EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Final Year/First Semester Examination in Business Administration – 2006/2007

(October 2008)

MGT 4114 Strategic Management

Answer all five (5) questions Time: 03 hours

Q1) Read the following case and answer the questions that follows

MYSORE FOODS LIMITED

Mysore Foods Limited produces and distributes packaged food products such as cereals, biscuits, spices, jams and jellies, syrups, etc. The company has a national market and also exports small quantities to neighbouring countries. It conducts a large national advertising campaign. It has 75 plants located all over the country and markets 70 different products, each under its own trade mark. Though its products are all food products, they are not otherwise closely related. They vary from long margin specialties with comparatively small volume to large-volume items with small profit margins. Different raw materials and other articles are used in their processing and packing. All products are, however, sold through the same channel. i.e., retail and provision stores. Gross sales are Rs. 25 crore and total assets exceed Rs. 12 crore.

The management of Mysore Foods Limited is centralized. The Chairman of the Board, the President and four Vice-Presidents who are responsible for sales, production, purchasing and law make up the topmost executive level of the company and operate as a committee on all general policy matters.

Sales, advertising and sales promotion come under the Sales Vice-President. All plant operations as well as the research and engineering department report to the Production Vice-President. Purchasing is the responsibility of its Vice-President who also governs traffic. Public relations, law and corporate functions fall under the General Counsel. Financial responsibilities are handled by the President and employee relations are covered by each Vice-President in his own area of responsibility.

The company was set up by combining several food products organizations and it has acquired others since One of the theories of the organizers was that there would be great advantage in wholesale distribution if one salesman could cover an entire line on one call as against a number of salesmen, each calling to sell a single line. Saving in time alone would be of great value to the distributor. This principle has been retained and has proved successful as the company has grown. One sales organization handles all the products. Each product is given specific time and attention by the sales organization in accordance with its demands.

The head of the field sales organization reports to the Vice-President. The Advertising Manager and the Sales Promotion Manager take care of advertising and sales promotion for the entire line but each product has its own advertising campaign and appropriation. The Sales Promotion Manager is in-charge of the missionary salesman who contacts retailers.

To avoid neglect or error, single product or a group of products are assigned to one of the 20 Product Managers. Each Product Manager is responsible for seeing that his product receives due attention from the sales organization, the production department, and the advertising and promotion departments. He specializes in the pricing and sales appeal questions of his product. He reports, however, to the Sales Vice President, who has the overall control. The Sales Vice-President can curtail any efforts of the Product Managers if he is using his sales force for special efforts on some other product or products. There is no institutional advertising. All advertising is coordinated and placed by the Advertising Manager while the final authority rests with Sales Vice-President.

Each plant is operated by a superintendent who is in-charge of wages, maintenance, cost, output, quality, hiring, inspection and other normal plant operation responsibilities. Superintendents report to eight Regional Production Managers who are responsible to the Production Vice-President. The volume of production in each plant is scheduled by the production control group reporting to the Operating Vice President. Final schedules are set after consulting the Sales Vice-President.

The business has more than doubled in the last ten years and profits, both gross and net, have increased. The number of plants has also more than doubled. Purchases have increased proportionately. New taxes and new reports to the government have added to the complexity. The management feels that certain problems are potentially dangerous and should be solved before they become serious.

There have been periods in which a product has got into difficulty because of loss of favour with the public, bad management or even neglect. Attention of the Sales Vice-President to the problems of some products has caused him, at times, to fail to recognize difficulties in other products even though the Product Manager of such products had recognized them and brought them to his attention. The burden on the present officers is becoming too heavy to ensure proper attention to all their responsibilities. Employment of assistants erodes the personal touch of the top group that is necessary for successful management.

Opportunities for increasing product-lines and expanding the business are being lost because of lack of executives' time to study them or to manage new products. In any business where specialties are sold under trade marks and brands are the major business of a company, it is necessary for the company to continually bring out new products and to study old ones to determine the point of no return regarding promotion and advertising expenses.

Once the top executives group has approved the idea of a new product, it is put under one of the Vice Presidents. He develops an organization and brings it along. At first, the advertising appropriation for a new product is not the responsibility of the Sales Vice-President but of the Developing Vice President. Eventually, if the product proves to be successful it is turned over to the regular line of organization. With new products and growth in the old ones, the weight, complexing and number of decisions that have to be taken by the very few men at the top, mean a heavier burden for them.

The management feels that in addition to the lost opportunities, market potential and the need for development of present products are not being fully recognized. The business may have grown too big for the form of management. Executives require more responsible attention for each product. At the same time they wish to retain the advantages of central management in purchasing, traffic, institutional reputation and minimum sales approach and to maintain the high-calibre advice and experience now present in law, advertising, accounting and public relations.

Questions :

(a) How far is the existing organizational structure effective in the changed conditions of the company?

(10 Marks)

(b) Indicate : (a) How the desired product responsibility can be achieved ?, (b) Any changes in line authority, and (c) The use, if any, of staff, functional authority or committees.

(10 Marks)

(c) What policy and organizational structure changes do you recommend, and why?

(08 Marks)

(Total 28 Marks)

Q2) a. What are the three **grand strategies** that are available for an organization at its corporate level? Briefly explain its conditions for application.

(06 Marks)

b. Briefly explain the **determinants of nation's advantage** that was explained through **Porter's Diamond**.

(06 Marks)

c. How can **value-chain analysis** help identify a company's strengths and weaknesses?

(06 Marks)

(Total 18 Marks)

Q3) a. How is **corporate parenting** different from **portfolio analysis**? How is it alike?

(07Marks)

b. Analysts now recommend a broad range of methods to evaluate the success or failure of a strategy which includes **stakeholder measures, shareholder value and the balanced scorecard approach**. Elaborate on this statement

(07 Marks)

c. What are the most important components that should be included when writing a **mission statement**? Why?

(04 Marks)

(Total 18 Marks)

Q4) a. A **competitive profile matrix** is given for your consideration in order to make decision regarding the competitive position of a particular company. Interpret the data given in the following table and critically analyze the position of each company

Developing the CPM - Example

		Company A		Company B		Company C	
Key success factors	Weight	Rating	Score	Rating	Score	Rating	Score
Advertising	0.1	3	0.3	3	0.3	4	0.4
Product quality	0.3	4	1.2	2	0.6	3	1.2
Customer loyalty	0.2	3	0.6	2	0.4	2	0.4
Financial position	0.2	3	0.6	2	0.4	4	0.8
Global expansion	0.1	2	0.2	2	0.2	1	0.1
Market share	0.1	3	0.3	2	0.2	2	0.2
Total	1.00		3.2		2.1		3.1

(06 Marks)

b. List out and describe the five different **competitive strategy** options an SBU can use in an organization.

(06 Marks)

c. Discuss the different **ethical stances** an organization can adopt.

(06 Marks)

(Total 18 Marks)

Q5) a. Explain the concept of **suitability, feasibility and acceptability** in relation to judging strategic options. What different tools and methods can be used to evaluate each of them?

(07 Marks)

b. According to Porter, what determines the level of **competitive intensity** in an industry?

(06 Marks)

c. List out and briefly explain the **guidelines** for designing **incentive compensation systems** for effective **strategy implementation.**

(05Marks)

(Total 18 Marks)