

**CONFIDENTIAL**



**UTHM**

Universiti Tun Hussein Onn Malaysia

**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
(TAKE HOME)  
SEMESTER II  
SESSION 2019/2020**

COURSE NAME : STRATEGIC MANAGEMENT  
COURSE CODE : BPB 33803  
PROGRAMME CODE : BPA  
EXAMINATION DATE : JULY 2020  
DURATION : 24 HOURS  
INSTRUCTION : ANSWER ALL QUESTIONS  
OPEN BOOK EXAMINATION

THIS QUESTION PAPER CONSISTS OF SEVEN (7) PAGES

**CONFIDENTIAL**

**TERBUKA**

**Q1** Delicious Bakery is operating in a dynamic and fast moving food and beverage industry environment. A continuous finding of new strategies to stay competitive is important for the company. Therefore, the company plan to develop suitable new strategy based on information summarized in **Table Q1**.

**Table Q1: Determinants of Delicious Bakery Strategic Position Analysis**

<b>Financial Position (FP)</b>	<b>Ratings</b>	<b>Weight</b>
Firm's debt-to-total-assets ratio declined to 8%.	4.0	0.08
Revenue from beverage segment of company down 12%.	3.0	0.24
Average customer purchase up RM50 to RM100.	6.0	0.19
Revenues per employee decline 15%.	4.0	0.09
<b>Industry Position (IP)</b>		
Increased 10% of bakery business growth.	2.0	0.24
Rival restaurant is raising prices 10%.	3.0	0.11
Authority eliminate subsidies of wheat flour.	3.0	0.21
Use of business websites up to 12%.	5.0	0.05
<b>Stability Position (SP)</b>		
New mall being built nearby.	-1.0	0.07
Low level of disposable income.	-2.0	0.19
Local university enrolments failing 10%.	-2.0	0.04
Trend toward healthy food increase up to 12%.	-4.0	0.09
<b>Competitive Position (CP)</b>		
Supplier day on-time-delivery increase.	-3.0	0.04
Employee morale is excellent.	-6.0	0.07
Customer rating on quality services increase.	-7.0	0.16
Company has no website.	-2.0	0.13

- (a) Evaluate Delicious Bakery overall strategic position using the Strategic Position and Action Evaluation (SPACE) Matrix. The evaluation should outline all steps in developing SPACE Matrix with appropriate calculation and diagram. (10 marks)
- (b) Propose the best strategy to be implemented based on the company strategic position as in **Q1(a)** by using Quantitative Strategic Planning Matrix (QSPM) in **Appendix I**. The propose strategy should elaborate all the steps required to develop the QSPM. (10 marks)

**Q2** Based on the case study in **Appendix II**, answer the following questions.

- (a) Synthesis type of strategies that has been implemented by Dave Lewis in transforming Tesco. The synthesis should include detail explanation of the strategies and to what extent the strategies have effectively transforming Tesco.  
(20 marks)
  
- (b) Discuss the implications to management and operation issues based on the strategies in **Q2(a)**.  
(10 marks)

**- END OF QUESTIONS -  
FINAL EXAMINATION**

**APPENDIX I**

SEMESTER / SESSION : SEMESTER II / 2019/2020      PROGRAMME CODE : DPA  
 COURSE NAME : STRATEGIC MANAGEMENT      COURSE CODE : BPB 33803

**Table 1: QSPM analysis for Delicious Bakery  
Strategic Alternatives**

	Weight	Strategy 1		Strategy 2	
		AS	TAS	AS	TAS
		<b>Key external factors</b>			
<b>Total</b>					
<b>Key internal factors</b>					
<b>Total</b>					

**TERBUKA**

## FINAL EXAMINATION

## APPENDIX II

SEMESTER / SESSION : SEMESTER II / 2019/2020

PROGRAMME CODE : BPA

COURSE NAME : STRATEGIC MANAGEMENT

COURSE CODE : BPB 33803

**‘Tesco could have gone under’: How Dave Lewis saved the firm from disaster**

In 1929, Jack set up shop in North London under the Tesco name. Tesco comes from the initials ‘TES’ of T.E. Stockwell, a tea supplier and partner of Jack’s, as well as the ‘CO’ from Jack’s surname. After 29 years, the first supermarket Tesco was opened in Maldon, Essex, UK. In 1995 Over a decade, Tesco has entered international market into Central Europe, Eastern Europe and Asia.

