



MUEO

MOI UNIVERSITY

OFFICE OF THE DVC ACADEMIC AFFAIRS, RESEARCH AND EXTENSION

UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

FOURTH YEAR END OF SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

EXAM CODE: BBM 472

EXAM TITLE: BUSINESS POLICY AND STRATEGY

DATE: 24TH AUGUST, 2015 TIME: 9.00 A.M.– 12.00 NOON.

INSTRUCTION TO CANDIDATES

➤ **SEE INSIDE**

BBM 472: BUSINESS POLICY AND STRATEGY

MAIN EXAMINATION

INSTRUCTIONS:-

- Answer **Question ONE** and any other **THREE** questions.
 - **Question ONE** carries **25 Marks**.
 - Time allowed: **3 hours**
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QUESTION ONE – Compulsory [25 marks]

Q1. Compulsory [25 marks]

Read the case study below and answer the questions that follow:

Nikomart Stores, Inc.

Nikomart was formed by Wowee Brothers in 1962. In 1970, Nikomart became public. By 1990, it was among top retailer in the world. It started its International expansion strategy in 1991 with the theme of creating “Value for Money” to its customers. Nikomart has dedicated to making a difference in the lives of their customers. The success of their business is as a result of CEO’s visionary leadership, along with generations of associates who focused on helping customers and communities save money and live better. That rich heritage defines who Nikomart is and what they do today.

When most firms were struggling in 2008, Nikomart increased its revenues from Sh.348 billion in 2007 to Sh.378 billion in 2008. Nikomart’s net income increased too, from Sh.11.2 billion to Sh.12.7 billion—quite impressive. *Fortune* magazine in 2009 rated Nikomart as “Most Admired Company in the World” in terms of their management and performance. Nikomart Stores continues to expand internationally, particularly in emerging countries. From 2009 to 2013, Nikomart plans to devote 53 percent of its international spending to emerging markets, up from 33 percent in the prior five years. The company plans include remodeling its stores rather than adding new stores and going to smaller stores. Nikomart’s capital expenditures in the year ending January 2010 were Sh.5.3 billion, up from Sh.4.8 billion the prior year.

Doing Great in a Weak Economy

Nikomart is a corporate leader in sustainability. The company in 2009 alone installed rooftop solar arrays on 20 stores and warehouses in many of its branches. A Nikomart partner, KK Solar, installs, maintains, and owns these systems. Perhaps more importantly, Nikomart in July 2009 unveiled a new environmental labeling program that requires all its vendors to calculate and disclose the full environmental costs of making their products. All vendors must soon distill that information into Nikomart’s new labeling system, thus providing product environmental impact information to all Nikomart shoppers. This new Nikomart program may redefine the whole consumer products labeling process globally by the year 2012.

Nikomart’s international operations currently comprise 4263 stores and 660,000 workers in more than 15 countries across the globe. The Information system is centralized and its operation is decentralized. A meeting provides opportunity for customer feedback origination is based on 3

basic values: Respect for the individual, Service to the customers and Striving for excellence. Employee advancement programs Campus recruitment, good retention rate and, training and Development.

The Weakest point of Nikomart is in its overseas business where there is Cut throat competition as well as its failure in influencing the foreign customers. Nikomart has a powerful retail plant and has grown substantially over recently year, and has experience global expansion. The company has a core competency involving its user of IT to support its international logistics system. A focus strategy in place for HRM and development. However, the corporate is huge but still has presence in 14 countries. Customers sometimes are curious about the quality of products. It also records poor performance employee on hand. The market share is low in its foreign markets and supplies profit margin is very low. In future it may take over, merge with, or form alliances with global retailers focusing on specific emerging markets. Due to recent economic recession, the purchasing power of customers has reduced significantly and the market development in untapped markets. Being leader it faces a lot of competition, poor human relation and effect local retailers.

-----END OF THE CASE-----

Questions:

- (a) Propose the vision, mission and objectives of Nikomart. **[5 marks]**
- (b) Using information from the case, conduct Nikomart's SWOT analysis. **[8 marks]**
- (c) Justify Nikomart's expansion strategy. **[5 marks]**
- (d) From the case, explain briefly the Nikomart's key success factors. **[5 marks]**
- (e) Give two factors that could have favored Nikomart's global strategy. **[2 marks]**

Q2. (a) Identify and explain the various areas of the scope of strategy. **[5 marks]**

(b) Identify and explain factors that would influence the choice of a particular strategy by the company. **[10 Marks]**

Q3. (a) Strategic alliances have become a common corporate strategic option adopted by organizations'. What reasons would motivate an organization to choose this strategy.

[5 marks]

(b) The failure rate of strategic alliances is likely to be high due to lack of due diligence. When entering into such arrangements. What are the critical success factors managers involved in such decisions should consider in order to ensure a successful alliance. **[10 Marks]**

Q4. (a) Using the Ansoff's product-market matrix model explain the strategic alternatives available to an organizations. **[10 Marks]**

(b) What are the strengths and weaknesses of the Ansoff's product-market matrix model? **[5 marks]**

Q5. Knowing your competitors is just as important as knowing your customers. Discuss the main components to be considered during a competitor analysis. **[10 Marks]**

(b) Briefly explain the role competitor analysis play in strategic planning process. **[5 marks]**

Q6. "Strategy evaluation is as significant as strategy formulation because it ascertain whether progress is in the right direction. In light of this statement:

(a) Explain in details the main steps in strategy evaluation process. **[8 Marks]**

(b) Give a justification of why organisations should carry out strategy evaluation. **[7 Marks]**

END