

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
THIRD YEAR SECOND SEMESTER EXAMINATION IN
BACHELOR OF BUSINESS ADMINISTRATION - 2012/2013
(JULY, 2015)
(PROPER/REPEAT/RE-REPEAT)



MGT 3033 - BUSINESS ENVIRONMENT

Answer all five questions

Time: Three hours

Q1. Read the Case Study and answer the following Questions based on it.

National Transport in Sri Lanka

Public transport accounts for nearly 73% of the total motorized passenger transport and serves as the only means of transport for majority of the population. Of this, bus transportation accounts for nearly 68%, with state owned bus service share of 23% and private operator share of 45% provided by small scale operators. Sri Lanka Railway (SLR) accounts for only 5%, carrying 120mn passengers per year. Despite attempts made during the recent past, the quality and service of passenger transport have largely been neglected. Increase in public transport modal share will reduce traffic delays and overcrowdings on roads and need for expensive road infrastructure developments.

Nearly 99% of freight movements are handled by the road transport. The freight market share of the Sri Lanka Railway has come down to 1% in the recent past, which was 32% in 1979 showing a drastic decline in the efficiency and competitiveness of SLR in handling freight.

All three commercial ports had been connected by railway lines. However, no trains operate at present to or from the Colombo Port. It is evident that more than 30% of the agricultural products are being go waste before reaching the consumer. Marked differences between farm gate prices and retail prices prove the inefficiency in fresh products transportation. This highlights the problems of high transport costs in most sectors of the economy, indication greater investment in the development of the logistics for goods transport and the supply chain.

At present there is no coordinated effort made for inter-modal transportation. Three- wheelers and school and office vans are also providing substantial services to communities that do not have direct access to bus or rail. There is a breakdown of inter-modalism between trains and buses. Systems such as park and ride have also not been developed to date. A case in point is the lack of suitable public transport to the International Airport at *Katunayake*.

Sri Lanka has a reasonably well connected road network that contributes to the mobility. Road density per 2-km is one of the highest in the region. Most of the National and Provincial roads and majority of urban roads are paved roads. Nearly 30% of these roads have been rehabilitated or are in the process of being rehabilitated. Majority of the balance roads are in unsatisfactory condition or lacking required capacity or proper geometric standards thus

contributing to unnecessary delays and accidents. New roads cannot be built in urban areas or be widened hence the growth of urban centers largely relies on the efficiency of public transport.

Sri Lanka Railway (SLR) manages a 1,412 km length of rail network with 323 stations that covers most part of the country except the southeast. The main railway lines radiate from Colombo and branch off at regular intervals. However, except for 116 km double-track lines around Colombo, rest of the network are single-track line.

Unsustainable increase in private vehicle ownership in urban cities has created several problems in increased traffic overcrowding, road accidents and air pollution in the city centers. Dependence on road transport tends to raise total energy consumption, increase air pollution, and have other adverse effects on the environment.

At present Sri Lanka has a set of sound regulations on environmental impact assessments on transport infrastructure. But regulatory control of fuel emission and noise standards for all vehicles are yet to be fully implemented. Toxic gas emission in high traffic conditions and noise pollution are at a peak level in urban city centers contributing to adverse health effects. Time and resources wasted on roads have seriously affected the economy, environment and the society. On the other hand, non-motorized transport modal share is very low in urban areas and is also reducing in rural areas.

The number of road accidents and fatalities has increased over the years. Major causes for these are poor condition of infrastructure, traffic overcrowding in the urban areas, indiscipline behavior of road users including drivers, riders, passengers and pedestrians. Facilities available for pedestrians and other non-motorized transport modes are minimal making them the most vulnerable road users.

Present approach to transport pricing appears to need revision. It needs to reflect economic pricing and user pay principles in general. At the same time, the subsidies offered by the State are largely to state sector service providers. There is poor effectiveness of the subsidies reaching the intended targets due to the inefficient delivery systems.

The freight transport operation is deregulated. Para-transit, which includes a wide cross section of services ranging from school services to rural vehicles, are also fully deregulated. The high rate of accidents, low productivity and bad behavior are reasons why some degree of regulatory control may be required for these sectors.

A number of weaknesses contribute to the poor performance in planning and implementation in the transport sector. There is no single body with the responsibility for the transport sector. Existence of multiple agencies in transport service and infrastructure provision, with poor coordination, leads to division of the legal authority to plan and the lack of authority to enforce agreed upon plans, which causes duplication of effort and random decision-making.

Lack of policy and coordination between the Ministries and the Provincial Councils further worsens this situation. Since there is no single authority for the sector, poor alignment between planning, policy making, and the budgeting process takes place.

However, the most critical short coming is the lack of professionalism in the sector. With the breaking up of the Central Transport Board and the formation of private bus operators, the

organizational requirements for people with professional qualifications for transport operations were also lost. This has been further worsen with the formation of the National Transport Commission (NTC) and followed by provincial regulators where the stipulations for building up professionals in regulation and planning have been minimal.

Questions:

- a) What are the current issues of public transport service in Sri Lanka? Discuss. **(05 Marks)**
 - b) How do weaknesses contribute to the poor performance in the transport sector? Illustrate. **(07 Marks)**
 - c) Why there is no coordinated effort made for inter-modal transportation? **(08 Marks)**
 - d) As a policy maker, what are the suggestions would you make for the restructuring Sri Lankan transport system? Examine. **(08 Marks)**
- (Total 28 Marks)**

Q2)

- a) What is Business Environmental Analysis? Illustrate. **(05 Marks)**
 - b) How Porter's approach is mostly concerned with the competition in business? Comment. **(07 Marks)**
 - c) Imagine that you have started a new business. How would you assess the relevance of Porter's approach to its success? Analyse. **(06 Marks)**
- (Total 18 Marks)**

Q3)

- a) Define spot-exchange rate. **(05 Marks)**
 - b) Suppose that apples in New York are selling for \$4 per bushel, when in London the price is £2.50 per bushel.
 - i. Calculate the spot-exchange rate. **(03 Marks)**Suppose instead that the actual exchange rate is \$2.00 per pound. Starting with \$4, a trader could buy a bushel of apples in New York, ship it to London, and sell it there for £2.50.
 - ii. Find the gain. **(03 Marks)**
 - c) Suppose that a Sri Lankan exporter of garments asks you to evaluate the connection between interest rates, foreign-currency exchange rates, and inflation. How would you do it? Illustrate. **(07 Marks)**
- (Total 18 Marks)**

Q4)

- a) "Only one third of foreign direct investment goes to developing countries". Do you agree with this statement? Briefly comment on it. **(04Marks)**
- b) Discuss the product cycle stage in the context of the foreign direct investment. **(06 Marks)**

- c) Assume that a foreign investor decides to establish his enterprise in Sri Lanka. As a manager, what type of foreign direct investment is mostly suitable for that you would recommend him? Support your argument.

(08 Marks)

(Total 18Marks)

Q5)

- a) Why is corporate social responsibility important to business? **(05 Marks)**
- b) Is Sri Lankan business environment genuinely committed with standards of corporate social responsibilities? Critically evaluate. **(06 Marks)**
- c) As a stakeholder of an organization, how would you make decision when your interests conflict with those of another? Illustrate your answer. **(07 Marks)**

(Total 18 Marks)