CERTIFIED SECRETARIES (CS)

ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 1 December 2025. Morning Paper. **Time Allowed: 3 hours.**

This paper consists of five (5) questions. Question one is a case study. Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

SUNRISE ELECTRONICS LTD.

Sunrise Electronics Ltd, a mid-sized Kenyan company specialising in consumer electronics, has long enjoyed steady growth in the smartphone, tablet and household appliance markets. However, recent disruptions in global supply chains, fierce competition from Asian firms and changing consumer preferences have forced the company to rethink its strategy. In response, management embarked on a comprehensive strategic management exercise, relying on the PESTEL model, the BCG matrix, a matrix organisational structure and cultural considerations in strategy formulation.

The PESTEL analysis provided critical insights into the external environment shaping the company's future. Politically, Kenya's relatively stable environment continued to attract investment, although election-related uncertainties occasionally posed risks. John Ochieng, the Chief Executive Officer (CEO), pointed out in a boardroom discussion that the government's push for digital literacy offered both opportunities in educational gadgets and challenges due to high import duties. Economic pressures were equally pronounced, with fluctuating exchange rates and inflation increasing the cost of imported components. Peter Mutua, the Operations Manager, remarked that rising shipping costs were eroding profit margins and that local sourcing had to be considered more seriously. On the social front, younger consumers increasingly demanded trendy yet affordable smartphones, while middle-class families sought energy-efficient appliances. Aisha Tum, Head of Marketing, explained to her team that the cultural emphasis on status made consumers prefer premium-looking devices, even when affordability remained a major factor. Technological forces added further complexity, as rapid advances in 5G connectivity and smart home integration created opportunities while heightening pressure to innovate. Ecological awareness was another driver, pushing Sunrise Electronics Ltd. to adopt eco-friendly packaging and energy-efficient products. Lucy Mandera, the Human Resource (HR) Director, emphasised in a staff forum that employees themselves were becoming more concerned about sustainability and wanted the company's practices to reflect this commitment. Finally, the legal environment demanded compliance with labour laws, intellectual property rights and consumer protection regulations. Jointly, these factors outlined both opportunities and threats the company had to navigate.

Alongside the environmental scanning the leadership turned to BCG matrix to review its product portfolio. Smartphones, with a high market share in a fast-growing sector, emerged as the company's star product, demanding heavy investment in research, development and marketing. Home appliances, with steady sales and reliable profits, were classified as cash cows, providing the financial backbone to fund innovation. Tablets, though facing declining global demand, were placed as question mark, with potential for niche use in the educational sector. DVD players, however, were deemed dogs, with falling sales and little prospect of revival, prompting discussions of phasing them out. During a strategy session, John Ochieng stressed that smartphones would be the future growth engine, but cash cows like appliances had to be maintained to fund ongoing initiatives. To implement these strategic decisions, the company relied on a matrix organisational structure, where employees reported both to functional heads such as marketing, operations and HR and to product managers overseeing categories like smartphones and appliances. This structure encouraged collaboration across functions and allowed the company to respond quickly to market shifts while leveraging specialised expertise. However, it also created challenges, in that employees sometimes complained of confusion caused by dual reporting, while conflicts over resource allocation between departments were frequent. Lucy Mandera later admitted that staff often felt pulled in two directions, with the marketing team pushing for faster product launches while operations department insisted on maintaining strict quality and cost controls. To mitigate these conflicts, HR introduced training on collaboration and conflict resolution, while the leadership appointed project coordinators to smooth communication.

Beyond structures and systems, culture played a decisive role in shaping strategy at Sunrise Electronics Ltd. The company had long prided itself on fostering a culture of innovation, teamwork and customer focus. Innovation was encouraged by dedicating funds to employee-driven projects, giving staff the chance to see their creative ideas materialise. Aisha noted that marketing employees were more engaged when their campaigns were actually implemented.

Teamwork was vital under the matrix structure and was reinforced through regular team-building exercises. Customer focus was embedded in training programs that emphasised putting consumer needs at the center of decisions, from product design to after-sales service. Despite these cultural strengths, tensions sometimes arose. Peter pointed out that the operations department occasionally resisted the emphasis on innovation because it clashed with the traditional culture of efficiency and cost-cutting. This highlighted the importance of aligning cultural values with strategic imperatives. The culmination of these analyses led to a set of strategic decisions. The company committed to heavy investment in smartphones, focusing on mid-range devices with premium designs tailored to Africa's youthful market. Home appliances would continue to be upgraded, with particular emphasis on energy efficiency to meet both consumer demand and environmental expectations. Tablets would be retained as experimental products, with efforts to partner with the government in educational programs. DVD players, on the other hand, would be phased out gradually, with resources redirected to more promising ventures. The matrix structure would be maintained but fine-tuned to reduce role conflicts. HR launched initiatives to strengthen adaptability and a shared sense of ownership among employees.

The perspectives of the four key staff members revealed the different dimensions of the company's strategic journey. The CEO, stressed vision and alignment, telling staff that the future depended not on predicting outcomes but on preparing for multiple possibilities. Aisha focused on consumer trends, advocating for aggressive digital campaigns to capture the youth segment. Peter Mutua emphasised efficiency, particularly the need to source locally to protect margins. Lucy Mandera, meanwhile, championed a people-centered approach, embedding cultural values into training and performance management systems. The company's ability to balance growth with stability, innovation with efficiency and individual accountability with teamwork determined its resilience in a competitive marketplace. By aligning people, processes and products, Sunrise Electronics Ltd sought not only to secure its future but also to build an organisational culture that could sustain strategy through turbulent times.

Required:

(a) Using relevant examples, explain **FIVE** ways in which PESTEL analysis enabled Sunrise Electronics Ltd. to identify opportunities and threats within its external business environment. (10 marks)

(b) Examine **FIVE** strategic recommendations you would make for the "Question Mark" product at Sunrise Electronics Ltd., considering both market trends and organisational priorities. (10 marks)

(c) Using examples from staff experiences reported at Sunrise Electronics Ltd., assess **FIVE** advantages of the matrix organisational structure adopted by Sunrise Electronics Ltd. (10 marks)

(d) Explain **FIVE** instances in which organisation culture supported implementation of Sunrise Electronics' strategic initiatives. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Highlight **FOUR** limitations of outsourcing when designing an organisation structure for strategy implementation. (4 marks)

(b) Analyse **FIVE** sources of competitor information during competitor analysis. (5 marks)

(c) Bidii Limited has adopted a hybrid strategy for its 2025-2030 corporate strategic plan.

Describe **THREE** challenges associated with this strategy. (6 marks)

(Total: 15 marks)

QUESTION THREE

(a) As part of its internationalisation strategy, ABC limited has adopted location advantage approach.

Explain **FOUR** roles that location advantage plays in supporting this strategy. (4 marks)

(b) Explain **FIVE** traits commonly associated with the Trait Theory of Leadership. (5 marks)

(c) Examine **THREE** components of the paradox of logic and creativity. (6 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Appraise **FOUR** components of the VRIO-framework. (4 marks)

(b) Outline **FIVE** observable patterns that illustrate how organisations formulate, implement and adapt their strategies in practice. (5 marks)

(c) Haraka Traders is experiencing a strategic drift in its newly launched strategic plan.

Examine **THREE** ways of correcting this drift. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Explain **FOUR** roles of vision statements in an organisation. (4 marks)

(b) Strategic control is the process of monitoring and evaluating the implementation of strategic plans.

In view of this statement, analyse **FIVE** steps in this process. (5 marks)

(c) When a company faces declining performance or financial pressure, it may adopt a retrenchment strategy.

Describe **SIX** features that characterise this type of strategy. (6 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 18 August 2025. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

POWERDRINK BREWERIES LIMITED

PowerDrink Breweries Limited established in 1982, has grown into a symbol of industrial success and strategic excellence in East Africa. What began as a modest brewery has evolved into a regionally dominant force in the alcoholic and non-alcoholic beverage market, operating primarily in Kenya, Uganda and Tanzania. Behind this impressive transformation is a leadership trio whose combined expertise, strategic alignment and operational precision have redefined the company's trajectory: Joe Bundi, the visionary Chief Executive Officer; Steve Oluoch, the Director of Strategy and Jane Juma, the Director of Operations. Their collaborative leadership has been the backbone of PowerDrink's adaptability, resilience and continued market dominance.

Joe Bundi's tenure as CEO has marked a period of transformation and sustainable growth. With over two decades of experience in the consumer goods and beverages industry, he has been instrumental in redefining the company's purpose and guiding it through regulatory shifts, digital disruptions and regional market volatility. He is known for his inclusive leadership style and a strong belief in aligning business success with community well-being. Under his leadership, the company has embraced a forward-looking culture grounded in innovation, accountability and local relevance. Steve Oluoch, the Director of Strategy, brings a unique blend of local understanding and global strategic thinking. Steve introduced a dual-pronged strategy of differentiation and cost leadership, creating segmented product offerings that serve both premium and budget-conscious markets. Products like PowerKeg, aimed at low-income earners and the upscale Heritage Reserve line are direct results of his market segmentation efforts. Steve also led the rollout of the company's "local-first" strategy, advocating for the localisation of raw material sourcing and flavour profiles to reflect regional tastes - strengthening both brand identity and supply chain efficiency.

One of Steve's major contributions has been spearheading PowerDrink's digital transformation. He championed platforms such as "SmartBars", which digitised the B2B relationship with retailers and integrated artificial intelligence-driven marketing tools to personalise consumer engagement. His strategic vision has enabled the company to respond nimbly to changing market dynamics, particularly during the COVID-19 pandemic when e-commerce and data analytics became central to survival and growth. Operationalising these bold strategies is Jane Juma, the Director of Operations, Jane, a logistics and process optimisation expert, has played a critical role in ensuring that the company's strategic ambitions translate into measurable outcomes. She led the modernisation of the company's bottling plants, introduced lean supply chain models and championed operational sustainability through initiatives like circular packaging and efficient water usage programs. Her execution of green technologies has allowed the company to meet and exceed ecological compliance standards in Kenya and across the region.

Jane's ability to deliver efficiency at scale has made her a pillar of PowerDrink's strategic execution. Together, Joe, Steve and Jane have cultivated a culture of strategic synergy that is central to PowerDrink's continued success. Their roles are distinct, yet deeply interconnected. Joe sets the long-term vision and ensures stakeholder alignment. Steve designs the competitive roadmap, identifies growth opportunities and ensures adaptability. Jane brings it all to life-delivering on product quality, operational resilience and sustainability goals. This cross-functional collaboration was clearly evident during the company's expansion into non-alcoholic beverages and ready-to-drink (RTD) segments. Steve identified the opportunity through market analytics, Jane implemented new production lines and distribution frameworks and Joe secured partnerships and regulatory clearances. The seamless interplay among the three leaders turned a bold strategic move into a profitable product category. Under their leadership, PowerDrink has successfully navigated a challenging PESTEL environment. The company has remained compliant and proactive in adapting to excise tax changes and regulatory shifts. It has tapped into the expanding urban middle class while buffering against inflation and currency fluctuations. Trends like health consciousness and premiumisation have been addressed through product innovation, while technology has been harnessed to enhance customer experience and operational transparency.

At the corporate strategy level, PowerDrink follows a model of related diversification, focusing primarily on beverages while exploring adjacent growth opportunities. Acquisitions such as the full ownership of Nile Spirits and the development of a high-tech spirits plant in Kenya, reflect this deliberate move toward vertical integration and market consolidation. Guided by Hofstede`s cultural dimension`s theory, the company's international strategy remains regionally focused, targeting East and Central Africa. Steve ensures that each new market entry is context-sensitive, Jane ensures operational readiness and Joe cultivates high-level stakeholder relationships which allows the company to expand without diluting its brand or overextending its resources.

Internally, PowerDrink's organisational culture which is rooted in performance, inclusion and innovation has become a critical asset. Joe's leadership promotes a values-based approach that celebrates diversity and responsibility. Jane has implemented mentoring programs that empower junior staff and improve retention, while Steve has created strategy forums that encourage idea-sharing across departments. Their shared leadership philosophy fosters loyalty and reduces organisational silos. The company operates through a matrix structure with strategic oversight from Nairobi. Each subsidiary such as those in Uganda and Tanzania has local autonomy but aligns closely with the group's overarching goals. This balance allows for agility and cultural sensitivity while ensuring brand consistency and financial accountability. The synergy at PowerDrink has allowed it to not only withstand industry headwinds, but to innovate, grow and lead, offering a compelling case study on how integrated leadership can transform a regional brand into an industry benchmark for excellence and resilience.

Required:

(a) Explain **FIVE** drivers of change that PowerDrink adopted in their impressive transformation journey. (10 marks)

(b) Discuss **FIVE** risks associated with the diversification model that PowerDrink follows at the corporate strategy level. (10 marks)

(c) The company operates through a certain structure with strategic oversight from Nairobi.

Examine **FIVE** features of this structure. (10 marks)

(d) Assess **FIVE** dimensions of the theory that guided international strategy at PowerDrink. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Wananchi Global Ltd. is conducting a competitive analysis for its 2026-2031 strategic plan.

Outline **FIVE** sources of competitive intelligence. (5 marks)

(b) Identify **FIVE** strategies that a company may adopt to achieve global expansion. (5 marks)

(c) Explain **FIVE** roles of issue-selling in strategic management. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Describe **FIVE** circumstances that could lead to the development of emergent strategies. (5 marks)

(b) Explain **FIVE** challenges organisations may face when developing a mission statement. (5 marks)

(c) Assess **FIVE** strategies that could prevent organisational politics in the corporate world. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Summarise **FOUR** features of a differentiation strategy. (4 marks)

(b) Patterns of strategy development refers to the different ways strategies are formed and evolve within organisations.

With reference to the above statement, outline **FIVE** patterns of strategy development. (5 marks)

(c) Explain **SIX** benefits of the Boston Consulting Group (BCG) matrix to an organisation. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Identify **FOUR** components of distinctiveness of resources as a source of competitive advantage in organisations. (4 marks)

(b) Outline **FIVE** financial metrics that may be used to measure corporate performance. (5 marks)

(c) The VUCA model, originated in the US Army War College in the 1990s and was later adopted by strategic leadership within various organisations to address issues pertaining to uncertainty.

Analyse **THREE** components of this model. (6 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

TUESDAY: 22 April 2025. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

JAMII MEDIA CORPORATION

In the heart of a bustling metropolis, Jamii Media Corporation stood as a titan of the entertainment industry. Renowned for its innovative content and expansive reach, the company faced a turning point as digital disruption reshaped the media landscape. At the helm of this challenge was Daniel Mutua, the newly appointed Chief Executive Officer (CEO), whose vision and leadership were tested from the moment he stepped into his corner office. Daniel was a strategist by nature, with a background in management consulting and a reputation for turning around struggling businesses. His task was formidable: steer Jamii Media into a future where streaming services, user-generated content and AI-driven platforms dominated, threatening the company's traditional revenue streams. He called for an immediate executive meeting to address the critical need for a strategic overhaul. He proposed a change of vision statement to accommodate the volatility and uncertainty of the new media business environment.

The meeting room was filled with familiar faces: Rachel Okeyo, the ambitious Chief Content Officer; Victor Maina, the conservative Chief Financial Officer (CFO); Eliud Kapoor, the forward-thinking Head of Digital Strategy and Luis Kipkorir, the pragmatic Chief Operations Officer (COO). Each brought their perspectives to the table, often clashing over the best path forward. "Our traditional broadcast revenue has declined by 15% year-over-year", Victor began, his tone sombre, as he presented the latest financial report. "We can't ignore the erosion of our advertising base. Audiences are migrating to digital platforms and our current offerings aren't keeping up".

During the strategic meeting, Rachel emphasised the critical need to increase investment in original content. She pointed to the success of the company's drama series last year as evidence that exceptional storytelling continues to attract and engage audiences. Rachel asserted that the primary challenge does not lie in the quality of content but rather in the distribution platforms. In response, Kapoor presented data visualisations illustrating that while high-quality content is essential, the effectiveness of delivery mechanisms is equally important. He highlighted that streaming services such as Starview and Hyperflix have revolutionised how audiences consume media. Kapoor argued that without substantial investment in a robust digital platform, the company risks losing competitive ground in the market. Furthermore, a joint venture was proposed as a strategic initiative for the internationalisation of the business. This approach was identified as a key frontier for any forward-looking organisation aiming to expand its global footprint and drive future growth.

