**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BUSINESS MANAGEMENT**

**STRATEGIC MANAGEMENT 1**

**CBU 4107**

**Supplementary Examination Paper**

**August 2015**

This examination paper consists of 4 pages

**Time Allowed: 3 hours 15 minutes**

**Total Marks: 100**

**Examiner's Name: Mr J. Ranganai**

## INSTRUCTIONS TO CANDIDATES

1. Answer all questions in Section A and any three questions from Section B.

## INFORMATION TO CANDIDATES

1. Section A carries 40 marks and all questions in Section B carry 20 marks each.
2. Questions may be answered in any order.
3. Credit will be given for the use of appropriate examples.
4. This paper contains seven questions.

## MARK ALLOCATION

| QUESTION | MARKS |
|---|---|
| **1.** | **40** |
| **2.** | **20** |
| **3.** | **20** |
| **4.** | **20** |
| **5.** | **20** |
| **6.** | **20** |
| **7.** | **20** |

**SECTION A**

**Question 1**

**CASE STUDY: Kodak, The Falling Goliath.**

Kodak was once the most popular and respected brand of photographic films. Eastman Kodak began business in 1901 in New Jersey, and by the 1950s, it was a household name. George Eastman's invention, which made it possible to record images on film (as opposed to the traditional glass plates), had revolutionized photography, thrusting his company to instant fame. By designing an easy-to-use portable camera for his film, Eastman popularized photography among the masses. Kodak grew rapidly, aided by the novelty of its products, continuous innovation such as colour film, and the absence of competition. Worldwide expansion through production, command marketing operations in other countries soon catapulted Kodak to its position as a global leader in the films business. By the early 1990s, Kodak, a giant corporation with over 100 000 employees, was a blue-chip company with gross sales of $20 billion.

It all changed for Mama Kodak, as the firm is affectionately known, when competition in the form of Fuji Photo Film Company of Japan came knocking at its doors. Using the latest manufacturing technologies, Fuji cut the production cost of the photographic film without lowering image quality and competed on price, snatching Kodak's customers rapidly. By the 1970s, Fuji was a potent competitor in the U.S. and international markets, limiting Kodak's ability to raise prices on its signature product, the roll film. But a more severe blow to Kodak came in 1981, when Sony introduced a digital camera that stored images on a computer chip. By eliminating the need for film, the digital camera seriously threatened Kodak's very survival. Suddenly, a world without film emerged as a possibility.

Kodak responded to these competitive threats by moving into other businesses and reducing its dependency on the film business. During the 1980s and 1990s, Kodak moved haphazardly in and out of several unrelated businesses. In 1988, the company acquired a pharmaceutical business –an industry in which it had very little knowledge-only to sell it in 1994 when the acquisition proved unprofitable. It hastily entered the office copier business, but intense competition among other competitive pressures in the industry soon forced Kodak to sell that business too. Kodak then introduced a 35-mm camera but was late to market and the market ignored it. It developed a disposable camera but delayed marketing the camera, thus losing opportunities. All these poor strategic responses to competitive threats exacted their toll on Kodak's gross income. From an all-time high of $20 billion in 1992, Kodak's sales plummeted to $13.5 billion in 2004. To cut its losses, the company restructured itself several times, each time reducing its workforce sizeably. In 2004, Kodak's employee strength was 50 000 – a mere half of what it had a decade earlier.

The photographic film business remains Kodak's mainstay, representing 70 percent of its sales income. But each year the market for film is shrinking, making Kodak a leader in a declining industry. Although Kodak had plans to enter the digital camera market as early as Sony, the company hesitated, fearing the entry would cannibalize its film business. It finally moved in, long after many others did, through a series of acquisitions that cost $4 billion. Its investments have yet to pay off, partly because the demand for digital photography is still emerging. Even when demand does emerge in full force, Kodak may not be able to secure a commanding market share because of its late arrival in a field in which Sony and Canon are well-established players. In the meantime, for each digital camera Kodak sells, it sacrifices film sales on which it has a higher gross margin. As a result, most Wall Street analysts are not optimistic about Eastman Kodak's future. For the first time in its one-hundred-year history, they are recommending that investors stay away from its stock.

***Source:*** Adapted from Parthasarthy R, (2007), Fundamentals of Strategic Management, Houghton Mifflin Company, Boston, Page 3

**Required:**

a) Explain the strategies that Kodak employed in its hundred year history

**[10 Marks]**

b) Evaluate Kodak `s responses to competitive threats from its external environment.

**[18 Marks]**

c) What suggestions would you give to Kodak management in relation to strengthening the organisation `s competitive position and reversing its pattern of poor performance?

**[12marks]**

## SECTION B

### Question 2

Strategy is the direction and scope of an organisation over the long term, which achieves competitive advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations (Johnson *et al* 2006; 3). Discuss. **[20 Marks]**

### Question 3

a) Discuss any four characteristics of strategic decisions. **[12 Marks]**

b) Analyse any two theoretical perspectives in relation to the role of directors in the strategic management of organisations. **[8 Marks]**

**Question 4**

a) Using relevant examples, explain the concept of a strategic group. **[6 Marks]**

b) Assess the growth strategy options that guide expansion decisions in business organisations. **[14 Marks]**

**Question 5**

Discuss the effectiveness of Mintzberg (1988) `s generic strategic options in relation to driving the competitiveness of Zimbabwean organisations.

**[20 Marks]**

**Question 6**

a) Using relevant examples, evaluate any four characteristics of a good mission statement.

**[10 Marks]**

b) Using an organisation of your choice, explain how core values can be a source of competitive advantage.

**[10 Marks]**

**Question 7**

Using Porter (1980)'s Five Forces Model, explain the competitive conditions that are shaping an industry of your choice in Zimbabwe.

**[20 Marks]**

**END OF EXAMINATION**