

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In collaboration with

THE VIRTUAL UNIVERSITY OF SMALL STATES THE

COMMONWEALTH (VUSSC)

Bachelor of Business and Entrepreneurship

STRATEGIC PLANNING

SP231

Special Examination

Marks: 100

Time Allowed- 3 hours

Instructions

1. This examination consists of **Two** sections: A and B
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English

SECTION A: CASE STUDY
Answer all questions in this section.

[40 MARKS]

An IKEA case study

‘Once upon a time, a long time ago we decided that instead of making furniture for people with fat wallets, we would side with the majority of people instead and offer them a better everyday life. We decided to offer a wide range of home furnishing items of good design and function at prices so low the majority of people could afford to buy them’. Ingvar Kamprad.

Many successful businesses stem from one simple good idea. Someone with a bit more vision than average spots a gap in the market. He or she notices that existing producers are failing to provide the benefits that consumers are really looking for.

In many ways, IKEA was a forerunner in pioneering concepts which are becoming increasingly important in modern business. These include ethical business practice, providing a fair deal for and being led by consumer needs, empowering employees, so that they feel a part of the company and responsibility to the community in which the company operates and to the wider community.

IKEA started in Sweden over 50 years ago with one man’s vision. Ingvar Kamprad, the founder of IKEA, asked the questions:

- Why are nice homes only possible for people with a lot of money?
- Why shouldn’t everybody be able to afford a nice, functional home?
- Why does furniture have to be so expensive?
- Why is there no one offering a wide range of home furnishing articles of good form and function at prices so low that the many people can afford them?



Business start-up

The IKEA concept was a revolutionary one which was well ahead of its time. Essentially, IKEA has built an anti-brand which stands for the good of the many people rather than a narrow group of shareholders. IKEA began with the question: 'Who's on the side of the customer?' From this stemmed a corporate philosophy which asked two further questions:

- 'Isn't there room for an anti-brand that stands for low price, high quality and innovation?'
- 'Isn't there room for an anti-brand that stands for the benefit of everyone?'

In order to realise the aims of his business idea, Kamprad needed a way of designing which would make it possible to maintain high quality standards, while at the same time making reductions in price. From this, he was able to calculate what customers would be able to afford. Then he sourced the right materials and the production units which had the expertise and capacity to produce goods economically. In many cases, he approached producers who were not part of mainstream furniture manufacturing.

Large IKEA stores were built on the outskirts of towns where rates were cheaper and people could park easily. The furniture was sold in flat packages which saved space and allowed for ease of handling and transport. He introduced the Do It Yourself concept which meant that the customer became part of the production process. The DIY idea was refined and put into operation on a large scale. He kept the number of employees low reasoning that employing more people would cost more money and this would make the products more expensive.

The initial vision 'to create a better everyday life for the many people' is even more relevant today than it was 50 years ago. IKEA's mission is: 'To develop the skills of every IKEA employee, so that they may become professionals in providing a complete range of home decorating products of good form and function at a low price.'

Source: <http://businesscasestudies.co.uk/ikea/>

Questions

1. Contrast the macro, market and micro business environment. Give an example in each case from the case study. **(6 marks)**

2. Carry out a SWOT analysis for IKEA using evidence from the case study. **(8 marks)**

3. IKEA's goals and objectives are stated in the case study.
 - i. Distinguish between goals and objectives giving examples from the case study. **(4 marks)**
 - ii. Create your own two goals and two objectives for IKEA. **(4 marks)**

4. Identify and explain any **two** competitive advantages IKEA is having in the markets it serve? Support yourself with evidence from the case study. **(6 marks)**

5. The resources based view to management was propounded by Penrose (1959) with the idea that management should manage its resources and capabilities in order to achieve its strategic intent.
 - a. Differentiate between resources and capabilities. **(2 marks)**
 - b. Give **three (3)** examples of tangible and **one** example of intangible resources utilized by IKEA. **(4 marks)**

6. Using any **three (3)** advantages, highlight how IKEA could benefit from strategic planning. **(6 marks)**

SECTION B: ESSAY-TYPE QUESTIONS

[60 Marks]

Answer any three (3) questions from this section.

Question 1

Most organisations both public and private have vision and mission statements hanged in their public spaces.

- a. State and explain any **two** characteristics of vision and mission statements.

(8 marks)

- b. Elucidate on any **four** criticism of vision and mission statements.

(12 marks)

Question 2

Based on Porter's five forces model, illustrate in detail any **two** factors in each case that affect:

- a. Rivalry intensity **(4 marks)**
b. Threat of new entrants **(4 marks)**
c. Bargaining power of buyers **(4 marks)**
d. Bargaining power of suppliers **(4 marks)**
e. Threat of substitute products. **(4 marks)**

Question 3

Expound on how the Ansoff matrix can be used to formulate growth marketing strategies. In your explanations, describe the levels of risk involved in using each of the strategies discussed. **(20 marks)**

Question 4

Organisation is a function of management that identifies the span of control, chain of command as well as the respective power and authority in organisations.



- a. Using sketch diagrams or otherwise, discuss any **three (3)** ways a business could be organised. In your explanation, identify any **two (2)** benefits of using each organisational structure discussed. **(16 marks)**
- b. Outline any **two** sources of organisational culture. **(4 marks)**

END OF QUESTION PAPER