Luis added a pragmatic perspective, "Building a streaming platform isn't just about technology. It is about creating an ecosystem partnering with device manufacturers, licensing content and ensuring a seamless user experience. It is a massive undertaking that we will need to prioritise". Daniel absorbed the input, his mind racing with possibilities. He knew that any successful strategy would require alignment across the leadership team and a clear roadmap. "Let us focus on three key questions", he said, his voice cutting through the heated debate. "Firstly, what is Jamii's unique value proposition in this new digital era? Secondly, how do we allocate resources to maximise impact? Lastly, how do we ensure organisational buy-in for the changes ahead"? Luis was a strong advocate of vertical integration strategy.

Over the next several weeks, Daniel led the team through an intensive strategic planning process. They engaged external consultants to conduct external business environment scanning and great emphasis was put on competitor analysis. Workshops were organised with mid-level managers to gather grassroots insights and brainstorming sessions were conducted to encourage creative thinking. Slowly, a plan began to take shape. The cornerstone of Jamii's strategy was a new digital-first platform named Jamii-Plus that would combine premium original content with user-curated channels. Unlike competitors, Jamii-Plus would leverage AI to offer hyper-personalised viewing experiences, creating a unique selling point. The platform would also integrate social features, enabling users to share playlists and interact with creators directly. To fund the initiative, Victor reluctantly agreed to reallocate Sh.200 million from the traditional broadcasting division. This decision was met with resistance from legacy teams, but Daniel's persuasive communication and clear rationale helped ease tensions. "We're not abandoning our roots," he explained at an all-hands meeting. "We're evolving them for a new generation."

Rachel took charge of content development, rallying her team to produce high-quality, diverse programming tailored to global audiences. She greenlit several ambitious projects, including an international drama series and a documentary exploring climate change's impact on urban life. Kapoor spearheaded the technology and digital strategy. He hired top talent from Silicon Valley, implemented agile methodologies, and partnered with a leading AI firm to develop Jamii-Plus's recommendation engine. His bold moves earned him both admiration and scrutiny within the company. Luis focused on operational excellence, ensuring the infrastructure could support the platform's ambitious goals. He negotiated deals with internet service providers to ensure fast and reliable streaming for users, especially in emerging markets.

Three years into the "Jamii 2030" strategy, the results were clear. Jamii-Plus had surpassed 50 million subscribers, making it a serious contender in the streaming wars. Reflecting on the journey, Daniel addressed the leadership team at an annual retreat. "What we've achieved isn't just about technology or content", he said. "It's about embracing change and believing in our collective potential. The media landscape will continue to evolve, and so will we". As the sun set over the retreat venue, the team once divided by differing perspectives raised their glasses in a toast to the future. Jamii Media's story was far from over, but its trajectory was undeniably upward, driven by a strategy that blended vision, execution and resilience.

Required:

(a) Daniel Mutua proposed a change of a certain statement to accommodate the volatility and uncertainty of the new media business environment.

Evaluate **FIVE** characteristics of this statement. (10 marks)

(b) Explain **FIVE** benefits of the strategic initiative that was proposed for the internationalisation of business at Jamii Media Corporation. (10 marks)

(c) Analyse **FIVE** challenges associated with the integration that Luis was a strong advocate for, at Jamii Media Corporation. (10 marks)

(d) External consultants put great emphasis on a particular analysis while conducting external business environment scanning.

Examine **FIVE** steps involved in this analysis. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Highlight **FIVE** limitations of strategic management. (5 marks)

(b) Summarise **FIVE** steps of strategic change. (5 marks)

(c) Evaluate **FIVE** key processes followed in the effective implementation of a strategy. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Identify **FOUR** disadvantages of low cost leadership. (4 marks)

(b) Evaluate **FIVE** steps of sustaining organisational effectiveness. (5 marks)

(c) Explain **THREE** steps in value chain analysis. (6 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Discuss **FIVE** international strategies that can be adopted by an organisation. (5 marks)

(b) Explain **FIVE** disadvantages of multi divisional organisation structure. (5 marks)

(c) Appraise **FIVE** strategic roles of emergent strategy developers. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Illustrate **FIVE** effects of strategic drift on the strategic management process. (5 marks)

(b) Analyse **FIVE** ways a company's statement of corporate values influences its strategic direction. (5 marks)

(c) Summarise **FIVE** key processes an organisation can follow to ensure its structure aligns with its strategy. (5 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 2 December 2024. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

BONDS TEA LIMITED (BTL)

Bonds Tea Limited (BTL) was founded in 1992 by Bond Baraka from his retirement dues having worked for 40 years as an expatriate plantation manager for one of the largest foreign tea growers in the Central Highlands of Kenya. Bond was initially the sole proprietor until 2000 when the value of the company had grown to approximately Sh.112 million. It was then incorporated in Kenya in 2006 with an additional six shareholders. Over the last 18 years, BTL has grown into a premier grower, marketer and retailer of specialty teas locally and in the Asian markets. BTL has operations in major cities of China and South East Asia. Other than company-operated stores, BTL also sells a variety of tea product blenders, marketers and licenses its trademarks through other channels such as franchises and own store brand retailers.

Currently, BTL's is one of the most recognised and respected brands in the "specialty" tea houses as well as household brand in Asia. Its main competitors in Asian markets include Ceylon Tea from Sri Lanka, Vietea from Vietnam and Pradesh Tea from India. Two aspects of its main objective are to maintain its competitive standing and to continue its disciplined expansion of the store base, primarily focused on growth in more developed countries of Europe.

BTL's governance is under a board of directors made up of 9 members. Three board members are Chief Executive Officers or board chairmen in leading public companies in Kenya, three are board members nominated by three institutional investors and the remaining board members are executive officers of BTL. In recent years, BTL has adopted a global risk management strategy seeing that BTL's most important markets are global and in order to ensure consistent and unified risk management policies, strategies and processes among its foreign operations. To implement the new risk management strategy, BTL recently hired a Chief Risk Manager to oversee implementation of the risk management strategy. In response to the new risk management strategy, BTL's board hired an experienced global risk consultant, Global Risk Limited (GRL) to develop the risk management strategies for BTL and to ensure that these strategies fit in BTL's global risk management strategy. GRL's responsibilities include proper integration of risk management strategies and policies with the global strategies and policies, smooth and controlled implementation of these strategies and cultivation of an acceptable risk management culture for BTL facilitating its ultimate goal of becoming the top specialty tea producer and marketer globally. With this new strategy the board members cannot agree on which board committee should be given the responsibility of overseeing the work of GRL. Some board members feel that the Audit Committee's role should be expanded to oversee this new risk management strategy while others believe that this new strategy involves significant strategic changes and should be the Executive Committee's role. Some believe that it should be the role of the Finance Committee as the strategies will involve significant global financial transactions and exchange risks. The board of directors has requested GRL to consult with the Chief Risk Manager and provide a recommendation.

BTL faces significant supply-chain risks such as shipping costs, import restriction, currency and demand risks such as significant competitive pressures and change in consumer markets. It also faces operational risks, litigation and reputational risks and other market risks which include foreign currency exchange risk and interest rate risks.

BTL is a dominant player in the high-end specialty tea market especially through its premier teahouse outlets which have over a 30% market share in China. However, its market share in Europe that is done mostly through exports and franchise is barely 5%. There is significant growth potential in Europe and North America where the customer base is still expanding and represents a chance to increase market share without the pressure to take customers from competitors. BTL has also not tapped the African markets and signs are that demand for specialty tea is growing. BTL's current marketing strategies are as follows:

- Maintain its dominant market position in the teahouses in China and South East Asia by organic expansion of its company-operated teahouses in these countries as well as expanding in more African and European countries where there is untapped potential through building more company-operated teahouses in financial districts and affluent areas.

- Enhance the company's ability to quickly develop and roll out new and innovative products which helps defend against potential tea substitutes as well as serving to further differentiate BTL from its competitors. BTL is also exploring vertical integration in foreign markets in order to enhance its quality control as well as developing its own niche products.
- Further promote relationships with and loyalty from other distributors such as high-end hotels and large-scale retailers.
- Expand into more developing countries through acquisition of local teahouse chains, franchising and organic growth into more cities of the developing countries especially the fast-growing African and European market.
- Local advertising in all emerging markets to expand its household brand recognition as well as more endorsements with certain significant events such as the hospitality fairs, agricultural fairs events of regional significance.
- Maintain significant financial resources devoted to BTL's renowned marketing capability which due to investments over many years, has achieved significant economies of scale and brand recognition.

During the Covid 19 pandemic in 2020, BTL suffered significant losses due to reduced market demand as well as significant investment losses. This was due to the overreliance on the Asian market which was the epicentre of the pandemic. This has made some board members to be very unhappy with the geographical market concentration leading to losses. Today, the Marketing Director for global markets is being empowered to implement the recent market strategic goals set by the board. His first priority is to expand into the fast growing African and European markets. This expansion strategy will require significant investment in capital. The new Chief Risk Manager is uneasy with the expansion strategy as cash flow in BTL will greatly be strained without additional debt financing which in turn increases the BTL's leverage ratio above the financially acceptable level.

In addition, BTL is expanding its product lines such as the super-premium purple tea market and bubble teas and specialty fruit and mixed tea drinks that have given BTL a reputation as a product innovator in the market. To this end, BTL is exploring offering tea made from exotic and special tea leaves. There are very few areas that can produce such high quality premium teas other than Kenya. This gives BTL a clear competitive advantage.

The Asian country of Colombo has soil and climatic conditions that are very similar to Kenya and provides potential for BTL to develop growing and marketing opportunities there. Although Colombo has a market for specialty teas, its domestic consumption is very small. However there exists a huge potential for an export-driven economy.

Despite Colombo's increased participation in international trade, 10 years ago Colombo put in place a policy to peg its currency to that of its neighbouring countries. The effect of this has been to effectively deflate the value of Colombo's currency, the Rupia and as a consequence bolster Colombo's export-driven economy. Independent economic analysis has suggested the deflation of Colombo's currency has been instrumental to the growth of its economy. However, the banking system in Colombo is rudimentary with few international banks. The financial sector has been slow in modernising and all domestic banks primarily engage in domestic thrift activity and as a consequence, their risk management and currency risk management programs are in their early stages. Further, the central banking system still implements exchange controls.

The Colombo government is very eager to stabilise its economy and enjoy the economic boom that is currently being experienced in Asia. The government is willing to give an exclusive concession to BTL to grow and market premium specialty teas that will be grown, processed and marketed locally as well as for export markets. The government is also willing to give BTL concessionary long-term leases on land for the venture. The condition is that BTL sets up a complete value chain incorporating farming, processing, production and both local and foreign marketing facilities for these super-premium teas in Colombo. This presents a significant opportunity for BTL to gain favourable access to its key ingredient not easily duplicated by competitors, to reduce its reliance on the Kenyan production to serve the Asian market and to control costs as well as influence and control the quality of future specialty tea production. However, the Chief Risk Manager has cautioned the board to be slow in taking up the offer in light of past political instability in the country. However, this vertical integration strategy presents significant upfront cost requirements which may substantially increase the company's leverage ratio and lower the overall credit rating for BTL.

Required:

(a) BTL followed an organic growth strategy.

Using the information in this case study and giving specific examples, describe **FIVE** disadvantages of this growth strategy. (10 marks)

(b) BTL is considering a vertically integrated business strategy in Colombo.

Citing examples from the case study, evaluate **FIVE** potential benefits of a vertical integration strategy. (10 marks)

(c) Discuss **FIVE** political risks that BTL's Board should consider in its international business entry into Colombo. (10 marks)

(d) Strategic change introduces risk in an organisation.

Evaluate **FIVE** roles of BTL's board in managing strategic risks. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Highlight **FOUR** benefits of strategic control in a firm. (4 marks)

(b) Evaluate **THREE** challenges associated with benchmarking. (3 marks)

(c) Describe **FOUR** types of corporate level strategies. (8 marks)

(Total: 15 marks)

QUESTION THREE

(a) Outline **THREE** circumstances under which autocratic leadership style may be appropriate. (3 marks)

(b) Highlight **FOUR** reasons for strategic drift in an organisation. (4 marks)

(c) Analyse **FOUR** ways in which culture influences strategy in an organisation. (8 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Differentiate between "plans" and "programs". (2 marks)

(b) Examine **THREE** applications of game theory in business interactive strategies. (3 marks)

(c) Explain **FIVE** advantages of strategic planning in an organisation. (10 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Outline **FIVE** components of a mission statement. (5 marks)

(b) Analyse **FIVE** factors that influence an organisation structure. (10 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 19 August 2024. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

PALM AFRICA LIMITED (PAL)

PAL is a leading manufacturer and distributor of fast-moving consumer goods (FMCGs) in Eastern Africa. Founded in Kenya in 1980, the company has grown to become a regional powerhouse with operations in over 12 countries. To sustain the momentum, the Chief Executive Officer (CEO) commissioned PAL's strategic plan for 2024-2028. As part of the exercise, SWOT analysis was adopted as the most suitable tool for analysing business environment to provide recommendations for continued growth and competitiveness.

PAL's corporate strategy has been focused on diversification and vertical integration. The company has expanded its product portfolio beyond edible oils to include baking products, personal care items and cereals. This diversification strategy has helped mitigate risks and reduce dependence on a single product line. Additionally, PAL's vertical integration approach, where it controls the entire value chain from sourcing raw materials to production and distribution, has enabled cost efficiencies, quality control and competitive pricing.

At the business level, PAL has pursued a combination of cost leadership and differentiation strategies. The company's large-scale production facilities and vertically integrated operations have allowed it to achieve economies of scale and offer competitively priced products. At the same time, PAL has differentiated itself through strong brand equity, extensive distribution networks and a focus on product quality and innovation. PAL has adopted an aggressive marketing strategy, investing heavily in advertising and promotional activities to strengthen its brand recognition and customer loyalty. The company has also leveraged its extensive distribution network to ensure widespread availability of its products across urban and rural areas.

PAL's vertically integrated operations have been a key component of its success. The company has invested in state-of-the-art production facilities and implemented efficient supply chain management practices to optimise costs and ensure timely delivery of products. PAL recognises the importance of human capital and has implemented various initiatives to attract, develop and retain talented staff. The company offers competitive compensation packages, training programmes and opportunities for career growth. PAL has adopted a conservative financial strategy, relying primarily on reinvested profits and strategic partnerships for expansion and growth. The company has also maintained a strong balance sheet and focused on operational efficiencies to generate cash flows for future investments. The consultant sub-committee that was engaged to come up with the strategic plan has given the following recommendations:

1. Shifting from a traditional functional organisational structure to an agile structure.
2. Geographical expansion: While PAL has a strong presence in Eastern Africa, it should consider expanding its operations to the rest of African continent. This could be achieved through strategic acquisitions, joint ventures or greenfield investments in promising markets with high growth potential.
3. Product diversification and innovation: To stay ahead of changing consumer preferences and competition, PAL should continue to diversify its product portfolio and invest in research and development for innovative offerings. The company could explore new categories such as organic and health-conscious products, as well as develop products tailored to specific regional tastes and preferences.
4. Digital transformation and E-commerce: PAL should embrace digital transformation by enhancing its e-commerce capabilities and leveraging digital marketing channels. This would enable the company to reach a wider customer base, particularly younger and tech-savvy consumers and improve its overall customer experience.
5. Strategic partnerships and collaborations: To gain access to new markets, technologies and capabilities, PAL should explore strategic partnerships and collaborations with local and international companies. This could include joint ventures, licensing agreements or strategic alliances that complement PAL's existing strengths and resources.

6. Sustainable practices and corporate social responsibility: As consumers become more conscious of environmental and social issues, PAL should prioritise sustainable practices throughout its operations and supply chain. The company should also enhance its corporate social responsibility (CSR) initiatives to build a positive brand image and strengthen its reputation among stakeholders.
7. ADKAR model to be embraced to institutionalise strategic change at PAL.

PAL has established itself as a formidable player in the FMCG industry in Eastern Africa through its diversified product portfolio, vertically integrated operations and strong brand equity. However, to maintain its competitive advantage and drive future growth, the company must address potential weaknesses and threats, such as overreliance on certain markets, capacity constraints and changing consumer preferences. By implementing strategic recommendations, such as geographical expansion, product innovation, digital transformation, strategic partnerships and sustainable practices, PAL can position itself for continued success and long-term competitiveness in the dynamic FMCG landscape.

Required:

(a) A certain tool was adopted in the analysis of the business environment at PAL.

Identify **FIVE** steps involved in this process. (10 marks)

(b) Summarise **TWO** initiatives that PAL leadership implemented to ensure low employee turnover. (2 marks)

(c) PAL has adopted a number of strategies in order to position itself as a dominant industrial player in the Eastern African region.

Examine **FOUR** such strategies. (8 marks)

(d) Evaluate **FIVE** features of the organisational structure that the strategic plan sub-committee recommended for adoption by PAL. (10 marks)

(e) PAL's Chief Executive Officer commissioned its 2024-2028 strategic plan.

