



PAN AFRICA CHRISTIAN UNIVERSITY
SCHOOL OF LEADERSHIP, BUSINESS & TECHNOLOGY
END OF SESSION EXAMINATION FOR THE DEGREE OF
MASTER OF ARTS IN LEADERSHIP
AUGUST 2019

CAMPUS: ROYSAMBU

DEPARTMENT: LEADERSHIP AND GOVERNANCE

COURSE CODE: MAL501

COURSE TITLE: STRATEGIC LEADERSHIP

EXAM DATE: FRIDAY 16th AUGUST 2019

DURATION: 2 HOURS

TIME: 5:00PM-7:00PM

INSTRUCTIONS

- Read the instructions and questions carefully before you write the answers.
- Write your **STUDENT NUMBER** in the Answer Booklet given
- *Write clearly and legibly.*
- This exam script consists of **two (2)** sections.
- Answer **Question ONE in Section A** and **ONE** question from **Section B**
- *ALL PAC University's examination rules and regulations apply*

SECTION A: (Compulsory)

QUESTION ONE:

Read the case below and answer the questions that follow.

How the mighty fall: The sad decline and death of Nakumatt

By Andrew Kipkemboi 12th Jul 2017

Every time I saw him in any of the stores, he looked awkward in an oversized Nakumatt Supermarket branded T-shirt. He was there among the employees, pushing a carton here or attending to a customer there. It was not easy to tell who the master was from the servant. Yet I knew he was the manager.

Indeed, compared to its rivals, Nakumatt employees were extremely courteous and always ready to assist. It now appears that beneath that façade of a company doing very well, there was so much wrong going on in there. It is confounding how the management concealed billions of debt now weighing heavily on the retail chain. So how did Nakumatt get here?

Jim Collins, a Harvard Business School professor in his book *How the Mighty Fall* lists five stages that organizations doomed to fail, follow.

In its heyday, Nakumatt exemplified the good of capitalism; those with the money were free to spend as much as they wished. After all, it was all under one roof. With Uchumi Supermarket's fortunes dwindling, Nakumatt offered what the people wanted. That included convenience.

Those who run retail stores often play with the psychology of the customers; they go out of their way to maximize customer attention. They know that more often than not, a customer will walk out of the stores with something they never budgeted for.

Nakumatt mastered that so well and pulled all the stops. The expanding working/middle class with an insatiable appetite for consumerism and a seemingly bottomless pit of disposable income were its main target.

With the customers flowing in droves, Nakumatt crowned themselves king of the retails. And rightfully so. Weren't they successful? And here is where they started going wrong and marks Stage 1: Hubris born of success. If suppliers were to speak, they will tell tales of an arrogant, insensitive Nakumatt that exercised little patience with them. There were those who were elbowed out of retail space in the giant stores because of temporary stock outs.

With Nakumatt, there was to be no margin of error. The jostling for space meant that suppliers unlucky to run out of stocks were shafted aside. After all, there were always more suppliers waiting in the wings.

Of course, they owed it to their customers to ensure that the shops never run out of commodities. Yet ironically, it is this knack for perfection that sold them out. Customers not used to missing stuff on the shelves were the first ones to raise the alarm.

"What is happening to Nakumatt?"

A lot of them would ask in utter disbelief. I remember seeing an exasperated customer whip out his smart phone in one of the branches. There was no milk on the shelves on a Sunday morning when church-goers would be shopping.

Minutes later, the pictures had gone viral. There was trouble brewing and a customer who misses something will forgive once; a second and a third time, they walk away. And perhaps to cut pesky suppliers to size, Nakumatt stocked its own branded merchandise. The problem is; Nakumatt underestimated the loyalty of its customers to such FMCGs like Unilever, Colgate and Palmolive, Nestle, Proctor and Gamble, Johnson & Johnson. However, prominently displayed, the Blue Label commodities never gained market traction.

Nakumatt opened its 63rd branch in December last year along Mombasa Road. Obviously, image is everything and perhaps to make its creditors believe in them, Nakumatt gobbled up more credit. Essentially, what Nakumatt was doing was digging up a new hole to cover another. This expansion is what Prof Collins termed Undisciplined pursuit of more. Nobody could begrudge Nakumatt its growth strategy, but too much of something as we now know is indeed poisonous.

Denial of fail and peril marks the third stage. How badly off was Nakumatt? There were no answers for that. In fact, as we reported yesterday, it seemed that Nakumatt cooked its books and thereby misled lenders about its financials. The forensics so far done and the admission by its managers reveal a company hollowed out by its managers.

Where it is, Nakumatt is grasping for salvation, which if none comes its way, it will get to Stage 5; where it will capitulate to irrelevance or death.

When I visit a Nakumatt store, a cold chill runs through my spine. It is a cold reminder of the inevitable decline and ruin of a once vibrant business. Nakumatt would be a great case study for Business School students.

(Source: <https://www.standardmedia.co.ke/article/2001247090/how-the-mighty-fall-the-sad-decline-and-death-of-nakumatt>)

With regard to the scenario above, identify and briefly discuss the strategic approach you will apply to address the issues in Nakumatt. Briefly explain the premise of this school of strategy and how applicable it is to Nakumatt's organizational context and situation. State how the practice of servant leadership would have averted this situation.

10 Marks

SECTION B: Answer any ONE question

QUESTION TWO:

While using your organization (or an organization that you know) as an illustration, differentiate between leadership and strategic leadership. With reference to the respective organization, explain at least two different scenarios where leadership is practiced and two different scenarios where strategic leadership is applied.

10 Marks

QUESTION THREE:

Mintzberg, Ahlstrand, and Lampel (2005) state that the Cognitive School perceive strategy formation as a “Mental Process” – either objectivist or subjectivist.

Briefly discuss how this perspective can be applied during strategy formation in your organization, or an organization you are familiar with.

10 Marks

QUESTION FOUR

While using your organization (or an organization that you know) as an illustration, demonstrate how a PEST analysis can be applied as part of the strategy formulation process.

10 Marks