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Serial No.....

Society of Certified Management Accountants of Sri Lanka

Professional I Stage Pilot paper

Instructions to candidates:

1. Time allowed is **three (3) Hours**
2. Answer **all** questions in **Section A** and **any four(4)** questions in **Section B**
3. Answers should be entirely in the **English Language**

Subject	Subject Code
Strategic Business Management	(SBM)

SECTION A

Question No. 01(28 Marks)

Read the case given below and answer the questions indicated at the end

DIVERSIFICATION THROUGH FORWARD INTEGRATION IN THE CAR INDUSTRY

“Companies may see benefits in diversifying by means of forward integration.”

A global downturn in automobile sales led manufacturers to rationalize their operations by decreasing production, brands, jobs and capacity. However, they also geared up to exploit new opportunities to earn revenue and decrease costs by diversifying into downstream activities. Margins from such downstream activities as selling vehicle financing, leasing and insurance, and providing parts, servicing and repair are higher than those of vehicle sales. But there are other advantages too.

Ford has been attempting to redefine itself as ‘the world’s leading Consumer Company for automotive products and services’, rather than solely as a manufacturer of vehicles. In addition to Ford’s traditional business units, the company has been seeking higher returns from their downstream activities, which include Ford Credit, Hertz, and direct sales and e-business initiatives. The most pertinent features of these ventures are that the companies can collate

information on customer preferences, which can be fed to the manufacturing plants. In fact, one of Ford's motives for its 1999 acquisition of KwikFit was to access its database of customers.

In an attempt to lift their service, repair and maintenance businesses to a more prominent role, both **General Motors** (Europe) through its Vauxhall MasterFit operations and Ford through its RapidFit division have launched initiatives to enable their franchised dealers to win back some of the servicing and repair business for older cars. There has also been an increasing trend of manufacturers buying formerly independent dealerships in their own brands, with some manufacturers taking large equity stakes in the super-dealers.

As cars become more sophisticated, the accompanying technology has also become more advanced. Manufacturers have been exploring new business opportunities in in-car Internet and telematics systems. The most promising technologies are those being explored in navigation systems, safety and security controls, and mobile multimedia functions. This could become the interface for customer contact; for example, **General Motor's OnStar** multimedia business offers voice-activated services, emergency assistance, stolen vehicle tracking and e-mail.

The focus is on accessing customers and selling directly to them, rather than centering on the car as a one-time sale. Manufacturers want to develop customer relationship strategies whereby the purchaser of the vehicle is retained in a long-term relationship with the manufacturer for the duration of ownership. The manufacturers also want to establish links with the used vehicle's future owners, ensuring that they capture more of the life cycle of the product. In this way, they can leverage their customer base to cross-sell and promote other products and services, such as repair, mortgages and credit.

You are required to answer the following Questions

- (1) Identify areas of integration different car manufacturers have used and classify them in to the major sub sets of integration such as Vertical (Backward and forward) and Horizontal
(6 Marks)
- (2) In your opinion what other areas of integration that car manufacturers can consider? Give reasons?
(6 Marks)
- (3) Based on the data available from the case or using your own knowledge and experience indicate the resources and competencies of a typical car manufacturer
(6 Marks)
- (4) Is the diversification mentioned in the case are downstream or upstream? ; Related or Unrelated diversification?
(4 Marks)
- (5) According to the information provided in the case or using your own knowledge and experience indicate the areas of Horizontal integration that car manufacturers can move into?
(6 Marks)

(Total 28 Marks)

End of section A

SECTION B

Question No. 02 (18 Marks)

- (a) “ Although the elements of corporate strategy are broadly the same, irrespective of the type of organization or its context, the range and nature of strategic issues does to some extent differ according to organization type and context”

Discuss this statement with respect to each of the following

- i. Corporate strategy in Small Businesses (3 Marks)
- ii. Corporate strategy in public sector organizations (3 Marks)
- iii. Corporate strategy in Voluntary and not for profit organizations (3 Marks)
- iv. Corporate strategy in Professional service organizations (3 Marks)
- v. Corporate strategy in Multi national organizations (3 Marks)

- (b) Outline and discuss key characteristics of corporate strategic decisions (3 Marks)
(Total 18 Marks)

Question No. 03 (18 Marks)

- (a) Explain briefly the Key Questions addressed by the Corporate strategy and illustrate Ansoff’s matrix used to develop Corporate strategies by means of a Diagram (6 Marks)

- (b) Outline and discuss each of the following strategic options available to an organization.

