



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2019

**EXAMINATION FOR THE DEGREE OF MASTER OF CO-OPERATIVE
MANAGEMENT (YR II SEM I)**

UNIT CODE: COMC 4202

**UNIT TITLE: CONTEMPORARY ISSUES IN CO-OPERATIVE
MANAGEMENT**

DATE: 16TH DECEMBER, 2019

TIME: 9:00 AM – 12:00 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **THREE** questions
- Use appropriate examples where necessary.

QUESTION ONE

Read the following case study and use it to answer question one

Case study

In August 2016, Nakuru cooperative retail store announced that it was closing down 15 of its more than 30 stores. This was in addition to the 4 stores it had closed during the year. This came in the aftermath of six quarters of drop in same store sales, and dwindling profits, amidst a changing environment, growing competition, and changing consumer preferences.

In its 25-year history, Nakuru's had pioneered department stores in Kenya and was credited with several firsts in the retail industry like the one price system, no bargains, creative merchandise, etc. Over the years, it had grown through acquisitions. In 2007, a holding company for several family-owned businesses, Uganda Department Stores, Rwanda Retail chain was acquired to become the largest department store in the region. Over the years, Nakuru had lost their appeal. What used to be a fashionable and elegant outlet with sales assistants who helped the customers choose the right apparel and accessories had turned into another shop just in a mall with few scattered products in here and there. Nakuru did not present a unified look and the layouts confused the shoppers especially when the basic products went missing because of non payment of the suppliers to a tune of more than 3 billion Kenyan shillings. The sales assistants were not readily available and even they were, they were neither knowledgeable nor friendly. Over the years, Nakuru started looking 'distressed and dispirited' due to years of low investment and mismanagement. According to Gongera, the blunt truth is that Nakuru has not bothered with a rump of store branches for many years, hence have lacked investment, been devoid of management attention, and now look distressed and dispirited. Nakuru needs to identify that the cost of correcting this state of affairs is too high relative to the returns that would be yielded, but it could have avoided this situation by taking a more disciplined approach some time ago.

While Nakuru remained confused about its position, it experienced a constant decline in traffic in 2016, 2017 and 2018. Comparable sales too started to fall at 53%. One of main factors that impacted Nakuru's business was KRA's sanctions imposed on the retail chain and what used to be the source of stock came to standstill. This impacted the retail chain to larger extent and chances of revival are almost nil bearing the economic and political conditions prevailing at the moment. In June 2017, major

investor of Nakuru who had around 49% share in Nakuru's, started pressuring other members to take advantage of its real estate holdings and spin them off by injecting more financial resources to the company- this did not succeed hence leading him to withdraw his shares and invested the same at different portfolios at Nairobi stock market.

David was one of the most liked managers at Nakuru cooperative retail chain. In an industry known for its cutthroat competitiveness, high employee turnover, low loyalty, and high employee mobility, the 20 branches who reported to David had surprisingly long tenures and strong loyalty to the company. They were all high performers with well-established clients who would deal only with them. They also displayed an unheard-of level of cooperation in helping one another; training new employees-all gone by 2018. The Kenyan economy is slowing down. The GDP was increasing by less than 4.5% on an annualized basis. But the real income had decreased by 0.4% in the first quarter of 2018 and by 1.6% in the second quarter. Analysts are of the view that Kenyans are making less money and are spending less than in previous years. At the same time, the global economy is also expected to be weaker in 2019-2020.

Required:

- a) Discuss and expound on various bearings that characterize Nakuru cooperative retail chain on corporate Governance issues. (20 Marks)
- b) Design workable strategy road map on how to revitalize the position of Nakuru cooperative retail Chain. (20 Marks)

QUESTION TWO

'From farming to football clubs, community energy to food retail, the co-operative sector is truly diverse and growing and the co-op model works for all sorts of businesses and crucially, puts members in control. Discuss (20 Marks)

QUESTION THREE

'Cooperative governance is a combination of laws, regulations and principals'. Discuss the trends of Cooperative legislations in Kenya (20 Marks)

QUESTION FOUR

Write short notes on any **Two** of the following: (20 Marks)

- a) Government Policy and Functions
- b) Cooperative climate change in contemporary Kenya
- c) Functional Community development approaches

QUESTION FIVE

Explain the following terms using the views of two scholars: (20 Marks)

- a) Cooperative Business Model
- b) Cooperative Corporate Governance
- c) Cooperative Entrepreneurship