



# Machakos University College

A Constituent College of Kenyatta University

**SCHOOL OF BUSINESS AND ECONOMICS**

**BBA 400 BUSINESS POLICY AND DECISIONS**

**JANUARY –APRIL 2016 END OF SEMESTER**

**EXAMINATIONS**

**COURSE INSTRUCTOR:**

**C. M. DENNIS**

**MAIN CAMPUS**

**DATE: APRIL 2016**

**TIME: 2 HOURS**

**Instructions:**

PLEASE ATTEMPT Questions ONE and any other two questions

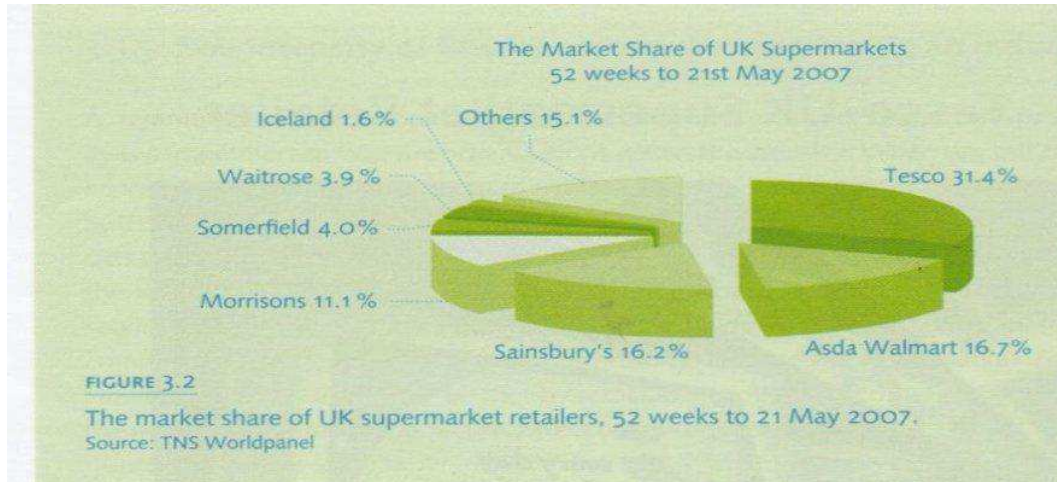
## **Question 1**

### **CASE STUDY-2 Tesco-UK Supermarket Retailer**

Tesco is the UK's leading supermarket retailer and one of the top three international retailers in the world. Its business strategy is based on four key parts: (1) to grow its core UK business; (2) to become a successful international retailer; (3) to be as strong non-food as in food; (4) to develop new retailing services. The pursuit of this strategy has meant Tesco diversifying into growing emerging markets which bring opportunities and threats. Diversification reduces Tesco's reliance on a few business areas but also increases its risks since the industry life-cycle is less well understood in emerging markets. Tesco's core UK business is significant within the group, with over 260 000 employees and over 1800 stores. Nearly 80 per cent of group sales and profits come from the UK business. Growth in the UK business comes from new space, extensions to existing stores, and a multi-format approach. Sales of non-food, which are growing at around twice the rate of food, also contribute to the overall growth picture (Tesco plc Annual Review and Summary Financial Statement 2006).

In 2006 Tesco reported a 16.7 per cent increase in group profits before tax of £2.2bn. Its group sales were a staggering £42bn, representing an increase of 13.2 per cent on the previous year. Its share of the UK market is 31.4 per cent, well ahead of its nearest rival Asda Wal-Mart. In common with many larger supermarket chains in the UK (e.g. ASDA Wal-Mart and Sainsbury's), Tesco's range of electrical products competes with non-food retailers such as Dixon's and Comet.

Recently the industry has begun to consolidate as firms have engaged in mergers and take-overs in the industry, as seen by the take-over of Safeway (UK) by Morrisons, a supermarket that is based primarily in the north of England. The US giant and number one retailer in the world, Wal-Mart, gained an entry into the UK when it took over the UK supermarket.



### Questions:

- a.) Michael porter's ideas on competitive strategy include some of the most pervasive analytical tools used in strategic management. Arguably, some of the elements of Porter's (1980) seminal analyses included in strategy (business policy) and industrial organization are Prerequisite to achieve competitiveness in the contemporary industry. In lieu of this, illustrate the five forces diagram for Tesco to show the impact of each of Porter's five competitive forces. Clearly labeling each as High, Medium, or Low. **(20 marks)**
- b.) Identify the competitive force(s) that poses the greatest threat to profitability in the Supermarket retailing industry. And identify the strategies Tesco should undertake to mitigate the impact of this threat(s). **(10 marks)**

### Question 2

A well-crafted strategy must be explicit about the following aspects: [A.] Business Domain, Environmental Threats, and Strategic Fit. [B.] Business Domain, Long-term Direction, Strategic Fit.

[C.] Strategic Business Units, Long-term Direction, Environmental Threats.

[D.] None of the above.

Write short notes on the above selected business terms and Discuss three of these in an organizational familiar to you.

**(12marks for notes and 8 for discussion-Total 20 marks)**

**Question 3**

- a.) Explain five major roles of Controls, and describe the three levels of strategy in organization, illustrating with an organization you are familiar with. **(10 marks)**
  
- b.) Managerial decision making is usually assumed to be a rational process. Describe the steps in the rational decision making process and its relevance in the contemporary business environment.

**(10 marks)**

**Question 4**

The balance scorecard envisages critical constructs towards an organization’s competitiveness. In lieu of the assertion, clearly outline and discuss the various facets of the model, citing relevant illustrations towards aligning strategy to structure in the industrial context.

**(20 marks)**

**Question 5**

- a.) *“The Strategic planning process is inevitable for an effective and sound decision making”.*  
To what extent do you agree with the statement? **(10 marks)**
  
- b.) Illustrate the analytical tools in the facet of environmental scanning and explain how each model enhances the planning process. **(10 marks)**

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