



FACULTY OF MANAGEMENT
FINAL REPLACEMENT ASSESSMENT
DEPARTMENT OF BUSINESS MANAGEMENT

MODULE	:	CONTEMPORARY STRATEGIC ASPECTS
CODE	:	STM8X01
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DURATION	:	180 MINUTES plus 20 minutes reading time
TOTAL MARKS	:	300

EXAMINER	:	TFJ Oosthuizen
<u>MODERATOR</u>	:	Dr C Breytenbach
<u>NUMBER OF PAGES</u>	:	13 Pages

INSTRUCTIONS:

ANSWER ANY THREE (3) OF THE POSSIBLE FOUR QUESTIONS.

- This is a paper-based open book assessment.
- Read the questions carefully and answer only what is asked.
- Number your answers clearly.
- Submit your answer in a clearly structured (using headings, sub-headings, paragraphs, figures, tables and bullets for listing) and written format.
- Answer one question per answer book.
- The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

Submit your question paper with your answer books.

Please read the following case study and then answer the questions

CASE STUDY: WOOLWORTHS

History

The first Woolworths store opened its doors to the public in Cape Town in October 1931. Since then, they've been building on their reputation for superior quality, exciting innovation and excellent value. Founder Max Sonnenberg faced uncertain economic times when he captured the public's imagination with a dynamic store policy that set Woolworths apart from its competitors. Three years later, a second branch opened in Durban, with another two in Port Elizabeth and Johannesburg a year later. Over the past 80 years, their unique formula has seen the number of stores grow to over 400 across South Africa, Africa and the Middle East.

Keen to attract and retain the best retail professionals, Woolworths was among the first local retailers to offer employees a pension fund, medical aid and maternity leave. Not just a forward thinking employer, Woolworths was also an early adopter of technology. A lease agreement for the first computer was agreed to with National Cash Registers (NCR) in the late 60s, and Woolworths was already using a computerised merchandising system by the early 1970s.

This dynamic thinking extends to Woolworths product offering as well. For example, in 1974, Woolworths became the first South African retailer to introduce 'sell by' dates on food packaging. Convenience, too, has long been a watchword at Woolworths: they were the first South African retailer to offer pre-washed lettuce and machine-washable wool clothing to consumers.

Throughout their 80-year history, though Woolworths has grown, evolved and adapted to the changing world, the brand has remained true to its core values of quality and style, service, integrity, value, energy, innovation and sustainability. In April 2007, they launched their Good business journey – a bold plan to make a difference in four key areas on their journey towards sustainability. Their comprehensive plan sets targets across four priority areas: transformation, social development, the environment and climate change. They are exceedingly proud to have been named international Responsible Retailer of the year in 2008 and 2010 in recognition of their efforts to help shape a better future for generations to come.

THEIR BUSINESS: Making the difference every day

Known to generations of South Africans as 'Woolies', Woolworths is the only retailer of its kind in the country, offering fashion, food, beauty and homeware under its own brand name, as Today, Woolworths is a South African retail chain that extends, through franchise partnerships, throughout Africa and into the Middle East, trading through more than 400 stores. Woolworths Holdings influence also extends to Australia with a majority share in the Australian retail chain, Country Road.

The company

Woolworths Holdings Limited is an investment holding company and one of the top 100 companies listed on the Johannesburg Securities Exchange. Its core business focus is the provision of retail and financial services to upper and middle income groups mainly in South Africa but also in Africa, Australia and New Zealand.

It operates through the following subsidiaries:

- **Woolworths (Proprietary) Limited** – is a respected chain of over 400 retail stores, including franchise stores, and offers a selected range of quality clothing, food, homeware, beauty and financial services (in partnership with Absa Bank) under its own brand name in South Africa, Africa and the Middle East.
- **Country Road Limited** – is based in Australia and offers apparel and homeware in its own retail stores and through concessions in major Australian department stores. It is listed on the Australian stock exchange and operates in Australia and New Zealand.

Mission statement

"We, as passionate committed retailers, understand and lead their customers through excellence and a deep knowledge of their products and services and the world we live in."

They live the Woolworths difference through their values:

Quality and style	– deliver the best
Value	– a simple and fair deal
Service	– think customer
Innovation	– discover the difference
Integrity	– do what you say you will do
Energy	– be passionate and deliver
Sustainability	– build for a better future

They're passionate about quality, value, service, innovation and sustainability and about putting their customers first. This means they're always working to deliver on trend, top quality products that offer great value and finding ways to make a difference to the lives of their customers.

