



# UNIVERSITY OF NAIROBI

FIRST SEMESTER EXAMINATIONS 2012/2013

FOURTH YEAR EXAMINATIONS FOR THE DEGREE OF  
BACHELOR OF COMMERCE

DBA 401: STRATEGIC MANAGEMENT

DATE: JANUARY 31, 2013

TIME: 9.00 A.M. – 11.00 A.M.

---

**INSTRUCTIONS:**

Attempt Question ONE and any TWO other Questions..

---

**QUESTION ONE: (COMPULSORY)**

**Drivers of Cost Efficiency in Innovation: The Drug-testing Process –  
CASE SCENARIO**

- Economies of scale
- capacity utilization
- linkages

more Revision materials at:  
[www.papers.mywhisperer.com](http://www.papers.mywhisperer.com)

## STRATEGY IN ACTION

### Illustration 4.3

### Drivers of Cost Efficiency in Innovation: The Drug-testing Process

Improving cost efficiency requires identification of those factors where significant reductions in cost could be achieved.

Until recently, pharmaceutical companies have tended to operate inefficiently, largely because their success and ability to make money have not provided any incentive to become more efficient. However, a number of changes in the industry are now forcing companies to review their operations.

According to the UK Centre for Medicines Research, it takes 11½ years for a typical drug to pass through basic research, clinical testing and regulatory approval. But the time taken up by both basic research and regulatory approval is reducing. This is due to a better understanding of the structure and functions of drug molecules at the basic research end of the continuum, and to pressure being applied by patient lobby groups forcing regulatory bodies to work more quickly. The net effect has been to increase the proportion of pre-product launch time taken up by clinical trials from 46 per cent in the 1970s to 55 per cent in the early 1990s. However, in an attempt to increase revenues, the larger pharmaceutical companies are now aiming to cut the time a drug spends in clinical trials from almost seven years to five. So competitive advantage is being sought through redesigning this trials process.

At the core of these efforts is information technology. It has been estimated that by

Technology  
Education

collecting data electronically at hospitals and transferring it to a central location, analysis will be more rapid, such that the period between the end of a trial and the completion of statistical analysis can be cut from months to weeks. Pharmaceutical companies have also looked to reduce the number of different trials conducted, a factor encouraged by the increasing willingness of national regulators to accept results from trials held in foreign countries. Also, some companies have chosen to use contract research organisations (CROs) which specialise in running trials, to reduce the time taken up by this activity. While using CROs is not cheaper than in-house drug development, it is faster because the company does not need to recruit staff to run the trials.

Elsewhere, the basics of trial design are being questioned. For example, at the moment only responses to one size of dose are recorded. While it may be more difficult mechanically and statistically to test a range of doses in order to take account of differences in metabolism between individuals, it is argued that it may be more economical.

#### Questions (20 mks)

1. List the main contributing factors to speeding up the drug-testing process.
2. Give examples from other industries or public services where each of these factors might be equally relevant to reduction of cost in the 'value chain'.
3. Why does it often take the arrival of new entrants to the industry before such changes occur?

Source Financial Times, 11 January 1996.

Prepared by Sara Martin, Cranfield School of Management.

2

Strategy  
the vision  
Mission

Banking

mg emp

- long term & short term
- internal external
- various Business processes
- Grand strategy
- Customer - Org

QUESTION TWO

Why in your opinion is Strategic Management a multidimensional concept? Explain. [20 marks]

QUESTION THREE

Where does strategic thinking begins and end for an organization to gain competitive advantage against its rivals. [20 marks]

- Differentiate
- cost leadership
- customer focus
- F - E - E
- Mission - vision - objectives

QUESTION FOUR

The Balanced score card is a strategic tool which came into being because of the low consideration of the financial indicators. Explain. [20 marks]

- Technical exp
- market driven
- Innovation
- strategic alliance
- flexible

QUESTION FIVE

Describe the Kenyan Vision 2030 as a strategy. [20 marks]

people, task, resource  
structural

resources  
Mission Support Evaluation

Functional go  
Structure  
applied at all levels



# UNIVERSITY OF NAIROBI

MODULE II DEGREE PROGRAMME - 2012/2013  
(NAIROBI DAY)