Discuss **FIVE** benefits that PAL might derive from the formulated strategic plan. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Highlight **FIVE** characteristics of a vision statement. (5 marks)

(b) (i) Differentiate between "emergent strategy" and "intended strategy". (4 marks)

(ii) Evaluate **THREE** principles of emergent strategies in a business. (6 marks)

(Total: 15 marks)

QUESTION THREE

(a) Explain **FOUR** types of corporate strategies that might be adopted by an organisation. (4 marks)

(b) Summarise **FIVE** reasons why managers do not delegate. (5 marks)

(c) Examine **THREE** impacts of Hofstede's cultural dimension theory in organisations. (6 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Analyse **FOUR** factors that might be considered in environmental scanning. (4 marks)

(b) Explain **FIVE** benefits of a diversification strategy to a company. (5 marks)

(c) Describe Kurt Lewin's change management model. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Parenting Fit Matrix is composed of two dimensions: Positive contributions that the parent can make and the negative effects the parent can make.

In reference to the above statement, explain **FIVE** different positions created from a combination of the two dimensions. (5 marks)

(b) Analyse **FIVE** techniques of strategic control in an organisation. (10 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 22 April 2024. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

BORABORA BANK LIMITED (BBL)

Founded in 1992 as a small building society, BBL's strategic evolution has been marked by resilience and visionary leadership. From its humble beginnings, the bank has transformed into a leading player in the financial sector, emphasising a commitment to financial inclusion and innovation. Its founder, Dr. Joe Pesa, has been the driving force behind its strategic direction and incredible growth. His unwavering commitment towards financial inclusion and empowerment of ordinary citizens has shaped the bank's mission, providing a clear sense of purpose that extends beyond traditional banking.

BBL's strategic approach in recognising the untapped potential by offering banking services to previously underserved populations, has made it to strategically position itself to cater for the needs of the unbanked and underbanked segments. This commitment not only aligns with the bank's mission, but also serves as a unique selling proposition in the market. The bank's strategic journey is marked by a series of innovative banking models. The introduction of agency banking, where non-traditional outlets such as small shops act as banking agents, revolutionised the delivery of financial services. This model not only expanded the bank's reach into remote areas but also enhanced convenience for customers, demonstrating a strategic alignment with emerging market dynamics.

The company`s success has been attributed to adoption of Mckinsey`s 7S model in mounting various strategies. The management at BBL is intertwined with a proactive embrace of technology. The bank leverages digital platforms to enhance customer experiences, streamline operations and foster financial literacy. Mobile banking and digital payment solutions have become integral components of BBL's strategy, reflecting an understanding of the evolving preferences of its customer base. BBL's strategic management involves a careful balance of diversification and geographic expansion. Beyond traditional banking services, the bank has ventured into insurance, investment banking and other financial products. Simultaneously, strategic geographic expansion within East Africa Community has positioned it as a regional player, tapping into growth opportunities in the neighbouring countries.

Central to BBL's strategic philosophy is a customer-centric approach. Middle level managers are the implementers of all the strategic interventions at the bank. The bank places a premium on understanding customer needs and tailoring its products and services accordingly. Strategic decisions, from product design to marketing campaigns, are rooted in a deep understanding of the diverse customer base that the bank serves. A hallmark of BBL's strategic prudence is its approach to risk management. The bank has implemented robust risk assessment and management practices, ensuring a balanced and responsible approach to lending. This strategic focus on prudent financial practices has contributed to the bank's resilience particularly in navigating economic uncertainties.

BBL's strategic management extends beyond financial considerations to encompass sustainability and corporate social responsibility (CSR). Parenting fit matrix is employed to manage the business portfolio. The bank's commitment to environmental sustainability, ethical business practices and community development reflects a holistic approach to strategic decision-making that considers the broader impact of its operations. Strategic management at BBL is characterised by adaptability. The bank has demonstrated agility in responding to changing market dynamics, regulatory environments and technological advancements. This ability to pivot strategically has allowed BBL to stay ahead of the curve and maintain its competitive edge.

In conclusion, BBL's strategic management journey is a narrative of visionary leadership, innovation and a steadfast commitment to financial inclusion. The bank's ability to blend a customer-centric approach with technological innovation, geographic expansion and sustainable practices has positioned it as a trailblazer in the East African Community banking landscape. BBL's strategic principles serve as a source of inspiration for organisations seeking to navigate complexity and drive meaningful impact in the evolving world of finance.

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Required:

(a) BBL's management embraced digital platforms as part of its strategic operations.

Explain **THREE** benefits that it has derived from embracing digital platforms. (6 marks)

(b) BBL`s success has been attributed to adoption of a certain model.

Examine **FIVE** elements of this model. (10 marks)

(c) Analyse **FOUR** characteristics of the leadership that Dr. Joe Pesa employed at the bank. (8 marks)

(d) Evaluate **FIVE** roles of middle level managers involved in strategy implementation at BBL. (10 marks)

(e) BBL has experienced a number of environmental factors that have tested its resilience.

In reference to the above statement, explain **THREE** external environmental factors that have influenced its operations. (6 marks)

(Total: 40 marks)

QUESTION TWO

(a) Highlight **FIVE** characteristics of the strategic planning process. (5 marks)

(b) Explain **FIVE** advantages of project-based organisation structures. (5 marks)

(c) Critical Success Factors (CSFs) are the elements that help organisations realise their mission and goals.

Examine **FIVE** such critical success factors. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Outline **THREE** demerits of vertical integration. (3 marks)

(b) Jeff Hiatt developed the ADKAR model in order to foster and develop a change-oriented culture in an organisation.

Examine **FOUR** main elements of the ADKAR model. (8 marks)

(c) Analyse **FOUR** remedies that an organisation could apply in order to forestall strategy implementation failures. (4 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Explain **THREE** elements of a successful business strategy. (3 marks)

(b) Firms may enter international markets in several ways.

Analyse **THREE** modes of international expansion. (6 marks)

(c) Distinctive capabilities enable organisations to deploy their resources effectively to achieve specific outcomes.

Discuss **THREE** such capabilities. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) External environmental analysis is a critical component of organisational success and competitiveness.

Explain **FIVE** benefits of conducting such an analysis. (5 marks)

(b) (i) Define the term "balance scorecard". (2 marks)

(ii) Analyse **FOUR** perspectives of a balanced scorecard. (8 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 4 December 2023. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

WESTERN AGROCHEM LTD. (WAL)

Western Agrochem Limited (WAL), is a private limited liability company established in 1985 by Wesonga, an Agricultural Extension Officer who had worked with the Ministry of Agriculture and Livestock Development. He had seen an opportunity to market agricultural chemicals in his local area, the rich agricultural area around Eldoret Town. He started small with the objective of making enough money to support his lifestyle seeing that he was about to retire from government service. When Wesonga retired in 1995, his son Wafula who had assisted him since the start of the business ten years ago, took over. Wafula, a Business Management graduate was well liked by his staff and had extensive contacts and networks with farmers and suppliers in the region.

Since he took over, Wafula transformed WAL into a modern agrochemical company with manufacturing, retailing, wholesale distribution and exporting to the East African region. To manage an increasingly complex organisation, Wafula appointed five executive directors and three non-executive directors including his retired father as the Chair of the Board. During a recent strategic management retreat, the Board highlighted the following strategic issues:

- The role of the Board and effectiveness in providing strategic leadership
- Change management in the digital economy
- Winning strategies in a competitive economy

Wafula is aware that the business environment is changing rapidly. He is also informed that he needs to modify the culture, structure and technology used in the business. Appointment of new directors had positively impacted on the culture and a different approach to business operations. However, it was noted that the bottom line, profit, remained wanting. The board resolved that there was need for a strategic review. Other than Wafula who had strategic management qualifications, the other board members lacked any experience in structuring a strategic review and the Board resolved to engage a strategic management consultancy firm to lead the process. Triple Bottom Consulting led by Clement Dennings was engaged to carry out the review. The brief given was that Mr. Dennings would be engaged on fulltime basis for 3 months to carry out the strategic review effective, January 2022. Mr. Dennings was a seasoned practitioner with wide experience and exposure in organisational restructuring, governance, change management, strategic planning and business re-engineering.

In carrying out the assignment, Mr. Dennings did a thorough review of the resources of the business, previous performance, business development processes and corporate culture. At the beginning, Mr. Dennings knew that the strategic perspective of WAL ought to be future oriented rather than focusing on past results. To get an overview of the business, he spent time engaging the directors, employees, competitors and other stakeholders. Mr. Dennings was able to establish the following on internal review of WAL:

- WAL was driven by a mission to provide a full range of quality agrochemical products at reasonable prices in Kenya and the region.
- WAL had consolidated its position as the biggest distributor of agrochemicals across Kenya and the East African region.
- That WAL was made up of four main divisions; manufacturing, retail, wholesale and export.
- That WAL had four product lines; pesticides, fertilizers, animal feeds and veterinary products.
- That the current manufacturing plant and equipment was outdated and inefficient.
- That WAL had initiated an investment program to build a new and integrated fully Good Manufacturing Practice (GMP) compliant facility that will increase output across product lines by about 250 percent.
- WAL continues to extend its vast distribution network to provide quality and affordable agrochemicals to other regions.

A market position report indicates that WAL is not performing well due to the fragmented nature of the markets. Growth rates in most of the divisions served have fallen steadily over the last three years due to external competition from companies from Pakistan and India. WAL is now facing a series of markets that are stagnant or in decline. While WAL is still profitable due to substantial market shares, market decline should be addressed. Minimal growth is forecasted in the WAL current markets for the next four years due to foreign competition.

Mr. Dennings has prepared a brief to the Directors of WAL to help them formulate a successful growth strategy. The brief contains the following salient issues:

- The East Africa region enjoys a stable political, legal and economic system. Recent attempts to improve the economy have been largely successful, with inflation projected between 5% - 10% in the next three years.
- Taxation is projected to remain at an average of 30%.
- Public tenders are attractive target segments for large revenues and long-term commitment. However, public sector payments shall continue to be a challenge with the associated negative impact on WAL's cash flow since it is WAL's largest customer.
- Government procurement through competitive bidding is the cheapest despite the process bottlenecks but contributes significantly to the agrochemical market's bottom line.
- Government is the main contributor to the agrochemical industry's cash flow problems due to delays in payments after supplies to central medical stores.
- Branded agrochemical marketers are expected to adopt a differentiated pricing strategy specific to market segments and geographies in East Africa to make agricultural products affordable to a wide range of customers, thereby significantly expanding their customer base.
- Foreign competitors in East Africa are expected to multiply their distribution channels by engaging in strategic partnerships with trustworthy local stakeholders through joint ventures and agency relationships.

All in all, recent market data and both public and private sector projections indicate that the agrochemical industry and markets remain stable and show growth potential due to government initiatives to boost food security. WAL is poised to exploit this market potential by reviewing its business strategies and business model.

Required:

(a) Explain to the Board of WAL **SIX** benefits of carrying out a competitor analysis in strategy development. (12 marks)

(b) Using Bowman's Strategy clock, evaluate **FIVE** groups of business strategies that WAL could adopt to gain a competitive advantage. (10 marks)

(c) Triple Bottom Consulting established that WAL is driven by a mission to provide a full range of agrochemical products at reasonable prices in Kenya and the region.

Explain **FOUR** characteristics of a good mission statement. (8 marks)

(d) To counter the competition from Asia, WAL is considering establishing a strategic joint venture with a company from India.

Discuss **FIVE** reasons why WAL may consider joint venture as a method of entry into international business. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Outline **TWO** impacts of organisation culture on strategy formulation. (2 marks)

(b) Identify **FIVE** merits of strategy formulation in the strategic management process. (5 marks)

(c) The BCG growth-share matrix is a tool used internally by management to assess the current state of value of a firm's units or product lines.

Discuss **FOUR** categories in this matrix. (8 marks)

(Total: 15 marks)

QUESTION THREE

(a) Explain **FIVE** reasons why decision-makers use strategic surveillance. (5 marks)

(b) Distinguish between "strategy formulation" and "strategy implementation". (4 marks)

(c) Discuss **THREE** strategies that could be used in mitigating risk in an organisation. (6 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Highlight **THREE** advantages of outsourcing value chain activities. (3 marks)

(b) Summarise **FOUR** benefits of the differentiation strategy to an organisation. (4 marks)

(c) Scenario planning involves building organisational awareness of what could happen so that leaders may spot warning signs of brewing challenges and respond accordingly.

Examine **FOUR** types of scenario planning. (8 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Highlight **FOUR** strategies that an organisation could employ to mitigate challenges of strategic plan development. (4 marks)

(b) Successful strategic management involves monitoring key drivers for change and developing agile strategies that can adapt to evolving circumstances.

In view of the above statement, evaluate **FIVE** drivers of change. (5 marks)

(c) Game Theory provides a framework for analysing situations in which the outcome of one player's decision depends on the decisions made by others.

Explain **THREE** assumptions of this theory. (6 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 21 August 2023. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

MERCHANT BANK GROUP (MBG)

Merchant Bank Group (MBG) was established in 1956 as a subsidiary of Trade Bank of Britain. It transformed into a savings and credit cooperative in 1989, and later became a fully-fledged commercial bank in 2015. Over the years, MBG has expanded its operations and developed a strong presence in Kenya and the East African region. The bank is regulated by the Central Bank of Kenya and was listed at the Nairobi Securities Exchange (NSE) in 2017. It has a diversified shareholder base, including institutional investors, individual shareholders and the Government of Kenya. MBG offers a wide range of banking products and services to cater for the needs of individuals, businesses and institutions.

The bank had been growing exponentially until 2018 when it faced significant challenges due to the world economic recession. During the same period, Charles Kariuki retired as the CEO and Job Juma was hired in his place. Job Juma was a renowned strategic manager with extensive experience of turning around organisations. In the first two months of his engagement, he established that the bank was grappling with declining profitability as a result of inefficient operations and an outdated business model. He performed a SWOT analysis to get proper insights on how to return the bank to a growth trajectory. The analysis revealed, among other things, that the bank operated as a retail bank with limited geographic reach. This was of concern since it was hindering its ability to capitalise on emerging opportunities in the region.

To overcome the challenges identified, MBG embarked on a strategic transformation journey under the stewardship of Job Juma. To actualise the journey, a 5-year strategic plan was launched after six months of meticulous planning and consultations with the stakeholders. The bank`s vision, mission and core values were revised to accommodate the volatility and ambiguity of the business environment. The bank`s vision statement was its mantra during the transformation period. The bank’s strategy also focused on four key pillars: operational excellence, customer-centricity, innovation, and geographic expansion. The bank began by streamlining its operations and improving efficiency by implementing robust technological systems and upgrading the IT infrastructure. Additionally, risk management practices were adopted to drive operational excellence. Customer-centric approach was another crucial aspect of MBG's strategy. The bank conducted extensive market research to understand customer needs and preferences, and then introduced innovative products and services tailored to specific customer segments, including mobile banking, agency banking, and digital solutions. These initiatives enhanced customer experience, increased customer acquisition and retention, and strengthened MBG's market position.

Innovation played a significant role in MBG Group's strategy. The bank embraced emerging technologies such as artificial intelligence and data analytics to drive product development, enhance service delivery and improve internal processes. MBG's focus on innovation enabled it to stay ahead of the curve and deliver cutting-edge solutions to its customers. Geographic expansion was a critical element of MBG's strategy. The bank strategically entered new markets within the East African region, leveraging its strong brand and expertise. The bank acquired and successfully integrated several banks in Rwanda, Tanzania, Uganda, Burundi and South Sudan. This expansion not only increased the bank's market share but also diversified its revenue streams and helped it capitalise on the region's economic growth and cross-border trade opportunities.

The CEO`s strategic initiatives yielded significant results with the bank experiencing robust financial growth, with increased profitability and improved asset quality within two years. It expanded its customer base and market share thereby becoming one of the largest banks in East Africa by asset base. MBG's total assets grew substantially, and its return on equity consistently outperformed industry benchmarks. The bank's customer-centric approach led to enhanced customer satisfaction and loyalty. The bank's innovative digital solutions, such as mobile banking and agency banking, provided convenient and accessible banking services to a broader customer base. The bank's strong brand reputation, combined with its focus on customer experience, contributed to its competitive advantage. By venturing into new markets, the bank diversified its risk and revenue streams, reducing its dependence on the Kenyan market.

