



UNIVERSITY OF RUHUNA
FACULTY OF GRADUATE STUDIES

**Master of Business Management Degree Program -Second Semester End
Examination**

August 2020

MBM 12083 - Business Analysis and Decision Making Duration: Three hours

The question paper contains Six (06) questions.

Answer four questions including question number one

➤ **Non-programmable calculators are permitted.**

Question No. 01

“Navodya” is a company specializing in manufacturing a range of kitchen utensils, garden and household equipment. Established as a sole proprietorship two decades ago it has now evolved into a company, gaining a reputation for manufacturing and selling high quality products. The founder Mr. Chandima Wanniarachchi, an accountant by profession, has provided visionary leadership, commitment and direction in bringing the company to what it is today.

The company initially started manufacturing coconut scraper machines with the theme of “make your dream kitchen” which strongly hit the market. With that strong market presence, the company consistently improved the safety and quality standards and that paved the way to manufacture and sell kitchen equipment. Household equipment saw its birth 11 years later and was an equally successful launch as the brand name “Navodya” was well established by them.

Table 1 illustrates the strategic position of the “Navodya” company. Moreover, Table 2 presents the details of relative market share and market growth rate of “Navodya” company. Based on this market position, the board of directors has organized a brain storming session for its senior management team to discuss and agree on the future direction of the company. Special attention would be given to the company’s plan to expand the business, given the increased demand and the likelihood of a possible production facility extension.

Table 1: Strategic position of the company

Internal Strategic Position	External Strategic Position
<u>Competitive Position (CP)</u>	<u>Industry Position (IP)</u>
-1 Product quality	+6 Barriers to entry
-1 Market share	+4 Growth potential
-3 Brand & image	+4 Access to financing
-2 Product life cycle	+5 Consolidation
<u>Financial Position (FP)</u>	<u>Stability Position (SP)</u>
+5 ROA	-2 Inflation
+4 Leverage	-1 Technology
+6 Liquidity	-2 Demand elasticity
+5 Cash flow	-4 Taxation

Table 2: Relative Market Share and Market Growth Rate of Navodya Company

Brand	Revenues	% of Corporate Revenues	Largest Rival's market share	Brand's market share of the company	Relative market share	Market Growth rate
Brand A	Rs. 500,000		25%	25%		3%
Brand B	Rs. 350,000		30%	5%		12%
Brand C	Rs. 50,000		45%	30%		13%
Brand D	Rs. 20,000		10%	1%		15%

Assume you are the strategic manager of "Navodya" Company. As the strategic manager, you are required to submit a report at the next board meeting answering the following questions,

i. Explain the importance of Strategic Management.

(05 Marks)

ii. Discuss the benefits for a firm having a clear vision and mission statement.

(05 Marks)

iii. Discuss the importance of management information systems (MIS) in terms of formulating strategies.

(05 Marks)

iv. Draw the BCG Matrix for Navodya Company and making appropriate recommendations for the company based on its position of BCG Matrix. You need to complete the Table 02.

(10 Marks)

v. Construct and apply the Strategic Position and Action Evaluation (SPACE) Matrix for Navodya Company and select the appropriate strategies based on the position at SPACE matrix.

(15 Marks)

(Total 40 Marks)

Question No. 02

As a member of the senior management team, you are required to have clarity about the strategy implementation process of the company.

i. Explain the role of resource allocation and managing conflict in strategy implementation.

(06 Marks)

ii. Compare and contrast the advantages and disadvantages of matrix structure and divisional organizational structure.

(07 Marks)

iii. Critically evaluate the use of Michel Porter's five forces model in competitor analysis.

(07 Marks)

(Total 20 Marks)

Question No. 03

Globalization is considered the driving force of International strategy. An increasingly globalized world is dramatically changing today's economic landscape from that of 20 years ago. Moreover the pace of global economic expansion will increase significantly in the next 20 years. Sri Lanka is already being subject to globalization and as a result global giants have stepped into the country whilst leading conglomerates have ventured out.

i. Describe the three (03) major approaches to overseas operations.

(06 Marks)

ii. Evaluate the dimensions of national culture of Geert Hofstede.

(07 Marks)

iii. Examine the advantages of global strategic partnerships to enter the international market.

(07 Marks)

(Total 20 Marks)

Question No. 04

Company A and Company B engage in the business of manufacturing processed foods. Following details were extracted from its financial statements for the year ended 31.03.2020.

	<u>Company A</u> (Rs. '000")	<u>Company B</u> (Rs. '000")
Sales	13,000	13,000
Cost of Sales	(9,100)	(7,900)
Gross Profit	3,900	5,100
Other income	1,200	1,600
Administration Expenses	(1,800)	(1,700)
Selling Expenses	(800)	(1,200)
Net Profit	2,500	3,800
Total Assets	31,000	39,000
Current Liabilities	8,000	10,500
Equity capital	14,800	18,000
Debt Capital	6,500	15,500

Other income of Company A represents sales proceeds of selling a byproduct which is a continuous receipt over the previous years and expect to continue this operation in future years. This product is processed by utilizing the wastage of the manufacturing process.

Other income of Company B represents profit earned from selling its fixed assets during the year. Company B dispose its wastage of the manufacturing process. Hence no income received from a byproduct.

- i. Select the most attractive company to invest in terms of
- a. Profit margin (3 Marks)
 - b. Performance (3 Marks)

- ii. What is the most suitable company to invest considering above two measures and briefly explain the reasons. (6 Marks)
 - iii. Briefly explain two strategies each to
 - a. Improve the profitability of the Company A (4 Marks)
 - b. Improve the ROC of Company B (4 Marks)
- (Total 20 Marks)

Question No. 05

Shareholder value is a popular business term which measure the success of a company. In that case, many businesses drive to maximize its earnings in order to convince its shareholders about the success of the business. In short, they are doing “anything” to make profits.

- i. Explain the concept of Shareholder Value giving special reference to the problems created by this concept. (8 Marks)
 - ii. Briefly explain how a Company achieve Sustainable Shareholder Value. (6 Marks)
 - iii. Corporate governance is a system of rules, practices and processes by which a firm is directed and controlled. Briefly explain how Corporate Governance system addresses the Agency problem. (6 Marks)
- (Total 20 Marks)

Question No. 06

Corporate Restructuring is corporate action taken to significantly modify the structure or the operations of the company.

- i. Explain briefly four reasons why companies go for restructuring. (8 Marks)
 - ii. Corporate expansion is a type of restructuring technique. State two corporate expansion techniques and how you differentiate those two techniques. (6 Marks)
 - iii. Briefly explain three Organizational Restructuring strategies. (6 Marks)
- (Total 20 Marks)
