KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

BBA 823: STRATEGIC MANAGEMENT

DATE: Tuesday 28th November, 2017 **TIME: 2.00 p.m. - 5.00 p.m.**

INSTRUCTIONS: Answer question ONE and any other THREE questions

Question one: Read the case below and answer the questions following it

MCDONALD'S: WHERE BEING 'BETTER IS PROVING SUPERIOR TO TRYING TO BE "BIGGER"

"We're listening to our customers and giving them what they expect from McDonald's—menu variety, enhanced convenience, and everyday value. This ongoing customer focus and execution through our Plan to Win is driving the sustained momentum of our global business." Jim Skinner, CFO, McDonald's.

An extremely well-known and recognized global corporation, McDonald's is the world's largest restaurant company. As of mid-2008, the firm had locations in 119 countries, operated more than 31,000 units worldwide, employed more than 1.6 million people, and was serving 47 million customers daily. To understand the breadth and depth of McDonald's' market penetration, consider the fact that the firm served 1 billion more customers on a global basis in 2007 compared to 2006.

McDonald's financial performance over the last few years is quite positive. According to the firm's 2007 Annual Report, "Since 2004, the compound annual total return on our stock is 25 percent, more than double the Dow Jones Industrial Average and S&P 500 Index during the same period. Our cash dividend is a big contributor to this overall return, increasing more than 170 percent in the last three years," Positive financial results such as these demonstrate that a firm is creating Value (defined later in this chapter) for customers. The firm claims that providing "great value" to customers has been a "hall-mark" of the McDonald's experience since its founding in 1955, As is true with all companies, McDonald's relies on its resources, capabilities, and core competencies to create value.

McDonald's claims to have several capabilities, including its employees and the training experiences provided to them. *Fortune* magazine's inclusion of McDonald's in its Top 20 Global Companies for Leaders in 2007 is some evidence of the importance the firm places on developing its employees' talents. Product innovation skills are another capability. A global food vision and a stable of full-time chefs in studios located in Hong Kong, Munich, and Chicago are examples of the resources that are combined to form the firm's product innovation capability.

Making all of this work is the firm's organisational structure (this structure may be a core competence and perhaps even a competitive advantage for the firm). McDonald's has never used a rigid hierarchical organizational structure. Instead, based on its "freedom within a framework" "mantra, McDonald's uses a highly decentralized business model. This model gives local managers throughout the world a great deal of leeway to make their own decisions. This decision-making flexibility is at the core of the different menu, items and different store layouts you see in various nations' McDonald's units. South Korea's Bulgogi Burger (a pork patty marinated, in soy-based sauce), the Netherlands' McKroket (a deep-fried patty of beef ragout), and Taiwan's Rice burger (shredded beef between two rice patties) are examples of the locally oriented products resulting from McDonald's use of its decentralized organizational structure. The firm has a decor design studio in Grenoble, France. This group works with local units to choose a store layout design that will appeal to each unit's customers.

Collectively MacDonald's uses its resources, capabilities and core competencies to focus on becoming "better" rather than to concentrate only on becoming "bigger". It appears that one way McDonald's becoming "better" is by creating value for customers by offering localized menu options and locally appealing store layouts and options.

REQUIRED

i) In relation to the facts of this case, **distinguish** between **resources, capability** and **core competencies** and outline the major **sources** of competitive **advantages** for Macdonald Ltd. ***(6 marks)***

ii) Discuss the resource **based view** of strategy and the **VRIN + O** model using the facts of this case. ***(14 marks)***

iii) **Suggest** the major **challenges** of the **external** environment that firms within the hospitality industry like Macdonald might face in the **global** business **environment.** ***(10 marks)***

*INVOLVEMENT IN ANY **EXAMINATION IRREGULARITY** SHALL LEAD TO **DISCONTINUATION***

Question Two

i) "There is no major difference between **functional, business** and **corporate** strategies". State whether you **agree** or **disagree** with this statement and **explain** the **Michael Porter's five forces model** as well as the **generic** strategies it recommends **(7 marks)**

Bargaining power of suppliers
" " Customers
Threats of new entrants
- Industry rivalry
- competition

cost leadership
Differentiation
focus

ii) How relevant is this **model** to firms that operate in **different** industries in Kenya? **(3 marks)**

- Competitive advantage.

Question Three

i) "In establishing the **direction** of any firm managers should formulate proper **mission statements** and organization **objectives**". **Discuss** the difference between a **mission** and **vision** statement and explain the **importance** and **contents** of a good mission **(6 marks)**

Philosophy
objectives
products & services

ii) **Suggest** the **areas** where managers should **formulate objectives** and **outline** the **qualities** of **good** organizational objectives **(4 marks)**

Areas – when venturing into a new biz
" introducing a new product line
" Acquisition of a new company

goals SMART??

Question Four

i) Discuss **vertical integration** as a **growth** strategy and how it can help firms dealing with supply chain to develop **competitive** advantage. **(6 Marks)**

ii) Using a firm in the **banking** industry **discuss** how **value chain** analysis model can help them to improve **performance** in its **industry**. **(4Marks)**

- link sub activities to primary activities
- link sub activities to support activities
- link primary activities & support activities
- Appraisal and evaluation of where to do more

Question Five

"There is no guarantee that a well **formulated** strategy will be well **implemented** in the public sector organizations in Kenya". **Discuss** this statement in relation to the **importance** of organizational **change** and organizational **structure** in strategy **implementation** and **control**. **(10 marks)**