

PILOT PAPER – 2023-2027 SYLLABUS

SL4.3 Business Strategy & Risk Management

Strategic Level

No of Pages: 08 No of Questions: 05

Time allowed: 3 Hours and 15 Minutes (Including 15 minutes of reading time).

Total Marks: 100

Exam Structure

This exam is consisting of two parts.

Part-1

- One compulsory essay question.
- 40 marks in total

Part- II:

- Four Essay Questions (Question No 02-05)
- Each 20 marks and 60 marks in total
- Select any 03 questions from part-II

Answer only four (04) questions including question no. 01

Other Instructions

- The answers should be in **English** language.
- Begin each answer on a separate page in the answer booklet.
- Only non-programmable calculators are permitted to use.

Part-I– Compulsory Question

QUESTION NO: 01

Read the following case on MankindPharma and answer the questions given at the end.

Mankind Pharma extends affordable medicine to millions using data insights from IBM and SAP. Mankind Pharma is one of India's fastest-growing pharmaceutical manufacturers, offering over 1,000 products in 17 therapeutic areas. As part of its vision to ensure that people from all sections of society have access to affordable, high-quality medicines, the company has expanded its footprint into 34 international markets, including countries in North America, Africa and Asia. Cash flow and operational costs are key focus areas for Mankind Pharma, and tight control of both is essential to make affordable medicines available to millions of people around the world while protecting margins. To drive efficient operations, the company has relied for more than a decade on SAP ERP solutions to analyze group-wide performance and steer strategic decisions. With further international expansion on the horizon, Mankind Pharma recognized that its existing data platform would be unable to keep up with continued growth in analytics workloads. At the same time, the company was keen to embrace new technologies such as AI, machine learning, and robotic process automation to increase its global footprint while keeping day-to-day operations lean.

Pramod Gokhale, Group CIO at Mankind Pharma, explains, "Over the past five years, our business has grown from strength to strength. Our medium-term objective is to reach 1 billion USD in annual revenues. Bringing our products to millions more consumers around the world will play an important role in helping us achieve that goal. We depend on our SAP solutions to support many of our critical processes, including production planning and inventory management. With SAP S/4HANA driven by IBM Power Systems and IBM FlashSystem storage, we have the future-ready platform to support our business expansion for the next decade, helping us to bring affordable medicines to millions more people around the world. We were confident that moving to the next-generation ERP, SAP S/4HANA, would deliver the analytics capabilities, and lay the foundation for future innovations such as AI."

To deliver 24/7 protection for mission-critical data, Mankind Pharma performs regular backups to IBM storage using IBM Spectrum Protect. By enabling high-performance data compression and deduplication, IBM Spectrum Protect helps the company to contain its backup storage

infrastructure requirements while greatly enhancing manageability. And for total resiliency in a disaster scenario, Mankind Pharma uses active/passive clustering in SUSE Linux Enterprise Server for SAP Applications to replicate production data to its secondary data center environment.

SUSE Linux Enterprise Server is specially tuned to optimize performance for the SAP HANA platform and S/4HANA, and it also offers a Live Patching capability that increases availability by enabling Linux kernel patching and updates on live systems. And with a licensing approach that bundles the operating system, high-availability components, storage components and network components into a single package, using SUSE Linux Enterprise Server for SAP Applications makes things simpler and more economical for Mankind Pharma.

Ravi Jain, Director, Z & Cognitive Systems Sales, India South Asia said, "To harness the full power of the core business applications, Mankind Pharma chose to partner with us to deliver a new platform for SAP S/4HANA. The solution offered high-performance IBM POWER9™ processors connected to IBM FlashSystem storage. We worked closely with SAP, to design new solutions and offered a robust and reliable platform to support Mankind Pharma's business growth for the future."

To cut its time-to-value with expert integration, Mankind Pharma partnered with IBM to implement the new infrastructure. The new platform consists of two identical production environments based on four IBM Power System S922 servers, installed at Mankind Pharma's primary and disaster recovery data centers. The new solution requires 25 percent less rack space and has significantly reduced the power, cooling and management costs.

After switching to SAP S/4HANA running on high-performance IBM solutions, Mankind Pharma gains the capacity to operate with greater flexibility, empower faster decision-making, and focus its attention on core business objectives. The new capabilities will enable rapid expansion into new markets and bring the company closer to its 1 billion USD revenue goal. By orchestrating its business processes based on a timely and accurate view of orders, manufacturing and current stock, Mankind Pharma has successfully shrunk its inventory from 60 days to 45 days, a 25 percent reduction that enables the company to redirect capital into future expansion.

