

**EASTERN UNIVERSITY, SRI LANKA**

**Faculty of Commerce and Management**

**Final Year /First Semester Examination in Bachelor of Business Administration**

**2014/15 (May 2017)**

**Proper/Repeat**

**MGT 4013 Strategic Management**

Answer all five (5) questions

Time: 03 hours

1) Read the following case and answer the questions given below.

The Managing Director of Big Ltd. called an internal meeting of senior managers to discuss issues involved in acquiring Small Ltd., for about Rs. 350 crores. He started the meeting with following observations: "After acquiring Small Ltd., we will become the second largest consumer goods company in India with sales over Rs.4500 crores. We will have more money for marketing initiatives, product launches and aggressive price-cuts. The key reason behind buying Small is to create shareholder value over and above that of the sum of the two companies. Recent years have been tough for both the companies with strong competition. The merged company hopes to gain greater market share and achieve greater efficiency."

Different issues were discussed between the managers. Pertinent point that were raised were as follows:

**Head Production:** Although, I am involved little, till now, in discussion regarding the acquisition, I have closely studied various production facilities available to both the companies. I feel production facilities of both the companies need to be synergized. There is also a need to close down production facilities of two locations out of seven locations of Small. The costs of production of these locations are very high and also, they are located in eastern India, whereas our major sale is in south and west.

**Head Marketing:** We need to analyze it further. The market of the products is in mature phase with low growth rate. Small Ltd., has little presence in some regions and is not a major competitor

for us. Further, there is marginal gap between our existing third position and second. We can easily achieve second position if we are able to fully utilize our capacities.

**Required:**

- I. What are the different options available for this company in a low growth industry?
- II. If you are appointed as a consultant, advise the Big Ltd. how to proceed before taking a decision to acquire any company.
- III. Conduct SWOT analysis from the facts given in the case and a stakeholder's perspective.

(Total: 10)

Q2) I. The **Competitive Profile Matrix (CPM)** identifies a firm's major competitors and their particular strengths and weaknesses in relation to a sample firm's strategy. Explain how does CPM helps an organization to identify their competitive position. Give an example.

II. The **Resource-Based View (RBV)** approach to competitive advantage contends that internal resources are more important for a firm than external factors in achieving and sustaining competitive advantage. What are the four criteria that is identified in RBV for sustainable advantage, briefly describe them with appropriate examples.

III. What are the differences among **Retrenchment, Divesture and Liquidation**.

IV. Distinguish among **Internal development, Acquisition and Strategic alliances** (entry strategies).

(Total: 20)

Q3) I The strategic management process encompasses three phases which together constitute a number of systematic steps. Explain this with a **Strategic Management Model** familiar to you.

II How can an organization earn above-average profit by the contribution of **Cost leadership strategy** and **differentiation strategy**? Describe with examples.

(6 Marks)

III What are the **stability strategies** that are available at the corporate level for an organization and describe each of them?

(5 Marks)

IV What are the main reasons for which the organization goes for "**Outsourcing**"?

(3 Marks)

**(Total-20 Marks)**

I Explain the **GE Multifactor Matrix** with the advantages it has than **BCG** with suitable example.

(6 Marks)

II How can **value chain** and **value system** build up competitive advantages for an organization, describe their rationality.

(6 Marks)

III Building a **capable organization** is very essential activity for strategy implementation. Briefly highlight the activities involved in building a capable organization.

(5 Marks)

IV What are the strategies that are available when using the "**TOWS**" **Matrix**?

(3 Marks)

**(Total-20 Marks)**



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Fill in the blanks with appropriate answers in this question paper. All the blanks carry one mark each.

- (5) a) Organizations should take a **proactive** rather than a ..... in their industry, and they should strive to influence, anticipate, and initiate rather than just respond to events.
- b) Every organization has a unique purpose and reason for being. This uniqueness should be reflected in ..... and ..... **statements**.
- c) According to Porter, the nature of competitiveness in a given industry can be viewed as a composite of five forces:....., **Potential entry of new competitors**, **bargaining power of** ..... and.....finally with **substitute products**.
- d) The axes of the **SPACE Matrix** represent two internal dimensions; **financial position [FP]** and ..... and two external dimensions; **stability position [SP]** and .....
- e) Parenting Mix Matrix identifies four types of businesses such as **Heartland business**, **Edge of Heartland**, ..... and .....
- f) Scanning of the environment includes the activities such as **scanning**, **monitoring**,..... and.....

- g) Rather than evaluating an organization using a few financial measures, Kaplan and Norton argue for a "**balance scorecard**", including non- financial as well as financial as **financial measures**, ..... **organizational learning** and.....
- h) Competitor analysis consist of elements such as **future objectives**, current ..... and .....
- i) A **corporate culture** can contribute and hinder the successful execution of strategy. Therefore in an organization we could identify ..... culture.
- j) When strategic choices are made the strategist apply three criteria, one to be the most important next to be the ..... and finally the .....