MBG's focus on operational excellence, customer-centricity, innovation, and geographic expansion played a pivotal role in its strategic turnaround. As of December 2022, MBG was the largest commercial bank in Kenya with assets of more than KES 566 billion and KES776 billion in customer deposits. The bank has 201 branches, 497 ATMs, and 20,273 registered Agents and Merchant outlets spread across the East African region. MBG has received numerous awards and recognitions for its performance, innovation, and contribution to the banking industry in Kenya and the region. It is also actively involved in various CSR initiatives, particularly in the areas of education, health, and environmental sustainability. The bank supports community projects and programs aimed at improving livelihoods and promoting social development.

Required:

(a) The CEO performed a certain analysis to get proper insights on how to return the bank back to a growth trajectory.

Explain **FOUR** components of the analysis. (8 marks)

(b) To actualise the strategic transformation journey, a particular plan was launched.

Explain **FIVE** limitations of this plan. (10 marks)

(c) Evaluate **FIVE** features of the bank`s mantra during the transformation period. (10 marks)

(d) A geographic expansion was a critical element of MBG's strategy.

Analyse **SIX** strategies MBG adopted to achieve this. (12 marks)

(Total: 40 marks)

QUESTION TWO

(a) When conducting strategic change, organisations plan and implement changes to boost competitive advantage or achieve another significant objective.

Appraise **FIVE** steps an organisation could take to realise this change. (5 marks)

(b) Strategy implementation is a process that turns strategic plan into action by outlining the steps the organisation needs to take in order to achieve the set objectives.

Summarise **FIVE** steps of the process an organisation could follow to make the implementation effective. (5 marks)

(c) In the context of business strategy, outline **FIVE** generic competitive strategies. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Assess **FOUR** stages of logical incrementalism in strategy development process. (4 marks)

(b) Strategy workshops are necessary to an organisation during any strategic management process.

Identify **FIVE** purposes of these workshops. (5 marks)

(c) Organisation's core competencies are important during strategic analysis.

Explain Hamel and Prahalad's **THREE** tests to confirm these competencies. (6 marks)

(Total: 15 marks)

QUESTION FOUR

(a) The Parenting Fit Matrix is a framework developed by McKinsey & Company to assess the fit between a corporate parent and its portfolio businesses.

Identify **FOUR** positions of the Parenting Fit Matrix. (4 marks)

(b) Explain **FIVE** limitations of strategic management. (5 marks)

(c) Path dependency theory refers to the idea that past events and decisions can shape and influence the current and future development of a system or organisation.

Outline **SIX** features of path dependency theory. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Strategic drift is a gradual deterioration of competitive action that results in the failure of an organisation to acknowledge and respond to changes in the business environment.

Explain **FIVE** ways in which a business can avoid this. (5 marks)

(b) Summarise **FIVE** steps of sustaining organisational effectiveness. (5 marks)

(c) The matrix structure is a type of organisational structure that combines functional departments with project or product teams, creating a dual reporting system.

Outline **FIVE** benefits of a matrix structure to an organisation. (5 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 24 April 2023. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

MAGHARIBI LIMITED (ML)

In December 2018, Magharibi Limited, a software developing company founded in the year 1990, spent Sh.1.9 billion in acquisition of Quick Data Services (QDS), a data handling company. Though the takeover was a hostile one, it made ML become a formidable technology services provider. The takeover also enabled the company to better compete with Mashariki Limited, a technology services provider which controlled more than 10% market share of the multi-billion technology market. At the time of the acquisition, Mashariki Limited was the market leader in the technology industry, with Magharibi Limited in second place while QDS was a distance sixth. Founded by Mark Mensa in the year 1995 as a start-up, QDS was the pioneer of outsourced business data management and was making profits until technology downturn happened in the year 2000. The situation was made worse by the threat of investors from Asia who were offering similar services at sharply reduced prices.

The company has had a relatively low growth until January 2018 when Dan Ford was hired as the new Chief Executive officer (CEO). With his recruitment, the company started exhibiting exponential growth. The CEO attributed this growth to the company`s strong commitment to its vision of creating cutting-edge technology. According to him, this made life better for everyone, everywhere.

The mission of ML is to provide innovative products and services that make a difference in the lives of its customers, and to continuously improve its offerings to meet their changing needs. The company's values include; customer obsession, innovativeness, team spirit, integrity and responsibility.

Magharibi Limited had been primarily known for its software development prowess, but the marketing department had not been vibrant until its hostile takeover of QDS. Before the acquisition of QDS, the company seemed not to have a clear focus on the strategy to pursue: whether low cost, high cost, penetrative or otherwise. The CEO lamented that many competitors offered information technology services that were "low-tech, low cost". Their major rival Mashariki Limited offered "high-tech, high cost," while ML did not have a clear marketing strategy. In the year 2021, Magharibi Limited embarked on a mission to offer customers "high-tech, low cost" services by improving the marketing of its outstanding services. To achieve this mission, the CEO split the centralised sales team and assigned them to each strategic business unit (SBU); he also hired executives from outside the company and cut costs by laying off some staff, among other changes. After the decentralisation, the SBUs controlled over 80% of their own budget expenses, up from 20% previously.

Ford's strategic and tactical interventions have borne fruits and the company is on an upward trajectory. The company's profitability for the year 2022 was double the one for the previous year and the board is optimistic that the CEO will help the company scale even greater heights in the foreseeable future.

Required:

(a) Magharibi Limited (ML) spent Sh1.9 billion in acquisition of Quick Data Services (QDS), a data handling company.

Evaluate **FIVE** benefits that could accrue to ML from this move. (10 marks)

(b) Examine **FIVE** components of Strategic Business Units (SBUs) as deployed at Magharibi Limited. (10 marks)

(c) The CEO, Dan Ford, made critical strategic decisions to ensure growth of the company.

Examine **FIVE** steps the CEO and his team could have followed while making the decision to takeover Quick Data Services (QDS). (10 marks)

(d) Explain **FIVE** considerations that could have made ML develop a good vision statement. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Describe **FIVE** organisational structures in strategic management. (5 marks)

(b) Identify **FIVE** benefits of using strategic management information system in an organisation. (5 marks)

(c) Examine **FIVE** benefits of formulating clear strategic objectives. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Explain **FIVE** factors that affect workplace culture as espoused by Geert Hofstede. (5 marks)

(b) Examine **FIVE** symptoms of resistance to change in an organisation. (5 marks)

(c) Analyse **FIVE** challenges faced while developing business strategy for foreign markets. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Identify **FIVE** tools that companies can use to conduct an external business environment analysis. (5 marks)

(b) The scope of a project needs to be defined first when entering a new market. Using the "deep dive" analogy, explain **FIVE** steps involved in the strategy development process. (5 marks)

(c) Strategic drift refers to the phenomenon where a company deviates from its original strategy over time. Analyse **FIVE** factors that may cause this drift. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) The VRIO framework is a tool that companies can use to analyse their internal resources and capabilities to determine whether they have a sustained competitive advantage.

Describe the **FOUR** elements of this framework. (4 marks)

(b) Assess **5Ps** of strategy according to Henri Mintzberg. (5 marks)

(c) Explain **SIX** types of Business strategy. (6 marks)

(Total: 15 marks)

CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 5 December 2022. Morning Paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

MICHEZO ACCESSORIES LIMITED (MAL)

Michezo Accessories Limited (MAL) was incorporated in the year 2008 as a sports equipment business in Nairobi, Kenya. It is the largest retail and wholesale dealer in East Africa specialising in sports, promotional items and camping equipment. MAL deals in goods, equipment and apparels of reputable international brands in almost all sporting activities. It was started by Bruce Okello with a lean staff establishment and a skeleton organisation structure.

Bruce's vision was to create high-quality and stylishly designed clothing and equipment for sporting activities. He built up a design team, but outsourced manufacturing to low-cost producers, primarily in China. Rather than selling through existing retailers, Bruce opted to open his own stores all over the East African region. The idea was to staff the stores with employees who were themselves passionate about body fitness and could act as ambassadors for healthy living through sports. The first retail store quickly became a runaway success and other stores soon followed suit. In the year 2008 the company went public using the capital raised to accelerate its expansion plans. By the year 2013, MAL had over 210 stores in the East African region, sales in excess of Sh.1 billion, and a market capitalisation of over Sh.4 billion.

In the year 2018, Zuena Aero was hired as the CEO of MAL after the lapse of the term of the immediate former CEO. She had spent 20 years at Maisha Limited, a fast-moving consumer goods company, overseeing retail operations. She had a wealth of experience in strategic planning and she had a reputation for turning around companies. She immediately introduced differentiation as a business-level strategy at MAL. She was fully aware that the strategy would always give a company a competitive advantage. Getting the product right was undoubtedly a central part of her strategy. Zuena ensured uniqueness in the company`s products. The fitness-inspired athletic wear was well designed, stylish, comfortable, and used the best technical fabrics. An equally important part of the strategy was to only stock a limited supply of an item. New colours and seasonal items kept the product offerings feeling fresh and outstanding. The goal was to sell sporting gear at a premium price, and to condition customers to buy when they saw it, rather than wait, because if they do, it would soon be "out of stock."

Over the years, the strategy has worked; MAL never holds sales, and its items sell for a premium price. MAL continues to hire employees who are passionate about fitness. Part of the induction process involves taking new hires to fitness lessons. Seventy per cent of store managers are internal hires who started on the sales floor and grew up the ranks. Store managers are given an imprest of Sh.300,000 to repaint their stores twice a year. The look and interior design of each store is completely up to its manager's discretion. Each store is also allocated Sh.2 million annually to spend on corporate social responsibility activities.

Employees are trained to eavesdrop on customers` complaints and compliments. Clothes folding tables are placed near the fitting rooms rather than in a back room so that employees can overhear conversations about their products. In every store there is a suggestion box for customers to drop their complaints or compliments. These are sent back to headquarters for analysis and action planning. This feedback is then incorporated into the product design process.

The CEO is hands on and she physically visits stores randomly to confirm the authenticity of the daily reports that she gets from the enterprise resource planning system. She believes that software-generated data can give a company a false sense of security about the customers. She personally spends hours each week in stores observing how customers shop, listening to their complaints, and then using their feedback to tweak product development efforts

Despite the company's focus on providing quality, it has not all been plain sailing for MAL. In the year 2020, Covid-19 pandemic hit businesses hard and MAL was heavily affected. Sales plummeted and revenues dwindled. Zuena Aero convinced the management to act fast and take their business online. The results were evident in a span of six months. A balanced score card was used to measure performance and establish whether taking the business online had paid dividends. The balanced score card was the choice tool since it would reveal measures in most aspects of the business. Compared to the same time in the year 2019, all the four measures showed a growth rate of 25% and above.

Most observers in the media and financial community believe that with Zuena Aero as the CEO, the company will continue its growth trajectory for many years to come.

Required:

(a) Discuss **FIVE** corporate social responsibility activities that MAL stores could spend the Sh.2 million awarded. (10 marks)

(b) Balanced Score Card tool was used to measure performance at MAL.

(i) Define this tool. (2 marks)

(ii) Examine the **FOUR** metrics of Balanced Score Card tool identified in (b) (i) above. (8 marks)

(c) Analyse **FIVE** external factors that might affect business at MAL. (10 marks)

(d) Evaluate **FIVE** benefits that could accrue to MAL from the business level strategy that was introduced by Zuena Aero. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) Describe **FIVE** advantages of using gap analysis in organisational performance measurement. (5 marks)

(b) Evaluate **FIVE** steps involved in strategic management process. (5 marks)

(c) A mission statement influences corporate performance since it incorporates the basic business purpose and the reason for its existence.
In view of the above statement, explain the influence of mission statement on performance. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Examine **FIVE** limitations of Michael Porter's five forces of competitive advantage. (5 marks)

(b) Controlling is one of the critical functions of management in an organisation.
Describe **FIVE** guidelines to adhere to when undertaking this function. (5 marks)

(c) Assess **FIVE** weaknesses of hierarchical organisational structure. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) With reference to cultural dimensions, distinguish between "indulgence" and "restraint". (4 marks)

(b) Dr. John Kotter, a world-renown change expert, introduced eight elements in the change process in his book, "Leading Change".

Appraise **FOUR** of these elements. (4 marks)

(c) ABC limited uses McKinsey's 7S model in their strategic planning.

Explain the elements in the model.

(7 marks)

(Total: 15 marks)

QUESTION FIVE

(a) With reference to international business environment, explain **FOUR** sources of comparative advantage to an organisation. (4 marks)

(b) Outline **FIVE** benefits of using patterns of strategy development. (5 marks)

(c) With reference to the 'deep dive' analogy, describe **THREE** disciplines of strategic thinking one can develop to continually ground a business. (6 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 1 August 2022. Morning paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

LADY BIRD COSMETICS (LBC)

Founded in year 2006, Lady Bird Cosmetics (LBC) is considered one of the leading beauty brands in the East African market. Its mission is "To Impact Life through Beauty". To achieve the mission, LBC has focused on four main areas namely beauty shops, distribution of global products, training and corporate social investment through various subsidiaries

Lady Bird Beautiful Faces (LBBF) is a multichannel retail business that operates more than 50 beauty shops in the main cities across East Africa. These beauty shops offer top of the range skincare, luxury perfumes and colour cosmetics. Through these shops the company brings top global brands in the beauty industry to the local market. LBBF also provides a retail avenue for upcoming local brands and manufacturers to access its rapidly growing consumer base. To be able to reach as many customers as possible, LBBF provides a wide range of products through in-shop experience and digital market places.

Lady Bird Trade Limited (LBTL) exclusively distributes global brands in skin colour, perfumes and hair products to big retailers, salons, pharmacies, other retailers and spas across the region. In terms of shilling sales, LBTL is the most important unit of LBC.

Lady Bird Academy (LBA) is a licensed beauty college that provides skills to aspiring beauty professionals, graduates, professional beauty artists, therapists and discerning customers. The academy also bridges the gap from training to industry by facilitating trainee placements and practicum with large retailers, beauty parlors and brands.

Lady Bird Foundation (LBF) is a registered not-for-profit Corporate Social Investment unit of LBC. The foundation is founded on values of equal access to opportunities in the fast-growing beauty industry. Through advocacy and partnerships with governments and likeminded social impact organisations, the Foundation raises funds to provide scholarships and free medicare to disadvantaged women and youth in the wider East African region. However, this effort has not succeeded without some resistance from local politicians who feel undermined and exposed for not meeting the economic needs of their communities. Recently the Foundation launched the LBC Ajiri Programme that aims at providing technical skills through the Lady Bird Academy for out of school youth through upskilling and micro entrepreneurship in the beauty industry. Successful youth from the programme are provided with seed capital to start their own beauty businesses. Both the youth and microenterprises are also provided with market and industry linkages.

To grow its business, LBC in the year 2018 established its first high end Beauty Spa in one of the affluent suburbs of Nairobi. This was followed by seven more spread out in the major cities in the region. The company also established exclusive beauty parlors in Nairobi, Kampala and Kigali. LBC is also in the process of building its own manufacturing plant that will produce own label brands as well as producing global brands under license. LBC is awaiting an environmental impact assessment report before commencing with the actual construction of the manufacturing plant. These developments will make LBC a fully integrated beauty products company. Also being considered is an expansion to cover more East African countries but security concerns and political instability have made LBC to shelf those plans for the time being. Another area of concern is the requirement in those countries that foreign companies must meet certain minimum local shareholding to be registered. This is in contrast to LBC's country of origin where the company is 100% locally owned. Market surveys have indicated a skewed income distribution in those target countries but holding other factors constant, a viable market exists. At the moment LBC is considering serving the new markets through digital market places although access by the population to the internet is considered to be a limiting factor.

LBC's distribution strategy is based on two models: Business to Consumer (B2C) and Business to Business (B2B). By using B2C, LBC brands are sold directly to consumers. The entire marketing strategy is directly dedicated to them. This is the strategy adopted in the LBC beauty shops, beauty spas and beauty parlors. By using B2B, the sale of the products is aimed at other businesses: hotels, spas, beauty centers, beauty salons and retailers within a framework of customer/supplier relations.

In deploying its distribution strategy, location has been a key consideration for LBC. Most of its retailing and customer contact points have been located at prominent malls in cities. However, LBC was forced to change this strategy due to the collapse of a number of large-scale supermarkets within the region. Most of these large-scale retailers were considered anchor tenants in the malls and their collapse led to reduction in foot traffic within the malls making the beauty shops, parlours and spas within the malls experience fewer walk-in clients. Although LBC has maintained presence in malls, the company has established customer contact points distributed within the high streets of most commercial centers. The company has done this as-a risk mitigation measure.

