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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)