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**University Examinations 2016/2017**

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

**BFA 5179: STRATEGIC MANAGEMENT**

**DATE: DECEMBER 2016 TIME: 3 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***three***questions.

**QUESTION ONE (24 MARKS)**

Read the article below and answer the questions that follow

**Dynamic Capabilities Model**

The term dynamic capabilities was first introduced in a working paper in 1989 and influenced by Gary Hamels.

Dynamic Capabilities refer to the capacity of an organization to purposefully create, extend or modify its resource. The basic assumption of this framework is that core competences should be used to modify short-term competitive possibilities that can be used to build long-term competitive advantages. The difference between the resource based view (RBV) and dynamic capabilities view (DCV) is that DCV focuses on competitive survival, while RBV focus on competitive advantage based on resources that the firm has. DCV is challenged by the fact that in many industries, changing the entire resource base in response to external changes is unrealistic.

DCV attempts to deal with two main issues; how senior managers can change their existing mental models to adopt to the discontinuous change, the second is how companies can maintain threshold capability standards and hence ensure competitive survival.

While it is possible to change some managerial routines to respond to short-term changes in the environment, changing some process on short notice is unrealistic. Managers however should understand the ongoing depreciation of its resource base.

1. Compare and contrast the resource based view and Dynamic capabilities models (12 marks)
2. Discuss challenges in adopting Dynamic capabilities model (12 marks)

**QUESTION TWO (12 MARKS)**

Discuss the role of organization behavior in the internal organization and its impact on strategy implementation (12 marks)

**QUESTION THREE (12MARKS)**

Safaricom Ltd, is reputed as one of the most profitable organizations in East Africa. Giving examples, discuss safaricom’s industry environment (12 marks)

**QUESTION FOUR (12 MARKS)**

Recently the government of Kenya, moved to Cap interest rates charged by commercial banks on borrowers. This is expected to drastically change competition landscape in the banking industry. In your own view, discuss strategic moves the banks will adopt to remain competitive and profitable (12 marks)

**QUESTION FIVE (12 MARKS)**

Increasing competition in domestic markets, has forced companies to consider international expansion, based on their resources, capabilities and current international position.

International expansion could be based on any of the following strategies; international strategy, Multinational strategy and global strategy. Giving appropriate examples, discuss these strategies. (12 marks)