Required:

(a) Evaluate the disadvantages that LBC would face from adopting a vertically integrated strategy. (10 marks)

(b) Assess five benefits that could accrue to LBC from its corporate social investment arm; Lady Bird Foundation. (10 marks)

(c) Evaluate the likely PESTLE factors that LBC would face when executing their strategies in the region. (12 marks)

(d) Using Michael Porter's Diamond model, analyse four factors that might impact on LBC's international strategy. (8 marks)

(Total: 40 marks)

QUESTION TWO

(a) In the context of strategic management, distinguish between the following terms:

(i) Deliberate strategy and emergent strategy. (4 marks)

(ii) Agility and resilience. (4 marks)

(b) Assess seven drivers of change in strategic management. (7 marks)

(Total: 15 marks)

QUESTION THREE

(a) Discuss four major corporate level strategies. (8 marks)

(b) With regard to strategic management:

(i) Explain the term "game theory". (2 marks)

(ii) Describe one application of game theory. (2 marks)

(c) Enumerate the purpose of strategy in an organisation. (3 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Implementation of a new strategic plan requires introduction of change in an organisation.

Evaluate four ways a strategic leader could make use of a strategic plan to manage resistance to change. (8 marks)

(b) Explain seven measures that could be instituted in an organisation to deal with organisational politics. (7 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Discuss five justifications of the use of policies in strategy implementation. (5 marks)

(b) Examine five drivers of globalisation. (5 marks)

(c) Explain the significance of "deep dive" of strategic thinking for an organisation of your choice. (5 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

MONDAY: 4 April 2022. Morning paper. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

KAY SKY-LINER LIMITED (KSL)

Kay Sky-Liner Limited (KSL) was registered twenty years ago as a limited company in the aviation industry to offer cargo transport services and passengers transport services in East Africa with a view of expanding its operations to other countries in Africa. The company is listed on the Nairobi Securities Exchange and its main office is situated at Nairobi city in Kenya with terminal offices in other major cities of East Africa.

The company's management comprises of seven directors. One of the directors is a non-executive director who does not participate in the day to day management of the company but attends the Annual General Meetings (AGM) of the company held once in a year. The last AGM was held three years ago during a period when the executive directors were charged with governance issues of the company.

The company has seven airplanes in use currently that were purchased ten years ago; three of the airplanes are used in the business of cargo transport while four of the airplanes are used in the business of passenger transport. The captain of each plane is responsible for the plane and reports directly to any of the executive directors in terms of all activities of the plane, strategies employed and management of human resources assigned to the plane. The executive directors discuss the reports of each captain between themselves in monthly meetings of the company's executive directors.

For many years the company enjoyed high growth of business in terms of market share and growth rate for both lines of business as compared to its competitors. This scenario prompted the expansion of market into other countries in Africa few years after the formation of the company. The upward trend of the company's growth persisted for a period of eight years after which it started declining gradually. The market share as well as the market price of shares of the company reduced significantly as compared to those of its competitors in the region. For the last three years, declared dividend remained unpaid and interest due on loans borrowed were unpaid. The shareholders of the company and other stakeholders became increasingly concerned about their stake in the company.

In the year 2020, the company's passengers line of business unit curtailed its business growth due to Covid 19 pandemic and other strategic issues. The company's cargo transportation line of business continued operating at a lower scale.

In March 2022, The Board of Directors (BOD) held a meeting to deliberate on the best strategies to craft in order to salvage the company from winding up. The Chairman tabled an audit report for the previous period of operation to the meeting of the BOD, emphasising on matters highlighted in the audit report and the recommendations made by the auditor for the attention of the Board.

The audit report recommended that proper system of governance be put in place to address issues raised in the report such as formation of Board committees with proper mandate, development of a proper vision and mission of the company, preparation of strategic plans and objectives of the company, establishing an organisation chart and other management systems that reflects the nature of business of the company. The report highlighted expenditure approval for corporate social responsibility (CSR) amounting to twenty percent of total revenue. Three months salary arrears are reflected in the audit report and the management has received a letter from the union of employees of the company on human resource practices in the company. The union has threatened to call a strike within one month if workers issues are not addressed.

The Board made a resolution to outsource for a consultant to help in crafting the best strategies to counteract the challenges facing the company.

Required:

(a) (i) Assess any four important types of Committees that KSL should establish, giving examples of important tasks to be assigned to these committees. (8 marks)

(ii) Suggest a reason in each case why KSL should develop both a vision statement and mission statement. (4 marks)

(b) Suggest four defensive strategies that KSL might use. (8 marks)

(c) Evaluate any four threats that KSL could be facing. (8 marks)

(d) Propose three types of diversification strategies suitable to KSL (6 marks)

(e) Discuss three stakeholders whose interest is violated by KSL. (6 marks)

(Total: 40 marks)

QUESTION TWO

(a) Discuss how strategic management could be made more effective. (5 marks)

(b) Examine the role of corporate history in shaping the strategy of an organisation. (5 marks)

(c) Evaluate the importance of corporate values in strategic management. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Discuss four limitations of a focus strategy. (4 marks)

(b) Multi-business organisations might create a "parent" to which strategic business units (SBU) have reporting and accountability relationship. Assess three positions an SBU could occupy in the Parenting Fit Matrix. (3 marks)

(c) Describe four broad barriers that might impact international business strategy. (4 marks)

(d) Distinguish between "deliberate" and "emergent strategy". (4 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Barriers to entry and exit make it difficult for new firms to enter the industry and existing ones to quit.

Examine five factors that cause entry barriers. (5 marks)

(b) Discuss the importance of environmental scanning to an organisation. (5 marks)

(c) Analyse five conditions that must be fulfilled to make value chain more effective. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Examine five reasons why your organisation might choose to use Boston Consulting Group (BCG) Model in strategic Management. (5 marks)

(b) Justify the need for change in organisations. (5 marks)

(c) Assess five challenges that might hinder successful strategy implementation. (5 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

STRATEGIC MANAGEMENT

WEDNESDAY: 15 December 2021. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

MWANANCHI BANK LIMITED (MBL)

It is December 2021, and the momentum is high at Mwananchi Bank Limited (MBL). The bank recently won several awards in a high profile award ceremony held in Durban, South Africa. The company was named as the fastest growing enterprise in the financial sector.

In the early 90's, the financial sector was dominated by few commercial banks most of them being large multinationals. They were historically oriented to meeting the financial needs of large-scale commerce and external trade. They had no track record of lending to house-holds and start-up small enterprises. The low income market segment was therefore largely ignored.

Kwani Kwema (KK) a successful entrepreneur together with a group of investors, aware of the gap in banking services among low income earners, formed a bank that would bridge the financing gap. MBL was first registered as a building society and was later converted into a privately owned bank.

The bank focused fully on its target market and kept new products rolling for each category of its clients. This strategy led to overwhelming support from households, small businesses, individual entrepreneurs and professionals.

Apart from the market focus strategy, the overwhelming reception from clients might also be associated with the company's positive corporate culture. The unique corporate culture provided an opportunity for the bank to develop competitive advantage centred on good customer service.

MBL was the first local bank to adopt and develop benchmarking strategy. Comparative companies were identified and data on them was collected. This enabled the discovery of gaps in competitive performance between MBL and those other banks hence the establishment of action plans.

The management was well aware of the intense competition in the industry and was keen to establish a wide customer base. This was expressed in the firm's long term plan which recognised the need to broaden the operation base and in particular to enter foreign markets and acquire subsidiaries.

After several years of stable growth, MBL established operations in a neighbouring country. The senior managers in the foreign unit were non locals while the first line managers and a large number of operatives were locals. An inverted pyramid organisation structure was adopted at the foreign unit. Senior management adopted a facilitating "behind the scenes" role leaving operational decisions to those who were closest to the customers in particular matters.

Though the structure was meant to improve human relations, rivalry and ill-will emerged between the various employees based on their nationalities. With time, motivation and productivity decreased and there was a deep mistrust of senior management among the lower cadre employees. Three years down the line, foreign market share was half the target figure, financial performance was poor and corporate image was at an all time low. Drastic measures needed to be taken to resolve these issues before they could water down the successes achieved in the past.

In the last five years, MBL has emerged as a star performer in the financial sector. Despite all the challenges the company faced in the past, the leadership of the company was able to turnaround the company and return it to profitability.

Required:

(a) Mwananchi Bank Limited (MBL) successfully implemented the market focus strategy in its home country.

Explain seven situations that must exist for market focus strategy to be effective. (7 marks)

(b) Examine the criteria which could have been used by MBL while selecting a foreign market entry method. (7 marks)

(c) The expansion of MBL to the neighbouring country performed below expectations.
With reference to the above statement, discuss how MBL could overcome cultural barriers while setting up operations in the neighbouring country. (10 marks)

(d) To deal with human resource issues in the foreign unit, it was imperative for MBL to develop and implement a human relations strategy.

Required:
Evaluate the criteria that an effective strategy should meet. (10 marks)

(e) Instead of establishing a completely new unit from scratch in a foreign country, MBL would have scouted for an existing company in the neighbouring country with an aim of takeover.

With reference to the above statement, highlight six factors that MBL should have taken into consideration when appraising a target company. (6 marks)
(Total: 40 marks)

QUESTION TWO

(a) Evaluate five roles of organisational culture in relation to strategy execution. (5 marks)

(b) Discuss five challenges likely to be faced by an organisation while venturing in an international market. (10 marks)
(Total: 15 marks)

QUESTION THREE

(a) The bargaining power of suppliers is an important factor in driving industry competition.

With reference to the above statement, describe six determinants of supplier power in the industry. (6 marks)

(b) With the use of a well labelled diagram, discuss four Michael Porter's generic strategies. (9 marks)
(Total: 15 marks)

QUESTION FOUR

(a) Enumerate seven challenges likely to be faced by an organisation while implementing a strategic plan. (7 marks)

(b) Wabora County government has hired you as the lead consultant during the development of their strategic plan.

With reference to the above statement:

(i) Distinguish between "vision statement" and "mission statement". (2 marks)

(ii) Advise them on activities usually carried out during strategy formulation, strategy implementation and strategy evaluation. (6 marks)
(Total: 15 marks)

QUESTION FIVE

(a) A functional organisational structure is a structure where an organisation is divided based on functional areas.

With reference to the above statement, outline four strategic advantages and four strategic disadvantages of functional organisational structure. (8 marks)

(b) Explain several limitations of the use of Boston Consulting Group (BCG) matrix in an organisation. (7 marks)
(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 26 November 2015 **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

PLASTIC BAGS LTD. (PBL)

Plastic Bags Ltd. (PBL) is a medium sized company incorporated in Uganda and having subsidiaries in Kenya, Tanzania, Malawi and South Africa. The company manufactures a wide range of plastic bags which includes food wrapping bags, industrial packaging bags and grocery bags. The plastic bags are supplied to various supermarkets in Uganda and other countries where it has operations. PBL also supplies its products to retail shops, food stalls, and factories through a well established network of suppliers.

The plastic bags industry in Uganda, Kenya and Tanzania is very competitive. There are many manufacturers leading to price undercutting. Sometimes plastic bags are sold below the cost of production. The political climate has not been encouraging either since plastic bags are heavily taxed to discourage their use. This has led to increased sales of biodegradable bags from other manufacturers. There has been a long standing debate on how plastic bags degrades the environment. PBL in its strategic plan wishes to diversify its products to enable it remain in business. Already, one of the countries where PBL's operations and sales are very high, wants to ban the sale of plastic bags through enactment of a new law. A bill has been introduced in the country's parliament on banning the sale of plastic bags.

To increase sales, PBL has been considering heightening its presence in countries where it operates and venturing in more countries. Some of the countries PBL intends to venture into include Congo, Namibia and Egypt. Congo offers a very high potential for higher profits since it currently has very few plastic bag manufacturers. The competition in Congo is not as stiff as in Uganda, Tanzania and Kenya.

PBL has made a good name due to its high quality products and this has enabled the company to stay afloat in many countries. The sound management of PBL has developed an export expansion strategy that is anchored not only on production of high quality goods but also on offering products at very competitive prices.

Recent technologically advanced machines have enabled PBL to produce its products at a lower cost per unit. In the short run, this might be beneficial to PBL but might also encourage customers to produce their own plastic bags driving PBL out of business especially if it fails to diversify its product portfolio. PBL has gained valuable experience as an exporter over the years and it enjoys good relationship with its suppliers. Misunderstandings between the company and the suppliers are normally solved amicably without resulting to the court of law. The supplier contracts provide for alternative dispute resolution.

Resin, the major component in production of plastic bags is currently imported from South America. Shipments take considerable delays. The company is however searching for other sources of raw materials to ensure production is at no time stopped due to shortage of resin. It is generally believed within the company that if resin is sourced from Africa, the prices of plastic bags would drastically come down hence more sales.

In the last few years, PBL has undergone a process of reengineering which resulted in some employees being declared redundant. The salaries for the remaining employees were enhanced so as to boost motivation. Various positions in the organisation were consolidated and some scrapped. This however did not go well and led to resistance by some employees. It is evident that the management of PBL is not supported by all the employees. The management has however put in place measures to ensure that all employees embrace change and work towards achieving the vision of PBL.

A market research conducted by PBL revealed that customers in Malawi and South Africa prefer PBL's products to those offered by competitors. The reduction of custom duty in many countries due to regional integration has greatly reduced the cost of cross border trade. More countries in Africa are nowadays trading with one another unlike in the past. This is good for PBL since most of its sales are made in Africa.

PBL's printing process is said to produce sharper, better toned prints than those offered by competitors. Economies of scale in printing the bags is achieved by increasing production. It is for this reason that PBL has formed joint ventures with other manufacturers in countries where it has no manufacturing plants. The company has also used existing networks utilised by other manufacturers in foreign countries. The joint ventures and strategic relationships are considered important and management banks on them to move PBL to another level.

Required:

(a) Identify PBL's strengths, weaknesses, opportunities and threats. (12 marks)

(b) Describe five issues that should be covered by PBL's marketing department during conduct of a market research. (10 marks)

(c) Suggest how PBL could enhance its distribution strategy in order to ensure that customers receive quality goods at the right time. (5 marks)

(d) Prepare the guidelines which could be used by PBL's management while developing a marketing plan in order to gain a competitive advantage over its competitors. (8 marks)

(e) Apart from shifting production closer to the market and minimising transportation costs, explain the benefits which could accrue to PBL from joint ventures with foreign companies in countries where sales of PBL products are low. (5 marks)

(Total: 40 marks)

QUESTION TWO

(a) Explain six prerequisites for effective strategy development. (6 marks)

(b) Strategic management is regarded as a process with four different elements.

With reference to the above statement, illustrate using a well labelled diagram, how each element of strategic planning adds value to the strategic management process. (9 marks)

(Total: 15 marks)

QUESTION THREE

(a) Suggest four reasons why organisations are increasingly adopting a lower cost strategy in a highly competitive market. (4 marks)

(b) Explain six benefits of strategic management that could accrue to a marketing department of a manufacturing company. (6 marks)

(c) Evaluate five measures of an effective strategy in an organisation. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) The Institute of Certified Secretaries has organised a one day workshop for chief executive officers and other top managers in various organisations.

As a key facilitator in the workshop, prepare a brief presentation on "strategic decisions made by the top management in an organisation". (9 marks)

(b) Examine six strategies which could be used by managers to enhance corporate culture in an organisation. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Discuss five factors which could shape the strategies a company adopts in any given circumstance. (5 marks)

(b) Emerging technologies have led to new industries that leverage on modern technologies.

In relation to the above statement, describe ten challenges to strategy makers brought about by emerging industries through technologies. (10 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 2 September 2021. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

PQR ENERGY (PQRE)

PQR Energy (PQRE) is a government agency (parastatal) in the energy sector. The parastatal recently adopted strategic planning practice with the first strategic plan being developed in the year 2019.

The board of directors had actually considered the possibility of developing a strategic plan in the year 2018 and had provided the leadership commitment needed to make strategic planning a reality. The efforts of developing the first strategic plan were led by the Chief Executive Officer (CEO) working with a 12 member strategic planning team, facilitated by an external consultant. Using the balanced scorecard approach, the planning team developed ten objectives. These objectives were spread across the four quadrants of the balanced scorecard and were formulated along the lines of profit making organisations.

For each of the developed objectives, one or more types of performance measures were identified for tracking success. In addition, for each strategic objective, strategies were identified whose accomplishment would lead to achieving the overall strategic objectives. Furthermore, for each identified target, the strategic plan identified specific initiatives to be undertaken to accomplish the target.

Once the organisation level strategic plan was approved by the Board, PQRE established a training division and constituted office teams made up of a cross section of managers and employees. Employees were trained on strategic planning and the use of the balanced scorecard model. All the agency's scorecards were to be reviewed at least annually and updated as appropriate. Each of the scorecards was assigned a champion who would ensure implementation of the entire plan. Typically, the champion was the head of the organisational unit for which the balanced scorecard perspective was derived from. The framework was then cascaded to lower levels.

