



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF GOVERNANCE AND MANAGEMENT SCIENCES

QUALIFICATION: BACHELOR OF BUSINESS MANAGEMENT	
QUALIFICATION CODE: 07BBMA	LEVEL: 7
COURSE CODE: BSL712S	COURSE NAME: SME Strategy and Leadership
SESSION: NOVEMBER 2022	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 70

2ND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Write clearly and neatly.3. Number the answers clearly

PERMISSIBLE MATERIALS

1. Business calculator

THIS EXAMINATION PAPER CONSISTS OF 6 PAGES (Including this front page)

SECTION A

[20 marks]

Question 1

[10 x 2 = 20 marks]

Choose the correct option and indicate your choice (A-E) next to the appropriate number in the examination book provided. For example 1. B.

1. Julian was asked to examine the demographic forces facing his employer, a clothing manufacturer. Which of the following factors is Julian most likely to examine?
 - A. Government regulations
 - B. Inflation
 - C. Manufacturing technology
 - D. Age of the population

2. The ... in the Business Model Canvas represent the route to market. In other words, the pathway that is used to communicate, market, sell and distribute its products or services.
 - A. strategy
 - B. elements
 - C. structure
 - D. channels
 - E. none of the above

3. The secret behind the sustainability of a business model lies in the decisions that are made or the strategies that are used to create value ... for the client.
 - A. chain
 - B. creation
 - C. tools
 - D. add
 - E. proposition

4. The key responsibilities of a strategic leader are the following:
 - i) Developing an appropriate vision
 - ii) Communicating the vision
 - iii) Developing an effective organisational culture
 - iv) Designing appropriate reward systems
 - v) Developing strategic direction
 - A. iv & v
 - B. ii & iii
 - C. i & ii
 - D. All of the above
 - E. None of the above

5. Leadership styles during the organisational life cycle are the following:
 - i) Risk taker, caretaker, surgeon, overtaker
 - ii) Risk taker, supervisor, surgeon, developer
 - iii) Risk taker, caretaker, surgeon, undertaker
 - iv) Risk taker, caretaker, dentist, undertaker
 - v) Profit taker, caretaker, surgeon, undertaker
 - A. i
 - B. ii
 - C. iii
 - D. iv
 - E. v

6. Organisations faced with maturity should link reward systems to which of the following?
- i) Cost savings
 - ii) Efficiency
 - iii) Equity performance
 - iv) Growth targets
 - v) Budgetary savings
- A. i
 B. ii
 C. iii
 D. iv
 E. v
7. Once a company has decided to employ one of the five basic competitive strategies, then it must also consider such additional strategic choices as
- A. whether and when to go on the offensive and initiate aggressive strategic moves to improve the company's market position.
 - B. whether to outsource certain value chain activities or perform them in-house.
 - C. whether to form strategic alliances and collaborative partnerships to add to its accumulation of resources and competitive capabilities.
 - D. whether to integrate forward or backward into more stages of the industry value chain.
 - E. All of these
8. The managers at Namib Hotels want to find out how their competitor, SW Africa Hotels, consistently outdoes them. Namib Hotels have the same facilities and equipment as SW Africa Hotels, but each month its efforts to reach the benchmark set by SW Africa Hotels fails. This is because SW Africa Hotels has elements such as great location, beautiful architectural design, and customer-friendly employees that create an edge over other companies in its industry. Which of the following does this scenario exemplify?
- A. Complementary products or services
 - B. Resource-based view of firm
 - C. Attractiveness of an industry
 - D. Segmentation analysis
9. The red ocean strategy ...
- i. represents a new concept to strategy positioning
 - ii. focuses on creating a new market space
 - iii. beats current competition
 - iv. exploits existing demand
 - v. creates new demand
- A. i & v
 B. ii
 C. iii & iv
 D. ii, iii, & iv
 E. v

10. FNB (First National Bank) launched an intensive marketing campaign and introduced specific bundles of products to gain more customers. This is an example of a
- i. product development strategy
 - ii. innovation strategy
 - iii. unrelated diversification
 - iv. concentrated growth
 - v. turnaround
- A. i
 - B. ii
 - C. iii
 - D. iv
 - E. v

TURN OVER FOR SECTION B

SECTION B

[50 marks]

Question 2

[25 Marks]

Read the case below and answer the questions that follows:

Cashbuild

Cashbuild is the largest retailer of building materials and associated products, selling directly to cash-paying customers through its 251 (and still growing) stores in South Africa, Namibia, Lesotho, Botswana, Swaziland, Malawi and Zambia. Cashbuild, which employs more than 4 700 people, comprises Cashbuild Limited and the operating subsidiaries registered in the abovementioned countries.

