****

**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR ONE**

**FIRST SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

**COURSE CODE: MBA 814**

**COURSE TITLE: STRATEGIC MANAGEMENT**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 08/04/2021 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of FOUR (4) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

*Read the following case and answer the questions below*

In 1953, just four years after Ingvar Kamprad had produced his first mail order catalogue featuring locally produced furniture, he opened his first store in Almhult, Sweden. Since then, he and his successors have created a global network of stores in 28 countries. Initially stores were opened only in Scandinavia, but as greater levels of success were experienced, stores were build in countries further afield where the rewards, but also the risks of failure, were much higher. In all these countries the retailing concept of Ingvar Kamprad remained the same: ‘to offer a wide

range of furnishing items of good design and function at prices so low that the majority of people can afford to buy them’.

In the 1980s, Andres Moberg became the chief executive. However, the influence of Ingvar Kamprad could still be found. IKEA had always been frugal in its approach. In its early years it had relocated to Denmark to escape Swedish taxation. Echoes of the same philosophy and style could be seen in Anders Moberg. He would arrive at the office in the company Nissan Primera, dressed in informal clothes, and clock in just as other employees did. When abroad he traveled on economy class air tickets and stayed in modest hotels. He expected his executives to do likewise. Such prudence was extended to the company whose shares where held in trust by a Dutch charitable foundation and not traded. Furthermore, IKEA’s expansion plan envisaged only internal funding with 15 per cent of turnover being reinvested.

The 1980s saw rapid growth. IKEA benefited from changing customer attitudes, from status and designer labels to functionality, encouraged by an economic recession. It also developed a number of unique elements which came to make up IKEA’s winning business formula: simple, high quality Scandinavian design, global sourcing of components, knock-down furniture kits that customers transported and assembled themselves, huge suburban stores with plenty of parking and amenities such as cafes, restaurants, wheelchairs and even supervised childcare facilites. A key feature of IKEA’s concept was universal customer appeal crossing national boundaries, with both the products and shopping experience designed to support this appeal. Customers came from different lifestyles: from new homeowners to business executives needing more office capacity. They all expected well styled, high quality home furnishings, reasonably priced and readily available. IKEA met this expectation by encouraging customers to create value for themselves by taking on certain tasks traditionally done by the manufacturer and retailer, for example the assembly and delivery of products to their homes.

IKEA made sure that every aspect of its business system was designed to make it easy for customers to adapt to their new role. For example, information to assist customers make their purchase decisions was provided in a 200-page glossy catalogue; during their visit to the store customers were supplied with tape measures, pens and notepaper to reduce the number of sales staff required; furniture was displayed in 100 model rooms; and sales staff were expected to involve themselves with customers only when asked.

To deliver low-cost yet high-quality products consistently, IKEA also had 30 buying offices around the world whose prime purpose was to identify potential suppliers. Designers at head-quarters then reviewed these to decide which would provide what for each of the products, their overall aim being to design for low cost and ease of manufacture. The most economical suppliers were always chosen over traditional suppliers, so a shirt manufacturer might be employed to produce seat covers. Although the process through which acceptance to become an IKEA supplier was not easy, it was highly coveted, for, once part of the IKEA system, suppliers gained access to global markets, and received technical assistance, leased equipment, and advice on how to bring production up to world equality standards. By the mid 1990s IKEA was offering a range of 12,000 items, from 1,800 suppliers in 45 countries at prices 20-40 per cent lower than for comparable goods. However, by 1998 the means of achieving low cost was receiving some critical attention. It was reported that IKEA was sourcing its goods from suppliers in eastern Europe which paid its workers poverty level wages.

Having to cope with widely dispersed sources of components and high-volume orders, made it imperative for IKEA to have an efficient system for ordering its suppliers, integrating them into products and delivering them to the stores. This was achieved through a world network of fourteen warehouses. These provided storage but also acted as logistical control points, consolidation centers and transit hubs, and aided the integration of supply and demand, reducing the need to store production runs for long periods, holding down unit costs by minimizing the costs of inventory and helping stores to anticipate need and eliminate shortage.

By the end of the 1990s IKEA was turning its attention to new opportunities for growth. It had opened stores in eastern Europe and the one-time Soviet republics, believing these represented great future potential. In 1997 it announced its plan to open twelve new stores a year internationally in cities such as Frankfurt, Shanghai, Chicago, and Roclab in Poland and to double manufacturing capacity by building up to twenty factories in eastern Europe by 2002. There were also plan to develop new areas of business. In partnership with a building contractor, IKEA was market testing in Sweden ‘flat packed’ housing which could be assembled by two men and a crane in a week at prices about 30 per cent less than the going rate. It was also developing new sources of supply, entering into an agreement with a timber company to develop new wood material for furniture. However, the company was also facing problems. IKEA was experiencing growing competition on an international front. It had decided to implement a programme of cost savings, rationalizing its supply chain and product range in order to cut purchasing costs by an overall average of 10 per cent. The company had stated the intention of cutting what had become 2,400 suppliers by one-quarter and focusing on increased volumes with a smaller range of products and fewer suppliers.

In 1996, Ingvar Kamprad announced that IKEA would be split into three, comprising the retailing operations, an organization holding the franchise and trademarks, and a third arm involved mainly in finance and banking. The first two would form the core of the group, controlled at arm’s length by trust-like organisations; the latter’s shares would be jointly owned by Kamprad’s three sons. The structure was devised in an effort to ensure that the privately held organization should not be broken up or sold off in a succession battle after Ingvar Kamprad retired. He also wanted to ensure that it would not be put under the sorts of external pressures for continual growth often faced by publicly quoted companies. Internally, IKEA’s strategy was managed at different levels. A committee of senior executive at headquarters in Denmark was responsible for overseeing investment in new market and stores; responsibility for product development and purchasing lay with IKEA of Sweden; and country managers tailored the presentation and marketing of products to home territories.

**QUESTIONS**

1. outline the characteristics discussed in the case and write out a statement of strategy for IKEA. (6 Marks)
2. With reference to the case, note down the characteristics of IKEA’s strategy which could be explained by the notions of Strategic management as ‘environmental fit’ (7 Marks)
3. Strategic management as the ‘stretching’ of capabilities. (7 Marks)

**QUESTION TWO**

1. Explain in brief any four types of strategic controls (8 marks)
2. Outline the guidelines for a proper strategic management control system (5 Marks)
3. Using McKinsey’s 7S; describe the factors which lead to the success of a firm (7 Marks)

**QUESTION THREE**

1. Define the term policies (3 Marks)
2. Explain in detail factors that shape the company’s strategies (7 marks)
3. Explain the concept of core competence using Michael porters five forces of competitive advantage (10 marks)

**QUESTION FOUR**

1. Distinguish between goals and objective and explain the concept of SMART objectives (7 marks)
2. With a Help of a diagram Critic GE Mc kinsey matrix of industry attractiveness (8 Marks)
3. Outline the importance of strategic management control in an organisation (5 marks)

**QUESTION FIVE**

1. Explain the importance of strategic management (8 marks)
2. Explain the long term strategic planning process using the BCG Matrix (8 Marks)
3. Using SWOT analysis explain the steps involved in strategy formulation (6 Marks)