



UNITED STATES INTERNATIONAL UNIVERSITY

SUMMARY OF THE USIU/GBSN YEAR 1 CASE STUDIES

In the FY 2004-2005, USIU, School of Business was selected as one of the leading African Business Schools that would participate in the Global Business School Network (GBSN) program sponsored by the International Finance Corporation (IFC). The GBSN program aims to strengthen the institutional capacity of business schools in developing and transition countries. The Network brings together top global business schools with business schools in developing countries.

As part of the USIU School of Business' participation in the GBSN, USIU received a grant from IFC to develop locally relevant Business and Information Technology (IT) Case Studies based on leading Kenyan companies. The Kenyan companies involved in the first round of the case development project were: Alpha Medical Manufacturers, Bidco Oil Refineries Limited, Commercial Bank of Africa, Firestone (E.A.) Limited, Kenya Airways, Kenya Tea Development Agency, Mabati Rolling Mills, and Safaricom Limited. These eight (8) case studies are now complete and they will be used for teaching in business schools in Africa and other parts of the world with the support of GBSN.

1. Safaricom Limited (A): Crafting Business and Marketing Strategy for a New Market USIU 05-01-01

This case examines the challenges that marketers encounter when identifying potential market segments and the subsequent development of marketing strategies needed to serve the selected market segments. In the Safaricom case the problem is compounded because firstly, the managers are all new to the environment and secondly, the significant market indicators point to a dismal market potential for mobile phones in Kenya. The telecommunications infrastructure and situation in Kenya before October 2000 shows a struggling industry that is dominated by a public monopoly, Telkom Kenya. Michael Joseph, the new CEO of the newly privatized Safaricom and his management team, are confronted with strategic and operational decisions needed to prepare the company to make a debut in Kenya's mobile telephone market. The new management team must make business and marketing strategy decisions that would make Safaricom achieve superior customer value and rapid market acceptance. The team must make decisions on the target market; market coverage; payment option; type of customer service; types of phones to be offered etc. with very limited market information, a situation which is often encountered when making investment decisions in developing country environments.

Industry: Telecommunications, Service Sector

Topics: Business Models, Business Strategy, and Marketing Strategy

Author: Charles Mayaka, Assistant Professor of Marketing

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2. Bidco Looks to the African Markets for Growth (A) USIU 05-02-01

Successful companies go through several growth phases before they gain stability in the market place. As a company grows from a small enterprise, it faces many business and operational related challenges. This case study traces the growth of one of the leading edible oils and fats manufacturers in Kenya, namely Bidco Oil Refineries Ltd. The company started as a garment manufacturer, then moved to soaps, before adding products in the edible oils and fats category. After years of successful operations, the company realizes that the Kenyan market can no longer sustain the company's growth goals. Bidco is now looking for growth opportunities beyond Kenya. The CEO, Mr Vimal Shah, knows that there are many possible approaches to growing the business: exporting to more countries, developing new products, modifying the marketing mix, and diversifying into other businesses. The CEO is considering two options that seem attractive to grow Bidco's business. The first option is to build a manufacturing plant in Uganda to produce edible fats, oils and soaps. The government of Uganda is very keen to have such an investment because of the jobs it will create and the foreign exchange it will bring to the country. The second option the CEO is considering is a US\$ 150 million investment in 30,000 hectares of palm plantation in Uganda. In order to make a choice on the investment opportunity that he should recommend to the board of directors, the CEO must take into account the pros and cons presented by each option.

Industry: Manufacturing

Topics: Business Growth Strategies, Product-Market Expansion Matrix, Risk and Opportunities Analysis, Market Entry Strategies, and Marketing Strategies

Author(s): Charles Mayaka, Assistant Professor of Marketing, and Dr. Mbithe Anzaya, Assistant Professor of Management

3. Alpha Medical Manufacturers Limited (A) USIU 05-05-01

Alpha Medical Manufacturers Limited is a manufacturer of high quality single use disposable syringes for both the local and export markets in Eastern, Central and Southern Africa. The company is facing major business challenges characterized by stiff competition from cheap imported syringes, rising energy costs, and low productivity. However, the biggest challenge-facing Alpha is the frequent breakdown of a crucial blister-packaging machine, which had seriously affected the efficiency, and effectiveness of the company. The CEO is pondering whether it is time to invest in additional machines and equipment in order to improve the efficiency and effectiveness of the company, or whether to abandon manufacturing of syringes and change the business focus to importation and distribution of imported disposable syringes. The Alpha case highlights the Pharmaceutical industry in Kenya as well as Competition in the Syringe Manufacturing Sector in Kenya.

Industry: Manufacturing

Topics: Entrepreneurship and Small Business Management

Author(s): Dr. George K'Aol, Associate Professor of Management, Dr. Peter Kiriri, Assistant Professor of Marketing and Management, and Mr. Francis Gatumo, Assistant Professor of Finance

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4. Mabati Rolling Mills Limited (A): The State of the Art Continuous Galvanizing Line Project
USIU 05-07-01

It was early, 1999, when Kaushik Shah, the Chief Executive Officer of Mabati Rolling Mills (MRM), and his team submitted a proposal to the Board of Directors requesting an approval to borrow Kshs 2.3 billion (US\$ 30 million). The funds were required to enable the company to set-up a state of the art manufacturing facility at Mariakani factory, in Mombasa, the 2nd largest town in Kenya. The Board had rejected a similar proposal on the grounds that the management and the board had a different time horizon for the implementation of the project. The board would like the project to be time phased while the management would like a spot implementation of the project. The Board had pegged the project cost ceiling to US\$24 million while the management had projected cost pegged at US\$ 30 million. In the proposal, four potential sources of funds had been specified. These were commercial papers, long-term loans, loans from the International banks and the floating of shares to the public. The key problem was how to source the funds bearing in mind the cost of capital.