To track overall success, PQRE used performance measures for each objective and encouraged the use of more focused measures at each successive lower level of planning. Random surveys for both customers and employees conducted in the first few months showed that the results of the strategic planning activities were paying off in nearly all departments. The cost-benefit analysis, projects that all start-up costs of the strategic planning initiative will have been recovered a year before the end of the planning cycle primarily through process improvements to be brought about by the implementation of the strategic plan.

Towards the end of year 2020, a new Board assumed office with the responsibility of charting a strategic direction of the agency. The new Board assembled a new executive team. The Board however, decided to retain the strategic process and the senior management team closely associated with it during the tenure of the previous Board, even though it was considering altering strategic priorities going forward. This was expected to help provide a sense of continuity in an agency that was operating in a changed environment.

Having initiated its first strategic plan in 2019, the agency may not, like other experienced parastatals have all the elements in place. The parastatal presents a success story of hard work from dedicated people who are committed to achieving successful long-term outcomes. It relies primarily on action plans developed for individual strategic objectives and targets as a means of implementing strategic plans at each level of the organisation. PQRE places great importance on assigning individual managers to take the lead responsibility for implementing strategies and achieving strategic objectives. The performance measures for each strategic objective includes a mix of output and outcome indicators.

Training has been provided to managers regarding strategic planning, performance measurement and related elements of strategic management. The Board of PQRE has put in place a process for reviewing strategic agenda and environmental circumstances, refreshing relevant data collected both internally and externally and revalidating or upgrading the first strategic plan.

Required:

(a) (i) Identify four environmental obstacles that could pose special challenges to effective strategic planning at PQRE. (4 marks)

(ii) Propose how each of the identified obstacle in (a) (i) above could be addressed. (4 marks)

(b) The Board of PQRE is planning to undertake a comprehensive review of the current strategic plan.

Advise the Board on the following:

(i) The strategic role of managers at different levels in the organisation. (6 marks)

(ii) Six non-financial benefits for an organisation engaging in strategic management. (6 marks)

(iii) Five benefits of policies in enforcing strategy implementation. (5 marks)

(iv) Five principles of policy formulation which could determine the effectiveness of policies developed by PQRE in relation to strategy implementation. (5 marks)

(v) Four roles of the Board in strategy development. (4 marks)

(c) Identify six limitations of using the approach of strategic planning adopted by PQRE. (6 marks)

(Total: 40 marks)

QUESTION TWO

(a) Examine Henry Mintzbertg's 5Ps of strategy. (5 marks)

(b) Explain four internal factors which may influence an organisation's mission statement. (4 marks)

(c) Discuss six critical tasks that could determine successful implementation of a strategy in an organisation. (6 marks)

(Total: 15 marks)

QUESTION THREE

(a) With regard to strategic management, suggest five reasons why a company might use the Boston Consulting Group (BCG) matrix. (5 marks)

(b) Explain five reasons for increased focus on continuous improvement by organisations. (5 marks)

(c) Examine five ways of enhancing a learning culture in an organisation. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) With respect to environmental analysis, distinguish between "SWOT analysis" and "SOAR approach". (10 marks)

(b) Sumamrise five benefits of formulating clear strategic objectives. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Strategic planning does not provide a ready to use prescription for success; instead, it takes the organisation through a journey and offers a framework for addressing questions and solving problems.

With reference to the above statement, enumerate eight pitfalls to avoid in the strategic planning process. (8 marks)

(b) In most organisations, the transition from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers.

Required:

List seven management issues central to strategy implementation in a large organisation. (7 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 20 May 2021. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

KOKO PLC (KP), PESI PLC (PP) AND FIX PLC (FP)

Koko PLC (KP) and Pesi PLC (PP) are household names worldwide. Together, Koko and Pesi control over 70% of the global soft drinks market. Their success can be attributed to the differentiation strategies they developed to promote their products. These strategies have made them two of the most profitable global organisations. There are several parts to their differentiation strategies.

Firstly, both companies have built global brands by manufacturing soft drinks concentrate which give soft drinks their flavours. They then sell the concentrate in a syrup form to bottlers throughout the world. The bottlers are responsible for producing and distributing the actual soft drinks. They add carbonated water to the syrup, package the resulting drink and sell it through vending machines, supermarkets, restaurants and other retail outlets. The bottlers must also sign an exclusive agreement that prohibits them from bottling or distributing the products of competing soft drink companies. This creates a barrier to entry that helps prevent new companies from entering the industry.

Secondly, KP and PP charge the bottlers a premium price for the syrup, they then invest a large part of the profits in advertising to build and maintain brand awareness. They spend millions of shillings in order to develop global brand names. Brand names help KP and PP to differentiate their products so that consumers are more likely to buy a KP soft drink or a PP soft drink than a lesser-known brand. Moreover, brand loyalty allows both companies to charge a premium or a comparatively high price for what is after all, merely coloured water and flavouring.

In the last decade, the global soft drink environment has undergone a major change. An entrepreneur came up with a new strategy for competing against these dominant market players. His strategy was to produce a high quality, low priced soft drink bottled by Fix PLC where he was the chief executive officer. The company started selling its products under brands of major retail stores thus bypassing bottling firms. FP implemented its focused low cost strategy by charging a low price for its soft drinks. The company did not need to spend any money on advertising (other retail stores did that). FP's soft drinks were distributed by the store's chain using their efficient national distribution, such as nationwide trucking system developed by a giant retailer.

Retailers were willing to distribute FP's products due to the low prices of the drinks hence allowing them to make much more profit than they made from selling KP or PP soft drinks. At the same time, the products built their own brand image. The strategies adopted and implemented by FP led to an exponential growth of the company's market share due to increased demand for its products. This made the company to explore and supply the international market with soft drinks concentrates at prices lower than those of KP and PP. FP became the world's largest supplier of retailer-branded carbonated soft drinks.

To date, the company still focuses on its low cost strategy. It makes no attempt to compete with both KP and PP who still pursue differentiation strategy and whose brand names dominate the global soft drinks market. FP uses the Balanced Scorecard approach in evaluation of its strategies.

Required:

(a) With reference to the case, discuss Porters Competitive forces. (10 marks)

(b) Illustrate four ways in which Koko PLC (KP) and Pesi PLC (PP) have successfully used differentiation strategy to dominate the soft drinks industry. (8 marks)

(c) Examine four benefits enjoyed by different stakeholders from Fix PLC's (FP) focused low cost strategy. (8 marks)

(d) Discuss five ways in which the three companies in the case could leverage on information technology to become more competitive. (10 marks)

(e) Explain four drawbacks which could be experienced by FP from use of the balanced scorecard approach to evaluate its strategies. (4 marks)

(Total: 40 marks)

QUESTION TWO

(a) Explain the following terms as used in strategic monitoring:

(i) Lagging indicators. (2 marks)

(ii) Leading indicators. (2 marks)

(b) Justify the statement: "A company's organisational structure is a major contributor to its competitive advantage". (4 marks)

(c) With reference to strategic direction, analyse Mc Kinsey 7-S Framework. (7 marks)

(Total: 15 marks)

QUESTION THREE

(a) Summarise five non-financial benefits which an organisation could derive from effective strategic management. (5 marks)

(b) (i) With reference to strategic management in a global environment, explain the term "resource based view". (1 mark)

(ii) Analyse the five step resource based approach to strategy analysis. (5 marks)

(c) Customer satisfaction is at the heart of success of an organisation's strategies.

With reference to the above statement, examine four key elements of customer driven organisations. (4 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Describe six micro environmental factors a business might analyse during the strategic planning process. (6 marks)

(b) Assess five essential tasks of the strategic management process. (5 marks)

(c) Analyse four reasons why strategic plans fail. (4 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Formulating a well-conceived vision statement is necessary but not sufficient. It must be cascaded down to the lower level managers and employees.

With reference to the above statement, explain six roles of a good vision statement to an organisation. (6 marks)

(b) Analyse five characteristics of a strategy. (5 marks)

(c) With reference to strategy evaluation, highlight four limitations of benchmarking. (4 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

FRIDAY: 27 November 2020. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

PASA FOODS LIMITED (PFL)

Pasa Foods Limited (PFL) is the local manufacturing subsidiary of Pasa International Ltd. whose headquarters are in Turin, Italy. Established in 1976, Pasa International is one of the oldest food products manufacturing company in Northern Italy. PFL was incorporated in Kenya in 2008 with the objective of developing a foothold in the growing and untapped markets in East and Central Africa.

PFL has a food products processing factory on the outskirts of Narok town which is surrounded by one of the largest wheat growing areas in Kenya and operates a major distribution depot in Gisenyi on the shores of Lake Kivu in North Western Rwanda. This depot serves markets in the Democratic Republic of Congo (DRC), Central Africa Republic (CAR), Cameroon as well as Rwanda. The official language in the Central African countries is French and PFL has to consider this fact in branding and labelling its products. While Kenya and Rwanda enjoy political stability and increasing gross domestic product (GDP) growth rates, the Central African countries have encountered political instability in one form or another. However, recent World Bank projections indicate fair rates of economic growth in the next ten years. All the East and Central African countries enjoy low labour costs. In terms of infrastructure development, Kenya and Rwanda enjoy good roads, power and telecommunications networks. Some of the other countries do not have well developed infrastructure, but they have been working with the Chinese government to address this challenge.

In locating its African manufacturing hub in Kenya, PFL considered the relative political stability, low labour costs, competent work force, vibrant financial market, robust service industry, multicultural and diversified population and good infrastructure. Kenya and Rwanda are also signatories to major international treaties and are both members of the East African Community (EAC) and Common Market for Eastern and Southern Africa (COMESA). In 2019, DRC applied to join the 6 member EAC. PFL considers this as a positive move since DRC is its second largest market after Kenya. The East and Central African countries, PFL operates in are enjoying growing populations with substantial and exponentially increasing middle class.

PFL has a narrow product line consisting mainly of wheat products and sources its wheat from only one market, Kenya. The company manufactures spaghetti, pasta and biscuits. Recently, the company commissioned a state-of-the-art manufacturing plant in its Narok factory, which increased its production capacity three fold. PFL has been using a manufacturer's brand strategy for its three products line. The company protects its brands by registering them in countries where it markets its products. However, due to its products' success instances of counterfeits have been reported especially in its export markets of Central Africa.

Due to increasing demand for its products in the Central African Markets, PFL is considering other international market entry strategies other than export. This is projected to have a number of benefits accruing to PFL including but not limited to: lower distribution costs, better market knowledge as well as government incentives. The PFL strategic planning department for East and Central Africa has been tasked to prepare a five-year strategic plan to exploit the opportunities identified in this huge market.

PFL's operations in the region have not been without controversy. In 2017, PFL was accused by a local environmental lobby group of encouraging the local community to increase wheat acreage by clearing forests. This led to increased bush fires, pollution and soil erosion in the area. In response PFL established the Sustainable Living Plan (SLP) in 2018. The SLP initiative has three components namely: empowerment through corporate social responsibility (CSR), ecological preservation and sustainability and sustainable manufacturing which includes supporting wheat farming through sustainable farming methods, research and extension. The SLP seems to be working and PFL has won a number of environmental awards. Its production methods have also won recognition from the national manufacturing association.

Required:

(a) Citing relevant examples, evaluate PESTLE factors that PFL might face while executing their East and Central Africa business strategy. (12 marks)

(b) Develop a SWOT framework for PFL strategic planning department. (8 marks)

(c) Discuss five challenges that PFL could face in crafting a global business strategy. (10 marks)

(d) Examine five benefits that could accrue to PFL from product branding in its foreign markets. (5 marks)

(e) Assess five risks that PFL is likely to face in its international business expansion strategy. (5 marks)

(Total: 40 marks)

QUESTION TWO

(a) Explain the term "strategic benchmarking". (1 mark)

(b) Analyse five limitations of formal strategic planning in an organisation. (10 marks)

(c) Assess four roles of risk analysis in the development of corporate strategy. (4 marks)

(Total: 15 marks)

QUESTION THREE

(a) Explain the term "strategic drift". (1 mark)

(b) Discuss the implementation process of a newly developed strategy. (10 marks)

(c) Describe four characteristics of strategic management in small enterprises. (4 marks)

(Total: 15 marks)

QUESTION FOUR

(a) After formulating various strategies, an organisation then needs to select the right one.

Examine three ways of evaluating strategic options. (6 marks)

(b) Describe four characteristics of strategic planning that makes it distinct from tactical planning. (4 marks)

(c) (i) Explain the term "change management" in the context of strategic management. (1 mark)

(ii) Citing a relevant example in each case, distinguish between "strategic change" and "operational change". (4marks)

(Total: 15 marks)

QUESTION FIVE

(a) Citing a relevant example in each case, describe the three levels of strategy. (6 marks)

(b) Discuss four drawbacks of using the balanced scorecard during strategy evaluation. (4 marks)

(c) Explain five benefits that might accrue to an organisation from carrying out an external analysis. (5 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

WEDNESDAY: 27 November 2019. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

POLY CERAMICS LIMITED (PCL)

Poly Ceramics Limited (PCL) was established 15 years ago in Nairobi, Kenya. Its founder is a retired road engineer of a leading international construction company. The founder decided to use his expertise to form a company that would manufacture and market good quality ceramic products. By then, the construction industry business was booming. Over the period, PCL has become a market leader in the supply of ceramic and porcelain tiles for the local market.

PCL is considering adding the production of concrete slabs and kerbs to its product portfolio. The company's success could be attributed to its reliance on a highly competent and dedicated workforce and knowledge of the local market.

In expanding its product portfolio, PCL feels that the employees have the required competency to deal with the new product lines. The company has a Head Office and a manufacturing plant including a distribution warehouse along Mombasa road in addition to ten (10) distribution deports across the country. PCL has a workforce of 250 employees but is currently recruiting in readiness for production of the new products.

PCL has a medium sized transport department with a fleet of 11 trucks. The company provides subsidised transport services to its customers who buy in bulk. In recent times however, the management of PCL has been facing challenges in managing the transport aspect of the business. The company has decided to outsource the service so as to concentrate on its core business of manufacturing. This decision was initially resisted by employees in the transport department for fear of job losses. However, the management has agreed that as part of their separation deal, PCL will sell the department at very competitive terms to the employees and then outsource transport services from them. The employees have welcomed this decision which is a win win for both the company and its employees.

Competition in the industry is becoming more intense as new entrants both foreign and local are attracted by the booming real estate market. These new entrants have more advanced technology and competitive prices. PCL has no option but to reposition itself as a leader in the industry.

Recently, the strategy department was of the opinion that the future of the company lies in diversification and more control of processes through vertical integration. The Managing Director of PCL and his management team have prepared a strategic growth plan for the next five years to address the environmental challenges facing the company, grow revenue and manage risks. At a meeting to discuss the draft plan, the following strategic choices were proposed:

- More aggressive marketing within the existing markets.
- Development of new markets locally and regionally.
- Research and development of new products targeted at the current customers and the building industry.
- Diversification into real estate development to ride into the booming market in the region.

The strategy meeting also considered a market survey report by Soko Marketing Research, a marketing consultancy company. The research report identified business opportunities in the COMESA region. The Managing Director pointed out that in considering these growth opportunities, thought should be given to all the limiting factors. However, he challenged his team to ensure that all is done to have a business presence in all the countries in the COMESA region within the next five years.

Required:

(a) As the planning director of PCL, assess four benefits of a diversification strategy to the company. (8 marks)

(b) Argue a case for PCL outsourcing transport services. (10 marks)

(c) With reference to the case study, discuss five advantages of adopting a vertical integration strategy. (10 marks)

(d) Evaluate four export strategies that PCL could use to access the regional markets. (4 marks)

(e) Describe the Ansoff Product-Market Matrix and how PCL could make use of it while selecting its strategic options. (8 marks)

(Total: 40 marks)

QUESTION TWO

(a) Summarise five internal factors which might influence an organisation's mission statement. (5 marks)

(b) With reference to global strategic management, discuss five drivers of globalisation. (10 marks)

(Total: 15 marks)

QUESTION THREE

(a) Explain what is meant by the term "strategic fit". (2 marks)

(b) Analyse four challenges likely to be faced by firms which adopt concentration strategies. (8 marks)

(c) Mawasiliano Ltd. and Mapokeo Ltd. are communication companies in your country which have been in operation for the last ten years. Mapokeo Ltd. was incorporated in Britain and most of the technology used by the company today is imported from Britain. The management of Mapokeo Ltd. has approached you to advise on a possible joint venture between the two companies.

Required:

Advise the management of Mapokeo Ltd. on why companies undertake joint ventures. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) A firm must initiate creative strategic offensives to beat competition.

