

Eastern University, Sri Lanka

Faculty of Commerce and Management

Fourth Year Second Semester Examination in Bachelor of Commerce (Specialization  
in Accounting and Finance) - 2017/2018 (July 2020)

(Proper/Repeat)

COC 4013 Business Strategic Planning

No. of pages: 07

Answer all questions

Time: 3.00 hours

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01. Read the following case and answer the questions given below.

*Strategic analysis of LVM Ltd*

LVM owns a major assembly plant for laptop computers. It supplies products to some of the major brand names in the computer industry but, at present, it does not sell any under its own name. Every six months the managers hold a key strategic review meeting to consider the current position of the business and the long-term plans. The following are extracts from the most recent of these meetings:

**Imran Khan – marketing director:** 'Sales of our latest TFT screen models have exceeded expectations and the switch towards laptops from desktop PCs is expected to continue. The chance for computer companies to break into the expanding Asian market when trade barriers are lifted should lead to increased orders too. We need to undertake some market research in Asia as this market has higher growth potential than Europe, where most of our computers are marketed. The uncertainty over the newest mobile phone technology and links with the internet remain a concern for us. We decided two years ago not to develop this technology, and, if our competitors succeed in getting a major breakthrough, then sales of laptops will dive in some markets.'

**Liz Collins – operations manager:** 'The automation of the screen-assembly section is now complete. We managed to push this through while maintaining excellent staff relationships. This was helped by our continued expansion, which meant that no jobs were

lost. We had to turn down a big order from a big-name brand last month due to too little factory capacity and shortages of skilled labour. I do urge you to agree to my plan to extend the factory space by 35% and to train more new recruits. Research into the lighter, faster computer model that was agreed on last year is making excellent progress and we will soon have to decide whether to proceed into the production stage.'

**Lukas Klimas – finance director:** 'Our profits are holding steady, but cash flow remains a concern due to the expenditure on automated machines and research costs. We would need to borrow substantially to finance a factory extension. We would be in trouble if interest rates increased – there is already some government concern about inflation rising. There is a new range of grants available for businesses relocating into areas of high unemployment. We must constantly be aware of exchange rate movements too – the recent depreciation helped our international competitiveness.'

### Questions

- (I). Prepare a SWOT analysis based on your assessment of the internal and external factors that influence LVM's success.  
(08 Marks)
- (II). Evaluate the usefulness of SWOT to a business such as LVM.  
(08 Marks)
- (III). Identify and evaluate two potential strategic options available for LVM Ltd by using the SWOT analysis prepared in question (I).  
(10 Marks)
- (IV). "PEST is complementary to SWOT, not an alternative". Do you agree with this statement? Discuss.  
(04 Marks)

**(Total: 30 Marks)**

02. (I). Write the appropriate answer in your script for the following multiple-choice questions.

- i. Strategic management refers to the role of management in:
  - a) setting long-term goals and implementing strategies to reach those goals
  - b) setting short-term goals and altering the marketing mix to achieve those goals
  - c) all forms of decision making
  - d) exerting pressure on government policies
  
- ii. According to Mintzberg, which of the following is an example of the decisional role which a manager plays?
  - a) Acting as a spokesperson for the organization
  - b) Allocating some of the resources of the organization
  - c) Monitoring progress
  - d) Leading
  
- iii. Which one of the following is at the centre of Porter's Five Forces model?
  - a) Power of suppliers
  - b) Threat of entry
  - c) Threat of substitutes
  - d) Competitive rivalry
  
- iv. The process of gathering information and comparing the information to predetermined standards is part of:
  - a) strategic planning
  - b) strategic controlling
  - c) organizational direction
  - d) strategy implementation
  
- v. Which one of the following strategies is most likely to be applied to a product identified as a 'dog'?
  - a) Milking
  - b) Holding
  - c) Consolidating
  - d) Divesting

vi. Corporate strategy is best defined as:

- a) a long-term plan of action for the whole organization, designed to achieve a particular goal
- b) a short-term policy
- c) a short-term plan of action for the whole organization, designed to achieve a particular goal
- d) a long-term mission for the organization

vii. Which of the following questions would be appropriate to ask in the "implement strategy" stage of the strategic framework model?