Quality and value

Over the years they've kept their promise to earn the trust of their customers and set the benchmark for quality. Their commitment to superior quality and value means they're always thinking of new ways to do things better and add more value to life.

Leading through innovation

In every area of their business, they're bringing you the best they can find - from revolutionary new fabrics and exciting new foods to pioneering sustainability initiatives and making sure their products are responsibly sourced. Their 'Farming for the Future' initiative is all about improving soil and water quality, saving water and encouraging biodiversity – without adding to the price. As part of their GOOD BUSINESS JOURNEY, they're working with their farms to give back to nature and preserve their precious resources for generations to come.

Sustainability

Woolworths is committed to growth through responsible retail. It devotes a significant amount of its energy and resources to ensure sustainable development within the context of the changing social and environmental needs of South Africa. It produces a yearly sustainability report separate to its annual report and launched the Good business journey in 2007 – a five-year plan outlining the targets and commitments of the business specifically related to sustainable growth well as some carefully selected, wellknown brands including Country Road and Trenery. Woolworths also offers a range of financial services in partnership with Absa Bank.

Sustainable growth

Because they believe in the principles of responsible citizenship, they're focused on environmental and economic sustainability and building successful partnerships with their suppliers and communities to make sure their community is healthy, safe and secure. They're actively engaged in economic upliftment projects around South Africa and work with numerous small (often community-based) enterprises who supply Woolworths with everything from fresh herbs to beautiful bed and table linen. They strive to innovate, uplift, educate and make a difference in communities across South Africa. For example, every month, they donate more than R1.5 million on behalf of their customers to schools, charities and environmental organisations through their MySchool, My Village & My Planet programme.

Some fast facts about Woolworths (WW):

- ❑ WW are the first South African retailer to sponsor the Organic Exchange to drive South Africa's first commercial organic cotton crop;
- ❑ WW send over 700 tons of plastic clothes hangers for recycling each year;
- ❑ Almost a third of in-store signage is made of recycled materials and new stores use new shelving made from 90% recycled paper and 10% bagasse from sugar cane;
- ❑ WW donates over R250m of surplus food and clothing to needy charities each year;
- ❑ WW stores have energy efficient light fixtures and automated lighting systems to cut their electricity consumption and carbon footprint;

- ❑ WW is the only retailer that's part of the Worldwide Fund for Nature (WWF) Water Neutral Scheme, which means they balance the water they use with projects to supply fresh, clean water into the environment;
- ❑ WW is trialing two new, environmentally refrigeration technologies – one in their stores and another in some of the trucks that deliver food to the stores;
- ❑ WW transport the fresh foods in plastic crates so there are no cardboard boxes to throw away – they've been doing this since 1967.

PRODUCTS

Woolworths sells food, clothing and homeware as well as an increasing number of digital products. Woolworths Financial Services (in a joint venture with Absa bank) also offers financial services in the form of storecards, the Woolworths Visa card and loans. Stores are located throughout the country and these vary in the combination of products that they sell. Some offer only food, others a combination of food and homeware and others – their 'full-line' stores – contain Woolworths total range.

1. Clothing

What Woolworths offers

Their clothing ranges cover women's, men's and children's wear, accessories, footwear and beauty products. All apparel is sold under Woolworths own brand name.

Improving the ranges

New initiatives to revitalise and grow the clothing business have been launched across all their ranges. The aim has been to gain a better idea of the kinds of products that appeal to customers' tastes and to offer those more consistently. Linking design with technology has helped to deliver greater product innovation and newness whilst still providing a quality product. A more strategic approach to buying has also meant even better value for customers. The business is already beginning to see the positive effects of these strategies.

Sourcing

They continue to support their South African supplier base and to work with them, as well as government and other retailers, to help develop a more competitive and sustainable local clothing and textile industry. Woolworths has a responsibility to deliver the best possible value to its customers and, where it is not possible to achieve this locally, they do buy internationally. Woolworths has also reduced the number of suppliers used on a regular basis – this means larger volumes and improved value for their customers.

2. Food

Quality

Woolworths continues to focus on offering customers consistently high quality, delicious food, at the best possible value.