Despite enjoying comfortable business growth in 1990’s, Tesco faced severe competitive market landscape during year 2000s. Towards financial year 2012, Tesco experienced significant declining in sales as a result of unfavourable economic situation in Europe. Due to the lack of disposable income, customers prefer to find alternative for smaller and closer retailers who offer discounts. This situation has caused Tesco lost significant market share.

New challenges face by Tesco were unlimited to external forces such as country’s economic conditions and market competitions but further detailed by the internal corporate scandal of accounting treatment. In 2014 Tesco has suffered negative corporate governance image when the company revealed overstated its profits by £263 million, leading to an investigation by Britain's Serious Fraud Office. The three former experienced executives involved in the scandal have served trial and were sacked from the company. The changes of leadership were further pressing for a transformation initiative in the entire business organization and supply chain of Tesco business.

The new leadership headed by Chairman Sir Terry Leahy Tesco has reviewed and outlines several transformational plan for business sustainability. Tesco appointed former Unilever executive, Dave Lewis as the new CEO. He has a reputation of competent CEO for aggressive dealings and strong networking with suppliers. Tesco need to improve its financial position from heavy gearing due to massive debts. Tesco need to address the negative corporate governance stigma of the company due to the accounting scandal in 2014 by agreed to pay a £129m fine to uplift the reputation of the company. The need for market expansion and greenfield was of paramount important. Focusing for core business was also among the strategic priority set by the company.

Over several year of implementing business transformation, Tesco has significantly back on track. The monthly industry data shows Tesco is once again pulling ahead of rivals in Britain. The opening of more stores has led to more goods being sold to more customers. This development has allowed Tesco gaining stronger bargaining power with suppliers, driving more price cuts and further volume growth - and consequently even better deals with suppliers.

The implementation of transformational plan and overhauling of the company, continue facing new challenges due to changes in market and industry landscape. Local Tesco UK market share continues to drift downwards due to local competition from German discounters such as Aldi and Lidl. Highly intense price war has eroded most of retailer’s margin including Tesco. This trend makes Tesco decision to

move

**FINAL EXAMINATION****APPENDIX II**

SEMESTER / SESSION : SEMESTER II / 2019/2020

PROGRAMME CODE : BPA

COURSE NAME : STRATEGIC MANAGEMENT

COURSE CODE : BPB 33803

into wholesaling – with the £3.7bn take-over of cash-and-carry group Booker in January 2017 which look far smarter than Sainsbury's unsuccessful attempt to merge with Asda. The propose £7bn deal of merger between Asda and Sainsbury (both are retailer) of combined sales of £51bn accused by watchdog group would push up prices and reduce the choice and quality of products on sale in stores.

Tesco's acquisition of Booker Group will enable Tesco to strengthen its logistics and distribution service immediately. The Booker Group is one of the major suppliers of branded and private label goods to small convenience stores but also supplies catering services to a range of pubs and restaurants. Tesco will also be able to vertically integrate by adding to its supply chain one of the biggest wholesale business. This vertical integration will enable Tesco to manage costs better and achieve potential economies of scope and scale. It will give Tesco direct control to one of the key costs in the whole retail supply chain. This is of course in line with Tesco's overall strategy that wishes to penetrate price sensitive markets.

