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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOURTH YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF BUSINESS AND INFORMATION
TECHNOLOGY

Date: 3rd August, 2022
Time: 2.30pm –4.30pm

KBA 2216 - BUSINESS STRATEGIC MANAGEMENT

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

MCD was launched in 1940 when brothers Dick and Mac McDonald opened a restaurant in San Bernadino, California. However, the credit of growing the corporation into a franchised, global operation is attributed to Ray Kroc, who acquired equity from the McDonald brothers and took the firm public in 1965. MCD has a really cool history timeline called “Travel in Time with Us” located at [thehttp://www.aboutmcdonalds.com/mcd/our_company/mcd_history.html](http://www.aboutmcdonalds.com/mcd/our_company/mcd_history.html) Web page. It reveals information such as the following:

- 1979 MCD introduced Happy Meals
- 1981 MCD opened stores in Spain, Denmark, and the Philippines
- 1983 MCD entered its 32nd country
- 1984 Ray Kroc passed away
- 1987 MCD introduced Fresh Salads
- 1990 MCD opened a store in Moscow, Russia
- 1992 MCD opened a store in Warsaw, Poland
- 1995 MCD's new ad was “Have You Had Your Break Today?”
- 1996 www.mcdonalds.com Web site introduced
- 1997 MCD's new ad was “Did Somebody Say McDonald's?”
- 2001 The Big N'Tasty sandwich introduced
- 2003 MCD introduced Premium Salads and its “Plan to Win” strategy
- 2006 MCD introduced Snack Wraps

On May 5, 2009, McDonald's Corporation (MCD, hereafter) and Starbucks went full force campaigning for the attention of coffee connoisseurs. Following its success with McCafés in Europe, MCD surprised Starbucks with its announcement to offer lattes and mochas in its McCafés in the United States. In an attempt to woo rival Starbucks' customers, MCD promised to offer premium taste at bargain prices. This announcement came at a time when Starbucks, hard hit by losses, was closing hundreds of stores in the United States. The MCD–Starbucks fight is everywhere on the tube, in print, and the airwaves.

MCD even taunts Starbucks with ads on buses and billboards that read “4 bucks is dumb.” Starbucks is retaliating by placing newspaper ads that read “Beware of a cheaper cup of coffee. It comes with a price.” In April 2009, MCD reported strong sales growth in the first quarter of 2009 in spite of recessionary conditions worldwide. MCD sales in the United States increased by 4.7 percent, in Europe by 3.2 percent, and in Asia/Pacific, Middle East, and Africa by 5.5 percent. But as the U.S. dollar gained strength against most currencies, especially the euro, British pound, Australian dollar, Canadian dollar, and the Russian ruble, MCD experienced \$642 million in foreign currency translation losses in the first quarter of 2009, as indicated in Exhibit 1. Undeterred, however, MCD is forging ahead with a renewed commitment to allure coffee enthusiasts away from rivals, big and small.

- a) For the strategic plan of MCD to be successful, the management must have an effective organization structure. Explain to them the available types of organization structure they can work with. (6 Marks)
- b) Highlight the financial benefits of strategic management. (6 Marks)
- c) Explain the characteristics of business environment that MCD should take into consideration at all times and highlight the two steps of environment analysis. (6 Marks)
- d) Starbuck is the direct competitor of MCD amongst other industry players. Point out the purpose of industry and competitive analysis that MCD management must consider. (6 Marks)
- e) MCD was launched in 1940 and over the years it has been introducing new products for its customers to overcome the competition challenge. Explain the possible barriers to entry and exit that make it difficult for new firms to enter the industry and existing ones to quit. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Discuss Michael Porter’s five forces model of understanding competitive dynamics of competition that can be used to gain an insight into an industry’s competitiveness. (10 Marks)
- b) Explain how an external environment of a business can be defined. (10 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss the process of competitor analysis. (10 Marks)
- b) Describe the nature of concentration strategy and highlight its three approaches. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the non-financial benefits of strategic management according to Greenley. (10 Marks)
- b) Analyzing internal environment is very key to an organization’s strategic planning. Explain some of the areas that should be analyzed. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the different foreign market entry methods. (10 Marks)
- b) Discuss the Internal factors affecting strategy evaluation and selection. (10 Marks)