Convenience

Woolworths has extended its ranges and increased the number of branded products available allowing customers to complete their shop at their local Woolworths rather than having to find certain products elsewhere. Linked to this is their very active store roll-out programme, with many new stores being opened in locations specifically chosen for easy access – for instance on major commuting routes. The number of Engen Food Stops is also being increased so that customers need only interrupt their journey once to get both food and petrol.

Innovation

Woolworths is constantly assessing its food ranges and developing new ones, using delicious, simple, healthy ingredients. Themes include traditional, authentic, handmade or homemade and steam cuisine. They also look for ways of improving existing ranges, making them more nutritious, tastier and with a wider array of choices. A recent example of this was Woolworths improved ice cream range. They are very aware of convenience in cooking and strive to provide their customers with an increasing variety of ready-made meals that are both nutritious and easy to prepare. **Woolworths good food journey and Sustainability**

At the heart of Woolworths food business is the 'good food journey'. It provides customers with food that is safe and nutritious and has a particular emphasis on organic food. It also keeps people as theyll informed as possible about the food they are eating and how it impacts on health. Alongside this, the good food journey also focuses on sustainability. Every part of Woolworths food production process – from supply to distribution to waste – is constantly monitored in order to make sure that there is as little impact on the surrounding environment and society as possible.

3. Homeware

Woolworths now offers a full range of home accessories and soft furnishings. This includes kitchen and bathroomware, crockery and vases, sheeting, curtaining and, in a limited number of stores, furniture (see below). Their ranges are designed to co-ordinate and complement one another to provide a stylish and contemporary look that is still affordable. Recently, Woolworths has focused on broadening the range and improving quality of its homeware whilst keeping prices down through more strategic buying policies.

4. Woolworths financial services:

4.1 Cards:

Woolworths has three cards that offer a variety of benefits. All their cards now incorporate the MySchool programme.

- **The Woolworths card** – This is Woolworths own store card which allows customers to spread payment for their purchases over a series of monthly instalments. This card accounts for about a third of all Woolworths retail sales.
- **The Woolworths Visa card** – An increasing number of customers are adopting the Woolworths Visa card as their preferred form of credit. It allows customers to earn 'W

points' which can then be converted into vouchers and spent in stores. It also allows access to the full range of Visa benefits and competitions.

- **The Woolworths Difference card** – This is a 'cash' card which forms part of the 'world of difference' loyalty programme. It is for customers who don't want a financial services product but who do want to contribute to the MySchool programme and to be eligible for competitions, special events and promotions.

4.2 Personal loans:

Woolworths financial services offers two kinds of personal loans.

- The revolving loan is revolving credit. As long as payments are up to date, the loan can be used over and over again.
- The fixed term loan has fixed payment amounts and a finite repayment period. The loan can only be drawn on once although it is possible to apply for a further loan once the first is paid off.

When applying for a Woolworths loan, the customer is carefully assessed and allocated the kind of loan best suited to their circumstances.

4.3 Woolworths branded car and home insurance

In association with underwriters Auto and General, Woolworths financial services has recently launched Woolworths car and home insurance. This provides a range of extra benefits and can be applied for online or via their call centre. A percentage of the monthly insurance premium is donated to the MySchool programme

WHAT ARE WOOLWORTHS DOING? ...

From product safety to accident prevention, we're committed to keeping their customers and employees safe. They are committed to ensuring the highest levels of product safety and they're always running routine checks to make sure everything is as safe as possible.

Here are just some of the things they do:

Baby & child safety

Woolworths baby clothing is made from the softest fabrics - specially selected cotton or cotton blends that are designed to wrap your baby in comfort while allowing the skin to breathe. Seams are soft and specially designed to lie flat against your baby's delicate skin and their blankets are made from extra soft acrylic yarn which is brushed on both sides for extra warmth and comfort. The same care and attention goes into the making of hats, poppers, buttons, blankets, seams, vests, toys and shoes. Their fabric hats are tested for ultraviolet radiation protection offering excellent protection against the sun and are recognised by the Cancer Association of South Africa.

All poppers on their baby clothes are rust and chip-resistant and nickel free. They use flat buttons that don't stick out and make sure they're firmly attached so that baby can't pull them off and swallow them. They do the same for their soft animal toys by making sure they have firmly attached flat eyes that can't be pulled off.

