

PILOT PAPER – 2023-2027 SYLLABUS

SL4.3 Business Strategy & Risk Management

Strategic Level

ANSWER KEY

Part-I– Compulsory Question

QUESTION NO: 01

1.1. This Mankind Pharma case has provided information related to how the technological environment behaves and changes fast creating opportunities and challenges for a business. **Analyze the trends in the technological environment and the impact of those changes on other macro-environmental factors enabling Mankind Pharma to develop its future strategies:**

- Candidates are required to use PEST or PESTEL analysis for analyzing the MACRO environment of Mankind Pharma.
- The technological environment should be analyzed emphasizing recent innovations and trends (AI, Big Data, Block Chain, etc.) Mankind Pharma has already adopted as well as to be adopted.
- It requires paying attention to how political, economic, social, legal and natural conditions are to be adjusted and will be affected due to the changes in the technological environment.
- This comprehensive analysis should support to craft of future strategies of Mankind Pharma.

(02 marks for each point that cover different PEST/PESTEL factors)

1.2. Present suitable vision and mission statements for Mankind Pharma:

- Candidates are required to write meaningful and content-rich vision and mission statements. However, those should not be too long.
- Vision is a long-term aspiration that guide the organization for an unknown future and is broader than the mission.
- The Mission should express the fundamental purpose of the business, its scope (products and markets) and very important core value(s).

(02 marks for each statement that reflect the above considerations)

1.3. Explain how the new initiative that the combination of SAP S/4HANA on IBM Power Systems and IBM FlashSystem solutions will support the business-level strategies of Mankind Pharma:

Candidates need to explain how these ICT applications will help to:

1. reduce the production cost of products and services in order to maintain competitive prices or high-profit margins,
2. How the products and services can be differentiated from commonly available products and services, and
3. How market niches can be accessed successfully.
4. Any other valid point

(02 marks for each valid point)

1.4. Present a goal for Mankind Pharma and explain its' SMART features:

- A goal for Mankind Pharma to be presented in any key performance areas such as profit, sales, quality, and market share.
- This goal should be based on SMART characteristics such as Specific, Measurable, Achievable, Realistic, and Time-bound.

(02 marks for any relevant goal & 2 marks for the reflection of SMART features)

1.5. Discuss two strategies for achieving the goal mentioned in part iv and how those strategies aligned with SWOT factors of the Mankind Pharma:

- Candidates can write two strategies related to the goal mentioned above. Those should be practicable and sensitive to the SWOT factors of Mankind Pharma.
- The links between SWOT factors should be developed and justified to show those strategies fit with the organizational context.

(01 mark each for two strategies and 02 marks each for linking these strategies to SWOT)

1.6. The statement “The pharmaceutical industry is driven by data, and Mankind Pharma is no exception” by Pramod Gokhale indicates some insights on industry foresight. Based on this statement, discuss the future of the pharmaceutical industry for the next ten years:

- The answer should be aligned with the foresight of the industry.
- The statement clearly shows that it will be dependent on the advancement of technologies.
- Candidates can imagine the future status of the industry in line with the statement. Especially, how the pharmaceutical industry can be more customized and how it will capture most of other industries including medical practices.
- How physical contact can be reduced through technology and the potentiality of new services can also be discussed.
- Any other valid point.

(02 marks for each valid point)

Part II – Answer any 03 questions.

QUESTION NO: 02

2.1. Produce a brief and clear description that will help Mr. Udaya to clarify what is a strategic plan:

Candidates need to give a brief and simple, but a complete description of the strategic plan. It requires to emphasize that when the company becomes large, a strategic plan is needed to communicate the company's long-term vision, mission, goals and objectives with the members of the organization and make the members committed to implement strategies of the organization.

The strategic plan is the formal way to decide the future of the organization and a tool to communicate foreseen future with its members.

(02 marks each for valid explanation of the strategic plan)

2.2. Discuss how the strategic plan will help Modern House Holdings by emphasizing the importance of strategic planning:

- When the company is large, it requires collective decision-making and collective effort to grow further. Individual dreams, decisions, and actions are not sufficient, and it needs a formal approach.
- It requires to concentrate all the effort of the organization in one direction. Strategic planning will make this cohesiveness.
- This is a good communication method. It will motivate internal members and inform the future direction. Company direction will be communicated to the external stakeholders through vision, mission, values, goals and objectives.
- It provides the basis for taking measures to reduce deviation from the plans as KPI's are derived through strategic planning.
- Any other valid point

(02 marks for each valid point)

2.3. Discuss the steps in the strategic planning process in brief highlighting the components of a strategic plan:

- The process of strategic planning includes setting future direction, strategic analysis, strategy development and choice, strategy implementation, reviewing and controlling. Candidates can use a graphical presentation to introduce the process and explain the steps in brief.
- Components of the strategic plan namely, organizational profile, SWOT analysis, Vision, Mission, Goals and Objectives, Strategies, Action Plans, Control Plans, and the Budget should be briefly introduced.

