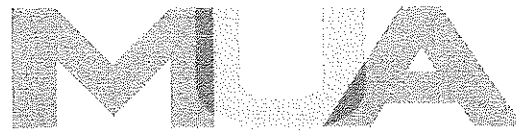


The
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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

**DEGREE OF MASTER OF BUSINESS ADMINISTRATION/MASTER
OF MANAGEMENT AND LEADERSHIP**

MBA 511: STRATEGIC MANAGEMENT

DATE: 30TH JULY 2025

DURATION: 3 HOURS

MAXIMUM MARKS: 60

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 **15 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:

CAFÉVERDE - BREWING GLOBAL SUCCESS

In 2006, CaféVerde, a dominant player in the specialty coffee industry, concluded a decade of remarkable financial performance. Its revenue soared from \$697 million to \$7.8 billion, while net profits grew from \$36 million to \$540 million. That year, the company achieved a 25.5% return on invested capital—an impressive figure in any industry. Projections indicated continued growth and sustained profitability through the end of the decade.

Three decades earlier, CaféVerde began as a modest coffee retailer in a single location at Portland's Artisan Market, specializing in premium roasted beans. Fast forward to 2006, and the company had transformed into a global brand with over 12,000 retail stores, nearly 3,000 of which were located in 40 countries outside the United States.

CaféVerde's transformative journey began in the 1980s when the then Director of Marketing, Marco Rossi, returned from a trip to Italy inspired by the local espresso bar culture. Rossi, who later became CEO, convinced the company's founders to experiment with a European-style coffeehouse concept—giving rise to the CaféVerde experience.

Rossi's core insight was the idea of a "third place"—a space beyond home and work for people to unwind, socialize, and connect. CaféVerde's business model emerged from this vision: offering high-quality roasted coffee, espresso drinks, pastries, tea, and related accessories in thoughtfully designed coffeehouse environments that emphasized comfort and community. The company charged premium prices, justified by the experiential value it provided to customers.

Key to CaféVerde's success was its investment in human capital. The company believed that motivated and well-trained employees were crucial to delivering exceptional customer service. All staff underwent extensive training, covering both product preparation and the company's service-oriented philosophy. Further,

CaféVerde broke industry norms by offering generous benefits—including stock options and healthcare—to part-time employees.

Unlike many competitors that expanded quickly through franchising, Rossi maintained that direct ownership of stores was essential for preserving brand integrity and service quality. Although CaféVerde adopted limited franchising in specific contexts (e.g., airports and certain international markets), it predominantly owned its outlets.

The strategy yielded impressive domestic results. CaféVerde became a household name in the U.S. within a decade, enjoying high customer loyalty—evident in the fact that an average customer visited nearly 20 times a month, with a typical income of around \$80,000. As CaféVerde expanded, it refined a sophisticated location strategy using demographic analysis to secure prime store placements, even opening stores on opposite sides of busy streets to capture bi-directional foot traffic.

By 1995, with nearly 700 U.S. outlets, CaféVerde turned its sights abroad, beginning with Japan, where it proved its business model could thrive cross-culturally. Global expansion followed across Asia and Europe. In 2001, BrandWorld magazine listed CaféVerde among the top 10 most impactful global brands—a distinction it retained for years. With 12,000 stores operating by 2006, CaféVerde announced its intention to reach 40,000 outlets worldwide, with 50% of future growth projected to occur outside the U.S.

Required:

- a) Critically evaluate the functional-level strategies adopted by CaféVerde that contributed to its outstanding financial performance. **(6 marks)**
- b) Identify and analyze CaféVerde's key resources, capabilities, and core competencies. How have these elements enabled the firm to achieve sustained competitive advantage and superior profitability? **(14 marks)**
- c) Assess the sustainability of CaféVerde's competitive advantage. What are the key barriers to imitation that protect its market position? **(10 marks)**

QUESTION TWO

- a) Discuss the meaning of strategic management. (2 marks)
- b) Examine four fundamental characteristics that distinguish strategic decisions from operational or tactical ones. (8 marks)
- c) Describe the concept of corporate governance and evaluate four benefits that arise from having a solid corporate governance structure in an organization. (5 marks)

QUESTION THREE

- a) From an external perspective, discuss organizational benefits that might emerge through scanning and interpreting the wider environment. (8 marks)
- b) When looking at value chain analysis, explore the concept and consider what purposes it might serve for firms seeking to align activities with strategy. (7 marks)

QUESTION FOUR

- a) In addressing the strategic challenges of mature industries, what options might firms consider to sustain relevance and profitability, and how might each be applied in such contexts? (4 marks)
- b) In relation to implementation, evaluate the types of organizational conditions that might influence successful execution of strategic plans. (4 marks)
- c) From the standpoint of strategic evaluation, reflect on how organizations might utilize control system tools to monitor progress and what features would characterize an effective evaluation. (7 marks)