



(The University of Choice)

**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN

**UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR**

SECOND YEAR FIRST SEMESTER EXAMINATIONS

**FOR THE DEGREE
OF
MASTERS IN BUSINESS ADMINISTRATION**

COURSE CODE: MBA 880

COURSE TITLE: ADVANCED STRATEGIC MANAGEMENT

DATE: MONDAY, 25TH JULY 2022 TIME: 2:00 TO 5:00PM

INSTRUCTIONS TO CANDIDATES

- Section A is compulsory. Attempt any three questions in section B

TIME: 3 HOURS

Section A

The Trader Joe's Experience

The impact of corporate culture on business strategy.

Mark Mallinger, PhD, and Gerry Rossy, PhD

The success of Trader Joe's (TJ) markets is the result of a unique business model that has built a national chain of neighbourhood grocery stores. This apparent paradox requires the organization to be growth-oriented yet perceived by shoppers as customer-focused similar to "mom-and-pop" operations of the past. They have accomplished this by basing their strategy on the alignment of their unique corporate culture with a clearly defined competitive space. The purpose of this article is to explore the relationship between organizational culture and business strategy that has propelled TJ to extraordinary success. The article also offers a model for readers to consider in creating a culture within their own organization that provides a defensible competitive position by incorporating value, rareness, inimitability, and non-substitutability

History/Background

Started in 1967 by Joe Coulombe, Trader Joe's began as a convenience store but quickly migrated to a more novel design for adventurous food and beverage shoppers. Initially, TJ was comprised of 17 stores in the southern California area. By the early 1980s additional food products were introduced as the number of stores grew to 26. In 1988 they expanded to northern California. The combination of innovative products along with a service-oriented culture has created a loyal customer base that continues to grow nationally. Today, TJ has over 270 stores in 22 states with revenues exceeding \$5 billion.

Coulombe sold the business in 1978 to the Albrecht family, owners of a multi-billion dollar retail chain in the EU. However, the company remains private. The Albrechts are passive investors—operating control was left in Joe's hands who continued as CEO until he retired in 1988. John Shields, whose background includes retail and merchandising, and who provided the operational know-how to expand the business, became CEO, a position he held until 2001. Dan Bane is the current CEO.

TJ offers an array of products that are distinct from those sold in traditional supermarkets. They do not carry national brands, but rather a host of food and beverage products along with a number of healthcare selections. Products include cheese, wine, ready-to-prepare foods, frozen items, produce, and ethnic choices, of which 75 percent carry the TJ label. Most products are offered at low prices (which differentiates TJ from competitors such as Whole Foods and Bristol Farms) but are considered to be of high quality, both in terms of taste and healthfulness. Because their stores are generally in the 15,000 square foot range, TJ offers about five times fewer products than conventional supermarkets, and new products are continuously brought in as others are phased out. To stimulate customer interest TJ focuses on a constantly changing product mix, which further adds to their uniqueness. This continuous rotation of distinct food and beverage products creates a sense of adventure that appeals to customers, who look forward to new items.

The Mission

The TJ mantra is to offer value and a dedication to quality service through warm, friendly, committed employees along with a pledge to offer quality products. This mission requires a culture that supports loyalty and customer service through personal contact with the consumer. The commitment to the customer is captured on the TJ website, "Our Product Guarantee: We tried it! We liked it! If you don't, bring it back for a full refund, no questions asked." The underlying message is that TJ desires to establish an personal relationship with the customer.

Major decisions are carefully scrutinized to determine the extent to which each directly maintains a neighborhood store feel. For example, for a number of years TJ resisted incorporating scanners at their check-out stands. The concern was that customers would consider the technology a move toward becoming a traditional supermarket, and thus risk losing its image. Continuous change in their inventory mix, however, demanded that they scan bar codes at check-out. Eight years ago TJ began experimenting with this shift in technology. Piloting the technology at a few northern California stores, they were careful to be sure the sound of the ping during check-out did not get in the way of cashier/customer conversation. After several weeks of testing, the organization launched the system throughout its store operations.

Another example of the determination with which TJ remains committed to its mission was the decision, over 10 years ago, to construct its check-out kiosks such that customers could push shopping carts through the line rather than having to back the cart out of check out before exiting the store. The former model was aligned with small store, customer oriented operations, but with increasing shoppers became unwieldy. Again, TJ carefully assessed the impact the change would have on customers before implementing the new model. This approach to merchandising provides the customer with an adventure in shopping; that is, the TJ model attempts to make grocery shopping an exotic experience rather than an obligatory visit to market for staples.

The success of their model is evidenced by the measure of sales per square foot. TJ believes that the combination of its product line and customer service culture is responsible for revenues that are triple the square foot sales of a typical supermarket.

Growth

The growth of the organization has been achieved without debt; TJ expansion is fully self-financed. The operation remains free of union involvement-salaries and benefits are sufficient to ward off labor unrest. Advertising is limited: modest radio exposure and no television or newspaper ads. TJ does not rely on publicity, coupons, or store cards. A newsletter, the Frequent Flyer, featuring new products and store locations is mailed to customers three times each year and during holiday periods. They do not rely on email advertising.

Expansion is cautiously executed because the challenge associated with migrating its unique culture requires a meticulous selection and training process. Store location is determined by three key factors: density of population, educational level of the consumer, and distribution efficiencies. Market research has revealed a relationship between education and consumer choices: The more highly educated tend to travel more and, hence, are more inclined to be attracted to the unique product lines offered by TJ.

Building the Culture

“Crew members” (the moniker for store employees) are selected, in part, because of their expressed enthusiasm and energy. Training includes skills in communication, teamwork, leadership and product knowledge. Crew members handle a multitude of responsibilities including, cashier, stocker, customer interface, and are evaluated on a quarterly basis. Turnover among full-time crew is 4 percent yearly, substantially below that of traditional supermarkets. Part-time employees comprise 70 percent of the crew members, and those wishing to be promoted to full-time can apply for the position. The managerial structure is relatively flat. Crew members report to the “first mate” (assistant store manager), who, in turn, reports to the “captain” (store manager). The store atmosphere is highlighted by a South Seas motif, crew members often wear Hawaiian shirts and banners throughout the store convey that theme. There is a casual ambience; new products are identified on chalk boards arranged in key locations.

Required

Question One

- a). Identify and explain the `key challenges facing Traders Joe's as illustrated in the case study (8 marks).
- b). From the case and using your own words, explain how an organization can build a strong culture (6 marks)
- c) As a senior strategy management students what lessons can you learn from Traders Joe's success (6 marks).

Section B: Answer any THREE questions

Question Two

- a). The strategic analysis is concerned with understanding the different forces affecting the organization and its choices of strategies. Discuss the framework that can be used to carry out strategic analysis (12 marks).
- b) What is a core competence and how can organization build core competence (8 marks)

Question Three

- a) Define and explain the concept of environmental turbulence clearly indicating the significance of this concept in the strategic management process. (10 marks)
- b) Identify and explain the different methods of enhancing strategic fit for a typical Kenyan firm. (10 marks).

Question Four

- a) Identify and explain the various types of organizational structures showing what determines their appropriateness (10marks).
- b) Restructuring has been the buzzword of enterprises for the last decade. Discuss the main tools that can be used to restructure an organization.(10 marks).

Question Five

- a). Explain the following portfolio tools as used in portfolio management;
 - i). Boston Consulting Group matrix (BCG),
 - ii).General Electric (GE) Matrix,
 - iii). Ashridge's Portfolio Display Matrix (12 marks).
- b). The role of corporate center (parent) is key in portfolio management. What critical decisions are made by parents in a diversified company? (8 marks).