(05 marks for the strategic planning process & 05 marks for highlighting the components of a strategic plan)

QUESTION NO: 03

3.1. Explain the importance of maintaining a sustainable growth plan (including growth strategies) for a company through lessons learned from the SVB bank:

- Candidates are required to explain the importance of growth strategies and the attractiveness of those as all the firms are dreaming of growing.
- However, the risk associated with the growth strategies (market expansion, new products and services, diversification, integration, joint ventures) are to be explained by the candidates and it should emphasize the need for a balance between the risk and the growth-oriented actions.
- Uncertainties associated with new strategies, the investment needed, different knowledge and skills required and other risks associated with macro and micro environment should be explained.
- Hence, growth with care and have a plan for a safe landing should be emphasized.

(02 marks each for the explanation of the importance of growth strategies and their attractiveness = max 4 marks)

(02 marks each for the explanation of the risk and other factors to consider = max 4 marks)

However, total marks for this part should be limited to a maximum of 6 marks.

3.2. Discuss the applicability of different retrenchment strategies before collapsing SVB:

- Candidates need to explain the meaning and requirement of retrenchment strategies taking the SVB incident as an example. Strategies which are related to reducing the activities of an organization are identified as retrenchment strategies.
- Different retrenchment strategies such as downsizing, de-layering, joint-venturing, merging and selling-out strategies should be explained and liquidation as the final option should be introduced with the merits and demerits of each strategy.
- It needs to justify that if the SVB followed some of those strategies it would not be collapsed by shaking the entire business world.
- Candidates should explain that the business should be carefully handled, and strategic cautious actions are needed to protect the business, its stakeholders and the overall business sector similar to a pilot's effort will all possible actions to prevent a sudden air crash.

(02 marks for each retrenchment strategies covering the above points)

3.3. Discuss the importance of strategic control highlighting what happened to the SVB due to loss of its strategic control:

- Candidates will explain what is strategic control by paying attention to ensuring the achievement of the long-term aspirations of the organization aligning with its goals and objectives in different key result areas.
- Checking the strategic alignment with the expectation of the different stakeholders by using not only financial measurements but also non-financial qualitative and behavioral measures to be discussed.
- The SVB case is a best example of overwhelming with assets increase and financial growth of the company forgetting other important aspects that imbalance and create an unstable business as a result.
- Hence, candidates should emphasize that it needs careful attention, supervision, observation and identifying deviations, make timely corrections needed in all aspects of the business for ensuring sustainable growth.

(03 marks for each valid point)

QUESTION NO: 04

A well-established car detailing company in local market is considering an expansion project in a central African country with the aim of entering the African market. The company is currently in the process of identifying a suitable partner for the project and has received a few Expressions of Interest (EOI). As the project lead you are requested to select a suitable partner that matches with the company risk appetite of the company in executing the proposed strategy.

(a) Critically discuss how this car detailing company could apply Porter's Generic Competitive strategies when entering the African car industry.

- Candidates will describe three generic business-level strategies namely, cost leadership, differentiation and focusing (cost or differentiation focus). It is better explained with a graphical presentation.
- It is expected that candidates will emphasize how this entity could have maintained competitive strategies through these generic business strategies.

(Explanation of the three generic business-level strategies with graphical presentation = 4 mark)

(6 marks each for the explanation of this entity could maintain competitive strategies through these generic business strategies)

(b) Discuss the concept of 'risk appetite' and its importance in formulating strategy in a company with reference to the above scenario.

- Candidates will provide the definition of "risk appetite" and discuss strategic decision making as a strategic balancing act and influencing strategic choice and implementation of strategy.

(2 marks for the explanation of risk appetite and 03 marks for emphasizing its importance in formulating strategy)

(c) Discuss how an analytical model such as SWOT Analysis, Five Forces Analysis or PESTAL Analysis could be used in identifying strategic risk of this company in relation to the above scenario.

- Candidates are expected to discuss frameworks such as SWOT, five forces analysis, PESTEL and other similar models in identifying risks with reference to the provided scenario.

(3 marks for each valid point subject to a maximum of 5 marks)

QUESTION NO: 05

Assuming, that you are the risk manager of InfoPal,

5.1. Evaluate the sources of risk, possible impact of these risk factors on the company:

- Candidates are expected to critically analyze the provided case study and identify upside and downside risks, strategic and operational risks, preventable risks etc giving reference to correct risk management taxonomy.

(3 marks for each valid point subject to a maximum of 10 marks)

5.2. Recommend suitable risk mitigation strategies for the company based on the evaluation done in part (a).

- It is also expected to apply key principles and process elements of ERM in relation to provided case study using a suitable ERM framework such as ISO 31000 and COSO Framework.

(3 marks for each valid point subject to a maximum of 10 marks)
