KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BBA 861: GLOBAL STRATEGIC MANAGEMENT

DATE: WEDNESDAY 29TH NOVEMBER 2017 TIME: 5.30 P.M. - 8.30 P.M.

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS.

QUESTION ONE

In May 1998, Daimler-Benz and Chrysler Corporation - to of the world's leading car manufacturers, agreed to combine their businesses in what they claimed to be a "merger of equals". The Daimler Chrysler (DCX) merger took approximately one year to finalize. The process began when Jurgen Schremp and Robert Eaton met to discuss the possible merger on January 18, 1998. After receiving approval from a number of groups, the merger was completed on November 12, 1998.

The merger resulted in a large automobile company, ranked third in the world in terms of revenues, market capitalization and earnings, and fifth in the number of units (passenger-cars and commercial vehicles combined) sold. DCX generated revenues of $155.3 billion and sold 4 million cars and trucks in 1998. Schrempp and Eaton jointly led the merged entity, as co-chairmen and co-CEOs. DCX sources were confident that the new company was well poised to exploit the growth opportunities offered by the global automotive market in terms of geographical and product segment coverage.

However, analysts felt that to make the merger a success, several important issues needed to be addressed. The most significant of these was organizational culture. German and American styles of management differed sharply. A cultural class would be a major hurdle to the realization of the synergies identified before the merger. to minimize this class of cultures, Schrempp decided to allow both groups to maintain their existing cultures.

The former Chrysler group was given autonomy to manufacture mass-market cars and trucks, while the Germans continued to build luxury Mercedes. However, analysts felt that this strategy wouldn't last long. when Chrysler performed badly in 2000, its American president, James P Holden, was replaced with Dieter Zetsche from German. Analysts felt that Zetsche would impose Daimler's culture on its American counterpart. A few senior Chrysler executives had already left and more German executives were joining Chrysler at senior positions. In an interview to the Financial Times in early 1999, Schrempp admitted that the DCX deal was never really intended to be a merger of equals and claimed that Daimler-Benz had acquired Chrysler. Analysts felt that this statement probably wouldn't help the merger process.

i. Using examples, discuss any four conditions that you think could have influenced the two companies mentioned above to use a merger as a foreign market entry strategy. (6 marks)

ii. Discuss the challenges likely to face Daimler-Benz and Chrysler Corporation as a result of using merger as a market entry strategy. (4 marks)

iii. Culture is one variable that is often overlooked when deciding on entry strategies particularly when we perceive the target country to be familiar to use and similar to our own. Using examples, discuss how culture would act as a hindrance to global strategy for Daimler-Benz and Chrysler Corporation. (6 marks)

iv. Using examples, discuss how the Economic Environment and the Demographic Environment would affect decisions of Daimler-Benz and Chrysler Corporation managers. (8 marks)

v. Using practical examples, discuss any four emerging issues affecting managers in the global Business Context. (6 marks)

QUESTION TWO

i. Not every firm is ready for going abroad. Prematurely venturing overseas may be detrimental to overall firm performance, especially for smaller firms whose margin for error is very small. Using a diagram, discuss the propensity of firms going international using the Variable of the "Size of the firm" and "Size of the domestic market". (10 marks)

ii. A manager of a firm dealing with electronics in the International Market has recently come across the statement that "Businesses should think global but act local". He has overheard that you are a specialist in Global Strategic Management and has approached you to advise him on the implications of this statement. Discuss what you would include in your presentation. (10 marks)

QUESTION THREE

i. Ali, an Investor in the Taxi Industry in Dubai is considering investing in the Tax Industry in Kenya. Using Michael Porter five forces model, advise Ali if Kenyan Taxi Sector is a Lucrative Industry to invest in. (15 marks)

ii. Using examples, discuss any two strategies that an MNC can use to manage Cultural Diversity when operating in different Countries. (5 marks)

QUESTION FOUR

i. Using examples, discuss any four foreign market entry strategies, clearly giving the situations under which each of the strategies can be employed. (12 marks)

ii. Discuss Mercantilists Theory, Leontief Paradox Theory and Competitive Advantage Theory, clearly giving their relevance in Global Business. (8 marks)

QUESTION FIVE

i. The type of corporate strategy selected will have an impact on the selection and implementation of the business-level strategies. Some strategies provide individual country units with the flexibility to choose their own strategies while other strategies dictate business-level strategies from the home office and coordinate resource sharing across units. Using examples, discuss the three mainly available corporate-level strategies for the multinational companies (MNCs). (9 marks)

ii. "If a Global strategy is good, it will lead to success". Discuss this statement in the context of Global Business Environment. (8 marks)

iii. Discuss Ethnocentrism Global Orientation clearly giving the implications of this orientation to a Global Business Manager. (3 marks)

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