-Mart led the way amongst US retailers in developing and implementing sophisticated product tracking systems using barcode technology and checkout scanners. This information technology enabled Wal-Mart to track what was selling and adjust its inventory accordingly so that the products found in each store matched local demand. Over time Wal-Mart linked this information system to a nationwide network of distribution centres in which inventory was stored and then sent to stores within a 400-mile radius on a daily basis. The combination of distribution centres and information centres enabled Wal-Mart 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, Sam Walton held a strong belief that employees should be respected and rewarded for helping to improve the profitability of the company. He established a profit-sharing scheme for all employees, and after the company went public in 1970, a programme that allowed employees to purchase Wal-Mart shares at a discount to its market value. Wal-Mart was rewarded for this approach by high employee productivity, which translated into lower operating costs and higher profitability.

As Wal-Mart grew larger, the sheer size and purchasing power enabled it to drive down prices that it paid suppliers, passing on those saving to customers in the form of lower prices, which enabled Wal-Mart to gain more market share and hence lower prices even further. Wal-Mart shared its sales information with suppliers on a daily basis, enabling the suppliers to gain efficiencies by configuring their own production schedules for sales at Wal-Mart.

By the time the 1990s came along, Wal-Mart was established as the largest seller of general merchandise in the United States. To continue its growth, Wal-Mart started to diversify into the grocery business, opening supercentre stores that sold groceries and general merchandise. Wal-Mart 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, Wal-Mart is encountering very real limits to profitable growth. The US market became saturated and international growth proved more difficult than the company hoped. The company was forced to exit Germany and South Korea after losing money there, and it has faced difficulties in several other developed nations. Moreover, rivals Target and Costco have improved their performance.

**Adapted from Hill, Jones and Schilling (2015) Strategic Management An Integrated Approach 11<sup>th</sup> edition. Cengage Learning**

- 1.1 Conduct a SWOT analysis for Wal-Mart. (10)
- 1.2 Apply a PEST analysis for Wal-Mart. (10)
- 1.3 Analyse Wal-Mart's competitive position using Porter's Five Forces model. (10)
- 1.5 Identify the strategy that Wal-Mart is pursuing and discuss the appropriateness of such a strategy. (10)
- 1.6 Explain what is meant by a 'sustainable competitive advantage' and express an opinion on whether Walmart has a sustainable competitive advantage. Justify your answer. (10)

## **QUESTION TWO**

**[20]**

Implementation of any change programme needs to take account of the restraining forces of change. Managers should anticipate some employee resistance and plan for this eventuality in the change strategy (Brown, 2011:171)

With reference to this, discuss the reasons for employee resistance to change and the strategies managers can utilise to overcome resistance to change.

**QUESTION THREE****[30]**

- 3.1 Discuss the drivers of strategy implementation in an organisation. (15)
- 3.2 Discuss the nature and forms of strategic alliances and the reasons why organisations enter into strategic alliances. (15)

**END OF QUESTION PAPER**