KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

MAIN EXAMINATIONS

2020/2021 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER

FOR THE DEGREE OF BCHELORS OF BUSINESS ADMINISTARTION

COURSE CODE: BBM 112

COURSE TITLE: BUSINESS ENVIRONMENT

DATE: 21/05/2021 TIME: 9.00AM-11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO questions

CASE STUDY

QUESTION ONE (COMPULSORY)

Even the world's largest and most powerful business organisations are affected by a changing business environment, a point well illustrated by the problems currently being faced by STESH General Motors (SGM), one of the largest car companies in the East and Central Africa. In the first quarter of 2020, SGM reported losses of over Ksh. 10 billion in the Democratic Republic of Congo (DRC) and subsequently announced its intention to close its plant and cut 25000 jobs over the next three years from its DRC operations. This plan follows in the wake of its jobcutting exercise in SGM Tanzania and Uganda which is ultimately expected to reduce its workforce in the two countries by around 12000 jobs.

SGM's decline in fortunes has been attributed to a number of important developments: a falling market share, problems with its product mix, rising raw material prices and the soaring costs of providing healthcare for its workers given the Covid-19 pandemic (see e.g. East African Business weekly, 8 June 2019). According to the company's Chief Executive, the latter was the most challenging problem facing the business, with the cost of the healthcare programme estimated to account for around Ksh.150000 on the price of every vehicle sold.

By slimming down its operations and running its remaining plants at full capacity, SGM is seeking to address some of the demand (i.e. sales) and supply side (i.e. costs) problems it is experiencing. The company is also taking steps to make its offering more attractive to customers by increasing its spending on new vehicles and by improving its marketing effort in the hope that this will arrest the decline in market share.

As far as the healthcare programme is concerned, this is likely to prove more of an intractable problem for the organisation's management, particularly as the unions are currently resisting any attempt to shift some of the burden on to the employees. It is worth noting that the burgeoning cost of healthcare provision is by no means unique to SGM, but it is one that is facing a large number of corporations in Africa. Indeed, according to some observers the healthcare burden faced by corporate Africa is so substantial that it threatens not only the future prospects of individual businesses but also the long-term strength of the African countries' economy and its international competitiveness.

Question;

The ownership of SGM has approached you as a turn round consultant to help reverse the declining situation in the company. You are convinced that the problem lies in the company's failure to understand the environment in which it is operating.

Required;

i) Conduct a brief environmental analysis for the firm based on the article above and advice accordingly **[10 Marks]**

ii) Discuss the marketing mix Issues alluded to in the article and how they may have partially led to the decline in SGM fortunes **[10 Marks]**

iii) Globalization in marketing refers to the growing convergence of demand and supply across the world. However, as a strategy SGM may achieve more by going more global rather than shrinking its operations.