Good Food Journey

The Good Food Journey is the name given to their ongoing quest to offer South Africa food that's better for WW customers, better for the environment and better for the people who produce it. It encompasses everything from not using additives like tartrazine and MSG in WW foods, switching to more natural flavourants, and offering more organic and free-range choices, to caring for the welfare of animals and promoting healthy eating as part of a healthy lifestyle.

□ Animal welfare

WW is committed to caring for the welfare of animals and have clear guidelines to follow. They comply with an NSPCA-approved Animal Welfare Code of Practice and insist that all animals destined for stores must be reared humanely and treated fairly in accordance with their code. All abattoirs are regularly audited by a Woolworths technologist.

Woolworths was also heavily involved in the development and launch of badgerfriendly honey, predator-friendly farming and sustainable fishing practices. They do not permit animal testing, products made from real fur, the use of duck feather and down that is not a by-product and they only sell whole eggs from free range birds. Their health and beauty products may not use by-products of the food industry and their entire private label range of toiletries and cosmetics has been approved by Beauty Without Cruelty (BWC).

Their extensive Earth Friendly range of household cleaning and personal care products are made with naturally derived, plant-based, biodegradable ingredients and contain no petrochemicals and no artificial colours. Every product carries the endorsement of Beauty Without Cruelty and Woolworths has used recyclable bottles which themselves are made from at least 30% recycled materials.

□ Free range

Woolworths is proud to be the first and only major local retailer to only sell whole free-range eggs in their stores. Their supplier farms are regularly audited and their freerange hens have access to more than enough food and water, sunshine and shade, the outdoors and protective shelters. They are fed a grain-based diet that contains no animal by-products. They're also working on increasing the number of food lines that are made with free range eggs.

□ Removal of aspartame/ saccharin/ cyclamate

Woolworths is the first big retailer remove aspartame from its foods. It's not the only so-called 'artificial' sweetener to go, either. In response to their customers' concerns, they've removed the sweeteners saccharin and cyclamate from their own-brand foods.

□ Removal of azo dyes

In response to many requests from their customers, their Woolworths-branded foods no longer contain azo dyes. This artificial colorant frequently was used to colour sweets and other brightly coloured foodstuffs and its removal is the biggest step they've taken since they removed tartrazine and MSG from their Woolworths branded foods.

□ Salt reduction

They've removed over 35 tons of salt from their breads, cereals and cold meats. In keeping with their Good Food Journey, they're committed to minimising additives wherever possible.

People's health and safety

All Woolworths buildings conform to strict health and safety guidelines because they're serious about their employee's and customer's wellbeing. Prevention is a major focus for their health and safety procedures and they're always keeping their staff posted on safe working practices in the workplace.

VWV employs 14 occupational health practitioners to deliver a comprehensive occupational health and wellness programme and their employee assistance programme (EAP) provides confidential personal and business counselling as well as lifestyle counselling to help their people manage their health. Because they place the safety of their customers and staff at the forefront of their security management processes, ongoing vigilance and effective security has been critical to containing crime at their stores.

HIV/ Aids

HIV/ Aids is a potential threat to each and one of us. They believe that by taking a proactive approach through regular management and monitoring, they can help reduce the impact of the HIV/ Aids epidemic. They continually review their HIV/ Aids strategy and their Employee Assistance Programme (EAP) encourages people who are affected to come forward for confidential counselling and support. All their staff have access to free treatment and care and they're launching a testing campaign that is backed by their HIV awareness programmes across all stores and head office.

Operations

The key activities underpinning Woolworths' ability to deliver quality, value and service to our customers are undertaken by their operations division. Management of their supply chains and distribution centres, investment in and constant improvement of their information technology systems and strategies to reduce shrinkage are all areas looked after by the division.

ACHIEVEMENTS

WW have been named International Responsible Retailer of the Year for the second time in three years. The award means a lot to WW because it recognizes their commitment to sustainability and their 'Good business journey'. One of the four main pillars of their Good business journey is climate change – along with social development, transformation and the environment. WW have been working to cut their electricity use and reduce their carbon footprint – and their efforts have seen them named as the winner in the retail category of the inaugural Climate Change Leadership awards.

WW is also the only South African retailer to be water neutral. This means they are balancing their own water usage through projects that supply fresh, clean water into the environment. These awards, along with their commitment to energy efficiency, are spurring us on to discover exciting new technologies and systems to change the way they do things.