FOURTH YEAR EXAMINATIONS FOR THE DEGREE OF BACHELOR OF  
COMMERCE

DBA 401: STRATEGIC MANAGEMENT

DATE: AUGUST 19, 2013

TIME: 2.00PM – 4.00PM

INSTRUCTIONS:

- Answer **THREE** questions.
- Question ONE and TWO are compulsory
- Time 2 hours

*Compulsory* QUESTION ONE (Compulsory)

CASE SCENARIO - C.F. MARTIN  
GUITAR COMPANY

Required:

How do you think good strategic decision making has contributed to the success of the business? (15 marks)

*Compulsory* QUESTION TWO (Compulsory)

Based on the case in question one, would you characterize the conditions surrounding C.F. Martin Guitar Company as conditions of certainty risk, or uncertainty? Explain your choice (15 marks)

QUESTION THREE

Using critical Thinking and Analysis, discuss the process of strategic management. (20 marks)

QUESTION FOUR

Rewrite each of the following objectives to make them specific, measurable, Achievable, Realistic and Time bound. (5 marks)

*Specific  
needs  
Achievable  
Low cost  
Time bound.*

- a) We will introduce five new drugs. (5 marks)
- b) We will understand our customer needs. (5 marks)
- c) Almost all our products will be delivered on time. (5 marks)
- d) The number of defects in our products will fall. (5 marks)

**QUESTION FIVE**

Good corporate governance requires that an organization formulate, implement and evaluate its strategic plan to give the organization achieve its goals. Discuss. (20 marks)

Case Application

C.F. Martin Guitar Company

The Nazareth, Pennsylvania-based C.F. Martin Guitar Company has been producing acoustic instruments since 1833. A Martin guitar is among the best that money can buy. Current CEO Christian Frederick Martin IV—better known as Chris—continues to be committed to the guitar maker's craft. During 2002, the company sold about 77,000 instruments and hit a record \$77 million in revenue. Despite this success, Chris is facing some serious issues.<sup>28</sup>

Martin Guitar Company is an interesting blend of old and new. Although the equipment and tools may have changed over the years, employees remain true to the principle of high standards of musical excellence. Building a guitar to meet these standards requires considerable attention and patience. In a 1904 catalog, a family member explained, "How to build a guitar to give this tone is not a secret. It takes care and patience." Now well over a century later, this statement is still an accurate reflection of the company's philosophy.

From the very beginning, quality has played an important role in everything that Martin Guitar does. Through dramatic changes in product design, distribution systems, and manufacturing methods, the company has remained committed to making quality products. Part of that quality approach includes a long-standing ecological policy. The company depends on natural-wood products to make its

guitars, but a lot of the wood supply is vanishing. Chris has long embraced the responsible use of traditional wood materials, going so far as to encourage suppliers to find a sustainable-yield alternative species. Based on thorough customer research, Martin introduced guitars that used structurally sound woods with natural cosmetic defects that were once considered unacceptable. In addition, Martin follows the directives of CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora ([www.cites.org](http://www.cites.org)), even though it has the potential to affect its ability to produce the type of quality products it has in the past. This treaty barred the export of the much-desired Brazilian rosewood, which is considered endangered. A guitar built from the remaining supply of this popular wood has a hefty price tag—more than \$9,500. Similar prices may be in line for the leading alternative, Honduras mahogany. Even ebony, used for fingerboards and bridges, is likely to be next. Chris says, "All of us who use wood for the tone (it makes) are scrambling. Options are limited."

Although the company is rooted in its past, Chris isn't afraid to take it in new directions. In the late 1990s, he decided to start selling guitars in the under-\$800 segment, a segment that accounts for 65 percent of the acoustic guitar industry's sales. Although this model doesn't look, smell, or feel like the company's pricier models, customers claim it sounds better than most other instruments in that price range. Chris explained, "My fear was that if we didn't look at alternatives, we'd be the company making guitars for doctors and lawyers. If Martin just worships its past without trying anything new, there won't be a Martin left to worship."

wood vanishing

external legal environment

competitive environment

strategy

strategy

new segment



CEO Chris Martin.

Strategy

1. Product development
2. Concentric growth
3. Mkt development
4. Conglomerate diversification  
- opportunity in venturing into segment that has so opportunity

5. Horizontal

conditions of uncertainty or certainty of risk?

uncertainty or certainty: