



COLLEGE OF BUSINESS AND ECONOMICS
JOHANNESBURG BUSINESS SCHOOL
DEPARTMENT OF BUSINESS MANAGEMENT
FINAL SUMMATIVE ASSESSMENT

MODULE: Business Management 2B
CODE: BMA2B01 / BMA22B2 / BMX2B01
DATE: November 2017
TIME ALLOWED: 150 Minutes
TOTAL MARKS: 125

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MODERATOR: Ms S Bronkhorst
NUMBER OF PAGES: 16

INSTRUCTIONS:

- This is a closed-book assessment.
 - Question papers must be handed in together with your answer books.
 - Read the questions carefully and answer only what is asked.
 - Answer all the questions:
 - Answer **Section A** on the scanner sheet provided. Indicate the correct answer as per the instructions on the scanner sheet.
 - Answer **Section B** in the answer book.
 - Number your answers clearly.
 - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
 - Structure your answers by using appropriate headings and subheadings.
 - **The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.**
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SECTION B**[100 MARKS]****QUESTION 1****[15 MARKS]**

Read the scenario below and answer the questions that follow.

LENOVO'S GLOBAL STRATEGY

When Lenovo's chief executive, Yang Yuanqing, crafted the strategy to build outward from China, he had to consider how the company would compete in a fast-changing industry selling to developing markets. Selling high-tech products requires constant innovation; selling in communities where people are newly entering the middle class requires high efficiency and low prices.

Yang and Gerry Smith, senior vice-president of Lenovo's supply chain, explored the most efficient and responsive ways to make electronics. They concluded that Lenovo Smart could win on both counts by handling more of its own manufacturing. In contrast to US-based electronics companies, Lenovo does about half of its own manufacturing, outsourcing the other half. Its 4 000-employee facility in Brazil helps Lenovo cut costs, including taxes, related to serving the Latin American market. Lenovo facilities in the United States (North Carolina), Japan, and India keep production close to those regions' buyers and their needs and tastes.

The company-owned factories were an advantage recently when floods in Thailand interrupted production of computer hard drives. Lenovo and other computer makers competed fiercely for the limited supply. As hard drives became available, Lenovo made prompt adjustments to its production lines, focusing on the most profitable models using the hard drives available. Companies that outsourced were less agile, and Lenovo gained market share at their expense.

Another challenge is the importance of brand image. By prioritizing developing economies, such as Brazil, Lenovo has the advantage of arriving early and establishing a reputation before Hewlett-Packard, Apple, and other competitors move in. In countries such as Russia and India, the company established a good reputation for PCs, which now elevates the brand's reputation in smart phones. The situation is trickier when products are rolled out to developed economies, such as the United States, where consumers expect their electronic devices to be exciting. Chief Marketing Officer David Roman has expanded the company's promotional efforts, and successes at the global level have drawn attention to Lenovo as the sometimes-number-one computer brand. Lenovo hopes its North Carolina factory will further raise the brand's profile in the United States.

Source: Bateman, T.S. & Snell, S.A. 2015. *Management: Leading & Collaborating in then Competitive World*. 11th Edition. New York: McGraw-Hill.

Questions:

- 1.1 Companies trade to increase the expected utility of profit. Others increase their profits through international sales. It is clear that in order to trade globally, companies have to enter foreign markets.

Explain the advantages and disadvantages Lenovo has from its choice of entry modes into foreign markets. (5)

- 1.2 Comment on the cultural issues that an American-born manager at Lenovo should be prepared to handle. (5)

- 1.3 Identify, in this example, the pressures for global integration and for local responsiveness. (5)

QUESTION 2**[16 MARKS]**

Read the case study below and answer the questions that follow.

GOOGLE DRIVERLESS CAR

Google has operated autonomous vehicles on California's highways for years as part of a long-term experiment with the technology.

Google had been lobbying for driverless car laws and consequently the US State of Nevada has permitted the operation of driverless cars in Nevada since 2012, and issued the first licence for a self-driven car in May 2012. The licence was issued to a Toyota Prius modified with Google's experimental driverless technology.

The system drives at the speed limit it has stored on its maps and maintains its distance from other vehicles using a system of sensors. The system provides an override that allows a human driver to take control of the car by stepping on the brake or turning the wheel, similar to cruise control systems already found in many cars today.

While Google had no immediate plans to commercially develop the system, the company hopes to develop a business that would market the system, and the data behind it to automobile manufacturers.

Many other car companies are working on the case as well, with big trials run by the US government currently underway. Improved mapping software and drive-by-wire systems, like those now in use on some of Nissan's Infiniti cars, are all part of the path.

