MUEO

# MOI UNIVERSITY

## OFFICE OF THE CHIEF ACADEMIC OFFICER

# UNIVERSITY EXAMINATIONS
# 2013/2014 ACADEMIC YEAR

***FORTH YEAR END OF SEMESTER II EXAMINATIONS***

**FOR THE DEGREE OF**
**BACHELOR OF BUSINESS MANAGEMENT**

**EXAM CODE:- BBM 472**

**COURSE TITLE:- BUSINESS POLICY & STRATEGY**

**DATE:- 28$^{TH}$ JUNE, 2013 TIME:- 2.00P.M. - 5.00 P.M.**

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INSTRUCTION TO CANDIDATES

- SEE INSIDE.

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BBM 472: Business Policy and Strategy

## INSTRUCTIONS

**Answer Question One and any other Three**

**Q1** Read the following case study adopted from the Business Daily and answer the ensuing questions.

**Centum Buys out Coca-Cola Bottlers Minority Owners**
Centum Investment Company has raised its stake in the merged Coca-Cola bottlers after buying out minority investors, giving it clout on the board and in the executive suite of the joint units. The investment firm has increased its stake in the merged unit dubbed Almasi Beverages to 43.5 percent from 35 per cent

Centum bought additional shares from minority investors at Kisii Bottlers, Mount Kenya Bottlers and Rift Valley Bottlers who opted to exit rather than take a stake in Almasi Beverages through share swaps.

"We invested $5 million (Sh 426 million) to buy the additional stake in Almasi Beverages," said David Owino, the investment manager at Centum, after the firm announced that net profits rose 110 per cent to Sh2.5 billion in the year ended March 31, 2013 a more than doubling of income for the period.

It has a portfolio of more than sh18.96 billion invested across assets in listed firms, private equity and real estate in Kenya, Uganda, Tanzania, Rwanda, Nigeria and Ghana. The firm has recently stepped up investments outside quoted equities to reduce reliance on the Nairobi bourse as a profit driver.

Centum will invest up to Sh2 billion, up from sh500 million last year in private firms like Coca-Cola and real estate. It operates a real estate and infrastructure firm – Athena Properties-that is building a mall in Kenya and is developing properties on the shore of Lake Victoria in Uganda.

The three bottlers have been operating as distinct companies with their own managers, boards of directors and shareholders including Centum that had 44 percent stake in Rift Valley, Mount Kenya(28.6 per cent) and 23.8 per cent in Kisii as at March, 2013.

Centum has emerged a key beneficiary of the merger with enhanced ownership offering it muscle in the search for new directors and executives. Stakeholders of the bottling plants were issued with new shares following a swap, which saw Centum become the top shareholder because it had ownership in all the three firms.

But the merger faced resistance from some shareholders, including businessman Matu Wamae, a shareholder in the Mount Kenya factory. Mr. Wamae claimed the transaction was spearheaded by Centum and Industrial & Commercial Development Corporation(ICDC), which also has stakes in the companies. Centum did not disclose the investors in the bottling firms from whom it bought the shares.

Centum has a 27.62 per cent stake in Nairobi Bottlers – which it says accounts for half of Coca-Cola branded sodas sold in the Kenyan market. Its shares in the four Coca-Cola bottling companies represented 28 percent of its assets and contributed 20 per cent of its profit and two percent of the cash flow in the year to March 2012. The merged unit will become the second largest in market share among the Coca-Cola bottlers in Kenya with 29 percent, behind Nairobi Bottlers which controls 48 per cent of the market.

Coast Bottlers has 11 per cent market share, Equator 12 percent, Kisii nine percent while Rift Valley and Mt Kenya control 10 per cent each. The firm's shares were down 2.1 per cent at Sh23 with analysts attributing the fall to profit taking after a near doubling in the share price this year. The share has gained 86 per cent over the past six months.

a) Conduct a SWOT analysis for the Centum Investment Company and outline key strategic issues (10 marks).

b) Explain the key grand strategies being employed by the Centum Investment Company (8 marks).

c) Discuss ways Centum Investment Company can continuously build on its future competitiveness (7 marks).

**Q2**. One danger of strategy and policy development is that managers are reluctant to sacrifice short term benefits in achieving long term objectives. Why does this happen and what benefits would accrue to an organization that pursue long term objectives? (15marks).

**Q3** Strategic analysis is done using certain tools that help match the internal and eternal environment. Using the BCG model, demonstrate how the tool can be used to craft strategic options for a firm operating in Kenya (15 marks)

**Q4**. Whereas many organizations have good plans, a good number don't realize the benefits of these otherwise good plans. Discuss (15 marks)

**Q5**. Strategic Management is sensitive to the context under which it is practiced. Assess the contextual applicability of Porter's five force model in Kenyan setting (15 marks)

**Q6.** After market liberalization of 1992, many Kenyan companies especially in the textile industry and motor assembly collapsed.

a) Explain the factors that led to their collapse (8 marks).
b) Could these companies have been salvaged? Explain your answer (7 marks).

**END**