

KASNEB

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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