- a) Who constructs the strategic vision for the company?
- b) Which variables in the internal environment critically affect strategy formulation?
- c) Should the company follow a strategy of market penetration or market development?
- d) How can managers overcome employee resistance to change?

viii. The Boston Matrix is defined as:

- a) a method of analyzing a firm's product portfolio in terms of market share and market size
- b) a method of analyzing a firm's product portfolio in terms of market growth and market size
- c) a method of analyzing a firm's product portfolio in terms of market share and market growth
- d) a method of analyzing a firm's product portfolio in terms of market share and profit

ix. \_\_\_\_\_ arises when one or more business units share common resources such as manufacturing facilities, distribution channels, advertising campaigns, R&D and so on

- a) Economy of scale
- b) Diversification
- c) Horizontal integration
- d) Economy of scope

x. In Ansoff's matrix, which of the following is shown as having the lowest level of risk?

- a) Diversification
- b) Market development
- c) Market penetration
- d) Product development

(10 x 1.5 = 15 Marks)

(II). Mark true (✓) or false (X) in your script for the following statements.

- i. Tactics are best described as a short-term plan of action for the whole organization, designed to achieve a particular goal \_\_\_\_\_.
- ii. Setting the company's mission is a part of strategic management \_\_\_\_\_.
- iii. SWOT analysis involves analyzing a firm's external strengths and weaknesses and internal opportunities and threats. \_\_\_\_\_.
- iv. PEST analysis may be defined as the analysis of a firm's external environment \_\_\_\_\_.
- v. The Ansoff matrix shows key external forces influencing decision making within an organization \_\_\_\_\_.
- vi. In 2018, a small automotive-parts supplier in India decided to export its goods for the first time. This is an example of diversification \_\_\_\_\_.
- vii. The SFAS matrix incorporates the important factors gathered from external environment and industry environment in order to provide necessary information for strategy formulation \_\_\_\_\_.
- viii. Monitor is an example of an information role of strategic manager \_\_\_\_\_.
- ix. Shared values, shared beliefs and shared expectations of employees are called organizational culture \_\_\_\_\_.

- x. Realized strategies are a product of a firm's intended strategy, the firm's deliberate strategy and its emergent strategy \_\_\_\_\_.

(10 x 01 = 10 Marks)

(Total: 25 Marks)

03. (I). Explain different forms of strategies with suitable examples.

(05 Marks)

- (II). The vision and mission statements of Commercial Credit and Finance PLC are as follows. Evaluate the vision and mission statements on the basis whether it satisfies all the characteristics of good vision and mission statement and propose an alternative vision and mission statements if needed.

Vision Statement

To be the most liberated Company admired for its people, partnership and performance.

Mission Statement

To be a dynamic Finance Company which develops and nurtures leaders at every level of the organization to serve society with passion.

(05 Marks)

- (III). What is economy of scope? How can it be achieved using value chain analysis?

(05 Marks)

(Total: 15 Marks)

04. (I). The barriers to entry put forwarded by the organizations reduce the threat of new entrants. State and briefly explain **five** barriers to entry that can be imposed by the organizations.

(05 Marks)

- (II). Using Ansoff's matrix, briefly analyse four different strategic growth options that a business might consider in future years.

(05 Marks)

- (III). Using the information about ABC PLC in the table below, develop a BCG Matrix and evaluate two strategies that ABC PLC could adapt to its products.

Divisions	A	B	C
Sales of ABC PLC in million	100	50	100
Relative Market Share	23%	20%	73%
Industry Growth Rate	25%	10%	15%

(05 Marks)

(Total: 15 Marks)

05. (I). Dale Farms Co (DFC) owns 12 dairy farms. It used to sell all of the milk it produced to cheese manufacturers. Five years ago it took over a cheese manufacturing company. Two years ago it took over a cattle feed supplying business. The directors of DFC are considering another takeover to diversify the business.

a) Explain the strategic term 'concentration'. (02 Marks)

b) Explain **two** possible advantages to DFC of its takeover of the cheese manufacturing business. (02 Marks)

c) Identify what form of integration this takeover is. (01 Mark)

d) Explain **two** possible disadvantages to DFC of its takeover of the cattle feed supplying business. (02 Marks)

e) Identify what form of integration this takeover is. (01 Mark)

- (II). As owner of a local printing shop, explain how you would evaluate the firm's strategy?

(07 Marks)

(Total: 15 Marks)