Industry: Industrial and Allied Sector

Topics: New Product Development Strategy, Financing Decisions, and Technological Innovations

Author(s): Dr. George K'Aol, Associate Professor of Management, Dr. Peter Kiriri, Assistant Professor of Marketing and Management, and Mr. Francis Gatumo, Assistant Professor of Finance

5. Firestone East Africa (1969) Limited (A): Survival in the Tyre industry in Kenya after Liberalization
USIU 05-08-01

This case describes the evolution and operations of Firestone East Africa (1969) limited. It describes how Firestone maintained growth and profitability through exploitation of its monopoly status under a government controlled and regulated trade regime up to a period when the marketing conditions changed due to the liberalization of Kenya's economy. Liberalization posed new challenges for Firestone. The company faced threats from new entrants in the market. This forced Firestone's management to re-think the competitive strategy of the firm. The management team at Firestone must decide what to do in response to the new marketing challenges. The case also provides an overview of Kenya's tyre industry under a trade-regulated regime.

Industry: Manufacturing

Topics: Change Management, Competition, and Strategic Management

Author(s): Dr. Peter Lewa, Associate Professor of Management, and Charles Mayaka, Assistant Professor of Marketing

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6. Kenya Airways Limited (A) USIU 05-04-01

The Kenya Airways Group consisted of Kenya's national carrier Kenya Airways (KQ), Kenya Airfreight Handling Limited (KAHL), Africa Cargo Handling Limited (ACHL), Flamingo Airlines Limited, Galileo Kenya, and Kencargo Airlines International Limited. After privatization in 1996, the group had been growing consistently. It had acquired more aircraft, was carrying more passengers, and transporting more cargo. In February 2003, Mr. Titus Naikuni was hired as the Managing Director and CEO of the group. At the time of his appointment, the Group's profits were declining while revenues were increasing. Moreover, profit levels had dropped by 41.6% from the previous year. Something was causing the decline in Profits. The CEO felt that he needed to identify and deal with the cause of the decline in profits. He wondered whether he should begin his appointment by articulating his vision for the organization by developing new objectives and goals, or should he begin by addressing the profit situation first?

Industry: Airlines Industry

Topics: Corporate Strategy, Strategy Formulation, Company Analysis, and Change Management

Author(s): Dr. Catherine Munene, Assistant Professor of Marketing

7. Kenya Tea Development Agency (KTDA) Limited (A): The Role of Information Systems in Organizations USIU 05-06-01

The CEO of KTDA is faced with a crucial decision on how to address KTDA's information management challenges in order to transform KTDA into a modern, efficient and profitable organization that would provide high quality services to its clients. This decision is critical for KTDA Ltd., the leading player in Kenya's tea industry. The CEO has just reviewed two solutions proposed by the Information Technology (IT) Manager. KTDA's chief executive is convinced that IT systems are vital management tools for the company since KTDA is involved in all aspects of tea production, from growing, to processing, to marketing and exporting. However, the CEO knows that convincing the cost-conscious board on the most suitable information management approach to adopt would not be a simple task. He needs very convincing reasons to persuade the board to adopt either an Islands of Information system or a Wide Area Network system; both of which are capital-intensive projects.

Industry: Tea Industry, Agricultural Sector

Topics: Contingency Approach to IT Management, IT Diffusion, and Wide Area Networks (WAN)

Author(s): Dr. Gerald Chege, Assistant Professor of Information Systems, and Teresia Linge, Lecturer of Management

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8. Commercial Bank of Africa Limited (A): Using Information and Communications Technology (ICT) to Remain Competitive USIU 05-03-01

Commercial Bank of Africa (CBA) is a medium sized bank, incorporated in Kenya and serving the Kenyan corporate sector. The bank requires an Information Technology System to maintain customer relationships that are critical for the high-end market segment served by the bank. The Chief Executive Officer of CBA is facing an information technology management dilemma. In an attempt to retain CBA's position in the highly competitive banking industry, he needs to make a decision on how the IT department should be managed and its relationship with the rest of the business. In the past, the IT department has been the principal driver in the development and adoption of the different IT systems in the bank. It was responsible for the entire process of business needs assessment, technology choice, acquisition, implementation, support and change management. A new Executive Director has brought in an innovative philosophy to the bank, where business is supposed to drive the technology, unlike in the past. In this new arrangement, business managers are supposed to identify their needs and work with the IT department to develop appropriate IT solutions. The CEO is deliberating whether to continue with the tested and so far reliable IT management model, which has served the bank well or to adopt the new philosophy proposed by the executive director. This decision will have a significant effect on the future business strategy of the bank and its competitive position in Kenya.

Industry: Banking Industry

Topics: Porter's Strategic Theory, Scott Morton's Governance Models, and the relationship between Information Technology, Information Systems and Competitive Advantage

Author(s): Dr. Gerald Chege, Assistant Professor of Information Systems, and Dr. Mbithe Anzaya, Assistant Professor of Management

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