Cashbuild's meteoric rise since 2009 came just as stock exchanges around the world imploded into the global financial crisis in 2017. Despite the crisis, Cashbuild held a steady course northwards. It has had a few tricks up its sleeve, not least being that it has raised the wages of workers when other firms were shedding employees. It also charges the lowest prices possible, but is firm on margins. Since its listing in 1986, Cashbuild's share price has risen from R1,10 to about R340 in 2016. Since January 2009 the share has risen about six times from R56, that is, 607%. From 182 stores in January 2009, the group has added 57 Cashbuild stores, 10 Cashbuild do-it-yourself stores, and most recently 44 P&L hardware stores.

Cashbuild focuses on contractors, farmers, traders and people doing home improvement who buy its products for cash. It is focusing on a very specific market sector – the middle to lower LSM [Living Standards Measure] segments where a lot of housing delivery and housing improvement has happened over the years. Cashbuild is the first choice retailer in its chosen field in all the regions in which it operates. It achieves this by carrying a focused in-depth quality product range at the most competitive prices, to meet the needs of the local market for home builders, home improvers, contractors, farmers, traders and any persons wanting to purchase quality building materials for cash. Cashbuild positions its stores to bring quality building materials at lowest prices to local communities, and strives to enhance each community in which it trades. Store locations are selected on the basis of in-depth feasibility studies and extensive stakeholder engagement.

The group believes in the Cashbuild Way of doing business. It believes that its business is simple; it buys and sells according to a set of policies and procedures that guides it on how to do things throughout the organisation and its relationships with external stakeholders. The Cashbuild Way refers not only to its documented policies but also to all its dealings with various stakeholders. It buys quality building materials and associated products, supporting local suppliers as far as possible. It aims to support local growth and development, positively influence the upstream value chain and build mutually beneficial long-term relationships. Ethical sourcing is an imperative, quality is its priority, but keeping costs low is its strategy. It then sells quality building materials and associated products on to its customers at the lowest prices. It aims to ensure a pleasant shopping experience for all its customers. Cashbuild also provides its customers with in-store expertise, advice and assistance, as well as various loyalty programmes, credit services, online shopping and a free delivery service.

Cashbuild believes in the concept of sustainability. That, it believes, is not only limited to the Group's impact on investors, society and the environment, but it also includes the impact of social and environmental considerations on its ability to continue sustaining itself and supporting those individuals and organisations that depend on Cashbuild's success. It believes that the value it creates is not limited to financial returns, but includes the less tangible value that it adds through its operations in the communities in which its stores are located. It also believes that value is created through the mitigation of its environmental impacts, for example through emissions reduction initiatives. The broader external environment in which Cashbuild operates, including the various macro-economic factors, will of course influence its attempts to create value for its stakeholders. That is why it proactively and consistently monitors these factors, and takes the action required. One of Cashbuild's main competitors, Build it, a franchise division of the Spar Group, is a full-service builders

merchant. Massbuild, a part of Massmart, has Builders Warehouse, Builders Express and Builders Trade Depot. Both Cashbuild and Massbuild serve residential markets, while Massbuild sells to the bonded market and Cashbuild has more cash-in-hand sales, especially of bricks and cement. Much of Cashbuild's business is for cash and is in rural areas and comprises mainly building and renovation work. It is, however, extending its reach into previously underserved parts of the country, including urban areas.

Cashbuild has made some strategic acquisitions and has seen a dramatic rise in sales and earnings [which are] outstripping the struggling building and construction sector. Cashbuild management has also done a very good job of controlling costs, which has led to the gross profit margin expansion up to 26% in June 2016. This has resulted in a very strong cash-flow growth.

It remains to be seen whether the informal building boom will continue. South Africa has faced several downgrades of its sovereign credit ratings amid continuing volatility in global markets. It is however clear that the drivers of Cashbuild's growth over the past 10 years have been its low- to middle-income customer base. Together with the expansion of South Africa's social grant system, which reaches 17 million people, an increase in state employment and above-inflation salary increases has enabled people to upgrade their homes, both in urban and rural areas. Significant urbanisation combined with a lack of affordable housing in urban areas has also resulted in many people building rooms on their properties to rent out.

Sources: Adapted from <https://www.businesslive.co.za/bd/companies/retail-and-consumer/2017-01-20-cashbuild-key-to-success-is-in-lower-end/>
<http://www.cashbuild.co.za/Profile.php>;
http://www.cashbuild.co.za/Reports/2016/Interactive/Home/About%20Cashbuild/about_cashbuild.pdf (All accessed on 7 June 2018)

CASE STUDY QUESTIONS

- a) Using a value chain analysis, determine which are the real value-adding activities of Cashbuild. (15 Marks)
- b) Diagrammatically depict Porter's value chain analysis model. (10 Marks)

QUESTION 3

(25 Marks)

Determine the RMSP & enterprise GR% as coordinates; plot A, B, C & D on the **BCG Matrix**; list the appropriate strategies for "A".

	A	B	C	D
Sales turnover (N\$):	35	40	10	25
Growth %:	-10	-5	15	5

	RMSP	ISGR%
A		
B		
C		
D		

		High	Medium	Low	
		RMSP			
	1	0.75	0.5	0.25	0
High	20				
Medium					
Low	-20				

TOTAL MARKS: 70