With reference to the above statement, highlight six ways of mounting strategic offensives. (6 marks)

(b) Describe six ways in which a strategic planning expert might improve the effectiveness of PESTEL analysis in an organisation. (6 marks)

(c) Explain three issues that might be considered during the strategic evaluation stage of strategic planning. (3 marks)

(Total: 15 marks)

QUESTION FIVE

(a) A key element in the successful implementation of strategies is the design of a suitable organisation structure.

With reference to the above statement, examine Henry Mintzberg's alternative organisational configurations and suitability of each configuration. (10 marks)

(b) Suggest five reasons why ethical issues have become important in corporate planning in recent years. (5 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 23 May 2019. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

PIRATI LIMITED (PL)

Pirati Limited is a company engaged in the design, manufacture and marketing of gas cylinders, gas pressure gauges, gas pipes and regulators for both domestic and industrial consumers. The company's main market is the countries in the East African region but it also exports to the South and West African countries. PL's current investment in assets is about Sh.1.5 billion and its turnover in the year 2018 was Sh.100 million.

Sales have not been adequate to allow the company to break even and this has become a great concern to shareholders and the executive management.

There has been a general recession in the economy due to political turbulence. The company has witnessed a decline in market share and stagnation in prices over the last couple of years due to an influx of imported competing products. Many customers have been switching to cheaper imported products from Asia.

The company has received an offer of co-operation from a foreign competitor who is similarly placed in respect of product range and market positioning. The offer includes the following:

1. Transfer of a manufacturing line from the competitor to Pirati Limited.
2. Manufacture of a range of products by Pirati Limited for the competitor to the latter's specifications and brand name.
3. Marketing by the competitor.

Benefits that are expected to accrue to Pirati Limited include better utilisation of PL's installed capacity and appropriate financial compensation for manufacturing undertaking. The production manager of Pirati Limited has welcomed the proposal since it will enable the company make profits and navigate through the economic slump facing the economy. The sales manager is however pessimistic about the perceived rosy future outlook since PL is unable to clear inventories and its export markets in South and West African countries are becoming too competitive due to increased production and competition by companies based in the South and West African countries.

The Chief Executive Officer (CEO) of PL is studying the offer and has suggested that PL should divest from less profitable products in its product line. However, the strategy and planning manager has insisted that PL requires to explore other stability and growth strategies. He insists that the company has been too conservative, has a narrow product line and is inward looking and risk averse.

The CEO has issued a notice for a top management strategy meeting and has included the following agenda items:

- Strategic direction of PL in light of changing competitive environment.
- Growth strategies for the medium term.
- Competitive advantage.
- Appropriate strategic management tools and techniques for Pirati Limited.

In preparing for the meeting, the CEO has requested the top managers to take into account protectionist policy measures targeting imports that have been introduced by some neighbouring trading countries, diversification possibilities and integration strategies.

Required:

(a) Assess five functional synergies likely to occur in case Pirati Limited merges with the foreign manufacturer. (10 marks)

(b) Discuss five strategies that Pirati Limited could make use of to overcome the neighbouring countries import restrictions. (10 marks)

(c) Describe four instances when a divestment strategy could be more beneficial to Pirati Limited. (4 marks)

(d) Explain using Porter's five forces model, the factors that could impact on Pirati Limited's business operations. (10 marks)

(e) Examine six factors that could hinder successful implementation of strategies pursued by PL. (6 marks)

(Total: 40 marks)

QUESTION TWO

(a) With reference to industry life cycle, comment on the activities which take place at the:

(i) Growth stage. (2 marks)

(ii) Maturity stage. (2 marks)

(iii) Decline stage. (2 marks)

(b) (i) Define the term "global corporation". (1 mark)

(ii) Evaluate four benefits that firms could derive from global products standardisation. (4 marks)

(c) In the context of implementation of a learning philosophy in an organisation, distinguish between "learning intent" and "learning capacity". (4 marks)

(Total: 15 marks)

QUESTION THREE

(a) Distinguish between "business level plan" and "business level strategy". (2 marks)

(b) Discuss five ways of managing strategic alliances. (10 marks)

(c) State three strengths often associated with virtual organisations. (3 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Explain the contribution of SWOT analysis to strategic planning. (4 marks)

(b) Discuss Henry Mintzberg's 5P's of strategy. (10 marks)

(c) With reference to strategic planning, explain the term "critical success factors". (1 mark)

(Total: 15 marks)

QUESTION FIVE

(a) Give four justifications of contingency planning in strategy evaluation. (8 marks)

(b) Identify seven merits of using Robert Kaplan and David Norton's Balanced Scorecard model in the strategy implementation process. (7 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 29 November 2018. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at end of the question.

QUESTION ONE

SHOPFRONT SUPERMARKETS LTD. (SSL)

Shopfront Supermarket Ltd. (SSL) is one of the pioneer retail chains in the country. SSL was established in 1971 by Manup Patel. At its peak, SSL had over 90 outlets in all the major towns in the country. SSL's success strategy was based on targeting the low income and middle income groups, a factor that dictated the location of its retail outlets.

In the late 1990s, the company recruited a new managing director who promised its shareholders that the retail chain would not continue being called the poor man's supermarket and whose vision was to take the chain to the high end market. However, this strategy was faced with a number of challenges including lack of suitable real estate in upmarket locations and shortage of financial resources.

During one of SSL's strategy board meeting, the new managing director informed board members that he had consulted some of the real estate companies in the country and had secured three strategic plots which were available for sale near state house. The company needed only to buy and develop them. A number of directors were however not convinced on the viability of the idea of buying land to build. They argued that such investment would tie up capital for a long period of time which might not augur well for a fast moving goods retailer. The managing director further informed the members of the Board that he had been able to negotiate a number of short-term loan facilities from a financial institution to finance the expansion. After much deliberations characterised by disagreements, the proposals were adopted and the necessary agreements signed.

During the same period, other large scale international retailers were getting some foothold into the local market. They looked for already existing retail space for letting and were able to establish their presence immediately while SSL was still constructing its facilities.

By the time SSL's new upmarket location was ready for occupation, four foreign retailers were already established in the local market and competition was fierce. SSL was also facing competition from on-line retailers who offered convenience shopping platforms for its target markets, the middle class and high end. SSL started facing cash flow problems which resulted in difficulties while servicing its short-term facilities with banks and other financial creditors. Its suppliers could go for months without being paid. Some of the suppliers took SSL to court to enforce payment.

To make matters worse, due to prolonged political unrest in the country, SSL faced low turnover in many of its low income outlets. The company also experienced a glut of retail space in the newly built shopping malls. To make use of the underutilised capacity, the company introduced a franchise system with the Shopfront brand name. The strategy seemed to work since the brand name was well known in the market.

In the meantime, the financial woes of SSL increased due to a rise in interest rates given that most of its loan facilities had floating rate terms. Some of the creditors of the company were able to obtain judgement against SSL making the company sell some of its prime properties in order to discharge liabilities. Suppliers were also demanding cash payments for deliveries. Employees in some outlets were also withdrawing their services and picketing. They were demanding payment of salary arrears.

To ensure business continuity, SSL sought a strategic partner to invest capital to shore up the financially strapped retail chain. As part of the deal, SSL sold its loss making outlets and ceded top management positions to the strategic investor. As a result of the strategic partnership and consolidation, 876 of SSL's employees were retrenched.

Required:

(a) Evaluate five PESTEL factors which might have impacted on Shopfront Supermarkets Ltd. (SSL) when executing their strategy. (10 marks)

(b) Discuss five advantages of franchising as a business strategy for SSL. (5 marks)

(c) Using the Ansoff Matrix, illustrate four options that were available to SSL in expansion of sales and profits. (10 marks)

(d) To reduce costs and control supply, SSL is considering backward integration business strategy.

Required:
Explain five disadvantages of this strategy to SSL. (5 marks)

(e) List five stakeholders of SSL and highlight each stakeholder's interests. (10 marks)
(Total: 40 marks)

QUESTION TWO

(a) Outsourcing to offshore locations is a strategy based on the theory of comparative advantage.

In the context of the above statement, analyse five reasons why the strategy could be employed by multinational corporations (MNC's). (5 marks)

(b) Evaluate the process of effective implementation of strategy. (10 marks)
(Total: 15 marks)

QUESTION THREE

(a) In the context of learning organisations, explain the difference between "tacit knowledge" and "explicit knowledge". (2 marks)

(b) Not all business units in an organisation are strategic business units (SBU's).

Required:
With reference to the above statement, examine the criteria used to determine whether a business unit qualifies as a strategic business unit (SBU). (5 marks)

(c) TOWS matrix is a tool used to develop strategic options from an external – internal analysis of an organisation's environment.

Required:
With the aid of a diagram, discuss four strategic options an organisation could pursue from TOWS analysis. (8 marks)
(Total: 15 marks)

QUESTION FOUR

(a) Explain four roles of organisation culture in strategic management. (4 marks)

(b) In the context of strategic management process, analyse six areas of review of an organisation's internal environment. (6 marks)

(c) Assess five characteristics of strategic decisions. (5 marks)
(Total: 15 marks)

QUESTION FIVE

(a) In the context of strategic tools and techniques, explain the term "gap analysis". (1 mark)

(b) Summarise four benefits which could be derived by an organisation from gap analysis. (4 marks)

(c) Discuss five limitations of Porter's five forces of competitive position analysis model. (10 marks)
(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 24 May 2018. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

MTWANA COUNTY

Kapeni Mpewa has recently been elected as the governor of Mtwana County. Kapeni Mpewa is taking over from Keen Engawa, who served the people of Mtwana County for five years. He has taken over the administration of the county at a time when several manufacturing plants have shut down leading to loss of jobs. The County under Keen Engawa was mismanaged and instead of the county residents reaping benefits of devolution, few people close to the governor were enriching themselves.

The executive authority of the county which was legally vested in the county executive committee was instead exercised by the governor, sometimes through roadside declarations. The governor had no respect for the county plans which had been formulated and duly passed by the county assembly. Although Mtwana County's integrated development plan contained priority projects for the county for the past five years, most of the projects under implementation had neither been approved by the county assembly nor subjected to public participation.

Kapeni Mpewa has an arduous task of rebuilding the county. Large scale retailers who moved out of the county to other counties with favourable business environment need to be encouraged to return to Mtwana County. The water and sewerage system needs urgent replacement and upgrading, especially at the town centres. The road network is dilapidated causing traffic snarl up in Umunga and Mawipi towns. The health facilities are run down with neither medication nor equipment. Garbage which had become an eyesore, and security of people and businesses which had deteriorated should be prioritised. Open spaces which had been left for public utilities such as grabbed playgrounds need to be repossessed.

For one to get a job in the county, money had to change hands or one had to be a relative of the county officials. All this has to change. In addition, the county owes suppliers billions of shillings in pending bills. The new governor inherited huge questionable debts.

The county residents have in the past been up in arms over constant water shortages, sprawling and stinking sewage, hawkers menace and insecurity. These and many others are the challenges that the new governor must address.

The county no longer attracts foreign direct investment and most of its employees are highly demotivated. Revenue generation levels have significantly decreased largely due to leakages. The county developed mission and vision statements which bear no semblance to the services offered. Employees no longer care about service delivery.

Kapeni Mpewa was well aware of the challenges facing Mtwana County and he campaigned on the platform that he would turn the county around.

Two weeks ago, Kapeni Mpewa initiated the process of strategic planning. One of the senior county officials, who worked closely with Keen Engawa, was overheard saying, "We have done this before and it did not work".

Required:

(a) Employees of Mtwana County seem to have a defeatist attitude towards their work.

Advise the new governor on six measures that he might put in place to change this culture. (6 marks)

(b) "We have done this before and it did not work", one of the senior county officials was heard saying.

Cite five reasons why the strategic planning process could have failed in Mtwana County. (10 marks)

(c) Discuss five ways in which Mtwana County Government might benefit from an organisation development programme. (10 marks)

(d) As a strategic planning consultant, advise Mtwana County Government on:

(i) Contents of the county integrated development plan. (8 marks)

(ii) Principles of citizen participation in county strategic planning. (6 marks)

(Total: 40 marks)

QUESTION TWO

(a) With respect to development of a vision statement, describe the term "values audit". (1 mark)

(b) Discuss four areas of concern in corporate level strategy. (8 marks)

(c) Suppliers form part of a firm's external environment.

Evaluate six ways in which supplier power increases in an industry. (6 marks)

(Total: 15 marks)

QUESTION THREE

(a) Discuss five strategy implementation challenges that might be faced by an organisation. (10 marks)

(b) Analyse five factors which might cause intense competitive rivalry among firms in an industry. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Explain five merits of team building as a strategy for managing strategic change. (5 marks)

(b) Suggest five guidelines for effective control in strategy management. (5 marks)

(c) Analyse five interventions an organisation could use in a turnaround strategy. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Analyse five reasons why companies form strategic alliances. (5 marks)

(b) Discuss five types of strategic alliances. (10 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 30 November 2017. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

HEPO GROUP INC. (HGI)

Hepo Group Inc. (HGI), a Chinese refrigerators manufacturing company started operations in 1970. Min Lee took charge of the company in 1980 and his first action as the Chief Executive Officer (CEO) was to take a hammer and smash one hundred and twenty refrigerators because of their poor quality. This action was informed by a customer who had returned a faulty refrigerator to the factory. Min Lee and the customer went through the entire inventory of three hundred refrigerators looking for a replacement and in the process he discovered that his stock had a 40% failure rate. To emphasise importance of product quality to employees, the CEO would smash any refrigerator which had defective parts. For Min Lee to succeed, he had to pursue a global strategy. He was dedicated to producing quality products which could be sold globally.

Min Lee joined HGI when the company was in deep financial trouble with more than Sh.900 million in debts. By then, the company had only one product and 800 employees. Today, the company has over 10,000 employees working in various locations around the globe. The company manufactures 150 different products in over 16 categories ranging from air conditioners to mobile phones to vacuum cleaners and other electronics. It has manufacturing facilities in 13 countries. In addition to manufacturing, it also has 18 research, development and design centres around the world. On average it innovates one new product per month. Continuous innovation is the soul of HGI's corporate culture. Its products are now known globally for quality and innovation.

In Min Lee's push to make the brand global, HGI began sponsoring a basketball team now known as the Hepo Pushers. It also recently signed a sponsorship deal with the Lions Rugby League team and has become the marketing partner of a number of hockey leagues in many countries.

HGI was selected as the official home appliances sponsor of a recently held athletics championship. This type of exposure is likely to go a long way toward HGI's strategic goal of becoming a truly global brand.

Required:

(a) Evaluate four competitive advantages exhibited by HGI. (8 marks)

(b) Explain six benefits which could accrue to HGI from conducting environmental analysis. (6 marks)

(c) With reference to Min Lee, assess six characteristics of strategic leadership. (6 marks)

(d) Strategic posture is an approach company leaders take while applying business strengths to the current and long term needs of the market place.

With reference to the above statement and in the context of differences in the strength of pressure for cost reduction versus those for local responsiveness, illustrate four strategic postures which HGI could adopt in order to compete internationally. (10 marks)

(e) With the aid of a diagram, describe how Min Lee and the management team designed a strategic control system to ensure that the company's strategies were effective. (10 marks)

(Total: 40 marks)

QUESTION TWO

(a) (i) Explain the term "vertical integration strategy". (2 marks)

(ii) Discuss four reasons why a company might adopt the strategy in (a) (i) above. (8 marks)

(b) Argue five cases in favour of a stability strategy. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Analyse three steps in the strategic planning process. (6 marks)

(b) Discuss the three levels of strategy. (6 marks)

(c) With respect to products and technologies, explain three aspects of innovation strategy. (3 marks)
(Total: 15 marks)

QUESTION FOUR

(a) Assess Michael Porter's business level strategies. (8 marks)

(b) Summarise seven management interventions central to strategy implementation. (7 marks)
(Total: 15 marks)

QUESTION FIVE

(a) Discuss five disadvantages of adopting cost leadership strategy in a highly competitive market. (10 marks)

(b) Analyse five risks associated with international expansion. (5 marks)
(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 25 May 2017. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

EDENMARK LTD.

Edenmark Ltd., a retail chain of supermarkets in the region was established in 2002. The retailer's success over the years is often attributed to institutionalisation of Michael Porter's value chain model in the organisation.

Edenmark Ltd. spends a quarter of its expenditure on information technology and the company's ability to spot changing preferences among its customers has been exemplary. All the offices of Edenmark Ltd. have an open plan layout. The open office plan fosters frequent discussions and promotes sharing of real-time data as well as field observations and anecdotes. Non specialised employees are rotated among different functions every six months. By exposing these employees to different functions, they acquire new skills and competencies and the company in return is able to develop a holistic feel of the retail market, appreciate how their work fits within the organisation and explore new opportunities as they arise.

