



POSTGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF DOCTOR OF PHILOSOPHY IN MANAGEMENT
AND LEADERSHIP

DSM 901: THEORIES OF STRATEGIC MANAGEMENT

DATE: 4TH AUGUST 2026

DURATION: 3 HOURS

MAXIMUM MARKS: 50

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

XYZ, a commercial bank in Kenya, has been doing business for decades but has started experiencing mixed performance over the last two years. The bank has just released its 2024 results which demonstrate a rapid expansion and investment across Kenya's borders. The XYZ Bank reported 65% strong profit performance amounting to Kshs. 61.8 billion after tax which has partly been driven by expansion of its subsidiaries in the region. Such expansion requires internal resources like high capital, which comes with associated risks such as credit risk, regulatory risk, foreign exchange risk etc. Management decisions may favour growth over risk jurisprudence. Moreover, the bank has faced high non-performing loan ratios of up to 19% in some reports and large provisions to cushion it against defaults. If XYZ Bank's management pursues aggressive lending for revenue growth without adequate controls, this creates a risk to the bank.

On the other hand, the bank's revenue especially from non-funded income such as fees, commissions and foreign exchange trading rose by 24%. This means that there is serious pressure to maintain internal resources like digital platforms, customer trust, and service reliability which can degrade if not invested in. The banking sector has also witnessed an increase in fintechs, mobile banking and alternative channels which are encroaching on traditional banking services. For bank XYZ, maintaining inimitable service offerings via technology becomes vital to check competition and imitation. Maintaining physical branches is costly. Efficiency pressures require XYZ Bank to balance between physical presence and digital services to retain customer trust and access while reducing cost. Furthermore, XYZ bank also needs to deal with regulatory and macroeconomic conditions. High interest rates, inflation, foreign exchange risk, regulatory capital requirements all influence the bank's operations. Loan-loss requirements and prudential

regulations also constrain aggressive lending. Banks also depend heavily on deposits. If deposits are unstable, or if funding costs rise, risk depositor dependency and liquidity emerge. Regional operations expose XYZ bank to different regulatory regimes and currency risk especially arising from external funding and investor expectations.

The Kenyan business environment is replete with macroeconomic headwinds. In the banking sector in particular, these manifest in form of interest rates leading to rising inflation in the region and currency volatility in regional operations. These affect borrowers, credit risk, and cost of capital. On top of these, XYZ Bank faces competition from fintechs and changing customer behavior. Customers increasingly prefer mobile and digital banking, lower fees, and instant service. Traditional branch banking is therefore under enormous pressure. Moreover, Non-Performing Loans portfolio and loan defaults arising from poor asset quality threatens survival of XYZ bank in difficult economic periods.

Required:

- a) Critically evaluate, using insights from a relevant theory, the risks and benefits of XYZ Bank's aggressive regional expansion from an agency theory perspective

(10 marks)

- b) Using Resource-Based View (RBV), discuss why XYZ Bank's digital platforms, customer trust, and service reliability are considered strategic resources. Explain how these resources can give the bank a sustained competitive advantage

(8 marks)

- c) Identify two external threats to XYZ Bank's survival and suggest one adaptive response for each justifying your suggestion using concepts from an Survival based theory

(4 marks)

- d) Using Resource Dependence Theory, discuss how XYZ Bank's exposure to multiple regulatory regimes and currency risks affects its bargaining power and strategic autonomy. Suggest two ways the bank can reduce its vulnerability

(8 marks)

QUESTION TWO

- a) Discuss two real-world applications of the Knowledge Based View (KBV), one in a knowledge-intensive industry (e.g., pharmaceuticals, IT) and one in a service sector (e.g., banking, consulting)

(5 marks)

- b) Provide one real-world example each of how Contingency Theory and Network View Theory can guide managerial decision-making

(5 marks)

QUESTION THREE

- a) Critically evaluate the strengths of Institutional Theory in explaining organizational survival and change

(5

marks)

- b) Describe Game Theory, outlining its main purpose, three types of games, and relevance to strategic management

(5 marks)

QUESTION FOUR

- a) Describe Transaction Cost Theory (TCT), including its origin, key proponents, and main purpose

(5 marks)

- b) Explain how the competition-based view complements profit-maximizing theory and provide one example in a commercial bank context. **(5 marks)**