



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATION FOR:

MASTERS OF BUSINESS ADMINISTRATION

BSM 5101 : MANAGEMENT OF INNOVATIONS

END OF SEMESTER EXAMINATION

SERIES: APRIL 2016

PAPER TWO

TIME: 3 HOURS

DATE: Pick Date Select Month Pick Year

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt Choose instruction. **Question one Compulsory and any other THREE questions**

Do not write on the question paper.

Question ONE

Read the following **case Study** and answer the questions.

(a) In what ways should Barclays have managed disruptive s technology innovations **(15 marks)**

(b) What technology innovations options would you provide for Barclays Bank **(10 marks)**

Industry innovative Disruption- Case Study of Barclays Bank of Kenya

Barclays Plc recently announced it is selling off its African operations, where it holds a 62.3 per cent stake.

Barclays Bank of Kenya (BBK), through adverts, has informed its customers that the sale will not affect them, and things would go on as normal. But why should the parent firm sell off businesses in Africa when everyone else is rushing here? Banks are custodians of our money and lots of information about the economy. Could other investors interpret Barclays'

exit from Africa as a sign that the continent is no longer the magnet to investors it used to be? Falling oil and commodity prices, and policy flip flops in South Africa could have finally persuaded the UK lender's board to sell off its African business. The other reason given is changes in UK regulations. Barclays recently had unwelcome encounters with regulators in both the US and UK that resulted in fines. Unless we sit in the Barclays Plc board, we may never know the truth. But we can make some observations. See also: Equity Bank hit by Sh124m fraud in tax scam The bank may have failed to compete with other lenders in the continent. One other UK-connected bank in Kenya has been running an advert saying it is here for good. Did it know something we did not? Can you sell off a profitable business? Let us set regulatory matters aside and focus on what is on the ground in Kenya.

BBK was a victim of innovative disruptions.

The first one was caused by Equity Bank, which saw money in 'poverty'. The move by Equity was a real disruption. The lender came in with zero-balance accounts, while BBK and other banks were raising minimum balances. A zero account balance put a lot of disposable income into our pockets. Lots of banks were left focusing on the few rich, leaving Equity Bank with the 'poor' who may not have lots of money, but are many. If you have ever been attacked by tiny safari ants, you understand what numbers can do. Soon, lenders began shifting to SME banking, code for lower-end customers, creating a strategic drift for big banks like BBK. It was used to being up there among the affluent and now it had to go downstream.

The second disruption was mobile banking. Kenyan banks reacted to this in a very strategic way; they embraced it. I do not think any bank was disproportionately affected by mobile money platforms.

The third disruption was agency banking, which BBK missed. BBK announced only last month that it is getting into agency banking, long after other banks had made money through it. Such cautiousness was expensive. Why invest in brick-and-mortar buildings when someone can do the banking on your behalf. Banks increased their reach at very low costs. All this was on the platform of technology. Safaricom's success to a large extent is based on the ingenious use of agents who ran M-Pesa shops.

The fourth disruption was more subtle. It was demographic. The new banks that have nibbled on BBK's market share are mostly patronised by Kenyans aged below 40. BBK could not capture this group, which is more interested in quality of service than segmentation. The new banks seem to have younger employees, including CEOs. The fifth disruption was even more interesting. The small banks made themselves roko (local), and got attached to their customers. Upcountry banking halls had sawdust on the ground to absorb mud. Think of Equity's Wings to Fly scholarship programme and its intergenerational effect. To be fair to BBK, though, it sponsored an endowed chair at the University of Nairobi School of Business. Enough observations.

There is no need for a requiem mass for BBK. I believe it is a very viable bank with a 100-year heritage in Africa. It just needs to renew itself. Enough suitors IBM reinvented itself and is now better known for services than mainframe computers. The future of banking is in managing relationships and leveraging on technology. But before it reinvented itself, I do not think it was prudent for the parent firm to report Barclays Africa Group is on sale without informing us who the buyer would be. I see the announcement akin to someone informing us that his daughter is getting married, but he does not know to whom. The market loves certainty. There are already enough suitors expressing interest in buying Barclays, both locally and outside Kenya. I would love to see Barclays reinvent itself and become a case study in our business schools.

There is so much potential in the economy, and BBK has enough projects and customers to take advantage of this. We are yet to pump oil and achieve Vision 2030, for instance. In the last 1,000 years, seas and oceans have been the

epicentres of economic activities. The Mediterranean was the playground of the Roman Empire. We then moved to Atlantic — you recall transatlantic trade — and are now in the Pacific Ocean, with China starring. Logic seems to suggest the next scene of economic activity is the Indian Ocean, which borders Africa, sadly Barclays will miss out.

Question TWO

(a) What are the characteristics of innovation (*10Marks*)

(b) Explain the differences between invention and innovation (*15marks*)

Question THREE

Explain the 8 step process of new product development (*25 marks*)

Question FOUR

Highlight the different types of innovation (*15 marks*)

What are the key features of perspectives on Management Innovation (*10 marks*)

Question FIVE

Explain the challenges facing the innovation process in organizations (*15 marks*)

Provide possible solutions. *(10 marks)*

Question SIX

Discuss ways of creating change in organisational Culture through Innovations. *(25 marks)*