"There is a lot of marketing interest in it," Nissan CEO Carlos Ghosn told reporters today at the Detroit Auto Show. The change won't be driven by Silicon Valley tech types looking for the next cool thing, though. An aging population with serious purchasing power and a hunger to retain their mobility as they get older will likely be the reason why driverless, or less-driven cars are adopted into the mainstream, according to Ghosn.

Source: http://www.forbes.com/sites/danbigman/2013/01/14/driverless-cars-coming-to-showrooms-by-2020-says-nissanceo-carlos-ghosn/http://en.wikipedia.org/wiki/Google_driverless_car

Questions

- 2.1 Discuss Phases 1 (invention) and 2 (commercialisation) of the innovation process. Use examples from the case study to indicate your understanding of the subject matter. (12)
- 2.2 Do you think the driverless car can be a profitable innovation? Motivate your answer. (4)

QUESTION 3**[12 MARKS]**

There are specific business drivers that allow for globalisation as a form of growth.

Discuss the most important four enablers to globalisation.

QUESTION 4**[15 MARKS]**

Read the case study below and answer the questions that follow.

McDONALD'S MINIMISING PRODUCTION COST AND MAXIMISING OUTPUT

For years McDonald's has attempted to minimise production cost and maximise the output from its existing resources. At every McDonald's restaurant, some workers specialise in taking orders, others prepare food and others serve customers at the drive through window operation. Automated machines prepare fried chips, while sophisticated cash registers are user friendly, thus increasing labour productivity. For example, employees place orders by touching an icon of a hamburger on a touch screen monitor, rather than enter a rand price on the cash register. This technology, invented for McDonald's by IP Warehouse in the USA, saves time and money for the firm. In many larger franchises, Wi-Fi access is provided.

When the opportunities arose for McDonald's to expand internationally, a consultant was appointed to prepare the senior management team and staff for the large-scale organisational change that lay ahead. Most equipment would be manufactured in the USA, but the ingredients and inventory would have to be procured from locally based suppliers. An obvious problem with geographic and cross country spread is that the ingredients must be available throughout the world and cannot be subject to shortages or sharp price fluctuations. In addition, global competition puts pressure on all firms to reduce costs, while maintaining or improving product quality and maintaining standardised products.

Because McDonald's operates in many countries, it has standardised operating procedures and menus, thus saving money but not allowing for much creative input from staff members. McDonald's trains its managers at its Hamburger University and the firm spreads the cost of advertising over the thousands of individually owned restaurants.

However, some problems resulted from its standardised menu. In some parts of the world, such as Asia, customers enjoy the McDonald's McRib burger, made of pork ribs, while in the Middle East, customers don't eat pork.

When McDonald's opened its first franchise in South Africa, it faced a unique set of challenges. South Africans enjoy pap, and the American project team appointed to cooperate with the South African franchisee had never heard of it. The American project team was also weary of the crime in South Africa and safety risks they had heard about. They decided to not only face the crime, but through community involvement, sponsor some crime fighting initiatives. As it turned out, the team developed a good working relationship and frequently visits South Africa. They are now considering selling their first franchise in Namibia and they believe the similarities between South Africa and Namibia will create regional value and make the expansion a breeze!

Source: Carbaugh: R.J. (2003). *Contemporary Economics*. 2nd ed. Thompson.

Question:

Identify and discuss any three barriers to creativity and also provide a practical example for each barrier applicable to McDonald's staff.

QUESTION 5

[10 MARKS]

To ensure continuous team innovation, it is important to create high performance teams.

Briefly discuss ten principles for creating high performance teams.

QUESTION 6

[7 MARKS]

You are given the information below about two projects, X-ray and Zulu.

Period	Project X-ray	
	Revenue	Cash flow
Year 0		(R510 000)
Year 1	R60 000	(R460 000)
Year 2	R160 000	(R310 000)
Year 3	R360 000	R60 000
Year 4	R460 000	R510 000
Year 5	R510 000	R1 100 100

Project Zulu	
Revenue	Cash flow
	(R510 000)
R85 000	(R435 000)
R110 000	(R335 000)
R160 000	(R185 000)
R310 000	R135 000
R510 000	R635 000

Determine, using the payback period method, which one of two projects is preferable, and why. Fully motivate your answer.

QUESTION 7**[10 MARKS]**

Traditional project management holds that the project process group starts with the project initiation process. Time and cost estimations for a project are sometimes described as a thumb-suck exercise, but there are tools and techniques that can be used to increase the accuracy of the estimates to create a valuable source of information.

Briefly discuss at least five tools and techniques that can be used to increase the accuracy of the estimates.

QUESTION 8**[15 MARKS]**

The options in responding to risk are generally known as the 5Ts. Briefly discuss these five options.

END OF ASSESSMENT