



STRATHMORE UNIVERSITY BUSINESS SCHOOL

MASTER OF MANAGEMENT IN AGRIBUSINESS

END OF SEMESTER EXAMINATIONS

MMA 8304: STRATEGIC MANAGEMENT IN AGRIBUSINESS

Date: Friday, 22nd February 2020

Time: 3 Hours

Instructions

1. This exam has **FIVE** questions.
2. Answer questions **ONE** and **TWO** and **any other two** questions.

Question 1 (Compulsory) (15 Marks)

Read the Document Attached: *Policy Responses to Food Insecurity in Kenya* and Answer All the Questions. Be as precise and concise as possible

Prepared by Kenya Agricultural Research Institute

Introduction

The agricultural sector is the mainstay of the Kenya's economy. The sector directly contributes 24% of the Gross Domestic Product (GDP) and 27% of GDP indirectly through linkages with manufacturing, distribution and other service related sectors. Approximately 45% of Government revenue is derived from agriculture and the sector contributes over 75% of industrial raw materials and more than 50% of the export earnings. The sector is the largest employer in the economy, accounting for 60 per cent of the total employment. Over 80% of the population, especially living in rural areas, derive their livelihoods mainly from agricultural related activities. Due to these reasons the Government of Kenya (GoK) has continued to give agriculture a high priority as an important tool for promoting national development.

In 2008, the GoK launched Kenya Vision 2030 as the new long-term development blueprint for the country whose focus is to create a "Globally competitive and prosperous country with a high quality of life by 2030". The Vision also aims at transforming Kenya into "a newly industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment". The Vision is anchored on the economic, social, and political pillars and will be supported on the foundations of macroeconomic stability; continuity in governance reforms; enhanced

equity and wealth creation opportunities for the poor; infrastructure; energy; science, technology and innovation; land reform; human resources development; security; and public sector reforms.

Given the central role the agricultural sector plays in the economy; the Government is in the process of finalizing the development of the Agricultural Sector Development Strategy (ASDS). The overall aim of this strategy is to strategically make the agricultural sector a key driver for achieving the 10 per cent annual economic growth rate expected under the economic pillar of the Vision 2030. Through the ASDS, the Government aims at transforming the agricultural sector into a profitable economic activity capable of attracting private investment and providing gainful employment for the people.

Food security

The achievement of national food security is to be a key objective of the agricultural sector. Food security in this case is defined as “a situation in which all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life” (Kenya Food Security Steering Group, 2008). In the recent years, and especially starting from 2008, the country has been facing severe food insecurity problems. These are depicted by a high proportion of the population having no access to food in the right amounts and quality. Official estimates indicate over 10 million people are food insecure with majority of them living on food relief. Households are also incurring huge food bills due to the high food prices. Maize being staple food due to the food preferences is in short supply and most households have limited choices of other food stuffs.

The current food insecurity problems are attributed to several factors, including the frequent droughts in most parts of the country, high costs of domestic food production due to high costs of inputs especially fertilizer, displacement of a large number of farmers in the high potential agricultural areas following the post-election violence which occurred in early 2008, high global food prices and low purchasing power for large proportion of the population due to high level of poverty.

Policy responses to the recent food crisis

As with other countries, the Government of Kenya responded to the food crises through three major policy intervention: Supply, prices and income related policies.

Supply related policies

- i) Subsidy on farm inputs, especially fertilizers, through involvement of the Government

- ii) National Cereals and Produce Board (NCPB) in importing and distributing the inputs.
- iii) Improvement of research and extension services and improving their linkages.
- iv) Provision of rural credit for farming (e.g. the Kilimo Biashara Initiative)
- v) Improvement in rural infrastructure, especially road network
- vi) Development rural agricultural markets and agri-business skills
- vii) Improvement of the management and use of natural resources, especially water for irrigation
- viii) Allowing for imports of tax free maize and ban on exports
Providing farmers with planting materials and seeds, especially of the so called 'orphan crops- drought tolerant' which can be grown in the arid and semi-arid areas.
- ix) Encouraging diversification of crops planted
- x) Encouraging the citizens to diversify their eating habits to other foods and avoid over-reliance on maize.
- xi) Improving the conditions under which food relief organizations operate so as food relief can reach many needy people.
- xii) Private sector initiate to mobilize citizens to contribute to the food relief kitty.

