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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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