Mankind Pharma is confident that the combination of SAP S/4HANA on IBM Power Systems and IBM FlashSystem solutions will provide a solid foundation to support its business growth for at least ten years. "The pharmaceutical industry is driven by data, and Mankind Pharma is no

exception,” concludes Pramod Gokhale. “With SAP S/4HANA driven by IBM Power Systems and IBM FlashSystem storage, we have the future-ready platform to support our business expansion for the next decade, helping us to bring affordable medicines to millions more people around the world.”

Adopted from: <https://www.etcases.com/mankind-pharma-extends-affordable-medicine-to-millions-using-data-insights-from-ibm-and-sap.html>

YOU ARE REQUIRED TO:

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:

(10 Marks)

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

(04 Marks)

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:

(08 Marks)

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

(04 Marks)

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:

(06 Marks)

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:

(08 Marks)

[Total 40 Marks]

Part II – Answer any 03 questions.

QUESTION NO: 02

Modern House Holdings is a medium-sized business entity and was incorporated as a private company in 2012. Mr. Udaya with his previous experiences in a partnership business in the same industry started the business with 40 employees with a total investment of Rs. 200 million. Modern Homes Holdings has grown up the business by 2022 with 500 employment base and around 10 billion asset base by providing quality-assured products to its loyal customer base. While he is planning to restructure the company to be ready for the next level of growth of the company one of the consultants has mentioned that he needs to prepare a strategic plan for his company. Mr. Udaya has been confused with this advice and is seeking help to clarify what it is and why he needs to prepare a strategic plan.

YOU ARE REQUIRED TO:

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

(04 Marks)
- 2.2. **Discuss** how the strategic plan will help Modern House Holdings by emphasizing the importance of strategic planning:

(06 Marks)
- 2.3. **Discuss** the steps in the strategic planning process in brief highlighting the components of a strategic plan:

(10 Marks)

[Total 20 Marks]

QUESTION NO: 03

The sixteenth largest bank in the US, Silicon Valley Bank (SVB), collapsed with astounding speed on the 09th of March 2023 proving that the decline of a firm cannot be easily avoided when the business is in rapid growth mode. This was shocking news to all the giant companies in the world while was a tragedy to the depositors and investors of the bank. The bank's assets have more than tripled during the last three years period from USD 71 billion to USD 220 billion by the end of March 2022. Deposits increased from USD 62 billion to USD 192 billion during the same period as a result of thousands of tech startups sparked their cash at the bank.

YOU ARE REQUIRED TO:

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

(06 Marks)

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

(08 Marks)

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

(06 Marks)

[Total 20 Marks]

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.

YOU ARE REQUIRED TO:

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

(10 Marks)

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

(05 Marks)

4.3. **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.

(05 Marks)

[Total 20 Marks]

QUESTION NO: 05

InfoPal is a service-based software development company founded by Mr. Nuwan Ranaraja (a software engineering graduate from a local university) with his savings (as I understand seat money/equity has its own meaning, which may not be appropriate in this case) and grown up to a medium scale company with 200 fulltime employees working online and onsite. The founder of the company as the key decision maker is selective on the boarding of customers as he maintains an "international client only" policy predominantly to take advantage from foreign income.

The company currently has "locked in" service level contracts with clients up to a 5 year period in the future with a fixed rate. The majority of the income is concentrated on one customer, who is based in Europe. InfoPal requires a highly skilled labor force to fulfill the demands of its clientele and the company currently has 100% Sri Lankan employee base. Salaries and wages represent 80% of the expenses of the company, which is paid in LKR and pegged against USD. The remaining 20% of the expenses is directly incurred on infrastructure services, which are paid directly in USD.

The company has raised funds through one round each of equity seed funding and debt funding from a local state-owned bank. The gearing level of the company is 80% and services debt at variable market interest rates. The company is currently considering a debt restructuring owing to the higher interest rates and approached a venture capitalist. The venture capitalist has requested a risk assessment and treatment plan of the company from the management.

YOU ARE REQUIRED TO:

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:

(10 Marks)

5.2. **Recommend** suitable risk mitigation strategies for the company based on the evaluation done in part (5.1).

(10 Marks)

[Total 20 Marks]

-End of the Question Paper-