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Serial No.....

Institute of Certified Management Accountants of Sri Lanka
Strategic Level
May 2015 Examination

Examination Date : 24th May 2015 **Number of Pages :** 04
Examination Time: 9.30 a.m. – 12.30 p.m. **Number of Questions:** 05

Instructions to Candidates

1. Time allowed is **three (3) hours**.
2. Total: **100** Marks.
3. Answer **all** questions in Part I and **three (3)** questions from Part II.
4. The answers should be in **English Language**.

<u>Subject</u>	<u>Subject Code</u>
Business Strategy and Policy	(BSP / SL 2 – 402)

PART I

Answer **all** questions

Question No. 01 (40 Marks)

“The business environment is becoming increasingly competitive. We will have to explore various means to see how we can achieve better growth rates amidst rising expenses”. These were some opening remarks by Asanka Fernando, Chairman of a mid-sized sports goods marketing company that distributes cricket gear and equipment of all categories that include school children to professional cricketers in the Western province, through appointed retailers from all major cities. The company “Quality Cricket Equipment (QCE)” was founded by Asanka Fernando, an ex-schoolboy cricketer who almost came close to playing for his country but opted to pursue a degree in business in the UK, yielding to pressure of the wishes of his parents. Whilst in UK he was able to obtain an internationally recognized cricket coaching certificate as well as play county cricket in UK that enabled him to develop a network of business contacts that included a leading manufacturer of quality sports clothing specializing in a full range of male underwear earmarked for sports and sports/walking socks. On his return to Sri Lanka in 2011 Asanka commenced his business as a regional wholesaler of two leading importers, second generation of Asanka’s father’s contemporaries, representing alternative premium brands of Australian origin catering for all product groups of the total range of cricket gear, excluding cloth based products such as jerseys. He also functions as the general manager of the company. In fact these were the brands that he preferred during his cricketing days. Cricket is a very popular sport in Sri Lanka that enjoyed steady annual growth in all provinces and particularly increased growth rates have been witnessed in the North and East since cessation of the war.

Credit risk of the retailers is one of the problems encountered by QCE as some retailers are financially indisciplined, mixing their finances and also susceptible to overtrading handling volumes of business for which they not quite financially equipped. During recent sales supervision visits to retailers, the company's new marketing manager -Mario received several complaints as to the selling prices of the merchandise marketed by QCE citing increasing difficulties of their customers to pay higher prices. Carrying out some extensive discussions with the company's long standing retail customers, he observed that these retailers, with a view to overcome such difficulties, for some time have been resorting to cheaper products of Indian origin that are more affordable from a customer perspective. During this visit Mario was also convinced that slow-movement of several expensive gear such as 'helmets,' and high quality 'bats' may be attributable to customer affordability. The importers of these substitute products are SBUs of two large trading groups of companies in the country with considerable synergies in distribution and promotion.

You are required to:

- (a) Explain what do you understand by the term 'strategy' and briefly explain and differentiate between broad strategic priorities of Mario and Asanka in relation to QCE.
(Hint: Use the levels of business knowledge to address the question) **(06 Marks)**
- (b) Identify the components of mission of QCE, as it appears from the facts given in the case study. **(04 Marks)**
- (c) If QCE is able to operate at a profit through cost rationalization and increasing prices, briefly explain whether there is still a need for growth. **(03 Marks)**
- (d) Apply Ansoff's growth share matrix and discuss two possible directions of growth available to QCE within its present product –market scope, supporting your answer by mentioning an example under each option. **(05 Marks)**
- (e) In the event Asanka wishes to adopt 'vertical integration' as a strategic option to achieve growth, mention two possible options available to him. **(04 Marks)**
- (f) Evaluate the strategy adopted by QCE according to Prof. Michael Porter's generic strategy framework and explain reasons to support your answer. **(04 Marks)**
- (g) Carry out a SWOT analysis of QCE, only by utilizing facts presented in the case study. **(08 Marks)**
- (h) In the event you are appointed to advise the company to improve its strategy, forward two recommendations briefly explaining reasons underlying such advice. **(06 Marks)**

(Total 40 Marks)

End of Part I

Part II

Answer any **three (3)** questions

Question No. 02 (20 Marks)

- (a) List any **four (4)** main elements that constitute 'market attractiveness' in the context of strategic management. **(08 Marks)**
 - (b) The GE business screen approach, an improved version of the popular BCG growth share matrix requires a strategic analyst to assess the competitive strength of each strategic business unit. Mention any **four (4)** factors to be considered in carrying out such an assessment. **(06 Marks)**
 - (c) List any **two (2)** limitations of using BCG growth share matrix as an analytical tool in strategic management. **(06 Marks)**
- (Total 20 Marks)**

Question No. 03 (20 Marks)

- (a) You have been appointed as the financial manager of a local higher educational institution awarding foreign degrees (UK) in under graduate programs where all programs are conducted, evaluated and examined by all foreign lecturers in the UK. Recently the foreign principals have come up with an alternative proposal to conduct an MBA program under 'franchising' method. A meeting has been arranged to further discuss these proposals and you are required to discuss different types of inputs to be provided by the franchiser and the franchisee with particular reference to the proposed higher educational venture under consideration. **(10 Marks)**
 - (b)
 - (i) Compare a company that is seeking 'organic growth', as opposed to growth through 'acquisitions'. **(04 Marks)**
 - (ii) Discuss the possible problems that a firm may encounter when seeking organic growth. **(06 Marks)**
- (Total 20 Marks)**

Question No. 04 (20 Marks)

- (a) Define the term an 'industry'. **(03 Marks)**
 - (b) Mention **three (3)** conditions that will increase the bargaining power of the customers in a particular industry. **(08 Marks)**
 - (c) Explain **three (3)** conditions where substitute products can contribute to enhanced competitive intensity in a particular industry. **(09 Marks)**
- (Total 20 Marks)**

Question No. 05 (20 Marks)

- (a) You have assumed responsibilities as a finance manager in a medium-sized organization. Briefly explain whether you consider organizational culture to influence the type of controls adopted and practiced by that company. **(06 Marks)**
- (b) Define the term 're-engineering' and explain how this concept contributes into strategy implementation. **(08 Marks)**
- (c) Explain 'customer perspective' as an integral component of the popular balanced score card popularized by Kaplan and Norton in relation to a photocopy machine supplier.

(06 Marks)

(Total 20 Marks)

End of Part II

End of Question Paper
