

KASNEB

CS PART III SECTION 6

STRATEGIC MANAGEMENT

PILOT PAPER

September 2015.

Time Allowed: 3 hours.

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

QUESTION ONE

PELI CORPORATION

Peli Corporation is a multinational fast-food distributor that was started 20 years ago by an American couple. The Chief Executive Officer (CEO) of Peli Corporation, Mr. Greenberg and his wife have enjoyed the steady success of their firm witnessing what started as a small family business expand to over 20 countries in four continents. Mr. Greenberg realised there was a major problem in the year 2013 when their earnings started declining steadily. The net income not only shrunk by 40% but also suffered from slow sales growth way below the industry average during that period. Although their market share was still significant compared to their main competitors, there was slow growth.

The question of what was the cause of the decline was raised. It was observed that there was a growing trend of customers moving to healthier types of meals that were being offered by some of their main competitors. Customers were also getting conveniently available alternatives at the supermarkets convenient stores and even at the petrol stations. This convenience has caused many patrons to switch away from the fast food outlets.

Besides that, it was realised that there seemed to be an increasing trend in fast casual dining which has affected sales. Patrons are now willing to spend extra for the traditional fast serving but with better and classy ambience. Due to this phenomenon, the growth of fast casual segments grew from 15% to 20% compared to only 2% growth for the fast food chains.

Peli Corporation was also facing stiff competition from other fast food chains such as Lily's and Fiona's. These competitors were catching up fast by recognising the importance of drive-through customers. They were enhancing their preparation methods and speeding up their delivery process. They were competing on new innovations and speed in responding to upcoming market trends and customer preferences.

Upon analysing the causes of the problem, it became apparent that the situation had to be addressed urgently to avoid a chain reaction and decline in the global market. It was therefore necessary for Peli Corporation to re-strategise and develop new and innovative product lines, promotion facilities and even to venture into new market segments.

Required:

- (a) Conduct a SWOT Analysis for Peli Corporation based on the facts of this case. (10 marks)
 - (b) Explain to the management of Peli Corporation three benefits and three risks of formal strategic planning. (6 marks)
 - (c) Explain the application of Porters five forces model in analysing Peli Corporation's competitive environment. (15 marks)
 - (d) In relation to Peli Corporation's case facts, demonstrate the relationship between planned and emergent strategies. (9 marks)
- (Total: 40 marks)**

QUESTION TWO

You have been invited by an association of youth entrepreneurs seeking funding from National fund. They have been informed that one of the requirements for the funding is to prepare a strategic plan for their respective proposed enterprises.

- (a) Explain to the youth entrepreneurs the key steps in the strategic planning process. (9 marks)
 - (b) Outline to the entrepreneurs the six key components of a firm's mission statement. (6 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) The essence of strategy is to build competitive advantage faster than competitors can imitate. Based on Porters generic strategic options, explain the main basis of competitive advantage at the business level. (6 marks)
 - (b) Discuss the application of Balanced Score Card as a strategic management control tool. (9 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) After developing a strategy, it's important to ensure effective implementation in order to realise the intended benefits.
Explain the four key steps through which successful strategy implementation goes through. (8 marks)
 - (b) Briefly explain the contribution of the following to strategy implementation:
 - (i) Structure.
 - (ii) Leadership.
 - (iii) Organisational culture. (7 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Implementation of a new strategic plan requires introduction of change in the organisation. Explain what strategic leaders can do to manage resistance to change. (8 marks)
 - (b) Discuss the relevance of "knowledge management" in today's organisation. (7 marks)
- (Total: 15 marks)**
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