



Strathmore
UNIVERSITY

STRATHMORE BUSINESS SCHOOL

MASTER OF MANAGEMENT IN AGRIBUSINESS

End of Semester Examination

MMA 8304: STRATEGIC MANAGEMENT IN AGRIBUSINESS

DATE: Thursday, 18th May 2023

Time: 3 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **THREE** Questions.
3. **Section A (Question ONE) is compulsory.** Answer **ONE** question from **Section B** and **ONE** question from **Section C**.

SECTION A (35 Marks) Compulsory

QUESTION 1 (35 Marks)

Read the case study *Hongxuan Agriculture: Innovations in the Value Chain*, and answer the following questions.

- (a) Discuss the challenges and problems faced by the Chinese egg industry. **(8 Marks)**
- (b) What innovations has Hongxuan achieved and how has it achieved them? **(10 Marks)**
- (c) Is Hongxuan's idea of value chain integration appropriate or would outsourcing be a better option? Give reasons for your answer. **(12 Marks)**
- (d) If you were an investor or insurance company representative, would you be willing to invest or provide egg value insurance for Hongxuan? Why or why not? **(5 marks)**

SECTION B (15 Marks)
Answer ONE question from this section

QUESTION 2 (15 Marks)

Read the case scenario *International Cow Packers (ICP)* and answer the questions that follow.

Case Scenario: International Cow Packers

International Cow Packers (ICP) is a \$12 billion meat processor (slaughter, processing, and packing). Founded in 1943, ICP has grown to become the largest beef and pork processor in the United States (90% of revenues come from beef and 10% from pork) and also has a growing export market to Japan. The company follows a focused cost-leadership strategy, delivering graded meats primarily to institutional (schools, prisons, hospitals) and supermarket channels. ICP's entire value chain is organized to deliver volume product at the industry's lowest per-unit cost. Its supplier industries, primarily cattle and swine feedlots, have relatively little power since prices for these raw materials are determined in the commodity markets. While entry barriers to the industry are high due to high minimum start-up costs, industry rivalry is extremely intense—primarily due to the fact that three large companies (including ICP) control 80% of the market for processed meats. The threat of substitutes is high with an increasing trend for consumers to favor poultry and other non-beef proteins for health reasons. Buyers are also powerful since supermarkets are relatively concentrated at a regional level and end-consumers have ample choices.

Questions

- (a) Is ICP's focused low-cost strategy appropriate for its industry? Why or why not?
(4 Marks)
- (b) What risks is ICP accepting by adopting its focused low-cost strategy?
(5 Marks)
- (c) What specific actions can ICP take to decouple itself from the ups and downs of the pure commodity markets?
(6 Marks)

QUESTION 3 (15 Marks)

Read the Case Scenario: *Jewell Company* and answer the questions that follow:

Case Scenario: Jewell Company

Jewell Company (JC) is a \$2 billion diversified manufacturer and marketer of simple gardening equipment and tools. In the early 1950s, JC's business consisted solely of manufactured gardening hoes that were sold through hardware stores and retailers like Sears. Since the 1960s however, the company has diversified extensively through acquisition into such businesses as paintbrushes, garden pots, and many hardware items for household use. Over 90 percent of its growth can be attributed to these many small acquisitions, whose performance it improved tremendously through aggressive restructuring and its corporate emphasis on cost-cutting and cost controls. While JC's sixteen different lines of business may appear quite different, they all share the common characteristics of being staple manufactured items and sold primarily through volume retail channels like Wal*Mart, Target, and Kmart. Because JC operates each line of business autonomously (separate manufacturing, R&D, and selling responsibilities for

each line), it is perhaps best described as pursuing a related linked diversification strategy. The common linkages are both internal (accounting systems, product merchandising skills, and acquisition competency) and external (distribution channel of volume retailers). JC is presently contemplating the acquisition of Plasco, a \$3 billion U.S.-based manufacturer of flexible plastic products like trash cans, reheatable and freezable food containers, and a broad range of other plastic storage containers designed for home and office use. While Plasco has been highly innovative (over 80% of its growth has come from internal new product development), it has had difficulty controlling costs and is losing ground against powerful customers like Wal*Mart. JC believes that the market power it wields with retailers like Wal*Mart will help it turn Plasco's prospects around.

Questions:

- (a) How might JC's related diversification strategy result in economies of scope and market power?
(5 Marks)
- (b) Why would the acquisition of Plasco be good for JC?
(5 Marks)
- (c) What difficulties might you expect JC to encounter related to its acquisition of Plasco?
(5 Marks)

SECTION C (10 Marks)
Answer ONE question from this section

QUESTION 4 (10 Marks)

What are the strategic implications of the technology life cycle for businesses?
(10 Marks)

QUESTION 5 (10 marks)

Why do businesses struggle as they seek new global markets?
(10 Marks)