

# KASNEB

## 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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