

3806/101
BUSINESS ENVIRONMENT AND
STRATEGIC MANAGEMENT
July 2016
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
HIGHER DIPLOMA IN BUSINESS MANAGEMENT
MODULE I

BUSINESS ENVIRONMENT AND STRATEGIC MANAGEMENT

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of **THREE** sections; A, B and C.*

*Answer **BOTH** questions in Section A;*

*Answer **ONE** question from Section B;*

*Answer **ONE** question from Section C.*

Marks for each question are as indicated.

Write your answers in the answer booklet provided.

Candidates should answer the questions in English.

This paper consists of 4 printed pages.

**Candidates should check the question paper to ascertain that
all the pages are printed as indicated and that no questions are missing.**

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SECTION A: (60 marks)

Answer BOTH questions in this section.

1. **Read the case below and answer the questions that follow.**

PENDO COMMUNICATIONS LIMITED (PCL)

Pendo Communications Limited (PCL) is a leading mobile network operator that was incorporated in Kenya in the year 2003 to primarily provide mobile telephone services. The company was established by a group of private entrepreneurs who pooled their resources to fulfil the unmet communication needs in the country. Its headquarters is located in Nakuru county.

At the time of its establishment there was minimal competition in the telecommunications industry and the market was virtually unexploited. The favourable environment coupled with good management talent brought about phenomenal growth. From about 100 employees at inception, the company currently has 2,500 permanent employees. The company has also opened branches all over the country.

The employment policy at PCL emphasizes on the need to uphold employee diversity. The policy recognizes that each individual employee is unique and therefore provides for individual differences in all employee-related matters. This is well inculcated in the company's corporate culture. This has made the employees happy with the workplace. This way, they are able to explore their talents in a safe, positive and nurturing environment. They move beyond simple coexistence to embracing and celebrating their rich dimensions of diverse cultures, generations, gender orientation and abilities that make each of them who they are.

Relative to its competitors, PCL is also very popular owing to its stance on corporate social responsibility and business ethics. According to the Strategy Manager at PCL, "the company recognizes the legitimate rights of its stakeholders. These include not only the shareholders and employees but also the outsiders affected by the firm's actions."

In an attempt to incorporate the interests of the company's stakeholders in its business operations, the management of PCL has invested enormous resources in:

- (i) Identifying all the relevant stakeholders;
- (ii) Understanding each stakeholder's specific needs vis-à-vis the company's objectives;

- (iii) Reconciling the needs identified and assigning priorities;
- (iv) Integrating the stakeholders' needs with other elements of the company's mission.

PCL's success story is also attributed to its ability to identify, formulate and execute viable strategies. This gives it a competitive advantage in a highly dynamic environment. To ensure that the strategies adopted are properly aligned to environmental changes, the company conducts its internal analysis on an on-going basis. Every six months, the strategic management team undertakes an analysis of the internal strengths of the company, its weaknesses, opportunities available for exploitation and threats facing the business. Through these analyses, the management is always better placed to create a quick overview of the company's strategic situation. Accurately applied, this traditional approach to internal analysis has provided sound insights for the design of the company's successful strategy.

In an unanticipated turn of events, the government recently licensed five new operators in addition to the existing three in the industry. This move has caused a lot of concern to the management of PCL since it poses serious threats to the business. The management feels that the entry of new competitors will increase the bargaining power of key customers and threaten other vital aspects of the company's success.

In a recent interview with one of the local television stations, the Chief Executive Officer at PCL hinted that the company will soon be venturing into unrelated diversification. This way, it will be well placed to diversify into other markets, products and services.

In an effort to further address the threats posed, the management contracted a consultant whose terms of reference were to recommend the most appropriate strategies to ensure the company's survival in the changing circumstances.

- (a) Outline **five** benefits that may be associated with the employment policy adopted by PCL. (10 marks)
- (b) Explain **five** negative consequences of PCL's stand on corporate social responsibility. (10 marks)
- (c) Highlight **five** limitations of the approach used at PCL to carry out its internal analysis. (10 marks)
- (d) Suggest **five** ways in which PCL may benefit from implementing the strategic option hinted by the company's Chief Executive Officer. (10 marks)

2. (a) There are certain circumstances that may favour the entry of a new competitor into an industry. Outline **five** such circumstances. (10 marks)
- (b) Explain **five** factors that determine the strategies adopted by an organization. (10 marks)

SECTION B: (20 marks)

Answer ONE question from this section.

3. (a) Give **five** reasons that make it necessary for a manager to have a clear understanding of the business environment in which a company operates. (10 marks)
- (b) Explain **five** benefits that an organization may derive from engaging in continuous innovation. (10 marks)
4. (a) Kheri was recently employed in a newly established consumer goods manufacturing firm. Explain **five** measures that he may take in order to promote ecologically sustainable operations in the organization. (10 marks)
- (b) Outline **five** objectives that an organization may seek to achieve from adopting a customer-centred approach in its operations. (10 marks)

SECTION C: (20 marks)

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Answer ONE question from this section.

5. (a) Explain **five** risk management strategies that may be adopted by an organization. (10 marks)
- (b) Zigizigi Limited, a newly established firm, is in the process of formulating its mission statement. Explain **five** types of information that should be included in the statement. (10 marks)
6. (a) Explain **five** measures that the management of an organization may take to enhance continued profitability in a declining industry. (10 marks)
- (b) Explain **five** secondary mechanisms through which corporate culture may develop in an organization. (10 marks)

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ENTREPRENEURIAL BEHAVIOUR
November 2016
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

HIGHER DIPLOMA IN ENTREPRENEURSHIP DEVELOPMENT

ENTREPRENEURIAL BEHAVIOUR

3 hours

INSTRUCTIONS TO CANDIDATES

This paper consists of SIX questions.

Answer question ONE (Compulsory) and any other THREE questions.

Question 1 carries 40 marks and all other questions carry 20 marks each.

Write your answers in the answer booklet provided.

Candidates should answer the questions in English.

This paper consists of 4 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.