PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: STM 601

COURSE TITLE: CORPORATE STRATEGY

EXAM DATE: WEDNESDAY 4TH DECEMEBER 2019

TIME: 5.30PM- 8.30PM

DURATION: 3 HOURS

INSTRUCTIONS

- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.
- **SECTION A:Answer question 1 and any other Four questions in Section B**
- *ALL PAC University's examination rules and regulations apply.*

SECTION A: Question One (Compulsory) (40 marks)

QUESTION ONE:

Read the following case study and answer the questions that follow

The Central Bank of Kenya (CBK) announced that Diamond Trust Bank Kenya Limited (DTB) had acquired 100 percent of Habib Bank Limited Kenya (HBLK), effective August 1, 2017. HBLK was fully owned by Habib Bank Limited (HBL) whose head office is based in Pakistan. HBL is an existing shareholder in DTB. This acquisition followed CBK's approval on June 21, 2017, for HBL to acquire an additional 4.18 percent shareholding in DTB under section 13 (4) of the Banking Act, as a consideration for the acquisition. Subsequently, approval was granted by the Cabinet Secretary, National Treasury on July 7, 2017, for DTB to acquire the Business, Assets and Liabilities of HBLK as provided under Section 9 of the Banking Act. Consequently, effective August 1, 2017, HBLK ceased to be a bank licensed by CBK, and its rights and obligations were be taken up by DTB. All HBLK stakeholders including depositors, borrowers, employees, and creditors were to continue their relationships with DTB. DTB was licensed in 1997, and was ranked 6th in terms of market share as at May 31, 2017, with 63 branches. HBLK was licensed in 1956, and was ranked 33rd in terms of market share as at May 31, 2017, with 5 branches. Taken together, they had a combined market share of about 6 percent as at May 31, 2017. DTB has a banking presence in Kenya, Uganda, Burundi and Tanzania, and is listed at the Nairobi Securities Exchange.

a) (i) Discuss reasons that could have prompted Diamond Trust Bank Kenya Limited to seek acquisition of Habib Bank Limite **(10 marks)**

(ii)Explain the possible reasons for the failure of most acquisition deals? **(10 marks)**

(iii) Describe the attributes of the successful acquisition of the Habib Bank Limited by Diamond Trust Bank Limited **(10 marks)**

b) Using relevant examples differentiate mergers, acquisitions and takeovers **(10 marks)**

SECTION B: Answer any four Questions (60 marks)

QUESTION TWO

a)State key steps in the formulation of a corporate strategy **(5 marks)**

b) Define a corporate level strategy and explain how it improves in firm performance **(10 marks)**

QUESTION THREE

a) Outline five limitations to portfolio planning **(5 marks)**

b)Describe portfolio planning using the Boston Consulting Group **(10 marks)**

QUESTION FOUR

a) State common forms of diversification strategies used by firms to create value **(5 marks)**

b) Explain five reasons why firms use diversification as a growth strategy **(10 marks)**

QUESTION FIVE

a) Discuss the importance of internal firm organization to business success **(5 marks)**

b) Define competitive advantage and explain how firms attain a competitive edge over their competitors **(10 marks)**

QUESTION SIX

a) Describe the characteristics of a parent company (5 marks)

b) Assess the role of a parent company in managing of a multinational business (10 marks)