Recently, Edenmark Ltd. has been experiencing tremendous growth and increasing market share. The company increased its revenue from Sh.10.7 billion in year 2014 to Sh.11.5 billion in year 2015. Its net income nearly doubled during that period. In the same financial year, the company was a recipient of an award for good corporate governance practices.

Edenmark Ltd. opened seven new retail outlets in year 2016 when other retailers were struggling to keep their doors open. The low prices and the company's wide variety of high quality products have continued to attract thousands of new customers. The management attributes this to the company's well thought out new strategies. The new strategies were formulated after realising the limitations of SWOT (strengths, weaknesses, opportunities and threats) analysis. Edenmark Ltd. moved away from SWOT to a different approach to strategic planning – SOAR (strengths, opportunities, aspirations and results), building strength-based strategies and the use of the Balanced Scorecard.

The management's strategic approach is in the belief that everything the company does is for the long-term. This strategic approach has resulted to integrated financial analysis and stakeholder analysis, increased sales at existing locations through improved customer service. Improved customer service was due to use of enhanced technology and 24 hour operation in outlets located in highly populated areas. Other strategies put in place by Edenmark Ltd. include establishment of online retail system targeting thousands of its social media customers.

The company has a free after sales service system that guarantees delivery of products within two days. This service is known as "EL Serve". EL Serve is a complex system which proved difficult for competitors to copy. EL Serve depends on several factors such as Edenmark Ltd.'s wide selection of products at low prices, wide network in the supply chain and a finely tuned distribution system.

Today, two years after the programme was created, competitors, both online and offline have realised the increasing threat posed by EL Serve and are reacting through various interventions. Edenmark Ltd. continues to add more merchandising categories to EL Serve in response to market demand. The service has thus turned out to be ingenious and an effective customer loyalty programme in e-commerce within the region.

Required:

(a) Examine five critical limitations of SWOT analysis that might have led the management of Edenmark Ltd. to switch to SOAR during the development of the company's current strategic plan. (10 marks)

(b) Explain how Edenmark Ltd. could enhance its use of internet and other digital technologies to streamline its operations. (8 marks)

(c) Discuss the importance of the four perspectives in the Balance Scorecard strategy to the management of Edenmark Ltd. (8 marks)

(d) Advise Edenmark Ltd. management on how to:

(i) Recognise a good business opportunity. (6 marks)

(ii) Evaluate a business opportunity. (8 marks)
(Total: 40 marks)

QUESTION TWO

(a) Summarise four distinguishing features between "strategy formulation" and "strategy implementation". (4 marks)

(b) Explain five strategy related responsibilities of corporate level managers. (5 marks)

(c) Discuss three types of strategic change. (6 marks)
(Total: 15 marks)

QUESTION THREE

(a) Analyse five features of an effective strategy evaluation system. (5 marks)

(b) Explain four steps to follow when changing an existing organisation culture to match a new strategy. (4 marks)

(c) With reference to monitoring and review methodologies, explain the following terms:

(i) Strategic report cards. (2 marks)

(ii) Strategic audit. (2 marks)

(iii) Vulnerability analysis. (2 marks)
(Total: 15 marks)

QUESTION FOUR

(a) Assess four reasons that might cause a company to lose its competitive advantage. (4 marks)

(b) Even the most creative strategies have no value if they cannot be translated into action.

With reference to the above statement, describe five methods which could be used to ensure effective strategy execution. (5 marks)

(c) In the context of strategic leadership, discuss three Vroom-Yetton-Jago decision making model approaches. (6 marks)
(Total: 15 marks)

QUESTION FIVE

(a) Analyse six forms of organisational learning. (6 marks)

(b) Organisation culture could contribute or hinder successful strategy execution.

With reference to the above statement, enumerate five reasons why a good fit between strategy and organisation culture is important. (5 marks)

(c) Argue the case against the use of mission statements by organisations. (4 marks)
(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 24 November 2016. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

Benfica International Limited (BIL)

Benfica International Limited (BIL) is a successful multinational company which manufactures high quality photocopying machines. BIL shipped its first 1,000 copiers in 1980 and for the subsequent fifteen years, it dominated the photocopier market in the world. However, by the year 2000 the company was facing problems. Two Japanese companies, Cassidy and Baiku had emerged as significant global competitors, selling high-quality copiers at a price equivalent to BIL's. Fuelled by relatively high costs and prices, BIL's market share fell by half and its return on assets slumped by 8 percent in the year 2003. BIL's misfortunes increased when it began to produce and market copiers in the United States of America that had been designed by its Japanese affiliate, Beng Copiers. The rejection rate of Beng Copiers parts was 80%. Visits to Beng Copiers revealed that quality in manufacturing does not increase costs, it decreases costs by reducing the number of defective products and service costs.

In 2005, BIL launched a series of initiatives which transformed the way the company ran its operations. Before then, the company had more than 5,000 individual suppliers worldwide. The management realised that by consolidating the company's worldwide supply base, the company could regain its competitive advantage over its rivals. This was achieved using the following two strategies:

- Simplifying the procurement process, which enabled the company to reduce overheads significantly.
- Having each supplier produce a specific part for BIL's photocopiers.

The interventions enabled the suppliers to achieve economies of scale in production. The saved costs were passed on to BIL in the form of lower prices of the photocopier parts. By cutting down the number of suppliers, BIL found it easier to work with fewer suppliers and improve the quality of component parts. Consolidation of suppliers was achieved through formation of commodity teams which included buyers' engineers, costing experts and quality control personnel. These teams were able to reduce BIL's supplier base from 5,000 to 325 suppliers. This indeed was a great achievement. In order to support the suppliers, BIL introduced a quality training programme with its suppliers. The goal of the programme was to reduce the number of defective parts coming from suppliers to under one thousand per million (0.1%). They managed this and even went further to a defect rate for parts of under 300 per million (0.03%).

To further improve operations, BIL introduced effective leadership through quality programmes. Groups were formed throughout the company from top management down to the factory floor. Each group received training on quality improvement programmes. Emphasis was placed on identifying quality shortfalls, determining the cause, developing solutions and implementing them. The company started to focus on its new product development process. The first goal was to design products that could be customised to market conditions in different countries. The products were to contain a large number of globally standardised parts. The second goal was to reduce the time it took to design new products. BIL managed this by establishing multifunctional and multinational product development teams. The teams managed the design, component sources, manufacturing, distribution and follow-up customer service. The new approach enabled the company to come up with new improved photocopiers including the unique 5100 brand. The company also enhanced its collaboration with Beng Copiers.

BIL was able to eliminate over Sh.1 billion costs in inventory and Sh.200 million in other related costs by linking worldwide customer orders more closely with production. The company formed a subsidiary multinational organisation named Brown logistics whose aim was to achieve tight integration between individual customer orders and plant production levels thereby reducing the need to hold excessive inventory. As a result of all these steps, BIL's position improved markedly and the company was able to regain its market share from its competitors. BIL's profits and revenues also went up after its market share increased from a low of 10 percent in the year 2004 to 20 percent in 2009.

Required:

(a) Highlight five functional strategies implemented by BIL towards improving the effectiveness of its operations. (10 marks)

(b) Discuss six ways in which the concept of value chain was applied in Benfica International Limited (BIL). (12 marks)

(c) Illustrate five ways in which the managers of BIL created a sustainable competitive advantage. (10 marks)

(d) Explain two of Michael Porter's competitive strategies which were adopted by BIL. (4 marks)

(e) Examine four factors which could have contributed to the diminished market share of BIL before year 2005. (4 marks)

(Total: 40 marks)

QUESTION TWO

(a) With reference to organisational structure, explain the term "modular organisation". (2 marks)

(b) Analyse three circumstances that might lead to forward integration of organisations. (3 marks)

(c) Assess five product development strategies that an organisation could implement. (5 marks)

(d) Examine five areas that an organisation might focus on while evaluating their strategic performance. (5 marks)

(Total: 15 marks)

QUESTION THREE

(a) Evaluate four strategic orientations of global firms. (8 marks)

(b) (i) With reference to Henry Mintzberg (1988) "typology of generic competitive strategies", distinguish between "differentiation strategies dimension" and "scope strategies dimension". (2 marks)

(ii) In relation to (b)(i) above, discuss five differentiation strategies. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Summarise six limitations of using BCG product portfolio matrix analytics in an organisation. (6 marks)

(b) Analyse four external environmental factors that might have greatly contributed to increased importance of strategic management in organisations. (4 marks)

(c) With reference to Michael Porter's Model of competitive forces, evaluate five barriers to market entry. (5 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Discuss five barriers that could hinder successful strategy implementation. (5 marks)

(b) Explain eight measures that could be instituted in an organisation to deal with organisational politics. (8 marks)

(c) Examine the role of monitoring and evaluation frameworks in strategic management. (2 marks)

(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 26 May 2016. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

BE MY FRIEND (BMF) LTD.

Be My Friend (BMF) Ltd. is a social media networking company which owns the popular social media platform "Freddy". The company was started in the year 2005 from humble beginnings within Hpad University's halls of residence. Freddy was developed by two undergraduate students, James Pie aged 18 years and Peter Kane aged 17 years by then. Through the strategic leadership of James Pie the company was able to outrun its main competitor, Myfield, which was very popular with the online community before Freddy was developed. The Chief Executive Officer (CEO) of BMF has been able to manage the value proposition of Freddy's users and customers by ensuring that users have positive online experiences.

From 2005 until early 2008, Myfield was the most visited social networking site in the world. The owners of Myfield failed to manage the quality of user experiences on their network and began losing customers to Freddy. The founders of BMF had a vision to provide a social networking site with a clean design and better user experience. The unique focus on relationship management enticed users to visit Freddy more often and stay much longer. This attracted advertisers who were willing to invest aggressively. Consequently, Freddy quickly caught up with Myfield by providing quality online services and became the number one social networking site in the world.

Freddy has been able to fundamentally change how people use the web and access information. Freddy's focus on building a network of relationships has been enticing internet users to change the way they interact and communicate online. This is why companies that make money by providing e-mail services and search engines feel threatened. Online users are moving away from a search for content approach to one of managing relationships.

Freddy offers a business model where users get free access to the social networking site in return for posting personal information to facilitate connecting with friends. Revenues are generated through leveraging on the personal information of users in ways that benefit advertisers, who then pay generous sums in order to implement marketing campaigns which are targeted at specific demographics of interest. The social network users input their data into Freddy, like products they just purchased online, or update the status of events thereby helping Freddy mount targeted campaigns to advertisers by defining items that the users are more likely to require. This has made organisations hoping to do online brand advertising to seek advertising services from BMF. Myfield failed to innovate and stuck to building an audience around entertainment and music. While BMF focused on creating a platform that allowed developers to build new applications, Myfield built everything in-house. According to Myfield's former head of marketing, John Armstrong, the social media platform failed because it had a lot of products that were shallow. Myfield users had also to contend with pages cluttered with distracting advertisements, annoying features, an unstable host platform subject to crashing and customisable profile pages that littered its network with garbage in the form of flashing pictures, auto starting music players and tacky background pictures that rendered text unreadable. Myfield network was under engineered and caused some sites to get bogged down to the point that users reported page loads repeatedly timed out. In contrast, Freddy network could easily accommodate its user load. Users of Myfield complained of too much spam, too many advertisements, profile pages that were not visually appealing nor fun to browse. In comparison, Freddy had less information intensity, a standard profile page layout which allowed users to quickly find information of interest. It also allowed users to set up a webpage and create their own personal show about their experiences and was generally perceived to be more fun by the younger generation.

The gains at BMF could not be achieved without the great leadership of the CEO. From the outset the CEO created a friendly, democratic and high performance culture suitable for nurturing innovations. The company plans to diversify its product portfolio within the next five years.

QUESTION ONE

(a) Analyse the BMF Ltd. case using the Ansoff (1957) matrix. (10 marks)

(b) Examine the innovate process that BMF Ltd. could have followed while developing and rolling out Freddy. (12 marks)

(c) Describe eight qualities of a strategic leader which are exhibited by the CEO of BMF Ltd., James Pie. (8 marks)

(d) Assume that you were hired by the management of Myfield platform to advise on diversification strategy.

Advise the management on circumstances when unrelated diversification might be an effective strategy. (10 marks)
(Total: 40 marks)

QUESTION TWO

(a) Examine seven qualities of a good strategic plan. (7 marks)

(b) Discuss three categories of the criteria used while evaluating strategic options. (6 marks)

(c) Explain the term "corporate strategy" as used in strategic management. (2 marks)
(Total: 15 marks)

QUESTION THREE

(a) Describe six challenges a production manager of a local newspaper would anticipate while implementing a strategy for increasing the number of pages in the newspaper by 50%. (5 marks)

(b) Discuss five techniques of assessing the level of business excellence development in an organisation. (10 marks)
(Total: 15 marks)

QUESTION FOUR

(a) Discuss the following strategies:

(i) Stay on the offensive strategy. (6 marks)

(ii) Fortify and defend strategy. (6 marks)

(b) Explain three approaches to strategy formulation. (3 marks)
(Total: 15 marks)

QUESTION FIVE

(a) Argue the case for and against implementation of a matrix structure in an organisation. (10 marks)

(b) Illustrate the strategy evaluation and control process. (5 marks)
(Total: 15 marks)

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CS PART III SECTION 6

STRATEGIC MANAGEMENT

PILOT PAPER

September 2015. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

PELI CORPORATION

Peli Corporation is a multinational fast-food distributor that was started 20 years ago by an American couple. The Chief Executive Officer (CEO) of Peli Corporation, Mr. Greenberg and his wife have enjoyed the steady success of their firm witnessing what started as a small family business expand to over 20 countries in four continents. Mr. Greenberg realised there was a major problem in the year 2013 when their earnings started declining steadily. The net income not only shrunk by 40% but also suffered from slow sales growth way below the industry average during that period. Although their market share was still significant compared to their main competitors, there was slow growth.

The question of what was the cause of the decline was raised. It was observed that there was a growing trend of customers moving to healthier types of meals that were being offered by some of their main competitors. Customers were also getting conveniently available alternatives at the supermarkets convenient stores and even at the petrol stations. This convenience has caused many patrons to switch away from the fast food outlets.

Besides that, it was realised that there seemed to be an increasing trend in fast casual dining which has affected sales. Patrons are now willing to spend extra for the traditional fast serving but with better and classy ambience. Due to this phenomenon, the growth of fast casual segments grew from 15% to 20% compared to only 2% growth for the fast food chains.

Peli Corporation was also facing stiff competition from other fast food chains such as Lily's and Fiona's These competitors were catching up fast by recognising the importance of drive-through customers. They were enhancing their preparation methods and speeding up their delivery process. They were competing on new innovations and speed in responding to upcoming market trends and customer preferences.

Upon analysing the causes of the problem, it became apparent that the situation had to be addressed urgently to avoid a chain reaction and decline in the global market. It was therefore necessary for Peli Corporation to re-strategise and develop new and innovative product lines, promotion facilities and even to venture into new market segments.

Required:

(a) Conduct a SWOT Analysis for Peli Corporation based on the facts of this case. (10 marks)

(b) Explain to the management of Peli Corporation three benefits and three risks of formal strategic planning. (6 marks)

(c) Explain the application of Porters five forces model in analysing Peli Corporation's competitive environment. (15 marks)

(d) In relation to Peli Corporation's case facts, demonstrate the relationship between planned and emergent strategies. (9 marks)

(Total: 40 marks)

QUESTION TWO

You have been invited by an association of youth entrepreneurs seeking funding from National fund. They have been informed that one of the requirements for the funding is to prepare a strategic plan for their respective proposed enterprises.

(a) Explain to the youth entrepreneurs the key steps in the strategic planning process. (9 marks)

(b) Outline to the entrepreneurs the six key components of a firm's mission statement. (6 marks)

(Total: 15 marks)

QUESTION THREE

(a) The essence of strategy is to build competitive advantage faster than competitors can imitate. Based on Porters generic strategic options, explain the main basis of competitive advantage at the business level. (6 marks)

(b) Discuss the application of Balanced Score Card as a strategic management control tool. (9 marks)

(Total: 15 marks)

QUESTION FOUR

(a) After developing a strategy, it's important to ensure effective implementation in order to realise the intended benefits.

Explain the four key steps through which successful strategy implementation goes through. (8 marks)

(b) Briefly explain the contribution of the following to strategy implementation:

(i) Structure.

(ii) Leadership.

(iii) Organisational culture.

(7 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Implementation of a new strategic plan requires introduction of change in the organisation. Explain what strategic leaders can do to manage resistance to change. (8 marks)

(b) Discuss the relevance of "knowledge management" in today's organisation. (7 marks)

(Total: 15 marks)

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