PAN AFRICA CHRISTIAN UNIVERSITY

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END OF TERM EXAMINATION

MBA509: STRATEGIC MANAGEMENT

WEDNESDAY NOVEMBER 26TH, 2014

1800HRS – 2100HRS

INSTRUCTIONS

- This exam paper has **Six** Questions
- Answer question **One** and any other **Three** questions
- Write your **student number** on the answer booklet provided.
- Read all questions carefully before attempting.
- Use a new page for every question attempted and indicate the question number on the space provided on each page of the answer sheet.

Answer Question ONE (Compulsory) and any other THREE questions

Question One

Offshore Beverage Company

Offshore Beverage Company entered the Indian soft drinks industry in the year 1995 by acquiring the Mastana Soda Company of Shimla and two other Soda companies at Kalka for 500 thousand dollars. Despite hostility expressed by other Soda makers and predictions that Offshore would very soon fail as other outsiders such as Parminder Soda Company had, the entry succeeded. Offshore Limited performed the unheard of feat of establishing a volume of 300 thousand crates within two years and taking the market share away from premium brands such as the ABC Company of Bombay, Pearl Drink Limited of Pune and Syndicate Cola Limited of Madras.

Offshore advertised heavily and incurred 100 thousand dollars in one year and standardized the taste of its drinks with considerable success. It also invested 48 thousand dollars in a large plant at Ahmedabad. An Offshore Executive said "By 2005, consumption of Sodas in India will be a liter per capita, compared with half a liter today."

The Industry reacted to Offshore's presence by doubling and tripling advertising expenditure. ABC Company began a costly campaign to market premium soft drinks while reducing marketing emphasis on its cheap Sodas such as the Gola beverage. ABC maintained its 25 percent market share but had to resort to some heavy price discounting to do so.

In the year 2000, Pearl Drinks formed a special unit to combine efforts for all its brands worldwide and to develop a worldwide strategy.

In 2012, Soda consumption changed from growth rate of 5 percent to no growth. The government also lifted the ban on imports of Soda. This presented an even greater challenge because imported Sodas were cheaper as well as superior in quality.

In 2013, Mr. Ranganathan took over as Managing Director of Offshore. He reviewed the present performance of the company and its competitive position. He noted that the company was losing its hold over the market and it was not getting the expected returns. He also noted that the company's performance in the syrup business was excellent. He therefore thought of selling out the Soda business to Pearl Drinks. He convened an executive meeting and apprised the executives of his proposal. He also informed them that Pearl Drinks had made an offer to the company to recapture its investment in the Soda business which was about One Million dollars. Mr. Arun Mehta, General Manager, observed that Offshore had been in and out of many businesses in the past twenty years and had joined different organizations in trying the soda business. The Finance Manager, Mr. Subhash Ghai Said "The return on assets in the Soda business is not the 30 to 35 percent, which Offshore is used to getting in the Syrup business.

Gaining market share and trying to compete with ABC and others left Offshore with, eventually, the number two position in the soda industry with profits of 60 thousand dollars, out of 220 thousand dollars sales turnover. The stockholders wanted immediate return on investment and hence the company could not afford to make long-term investments necessary to popularize the brands. If we stayed for five more years, we can be a key leader in a large and profitable industry." Mr. Harish, Marketing Manager of Offshore said," It is no use selling our business to Pearl Drinks and get back only what we have invested. We can compete with our competitors successfully and improve our market share if we manufacture sodas of varying qualities to suit the varied preferences and pockets of diverse sections of society. We should also offer price discounts to attract consumers. There should be wide publicity of our brands throughout the country". Mr. Ranganathan however prevailed and the soda business was nevertheless sold to Pearl Drinks.

Pearl Drinks immediately went from sixth position in the industry to a strong second place with an 11 percent market share. The Chairman of Pearl Drinks stated: "We believe you can make money in this business in two ways- remain a small boutique Soda or become large and achieve economies of scale"

Required

a) Perform SWOT analysis of Offshore in the Soda business (12 marks)
b) Discuss corporate strategies that should be formulated to improve Offshores's performance and strengthen its competitive position? (10 marks)
c) Discuss possible strategy formulation constraints that Offshore would face in attempting to come up with new strategies aimed at increasing their share of the market? (15 marks)
d) Explain whether or not Offshore should spend on advertising in line with its competitors? (3 marks)

Question Two

Mr. Kazongo is an upcoming Entrepreneur and wishes to invest in the Mobile telephony Industry in Kenya. As a specialist in strategic management, advise him accordingly on whether it is appropriate to invest in this sector using Michael Porter's five forces model of industry analysis. (20 marks)

Question Three

a) Strategic Alliances is a potentially fruitful means for entering a foreign market or strengthening a firm's competitiveness in world markets. Discuss the specific advantages a firm would gain by entering into a strategic alliance. (12 marks)
b) Explain how you would use the Boston Consulting Group Growth Share matrix to advise a firm operating a portfolio of investments in international markets (8 marks)

Question Four

a) Structure follows strategy. Discuss (10 marks)
b) Describe how corporate culture characteristics would encourage an entrepreneurial orientation in an organization (10 marks)

Question Five

Discuss the principal aspects that management should to take care of, for the success of strategy implementation process. (20 marks)

Question Six

Discuss the requirements for effective strategy evaluation and control. (20 marks)