UNIVERSITY EXAMINATIONS: 2013/2014

EXAMINATION FOR THE MASTERS OF BUSINESS ADMINISTRATION

(MBA) CORPORATE MANAGEMENT

MGT 5011 STRATEGIC BUSINESS MANAGEMENT (EVENING)

DATE: APRIL, 2014 **TIME: 3 HOURS**

INSTRUCTIONS: Answer Question One and Any Other Three Questions

QUESTION ONE (31 MARKS)

The "Cola Wars"- Competition between Coca-Cola and Pepsi-Cola

Pepsi Cola is one of the world's most familiar consumer food and beverage companies, offering brands like Frito-Lay, Gatorade, Tropicana and Quaker. It's best known for its flagship soft drink brand, Pepsi Cola. Its main rival worldwide is Coca-Cola. The Coke vs. Pepsi conflict has a long history dating back over 100 years. Rivalry started in the US market and has since spread to other countries. Their battle grounds have been in distribution channels, ware housing, supermarket shelves, fast food restaurants and venues of public events.

Competition between Pepsi and Coke in East Africa has been going on since independence years of 1960s. Due to aggressive strategy adopted by Coke it has always held the bigger market share than Pepsi in this African region. But Pepsi has survived over the years through strategies of tactical retreats. When they were defeated by Coke in Kenyan market in 1970s, they retreated to the backyard of Tanzania, Uganda and, now, Rwanda and Burundi. Pepsi has again come to Nairobi in 2013 for *battle royale* with Coca Cola that has been enjoying the hospitality of Kenyan soft drinks market. Pepsi Cola will also use Nairobi as a spring board to the rest of East African countries and strengthen their operations in this important economic region.

Each of these two American soft drinks companies prides of having recently introduced new brands worldwide. Coca-Cola introduced *Diet Coke* and *Coke Zero*. Pepsi introduced *PepsiMaxi*, ready to drink teas, water, juices, and sports drinks. In other regions of the world, Pepsi leads in brands like Aquafina and Gatorade and ready-to-drink teas through Lipton, while its Tropicana wins out in juices and nectars. The products of the two American firms are popular with East African consumers. Pepsi Cola products are well known through their aggressive advertising: Fanta, Coke, Crest, Stoney Tangawizi, Dasani mineral water, and others. For Pepsi Cola, Pepsi drinks and Quaker Oats are well known. Pepsi have decided to invest on massive facilities at Ruaraka in North East Nairobi and they are already operational. They are in the process of laying down elaborate distribution channels and setting up networks with distributors fueled by smarter and more aggressive advertising campaigns. We are yet to see other brands that will come out of Nairobi bottling plant.

Competition for a share of the market in East Africa is promising to be very stiff. Macroeconomic factors within the region in 2013 and beyond point to a relatively stable economic environment, conducive for business growth. Political developments are stable, economic policies of most EAC countries are predictable, and the laws pertaining to foreign investment are favorable. Indigenous as well as other foreign firms are investing heavily in the region. Such investments are in manufacturing of soft drinks, bottling of mineral water as well as processing of a number of fruit based drinks. Multinationals from South African, India, Pakistan, Nigeria, and EU have come to invest in EAC. This makes competition stiffer for the two competing American companies. It is anticipated that Chinese firms will also want a slice of the EAC market for soft drinks.

Questions

(i) Give an explanation of theoretical foundations of rivalry between Pepsi Cola and Coca Cola worldwide, and in particular, in East African soft drinks market**.** **(**8 Marks)

(ii) What might have made Pepsi Cola to come back to Kenyan Market? How can governments of EAC countries improve incentives so as to continue attracting more investors? (7 Marks)

(iii) One of the competing tools for firms is innovation. How have these two competing firms used innovation as a long term strategy? (8 Marks)

(iv) In light of recent political and economic changes in EAC countries, what prospects are likely to be available for foreign investors, and what should governments of these countries do to sustain attractiveness of the region as an investment destination? (8 Marks)

QUESTION TWO (23 MARKS)

Middle managers are an important link between the executive level and functional managers. Explain how they participate in formulating and implementing strategy, and indicate how their performance can be assessed.

QUESTION THREE (23 MARKS)

Diversification strategy can be used as a survival or as an expansion strategy. Discuss how diversification strategy is used by transportation and in insurance companies in Kenya, giving example of diversified products or services.

QUESTION FOUR (23 MARKS)

Out of the four decision making steps, elaborate on any three of them giving their importance on the overall decision. How are decisions evaluated to determine whether they were appropriate or not?

QUESTION FIVE (23 MARKS)

Managers of subsidiaries of multinational corporations face a lot of cultural challenges in host countries. Explain how a manager in a developing country reacts to political changes, cultural diversity, customer preferences and trade union demands.

QUESTION SIX (23 MARKS)

Monitoring implementation of strategy is very vital to ascertain whether progress is in the right direction. Which methods do firms use to routinely assess the progress of implementation of firm strategy?