Tesco has diversified into café and entertainment business by acquiring Wheelbarrows, cappuccinos and movies. The idea was to get into higher growth business and in some cases, such as cafes and restaurants, open outlets in its own superstores. Tesco also attempted to break into international markets. The transformation of Tesco can be summarized as follows:

- Engages in retail banking and insurance services through its subsidiary, Tesco Bank in the UK since 1997 until now. The bank has contributed £197m of operating profit in 2019.
- Invested in Nutricentre in 2001 with hopes to build a nationwide chain of stores selling vitamins and other health products. But the company never really took off and its most recent accounts for the year to 28 February 2015 show a loss of £8m. It closed the business in March 2016.
- Operates a mobile phone business across the United Kingdom, Ireland, Slovakia, Hungary and the Czech Republic. It first launched in the UK in 2003 as a joint venture with O2 and operates as a mobile virtual network operator (MVNO). Until present, Tesco mobile continues to become one of the business under Tesco operation.
- Opened in the US in 2007 but after five years of losses it was sold in 2013. Tesco spent around £1bn on the attempt to break into the US market
- Won full control of Dobbies Garden Centres in 2008, at a cost of around £150m. But in 2015 the company lost £48m and it was sold in June 2016 for £217m.
- In 2011 bought an 80% stake in the online video shop Blinkbox Entertainment. The business racked

up heavy losses and was sold to TalkTalk in January 2015.

**FINAL EXAMINATION****APPENDIX II**

SEMESTER / SESSION : SEMESTER II / 2019/2020

PROGRAMME CODE : BPA

COURSE NAME : STRATEGIC MANAGEMENT

COURSE CODE : BPB 33803

- Teamed up with Euphorium in 2012 and then invested further in 2013 to help the bakers roll out more stores. It took full control of the company in March 2015, but there's speculation that it could be up for sale. The business lost almost £34,000 in the year to 1 March 2015.
- Bought Giraffe restaurants in 2013 for £48.6m. The idea was to get into a high growth business and fill excess space in stores with branches of the family-friendly restaurant. The chain has lost money, mainly due to the cost of expanding to around 60 stores across the UK. Tesco sold the business in 2016 for, what one analyst estimated, as a "small loss".
- Bought a stake in the cafe chain, Harris & Hoole, in 2013 and took full control earlier this year. The chain has 43 outlets of which 29 are located in Tesco stores. For the year to 1 March 2015 it lost £21.6m. Tesco announced in June 2016 that it had agreed to sell Harris & Hoole to Caffe Nero, although it did not say how much it had received for the chain.
- Invested heavily in Asia. In particular it built up the Homeplus chain in South Korea. Homeplus became a valuable asset and when Tesco came under pressure to reduce its debt, the business was sold. The sale in September of 2015 raised £4.2bn. Even to Tesco that was a significant sum.
- Dunnhumby is the operation behind the Tesco clubcard. It collects and analyses data on customers' shopping habits. Tesco hoped to raise £2bn when it put it up for sale in 2015. But the sale was abandoned later in the year, suggesting that Tesco did not receive any attractive offers.
- Divesting business in South East Asia (Thailand and Malaysia) to Thai billionaire Dhanin Chearavanont for \$10 billion aims to focus on UK and European markets.

**References**

<https://www.businessinsider.com/r-no-longer-the-bad-guy-tesco-set-to-reassert-uk-dominance-2016-12?IR=T>

<https://www.theguardian.com/business/2019/oct/05/tesco-dave-lewis-back-from-brink-it-could-have-gone-under>

<https://www.theguardian.com/business/2019/apr/25/sainsburys-asda-merger-blocked-by-competition-watchdog>

<https://www.kent.ac.uk/news/society/15792/expert-comment-the-rationale-of-tescos-3-7bn-deal-for-booker-group>

<https://www.bbc.com/news/business-36025373>

<https://www.thestar.com.my/business/business-news/2020/03/09/tescos-us10b-sale-is-asias-biggest-2020-deal>

<https://www.malaymail.com/news/money/2020/03/09/uk-retailer-tesco-sells-thailand-malaysia-ops-for-8b/1844764>

[https://www.tescopl.com/media/476423/tesco\\_ar\\_2019.pdf](https://www.tescopl.com/media/476423/tesco_ar_2019.pdf)