**VALLEY VIEW UNIVERSITY**

**SCHOOL OF EDUCATION**

**DEPARTMENT OF MANAGEMENT STUDIES**

**Academic Year 2021/2022, SANDWICH II**

**January 10, 2022**

**Course: BSDA 480 Strategic Management,**

**Lecturer: Samuel Kanyandekwe Required: Answer All questions**

**GVF – ORGANIZATIONAL CHANGE**

Great Value Foods (GVF) is one of the Country’s leading supermarket chains.

**Early development and growth**

The company began business bottling wine in 1940s and gradually expanded into a producer and distributor of a wide variety of products in the west of the country. In 1955, it became a limited company and in 1960 it purchased it’s the first of the two large food discount stores complete with ample parking space. By adapting strong financial control techniques, GVF managers were able to bring the stores which have been failing back into profits.

Perhaps without realizing it, GVF had stumbled on the concept of the modern out-of-town supermarket with ample parking space. Until the 1960s, car ownership in the country had been limited to the well off, but a growing economy and the increasing affluence of working people led to a wider spread of car ownership. This development contributed significantly to the success of GVF’s first stores. Customers came not only from the immediate area, included a growing body of new car owners ready to drive miles to buy low-cost groceries. Encouraged by this success, GVF began to buy up abandoned mills and warehouses in the west of the country and to offer to a public a limited selection of produce at the lowest possible price.

By 1972, GVF had 50 supermarket stores with plans to open new stores every year. In the ten years from 1972 to 1982, turnover rose 150 150 million pounds to 1,560 million, and pre-tax profits from 7.3 million to 71.6 million pounds. At this time, GVF ranked sixth in the supermarket league. As the number of supermarket increased, GVF embarked on diversification program into the non-food sector. The first move was into discount clothing, which it displayed in a section of each of its larger supermarket stores. Later, consumer electrical goods were added and then, as the success of the company continued, GVF purchased carpet and furniture retailing businesses.

**Problems leading to decline**

Unfortunately, in the years immediately following the acquisitions, the economy feel into recession and there was a heavy price discounting in the furniture sector and increased competition. In 1983, GVF closed its furniture division and at a substantial cost to the company. The carpet business managed to make a small profit even in the recession and, when the recession ended, bounced back with substantial earnings.

During the late 1970s and early 1980s, it became fashionable for families to do one major shopping trip per month to large out-of –town superstores and GVF, like the other supermarkets, prospered. But competitors were expanding, especially in the affluent east of the country. GVF also continued to open new stores, but these were in the less well-off western regions of the country. It also became clear as time progressed that GVF was losing customers to its competitors even on its own territory. The main reason for this seemed to be the competition’s improved store design with its wider aisles and improved presentation of products. Shoppers evidently liked to shop in pleasant surroundings as well as to be able to buy groceries at discount prices. GVF’s old formula of high-volume, low-price goods with no frills came to look outdated.

By the mid 1990s GVF superstore development was floundering , especially in the east, and its older stores were in need of refurbishment to bring them in line with consumer expectations. The organization also needed a more efficient distribution system. Competitors had already developed their nation-wide systems with state-of-the-art technology, and this gave them competitive edge over companies like GVF. It was not only the food side of the company’s business that suffered but also the own-label clothing that had had once done well. The electrical appliance side of the business did so badly that it had to be sold off.

Furthermore, while GVF had once been cheaper, this was no longer the case. Competitors had developed a much larger percentage of own-brand products and this gave them much larger gross margins than branded goods that all the supermarkets were obliged to stock.

Though fierce competitive activity had reduced the major players in the industry to half a dozen large chains in the years since 1970, the competitive pressures and large-scale capital investment required had not deterred new entrants to the market. A few foreign competitors seeking new markets had managed to secure a foothold by offering unbranded goods at rock- bottom prices. These companies kept costs at a minimum by displaying a limited range of grocery necessities on pallets in large warehouses and offering only minimal service. This development only served to increase the pressure on GVF since the new entrants nibbled away at what had been part of GVF’s traditional customer base.

**A golden opportunity?**

In the midst of this pain, GVF was suddenly confronted with what seemed to be golden opportunity. One of its competitors was experiencing trading difficulties and offered GVF to purchase 60 of their stores in the east of the country. This proposition was seemingly too attractive for the management of GVF to pass by. The purchase of these stores would enable the company to double its number of superstores at a stroke and enable it to obtain the store locations in the affluent east that had been trying to develop for a period of years. The magnitude of this opportunity can only be appreciated when account is taken of the difficulties of finding large enough sites in suitable locations in the east of the country. Many of the better locations had already been snapped by eager competitors, and stricter planning controls imposed on local authorities by government regulation made the finding of profitable sites even more difficult and expensive. The opportunity was too much to resist and GVF borrowed the 800 million pounds demanded and thereby doubled its outlets.

As GVF took over the management of its new clutch of eastern superstores, however, the directors realized that considerable time and funds would be required to convert them to GVF’s own distinctive format and to modern standards now expected by consumers. This not only delayed the expected revenue stream from the new outlets; it also required additional borrowing and raised the level of gearing at uncomfortable level. As if GVF did not have enough problems, the threat of inflation forced the government to raise interest rates and so the burdens on GVF increased yet more.

During all this activity, GVF had been seeking to catch up on competitors in a number of ways. It had, for instance, managed to increase its number of own-label products significantly and had just developed a new central distribution system that experts agreed was among the best in the country. This should have enabled GVF to supply its stores anywhere in the country efficiently and cheaply. Unfortunately, the team of directors responsible for implementing the new distribution system had been less than effective in coordinating the new operation and they were delays in distribution of supplies to some stores during the run up to the country’s most important festive season. This resulted in considerable loss for the company and three of the directors considered responsible for the problems were sacked.

These problems, together and accompanying decline in profits, resulted in a fall in the share price and a general loss of confidence in the company stock market. There was general agreement that GVF had paid too much for its 60 eastern stores and that a rights issue would be necessary for the company to reduce its debt burden . These problems came to a head when the major institutional shareholders pressed for a changes in senior management. Eventually the chief executive/ chairman was forced to resign and a non-executive director ran the company until a new chief executive was appointed.

**A new beginning**

When a new Chief Executive Officer, Mrs B Bilder, took up the appointment, she found that the company had too many layers of management, narrow functional attitudes and a controlling bureaucratic head office culture. Furthermore, the business was no longer responding to customer needs.

**Required:**

1. Perform a SWOT analysis for GVF
2. In the light of information available from the case scenario, summarize actions required to turn the company around.
3. Identify and justify all strategies taken in the history of GVF from its establishment to date
4. In order to make the company competitive again, a considerable amount of organizational change will be required in GVF. In the light of this, describe the most likely sources of resistance for a company facing similar circumstances to GVF.

Submit your report on January 14, 2022 by 17h30 pm