



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

Faculty of Commerce & Management Studies

Bachelor of Business Management (General) Degree Third Examination (External) – 2011

December 2013

BMGT E 3015 – Strategic Management

No of questions – 06

Time: 03 Hours

Answer question No. 01 and any four (04) other questions.

(01) Read the following case and answer the question given at the end.

IL (Independent Living) is a charity that provides living aids to help elderly and disabled people live independently in their own home. These aids include wheelchairs, crutches, mobility scooters, and bathroom and bedroom accessories.

IL aims to employ people who would find it difficult or impossible to work in a conventional office or factory. IL currently employs 200 severely disabled people.

Smaller items (such as crutches) are manufactured at their factory. These are relatively unsophisticated products, manufactured from scrap metal bought from local scrap metal dealers and stored on-site. These products require no testing or training to use and they are packaged and stored after manufacture. IL uses its own lorry to make collections of scrap metal but the lorry is old, unreliable and will soon need replacing.

Larger and more complex items (such as mobility scooters) are bought in bulk from suppliers and stored in the factory premises. Delivery of these items to IL is organised by their manufacturers. These products are stored until they are ordered.

When an order is received for such products, the product is unpacked and tested. An IL transfer logo is then applied and the product is re-packaged in the original packing material with an IL label attached. It is then dispatched to the customer. Some inventory is never ordered and last year IL had to write-off a significant amount of obsolete inventory.

All goods are sold at cost plus a margin to cover wages and administrative costs. Prices charged are the same whether goods are ordered over the web or by telephone.

Customers can also make a further voluntary donation to help support IL if they wish to. About 30% of customers do make such a donation.

Ordering and marketing

IL markets its products by placing promotional leaflets in hospitals, medical centres and local social welfare departments. This leaflet provides information about IL and gives a direct phone number and a web address. Customers may purchase products by ringing IL directly or by ordering over their website. The website provides product information and photos of the products which are supplied by IL. It also has a secure payment facility.

However, customers who ring IL directly have to discuss product requirements and potential purchases with sales staff over the phone. Each sales discussion takes, on average, ten minutes and only one in two contacts results in a sale. 20% of sales are through their website (up from 15% last year), but many of their customers are unfamiliar with the Internet and do not have access to it. Goods are delivered to customers by a national courier service. Service and support for the bought-in products (mobility scooters) are supplied by the original manufacturer.

Commercial competitors

IL is finding it increasingly difficult to compete with commercial firms offering independent living aids. Last year, the IL made a deficit of Rs.16, 000,000.00, and it had to sell some of its land to cover this deficit. Many of the commercial firms it is competing with have sophisticated sales and marketing operations and then arrange delivery to customers directly from manufacturers.

You are required to:

- (a) Analyse the primary activities of the value chain for the product range at IL.
(10 Marks)
- (b) Evaluate what changes IL might consider to the primary activities in the value chain to improve their competitiveness, whilst continuing to meet their charitable objectives.
(08 Marks)
- (c) By identifying most appropriate strategy to IL, present suggestions in order to sustain the competitive advantage gain through the strategy.

(10 Marks)
(Total 28 Marks)

(02) (a) "Scenario building is a strategic planning method that some organizations use to make flexible long-term plans." Construct two scenarios for hotel industry in Sri Lanka.

(09 Marks)

(b) Why the new entrants to industry often enter through low cost strategy or no frill strategy?

(09 Marks)

(Total 18 Marks)

(03) "In this new wave of technology, you can't do it all yourself, you have to form alliances" (Thompson et al., 2011). Discuss, using illustrations to support your answer the importance of forming strategic alliances.

(18 Marks)

(Total 18 Marks)

(04) "There are three potentially successful generic approaches to outperforming other firms in an industry - overall cost leadership, differentiation, and focus" (Porter, 1985). Assess the validity of this statement by referring to competitive positions within an industry of your choice.

(18 Marks)

(Total 18 Marks)

(05) (a) "Establishing the correct organizational structures and systems are major issues that managers must deal with when implementing a new strategy" (Thompson and Strickland, 2010). Evaluate this statement giving examples from organizations that you are familiar with.

(10 Marks)

(b) Explain the relationship between differentiation and organizational performance.

(08 Marks)

(Total Marks 18)

(06) (a) Discuss the role and importance of Corporate Governance to the modern day business environment.

(10 Marks)

(b) Explain in brief importance of assessing the likely success of a strategic option.

(08 Marks)

(Total 18 Marks)