- (i) Protecting and building the organization’s current market position
 - (ii) Product development
 - (iii) Market development
 - (iv) Diversification
- (4 x 3 Marks each)
(12 Marks)
(Total 18 Marks)

Question No. 04 (18 Marks)

- (a) Explain briefly the Key Questions addressed by Competitive strategy and illustrate Michael Porter’s 5 Forces analysis by means of a diagram (3 Marks)

- (b) Discuss **each** of the following in the context of analyzing the competitive environment.

- (i) Supplier power
 - (ii) Buyer power
 - (iii) Substitutes
 - (iv) Threat of new entrants
 - (v) Competitive rivalry
- (5 x 3 Marks)
(15 Marks)
(Total 18 Marks)

Question No. 05 (18 Marks)

Write short notes on **each** of the following terms in the context of strategic planning and decision making.

- (a) Strategic Mission
- (b) Strategic Vision
- (c) Strategic Goals
- (d) Strategic Objectives
- (e) Strategic Fit
- (f) Strategic Drift

(6 x 3 Marks each)
(Total 18 Marks)

Question No. 06- (18 Marks)

It is acknowledged that the overall mission statement of a company is a key element of the company's strategy

- (a) Comment on the statement
"Mission statement is the starting point of strategic Management. It sets the context within which strategies are formulated"
(6 Marks)
- (b) What are the main purposes of a mission statement in the context of strategic planning?
(6 Marks)
- (c) What are the most important considerations which will affect the development of an organization's mission statement?
(6 Marks)

(Total 18 Marks)

Question No. 07 (18 Marks)

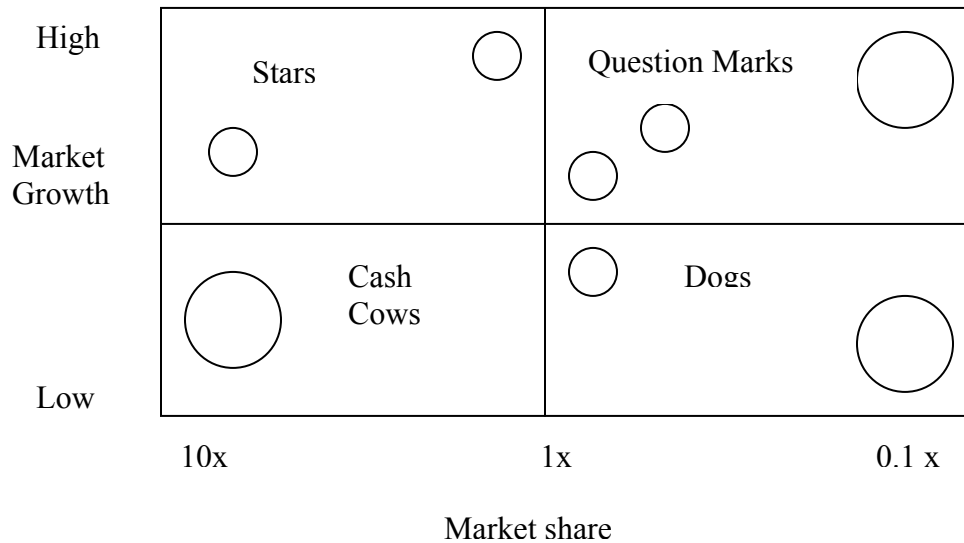
"Analyzing and understanding organizations strategic capabilities is essential in developing effective corporate strategies"

- (a) Outline and discuss the key steps in systematically analyzing and understanding an organization's strategic capabilities
(6 Marks)
- (b) Explain how a strategist could identify unique resources and core competencies of an organization
(6 Marks)
- (c) Explain briefly how a competitor could undermine the unique resources an organization possesses
(6 Marks)

(Total 18 Marks)

Question No. 08 (18 Marks)

Given below is a Boston Portfolio matrix drawn for a company with 8 strategic Business Units



You are required to answer the following Questions;

- (a) Comment on the overall balance of this company's portfolio of Businesses **(6 Marks)**
- (b) What strategies would you suggest for this company with regard to the businesses in each cell of the matrix? Justify your suggestions **(6 Marks)**
- (c) What advice would you give this company with regard to the limitations of using the BCG matrix for strategic planning? **(6 Marks)**

(Total 18 Marks)

End of section B

End of question paper
