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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

COURSE CODE: MBA 811

COURSE TITLE: STRATEGIC MANAGEMENT

DATE: 06/10/2022 TIME: 9.00AM – 12.00PM

INSTRUCTION TO CANDIDATES

- Answer question **ONE** (compulsory) and any other **THREE** questions
- Question **ONE** attracts **40 marks**
- Time allowed is **THREE** hours
- All other questions attract equal marks (**20 marks**)

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE

Read the case below and answer the questions that follow:

FANAKA TRADERS LIMITED WOES

Fanaka Traders Limited is in a tight spot — literally, between a rock and a hard place. A competitive retail sector, delay in payments to suppliers, apathy on its on-going rights issue and a growing debt portfolio have put the firm in a dilemma, even as it details plans to increase its footprint in East Africa. Falling profitability and erosion of the firm's share price have also put Fanaka Traders Limited's future in doubt, with analysts blaming a "poor" business strategy for the woes. The share price fall has seen the company's capitalisation shrink to Sh2.2 billion currently, from highs of approximately Sh6 billion last year.

Since June 2020, the share price shed 37 per cent of its value to Sh8.20 sometime last week. This led chief executive officer Mr Mapambano to claim institutional and foreign investors were sabotaging the firm's share price in a bid to take it over. The firm is conducting a rights issue at a discounted price of Sh9 apiece. "We believe the share price movement was greatly affected by the delay in the rights issue, loss in competitive advantage and market share as well the company's strategy on expansion, profitability and risk, which have not been properly communicated to the market," analyst Msema Kweli said in an analysis of the firm last week.

He further said Fanaka Traders Limited has been unable to keep up with modern, sophisticated consumer trends, compared with its competitors. This has seen it lose its competitive edge. "Weeding out inefficiencies in the company, refurbishment and/or complete overhaul of some of the old branches, as well as shaping its expansion strategy, will easily bring Fanaka Traders Limited back on track, given its strong brand name and the industry's growth prospects," he said.

As at the end of Friday last week, Fanaka Traders Limited's share price gained 8.9 per cent to close the day at Sh9.15, 2 per cent above its rights issue price. A plunge of the share price below the discounted price had caused alarm to the management. "I think any trading that is happening on Fanaka Traders Limited is on a willing buyer-willing seller basis, and that is the beauty of markets where people are able to meet and transactions happen where they agree on the price," Sokomoko Stock Exchange acting chief executive officer said.

"When you are in an open market, you can't blame the forces of supply and demand. You can't challenge these forces when you are a publicly-listed company. Ask yourself where you went wrong," said the director of investment banking at Smart Investment Bank, Mr Pesa. The Stock Markets Authority said it could not comment on Fanaka Traders Limited's allegations of sabotage of its share price, adding that was a non-issue meant to divert attention on the real issues facing the firm. Other analysts have blamed a lack of proper strategy and management

focus for the firm, even as it does a balancing act between a rights issue, expansion plans, debt repayment and paying its suppliers.

- a) It is evident that a simple mistake by the management or the board of directors can have far reaching negative effects. What makes strategic decisions unique? **(10 marks)**
- b) As can be seen, an organisation may formulate a strategic plan and on implementing its contents environmental changes may occur to the extent that the realised strategy is not what was planned. Advise such management on the available schools of thought in relation to strategy. **(10 marks)**
- c) What advice would you give on the appropriate business strategies that this organization may adapt for use? 10 marks
- d) What role do managers play in strategy implementation? **(10 marks)**

QUESTION TWO

- a) Assume that you have been hired as a CEO of an organization and you have been asked to prepare a formal strategic plan. Explain how you would undertake the process. **(10 marks)**
- b) Understanding the industry environment in the competitive business world requires that attention is paid to components that are specific and are of immediate concern to the organization even though they are located outside. Explain **(10 marks)**

QUESTION THREE

- a) Using suitable examples, explain how you would apply Porter's five forces model in analyzing competition in an industry. **(10 marks)**
- b) Internal analysis of an organization seeks to identify and develop an organisation's resources to enable it take advantage of opportunities and handle threats in environment hence gain a competitive advantage. Describe how as a manager in an organization you can use Value Chain Analysis. **(10 marks)**

QUESTION FOUR

- a) Strategy formulation entails creation of a good mission statement. Using an appropriate example, describe the contents of a good mission statement. **(10 marks)**
- b) Describe how a firm may entrench retrenchment strategy into its corporate strategy. **(10 marks)**

QUESTION FIVE

- a) Using appropriate examples in the Kenyan market, explain **FIVE** conditions that favour the use of cost focus strategy in an industry. **(10 marks)**
- b) Strategy implementation in organizations may fail or succeed as a result of the kind of organizational structure adopted. Describe any such four structures using suitable examples. **(10 marks)**