

TECHNICAL UNIVERSITY OF MOMBASA

School of Business

DEPARTMENT OF BUSINESS ADMINISTRATION

MASTER OF BUSINESS ADMINISTRATION

ORDINARY EXAMINATIONS

BSM5202: STRATEGIC ANALYSIS, TOOLS AND TECHNIQUES

SERIES: MAY 2016

TIME: 3 HOURS

INSTRUCTIONS

- This paper consists of FIVE questions.
- Answer question ONE (Compulsory) and any other THREE questions

Case study.

Question1

The Nairobi stock exchange (NSE) has been on a downward trend (bearish run) in the last 2 years that has led to a huge loss in investor confidence. Investors values at the bourse have been eroded to an all time high percentage (estimated at about 45%). Many investors including the foreign ones have as a result shunned the market.

Traditionally, the foreign investors have come in with net inflows which used to give a boost to the bourse. This time round and partly because of the global recession their participation has been that of out flows. The sale of some shares that sold below their offering prices has not helped matters either. Some investors have lost huge amounts of money fearing that the prices for their shares are likely to fall even further they have panicked and are looking forward to offload as much as possible.

The management at the NSE needs to adopt some new strategies immediately to help get the firm out of the current situation. Globalization has also had tremendous effect on business today. The dynamism in the market place requires that firm continually keep monitoring all external factors and internal factors. Choice must however be made regarding which factors are important and which are not.

The situation seems to be affected more by external factors than by internal factors. However, it is appropriate to analyze both the internal and external environments. They can do this by applying the SWOT analysis. But SWOT analysis has met a lot of criticism as a tool of analysis. To deal with the criticism, NSE managers can use the TOWS matrix to analyze how the external opportunities and threats facing a particular firm can be matched with its strengths and weaknesses.

- a) With the aid of a diagram, illustrate how you will construct the TOWS matrix (10 marks)
- b) Explain each step of constructing the TOWS matrix (10 marks)
- c) What constitutes corporation's external strategic factors (5 marks?)

Question two

- a) “Cost leadership strategies aim to produce products at a lower cost than competition in order to sell at the most competitive price in the market.” Describe when this strategy is ideal in the company (8 marks)
- b) “Policies communicate specific guides to decisions and also control and reinforce the implementation of functional strategies.” Explain the various ways in which policies do this (17 marks)

Question three

- a) “Michael E. Porter conceived the concept of five forces framework which helps to identify the sources of competition in an industry or sector” Explain the five forces of competitive rivalry in a given industry.(20 marks)
- b) Describe the limitations of SWOT analysis (5 marks)

Question four

“The goal of any firm is to maintain a balanced portfolio so that it can be self-sufficient in cash and always work to harvest mature products in declining industries to support new ones in growing industries”

- a) Using a BCG growth share matrix, illustrate how firms can categorize their products to decide on which one to invest more and which ones to harvest (20marks)
- b) Highlight the limitations of this analytical method (5 marks)

Question five

- a) “Most products eventually reach a point where further growth appears doubtful or not cost effective due to competition, changes in consumer preferences, and so forth. At this point the logical thing to do is to “harvest” as much as possible from the product. Organizations will do this by limiting further investment and maximizing short term profits and cash flow.” Explain the reasons for considering harvesting strategies (12 marks)
- b) “Many Corporations today strive to implement a hierarchy of strategy. This is the nesting of one strategy within another so that they complement and support one another”. With the aid of a diagram, illustrate and explain the idea of the nesting of one strategy within another (13 marks)