MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

…………. YEAR SECOND SEMESTER EXAMINATION FOR

MASTER OF BUSINESS ADMINISTRATION

BBA 845: STRATEGIC MANAGEMENT

DATE: **TIME:**

INSTRUCTIONS:

1. ANSWER question ONE and any OTHER **THREE** questions
2. Question one carries 30 marks, while the rest carry 20 marks each
3. Use of suitable real practical examples is encouraged

QUESTION ONE (30 MARKS)

Read the following case scenario (Epilady) and attend to the questions that follow.

Epilady

In 1988, it looked as though the Krok sisters had it made. Within two years of founding EPI Products, Inc., they'd hit the $100 million sales mark on the strength of their original product alone. With the introduction of a new range of EPI products, they predicted they would triple that figure in 1989. Instead, they filed for bankruptcy. What went wrong? Industry analysts say the Kroks' catastrophic failure was due to a fatal lack of planning by these business world beginners.

Solomon Krok, a South African pharmaceutical company owner, bought United States marketing rights to an Israeli hair-removal product called 'Epilady'. Epilady works by somewhat uncomfortably pulling hairs out by their roots: this offers women who shave their legs an opportunity to throw away their razors - and to stop nicking themselves. Solomon gave the Epilady marketing rights and start-up money to three of his daughters. The sisters established EPI Products in California, with Arlene as President, Loren as head of East Coast operations, and Sharon as head of advertising. In July 1987, the Kroks launched Epilady in some of the country's most prestigious department stores, including Bloomingdale's and Marshall Field. Things went better than they had imagined. Within five months, epilady was the top-selling department store item of any kind. However, Remington Products, Inc., which is one of the nation's leading manufacturers of shaving products and which had originally turned down the opportunity to purchase the rights of Epilady. Soon posed a daunting challenge to the Kroks. It announced the impending introduction of Smooth & Silky, a product that would do the same job as Epilady but would be available in more stores for less money. So the Kroks came up with a plan. They would market a deluxe edition of the original Epilady, packaged with luxury accessories to be sold at top-dollar prices in high end department stores. Then, about six months later, they would start selling the original Epilady model, with no deluxe packaging or accessories, at sharply discounted prices in the same mass - market stores Remington had targeted. This way, they could maintain the high profit margins they garnered at the top stores while competing in the mass market with Remington.

Meanwhile, the Kroks decided it was time to start trading on the now familiar EPI name. They introduced EpiSauna, a facial sauna, and EpiPed, a foot whirlpool massager, as well as a brush with retractable bristles, a tooth whitener, and about 20 additional grooming products, all to be sold in high-end department stores. When the Kroks had first announced plans to move the original Epilady to the mass-market, many of the more exclusive store executives had been furious. They worried that the strategy would detract from Epilady's prestige and thereby slow sales in their stores. Despite these fears, EPI product sales at these department stores were strong during the 1988 Christmas season - traditionally the peak sales time for personal grooming appliances - and the executives backed down. During 1989, Epilady seemed to be working faster and smoother for the Kroks than they or the industry analysts had ever anticipated. That year, EPI Products racked up $200 million in sales. However, in the spring of 1990, the Kroks' new company began to fall apart quickly. Profits from EPI product sales couldn't keep up with the pace at which the Kroks were spending money to keep their company expanding. By autumn, EPI Products, Inc., had filed for bankruptcy.

Industry analysts who had once marvelled at the Kroks' success began to conduct the EPI Products autopsy. Sales of second-generation products such as the EpiSauna had fallen off steeply after the initial rash. Analysts said the Kroks should have expected this; none was as original a concept - or considered by many women to be as necessary - as the Epilady. EPI Products was too new a company to expect that the Epi prefix alone could sell just any product, they said. Analysis also called the Kroks' advertising strategy unsophisticated and not worthy of a company of EPFs size. Rather than advertising all the EPI products together, some analysts said, the products should have been advertised separately, and the benefits of each product for potential customers should have been emphasised. Also, the Kroks' original strategy to outwit Remington, which had been hailed by many as brilliant when it seemed to be working, was a drastic mistake, analysts concluded. Customers were bound to figure out that they could buy essentially the same product sold in top-drawer department stores for less money in mass-market stores. This both sliced into EPFs profit margins and cheapened its image. By the end of 1990, the Kroks had hired professional managers to try pull EPI Products out of bankruptcy, but many analysts predicted that it was too late to turn the company around.

Required

a) Use the SWOT tool to analyse the Epilady's internal and external environment. (10 marks)

b) What could have influenced the Kroks sisters to venture into EPI products? (6 marks)

c) What are the possible explanations for the turn of events and performance of EPI products? Discuss (8 marks)

d) How could have the issues raised and discussed in c) above been handled to avoid the bad situation? (6 marks)

QUESTION TWO (20 MARKS)

Of late the entry into the retail chain outlets sub-sector in Kenya has been on the rise. Naivas Supermarkets just like any other retail chain stores is facing competition brought about by this development. The management has decided that to survive the competition and move towards developing competitive edge over its rivals, it will be important to carry out Value Chain Analysis (VCA) to inform its strategic moves on creating and nurturing competitive advantage. You have been given commissioned to carry out this exercise.

Required

a) As the first step, explain to the Naivas management how investment in this exercise will aid the company's strive to creating and sustaining competitive advantage. (10 marks)

b) Make a discussion on the steps you will employ in implementing the task beforehand. (10 marks)

QUESTION THREE (20 MARKS)

a) Many business establishments and institutions often confuse operations plans and strategic planning. Using suitable examples, discuss five main features that distinguish the practice of strategic management and general or operations management. (10 marks)

b) In the course of strategic planning, organizations come across various challenges. Using relevant examples, discuss five of these challenges and possible ways of mitigating against them. (10 marks)

QUESTION FOUR (20 MARKS)

a) Using suitable examples discuss five likely dangers of organizations opting to ignore the practice of monitoring and evaluation of their chosen and pursued strategies and initiatives. (10 marks)

b) It is said that many organizations in Kenya develop beautiful and solid strategic plans and policies. However, these plans never translate to the expected results. Using good examples discuss five possible reasons for this kind of situation. (10 marks)

QUESTION FIVE (20 MARKS)

a) Citing various real business situations and or organizations, discuss how organizations benefit by embracing open system approach to running of their businesses. (8 marks)

b) Using relevant examples, discuss the three levels of strategies that exists in an organization, pointing out the key players in each and the nature of decisions expected at each levels. (12 marks)