Price related policies

- i) Involvement of the NCPB in the purchase of maize from farmers at prices higher than market prices to provide incentive to producers.
- ii) Providing subsidy to maize meal millers to bring down the consumer retail prices of the maize meal (price subsidy to the consumers)
- iii) Raising the levels of the strategic food reserves to about 8 million bags (90kg) held by the NCPB in order to stabilize the maize prices
- iv) Providing a fund to purchase livestock from the drought stricken areas
- v) Allowing private sector to import maize at tax free.

Income related policies

- i) Government's enhanced efforts to contribute the costs of social amenities e.g. through the free education programme and reduced costs of health at public health facilities. This enables the population especially the poor to have a little more disposal income to spend on food.
- ii) The Government transfer funds for development to the grassroots, especially the Constituency Development Fund –CDF and Local Authorities Transfer Fund – LATF, helps the local communities meet their development need while

creating employment at the local level for those people who can provide specialized skills and labor.

- iii) Assisting in establishing producer and marketing associations (common interest groups) for farmers to enable them exploit the economies of scale through collective action.

Under the Vision 2030, the Government has identified the following seven flagship projects for implementation during the next 5 years:

1. Agricultural policy reforms
2. Three-tiered fertilizer cost reduction
3. Branding Kenya farm produce
4. Establishment of livestock disease free zones and processing facilities
5. Creation of publicly accessible land registries
6. Development of agricultural land use master plan
7. Development of irrigation schemes.

Questions

Using the Strategic Thinking Tool Provided to you in this course, that is the Context, Concept and Execution (CCE), provide Strategic building block for a private Business that wants to set up a business in the backdrop of this Strategic policy document

Required:

- a) What is the Context **(5 Marks)**
- b) What is the Concept? **(5 Marks)**
- c) What level of Execution is required to bring Food security? **(5 Marks)**

Question 2 (Compulsory) (15 Marks)

Choose the company you work for or any other specific company.

- a) Discuss the concept of the Value Chain as applies to the company of choice **(5Marks)**
- b) Describe how the managers of this company can use value chain analysis to identify and manage specific capabilities in order to achieve competitive advantage. **(5 Marks)**
- c) What are some of the Limitations of VCA as a source of Strategic advantages? **(5 Marks)**

Question 3 (10 Marks)

The Cabinet Secretary in the Ministry of Agriculture has tasked you with the responsibility of saving the country's Policy and Strategy on Food Security as envisioned in the Vision 2030 without the different stakeholders grinding it to hault. You would like all the interests of different stakeholders to be harmonized and managed for this to happen. Your job is clear cut. However, you know that there has been so many conflicting interests in Kenya, Famers and their associations, County governments, National governments, Rift Vallery Farmers, NGOs that have set up to fight Locust, Companies that have set up Factories to convert Locusts into Feeds, Transporters, The financiers, Environmental Group among others. The Government of Kenya in the direction on Food security had taken a stance with one syndrome, Decide, Announce and Defend (DAD). Present stakeholder perspective of Mitchel Agle and Wood, identifying the different stakeholders involved in this case and stating how the ministry will deal with each of the stakeholders based on their Power, Legitimacy and Urgency in order to save the country's strategic intent.

Question 4 (10 Marks)

A brilliant strategy, blockbuster product, or breakthrough technology can put you on the competitive map, but only solid execution can keep you there. You have to be able to deliver on your intent. Unfortunately, the majority of companies aren't very good at it, by their own admission. In fact, most organizations rush to structural changes- Restructuring, reconstituting- Uchumi, KQ, NYS, Kenyatta National Hospital among others.

Required:

Explain what you understand by Strategy execution according to the four fundamental building blocks of strategy execution and its implications using your organization or organizations of choice.

Question 5 (10 Marks)

You sit in a board meeting every month of an organization that has some of its units performing excellently well and other business units are performing very poorly. This is represented in the table below.

Business	Weight	Performance
A	17%	13%
B	50%	16%
C	20%	24%
D	13%	7.5%

Required:

- a) Discuss the four key options you will do when this table is put into your board papers for your review **(4 marks)**
- b) What are some of the three important tests you will carry out to enable make the right decision form the three possible strategic choices above **(6 Marks)**