

KASNEB

CS PART III SECTION 6

STRATEGIC MANAGEMENT

THURSDAY: 25 May 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

EDENMARK LTD.

Edenmark Ltd., a retail chain of supermarkets in the region was established in 2002. The retailer's success over the years is often attributed to institutionalisation of Michael Porter's value chain model in the organisation.

Edenmark Ltd. spends a quarter of its expenditure on information technology and the company's ability to spot changing preferences among its customers has been exemplary. All the offices of Edenmark Ltd. have an open plan layout. The open office plan fosters frequent discussions and promotes sharing of real-time data as well as field observations and anecdotes. Non specialised employees are rotated among different functions every six months. By exposing these employees to different functions, they acquire new skills and competencies and the company in return is able to develop a holistic feel of the retail market, appreciate how their work fits within the organisation and explore new opportunities as they arise.

Recently, Edenmark Ltd. has been experiencing tremendous growth and increasing market share. The company increased its revenue from Sh.10.7 billion in year 2014 to Sh.11.5 billion in year 2015. Its net income nearly doubled during that period. In the same financial year, the company was a recipient of an award for good corporate governance practices.

Edenmark Ltd. opened seven new retail outlets in year 2016 when other retailers were struggling to keep their doors open. The low prices and the company's wide variety of high quality products have continued to attract thousands of new customers. The management attributes this to the company's well thought out new strategies. The new strategies were formulated after realising the limitations of SWOT (strengths, weaknesses, opportunities and threats) analysis. Edenmark Ltd. moved away from SWOT to a different approach to strategic planning – SOAR (strengths, opportunities, aspirations and results), building strength-based strategies and the use of the Balanced Scorecard.

The management's strategic approach is in the belief that everything the company does is for the long-term. This strategic approach has resulted to integrated financial analysis and stakeholder analysis, increased sales at existing locations through improved customer service. Improved customer service was due to use of enhanced technology and 24 hour operation in outlets located in highly populated areas. Other strategies put in place by Edenmark Ltd. include establishment of online retail system targeting thousands of its social media customers.

The company has a free after sales service system that guarantees delivery of products within two days. This service is known as "EL Serve". EL Serve is a complex system which proved difficult for competitors to copy. EL Serve depends on several factors such as Edenmark Ltd.'s wide selection of products at low prices, wide network in the supply chain and a finely tuned distribution system.

Today, two years after the programme was created, competitors, both online and offline have realised the increasing threat posed by EL Serve and are reacting through various interventions. Edenmark Ltd. continues to add more merchandising categories to EL Serve in response to market demand. The service has thus turned out to be ingenious and an effective customer loyalty programme in e-commerce within the region.

Required:

- (a) Examine five critical limitations of SWOT analysis that might have led the management of Edenmark Ltd. to switch to SOAR during the development of the company's current strategic plan. (10 marks)
- (b) Explain how Edenmark Ltd. could enhance its use of internet and other digital technologies to streamline its operations. (8 marks)
- (c) Discuss the importance of the four perspectives in the Balance Scorecard strategy to the management of Edenmark Ltd. (8 marks)

(d) Advise Edenmark Ltd. management on how to:

(i) Recognise a good business opportunity.

(6 marks)

(ii) Evaluate a business opportunity.

(8 marks)

(Total: 40 marks)

QUESTION TWO

(a) Summarise four distinguishing features between “strategy formulation” and “strategy implementation”. (4 marks)

(b) Explain five strategy related responsibilities of corporate level managers. (5 marks)

(c) Discuss three types of strategic change. (6 marks)

(Total: 15 marks)

QUESTION THREE

(a) Analyse five features of an effective strategy evaluation system. (5 marks)

(b) Explain four steps to follow when changing an existing organisation culture to match a new strategy. (4 marks)

(c) With reference to monitoring and review methodologies, explain the following terms:

(i) Strategic report cards. (2 marks)

(ii) Strategic audit. (2 marks)

(iii) Vulnerability analysis. (2 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Assess four reasons that might cause a company to lose its competitive advantage. (4 marks)

(b) Even the most creative strategies have no value if they cannot be translated into action.

With reference to the above statement, describe five methods which could be used to ensure effective strategy execution. (5 marks)

(c) In the context of strategic leadership, discuss three Vroom-Yetton-Jago decision making model approaches. (6 marks)

(Total: 15 marks)

QUESTION FIVE

(a) Analyse six forms of organisational learning. (6 marks)

(b) Organisation culture could contribute or hinder successful strategy execution.

With reference to the above statement, enumerate five reasons why a good fit between strategy and organisation culture is important. (5 marks)

(c) Argue the case against the use of mission statements by organisations. (4 marks)

(Total: 15 marks)

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