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BAM 2204 – STRATEGIC MANAGEMENT

KCA UNIVERSITY

BACHELOR OF COMMERCE

ANSWERS

Question One

1) PESTEL analysis.

PESTEL stands for Political, Economic, Social, Technological, Environmental and Legal factors.

PESTEL is a tool that is used to analyze remote environment of an organization.

a) Political factors;

These are factors that determine the extent to which the government influences the economy or specific industries.

In the illustration given, the government of Kenya used a state owned telecommunication company, Telkom Kenya to acquire 4G Data coverage across the country. In this case, Telekom Kenya through the financial support by the government will have the effect of creating stiff competition with other internet service providers such as Safaricom Plc. Safaricom Plc should quickly make a counter by ensuring that its market share is not taken by Telekom Kenya.

b) Economic factors;

With COVID-19, the economy is in recession. There is high unemployment due to businesses closing down, mass withdrawal by investors at Nairobi Securities Exchange (NSE) and no foreign direct investment. It is clear that the business climate is unfavorable due to the pandemic. Safaricom Plc has to plan on ways of pricing their products because the customers purchasing power has been significantly affected.

c) Social and cultural factors;

The growing number of people infected with the virus has a negative effect on the population. Most people will be sick and therefore they spend their resources in treating themselves and Safaricom products will be forgone for settling medical bills. The working force at Safaricom will be affected since they might contract the virus hence sick leave or absenteeism at work place as a result of taking care of the sick family member.

d) Technological factors;

The introduction of 4G Data coverage with a view of enabling workers who can work from home online is a revolution of technology that will change how the business is conducted.

Safaricom Plc needs to up their game by introducing more advanced technology that is fast and reliable so as to continue dominating the telecommunication industry in Kenya.

e) Legal factors;

Safaricom Plc has to adhere to the laws of the land at all times to avoid fines. Some of the laws are Employment law that advocates for employees rights such as conducive environment, compensation of workers when injured in the line duty or within business premise.

Also other laws such as Consumer protection laws among others need to be followed fully to avoid unnecessary lawsuits.

2) SWOT Analysis;

SWOT stands for Strength, Weakness, Opportunities, and Strength.

a) Strength;

Safaricom products are tailored to a specific market for example Mpesa and Mshwari. Other than providing telecommunication services, they have exceeded by giving its customers credit facility as well as internet and mobile money transfers.

Their staffs are highly skilled and adequately trained to provide solutions and respond effectively to the issues raised by the customers.

They also provide real time and customer friendly services that have gained popularity in the country and beyond hence making it reliable and increasing trust in the face of its customers.

b) Weakness;

Safaricom customer service is a times unreliable especially for clients in remote areas.

Lack of integrity by some of Safaricom staff has tainted its reputation. Some staff colludes with criminals to defraud the clients' funds by sharing confidential information with criminals.

c) Opportunities;

Safaricom has increased in growth, profitability and competitive advantage by tapping on its capacity to deliver and bring innovation in telecommunication industry.

Safaricom funds research and development unit has been at the fore front in technological innovation for example, mobile money transfer was started by Safaricom in 2007. It was the first company in the world to come up with such innovation.

Safaricom customers are loyal. They switch to other networks only to switch back due to the excellent services provided by Safariom.

d) Threats;

such as restaurants and pubs are asked to close shops as per government directive. The impact of the government directives is that most of the people will have their purchasing power significantly reduced translating to reduction in profits.

The competition posed by Telkom Kenya in provision of the internet service is a threat that needs to be handled if only Safaricom is to retain its market share.

Question Two

Discuss the media industry in Kenya with a clear focus on Porters five competitive forces.

a) Threat of new entry/ competitor;

Though there exist barriers imposed on entry to traditional media, numerous informal media and digital technology have penetrated the media industry and has found its niche. Today, most of the traditional media in Kenya have been constantly downsizing its staff so as to cut cost.

Technology has disrupted the way media operates. In Kenya, people have been opening You tube channels, Telegram, Facebook, Twitter among other platforms that they use to share news, post vital information that keeps their audience alert and receives information at a faster pace compared to traditional media.

The net effect of these channels have made profits decline for the main stream media.

b) Threat of substitute products;

The cost of switching from the mainstream media to citizen journalism is at no cost. In most cases traditional media are not fully substituted but they form a basis of reference because of high ethical standards and fair reporting required of them by the Media Council of Kenya.

c) Rivalry among competing firms;

Traditional media in Kenya is saturated. We have so many radio stations, television channels, and print media. These firms have been competing to a point that it makes others unattractive.

For example mainstream media such as NTV, Citizen TV, K24, Radio Maisha among others have been laying off staff with a view of hiring others who the firm can sustain in terms of salaries and at the same time expand its market shares in terms of the viewers and listeners and readers of the newspapers.

d) Bargaining power of consumers;

Due to the fact that television viewers or radio listeners and newspaper readers have many options to choose from, the firms ensures they provide programs that are of high standards and attractive. Failure to do so makes it easier to lose a customer to other competing firms.

e) Bargaining power of suppliers;

The media industry in Kenya are many and therefore, it his hard for them to increase prices of their products such classified advertisements. The industry is mainly driven by consumers since they can easily switch suppliers.

The introduction of citizen journalism has even made it complicated since the same platforms can be used to advertise, disseminate information and post news instantly without even verifying.

Question Three

Explain the survival strategies KQ should adopt.

a) Internal growth strategies;

Is an intensive strategy that requires a lot of efforts so that the company competitive position with existing products may improve. It comprises of market penetration and concentration, market development, product development and innovation.

KQ should adopt this strategy so that it can capture new market, increase its market share, develop new products and market to the existing customers.

Market penetration and concentration- They should enter existing market with existing product through massive advertisement. The aim is to increase market share.

Market development – It is venturing new markets with existing products with an aim of building existing strength and capabilities.

Product development and innovation – Entering new markets with existing products. The aim being offering new products to existing markets.

Diversification – Venturing new markets with new products so as to increase profitability once the new products are accepted in the market.

b) External growth strategies;

KQ may opt to use acquisition, mergers, joint venture and integration in an effort to turn around the loss making company.

They may use the following strategies;

Horizontal integration where they can acquire firms operating at the same line of business and market chain so as to take advantage of economies of scale.

Vertical integration; KQ may as well acquire firms that supply them with its inputs.

Concentric diversification; KQ may provide services related with the current services so as to achieve synergy.

Conglomerate diversification; They can provide services unrelated with currently available service to increase their revenue.

c) International strategies;

KQ may look for strategic alliance with oversees firms in similar line of business or broker a joint venture deal that will end up benefiting the company in terms of high returns and wide market.