Many of their farmers are using sustainable farming methods to give back to nature. Their Farming for the Future approach has started to pay off over the past five years and some of their farmers are saving water and seeing the benefits of better quality soil and water and more biodiversity. By 2012, all their locally grown produce – other than organically certified (which they continue to support) – will be grown this way to make sure they lighten the load on mother earth. Their EduPlant outreach programme has been running for over 15 years.

Because they know food security is a major issue for so many of their nation's people, they're working with Food and Trees for Africa to help schools and communities to grow their own healthy, nutritious food in harmony with nature. They're serious about encouraging their customers to recycle – and their eight pilot sites collected over 110 tons of recycling waste in just nine months. To show their commitment, many more sites will be rolled out as part of their nationwide programme.

Other top achievements include:

- Woolworths was the first major South African retailer to offer a range of clothing using organically grown cotton and was instrumental in driving South Africa's first commercial organic cotton crop.
- Woolworths is the first South African retailer to win the SAAFoST president's award in recognition of their advances in food science and technology and new product development.
- Woolworths Food was the overall winner in the 2009 Ask Afrika Orange Index service excellence awards. The Ask Afrika Orange Index is widely regarded as the largest service excellence benchmark in South Africa and aims to capture South African consumers' views on good and bad service.
- Their pioneering badger-friendly honey initiative has seen badgers and bee farmers living in harmony, thanks to their work with ecological experts.
- Woolies pioneered the practice of 'sell by' and 'best before' dates on consumables in South Africa.
- They're the first in South Africa to remove additives such as tartrazine, aspartame and added MSG from all their own-brand food.
- Woolworths only sells free range whole eggs and their exclusive range of Ayrshire dairy products is free of rBST growth hormones.
- Their independently published magazine 'Taste', scooped top awards for Magazine of the Year and Overall Magazine Design of the Year in the annual 2010 PICA awards (Printing Industries Craftsmanship Award), and their Taste website walked away with the top prize for Online Solution of the Year and a silver (also the highest) Bookmark award for excellence in the online space in 2010.
- 'Taste' won gold in the Advantage Admag Award Custom Magazine category, and Media24 Magazines 2010 Excellence award in 2010.

REFERENCES:

Source: WOOLWORTHS & WOOLWORTHS HOLDINGS

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<http://www.woolworths.co.za/store/browse/contentPage.jsp?categoryId=cat320484&categoryNavlds=cat280018:cat320428:cat320446:cat320484> (accessed 15 September 2011)

http://www.woolworthsholdings.co.za/corporate/profile_overview.asp (accessed 21 September 2011)

<http://www.woolworths.co.za/store/browse/contentPage.jsp?categoryId=cat280024>
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<http://www.woolworthsholdings.co.za/retail/products.asp> (accessed 20 September 2011)

.... Please turn over for QUESTIONS

ANSWER ANY 3 (THREE) of the following questions:

QUESTION 1 (100)

- 1.1 Identify a comprehensive change management process to be considered by the strategic team of WOOLWORTHS to implement the "Good Business Journey". Propose and apply this change management process in order to roll out any one of the various associated change interventions relevant to the "Good Business Journey". Debate furthermore in detail possible reasons of 'resistance to change' by customers that should be managed during these change interventions
(50)
- 1.2 Peter Senge proposes the five discipline in order to establish a learning organisation. Identify the fifth (5th) discipline and explain how this specific element of the learning organisation impacts an organisation such as Woolworths. Also identify relevant laws that should be considered when applying the fifth discipline.
(50)

QUESTION 2 (100)

Explain to the strategic team at WOOLWORTHS how you would use the following as tools to ensure optimum functioning and performance of WOOLWORTHS:

- 2.1 Feng-shui as a management strategy
(50)
- 2.2 Five (5) Megatrends 2010, proposed by Auberdene.
(50)

QUESTION 3 (100)

- 3.1 Analyse WOOLWORTHS in its current state and debate the importance of sustainability as competitive advantage strategy in their business now and for the future.
(50)
- 3.2 Explain how you would manage diversity as a sustainable competitive advantage at WOOLWORTHS considering market and employee diversity.
(50)

QUESTION 4 (100)

Identify and reason which leadership approach would be most valuable in order to ensure that WOOLWORTHS realises its vision through all the turbulent changes they have experienced and predict for their future.

TOTAL [300]

End of paper