



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF AGRICULTURE AND FOOD SCIENCES
SECOND SEMESTER THIRD YEAR EXAMINATION FOR THE DEGREE OF
BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT 2016/2017
ACADEMIC YEAR

COURSE CODE: AAE 3322

COURSE TITLE: AGRIBUSINESS MANAGEMENT PLANS AND STRATEGIES

EXAM VENUE: **STREAM: (BSc. Agribusiness Management)**

DATE: **EXAM SESSION:**

TIME: 2 HOURS

Instructions:

- 1. Answer ALL the questions in section A and any TWO in section B**
- 2. Do not write on this question paper**
- 3. Each question in section B carries equal marks**
- 4. Candidates are advised to carry a calculator**

SECTION A [30 MARKS]

Answer ALL questions in this section

1. The process of strategic management dictates an inclusive approach to stakeholder engagement in strategy formulation which requires consideration of their needs as well as identification and communication of the firm's purpose and values.
 - a) Who is a stakeholder according to strategic management? [1mark]
 - b) Identify the different kinds of stakeholders and their expectations an organization must consider in the process of strategy formulation. [9marks]

2. 'A change in strategy requires a change in reward systems.'
 - a) Provide a brief guideline for matching reward systems and strategies with reference to the organizational life cycle. [4marks]
 - b) What are the strategic options available for organizations in a maturing industry? [4marks]
 - c) What is strategic leadership? [2marks]

3. A strategic group consists of the clustering of a group of organizations that are similar to one another, offer similar goods to similar customers and also might make similar decisions about production technology and other organizational characteristics.
 - a) What is the value of strategic grouping as an analytical tool for strategy formulation? [2marks]
 - b) Outline any four variables an organization has to consider in identifying current and potential competitors. [4marks]
 - c) Why is organizational structure important for strategy implementation? [2marks]
 - d) Differentiate between backward vertical integration and forward vertical integration? [2marks]

SECTION B **[40 MARKS]**

Answer any TWO QUESTIONS in this Section.

4. ABC Stores sells Horticultural produce. The store has several shops all over the capital city. Cash sale still contribute the largest part of the turnover, which ensures the store a healthy cash-flow situation. High food prices however, create a problem for the store. The successful process of political negotiations and the general democratic elections has led to an upswing in consumer confidence. This was evident in the ABC Stores market. This was further inspired by the promised government expenditure on social upliftment targeted at the very sectors that ABC stores traditionally served. A lot of factors, however, also contributed to problems in the market of ABC stores. Among these are the government's inability to combat serious social problems such as crime and unemployment effectively. The offering of credit facilities by competitors like XYZ Stores lured ABC's customers away. The drought in certain areas, the fragmentation of fertile lands and accompanying resignation/retirement of large numbers of civil servants and their declining buying power have impacted on the ABC stores.
- a) As a strategist, prepare a detailed SWOT analysis of ABC Stores. [8marks]
 - b) Do a PESTE analysis on the operations of the ABC Stores. [8marks]
 - c) What are the possible limitations of SWOT analysis to this agribusiness firm? [4marks]
5. Universal LTD processes pasteurized milk. After successful introduction of the pasteurized milk into the market, the company decided to extend its product line by adding more products such as yoghurt, cheese and fermented milk. The brand loyalty that was created by the pasteurized milk and its effective marketing campaign, was utilized to introduce the additional products that appealed to the same market. Instead of just buying a packet of milk, a customer will walk out with two or more additional products from the range.
- a) Identify the type of external growth strategy employed by the Universal LTD. [2marks]
 - b) Explain the conditions under which the strategy identified in (a) above thrives in. [8marks]
 - c) Suppose Universal LTD is operating in a stagnant/declining industry, what are the possible strategic moves that the company can employ to succeed. [6marks]
 - d) What are the possible strategic mistakes Universal LTD can make in this declining/ stagnating industry? [4marks]
6. Due to drought, an agribusiness firm is considering venturing into more resilient enterprises with the following expected performances.

Weather conditions	Probability	Dairy goat farming	Edible insect farming	Rabbit farming
Good	0.35	450,000	350,000	250,000
Average	0.4	300,000	250,000	105,000
Poor	0.25	100,000	80,000	60,000

- a) Using Maximax rule, advise the company on the best enterprise to choose. [4marks]
- b) The firm has cash flow problems and would not engage in any risky enterprise with uncertain cash flows. Advise the firm's management whether it is suitable to use Maximax rule in choosing the best enterprise to invest in. [2marks]
- c) The firm intends to focus on low income earners with the products of the above enterprise. Their prices will be slightly lower than their competitors.
- i). Identify the above generic strategy [2marks]
 - ii). When is it best to follow, the above strategy identified in (i) above? [6marks]
 - iii). What are the likely pitfalls of the strategy identified in (i) above? [6marks]