HERBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

Department of Management and Hospitality

BACHELOR OF COMMERCE	**PART 4 SEMESTER 2**
MODULE NARRATION	**STRATEGIC MANAGEMENT**
CODE	**HMM413**
DATE	**2024**
DURATION	**3 HOURS 30 MINUTES**

INSTRUCTIONS TO CANDIDATES

1. ANSWER **ALL QUESTIONS IN SECTION A** AND **ANY THREE** QUESTIONS FROM SECTION B

2. AS MUCH AS POSSIBLE **CITE RELEVANT** EXAMPLES

SECTION A: COMPULSORY

When most firms were struggling in 2008, McDonald's increased its revenues from $22.7 billion in 2007 to $23.5 billion in 2008. Headquartered in Oak Brook, Illinois McDonald's net income nearly doubled during that time from $2.4 billion to $4.3 billion—quite impressive. Fortune magazine in 2009 rated McDonald's as their 16th "Most Admired Company in the World" in terms of their management and performance. McDonald's added 650 new outlets in 2009 when many restaurants struggled to keep their doors open. McDonald's low prices and expanded menu items have attracted millions of new customers away from sit-down chains and independent eateries. Jim Skinner, CEO of McDonald's, says, "We do so well because our strategies have been so well planned out." McDonald's served about 60 million customers every day in 2009, 2 million more than in 2008. Nearly 80 percent of McDonald's are run by franchisees (or affiliates).

McDonald's in 2009 spent $2.1 billion to remodel many of its 32,000 restaurants and build new ones at a more rapid pace than in recent years. This is in stark contrast to most restaurant chains that are struggling to survive, laying off employees, closing restaurants, and reducing expansion plans. McDonald's restaurants are in 120 countries. Going out to eat is one of the first activities that customers cut in tough times. A rising U.S. dollar is another external factor that hurts McDonald's. An internal weakness of McDonald's is that the firm now offers upscale coffee drinks like lattes and cappuccinos in over 7,000 locations just as budget-conscious consumers are cutting back on such extravagances.

About half of McDonald's 31,000 locations are outside the United States. But McDonald's top management team says everything the firm does is for the long term. McDonald's for several years referred to their strategic plan as "Plan to Win." This strategy has been to increase sales at existing locations by improving the menu, re-modelling dining rooms, extending hours, and adding snacks.

The company has avoided deep price cuts on its menu items. McDonald's was only one of three large U.S. firms that saw its stock price rise in 2008. The other two firms were Wal-Mart and Family Dollar Stores. Other strategies being pursued currently by McDonald's include replacing gasoline-powered cars with energy-efficient cars, lowering advertising rates, halting building new outlets on street corners where nearby development shows signs of weakness, boosting the firm's coffee business, and improving the drive-through windows to increase sales and efficiency.

McDonald's receives nearly two thirds of its revenues from outside the United States. The company has 14,000 U.S. outlets and 18,000 outlets outside the United States. McDonald's feeds 58 million customers every day. The company operates Hamburger University in suburban Chicago. McDonald's reported that first quarter 2009 profits rose 4 percent and same-store sales rose 4.3 percent across the globe. Same-store sales in the second quarter of 2009 were up another 4.8 percent.

Source: Based on Janet Adamy, "McDonald's Seeks Way to Keep Sizzling," Wall Street Journal (March 10, 2009): A1, A11. Also, Geoff Colvin, "The World's Most Admired Companies," Fortune (March 16, 2009): 76–86.

QUESTION 1: ANSWER ALL QUESTIONS

(a) Craft a possible mission statement for McDonald's and justify. (5)

(b) Why is it important for McDonald's to have a mission statement? (7)

(c) Based on the case study, what could be the possible benefits and demerits of having other outlets outside United States? (8)

(d) Recommend strategies that McDonald's could adopt to strengthen its competitive position. (10)

SECTION B: ANSWER ANY THREE QUESTIONS

QUESTION 2

Discuss how a firm can employ offensive moves to have competitive advantage.
(20 marks)

QUESTION 3

Using practical examples, discuss the importance of differentiation strategy. (20 marks)

QUESTION 4

Assess the specific reasons for Zimbabwean firms to have visionary leaders. (20 marks)

QUESTION 5

Examine the specific strategic management process with practical examples. (20 marks)

QUESTION 6

Evaluate the need for sustaining competitive advantage. (20 marks)