

SOUTH EASTERN UNIVERSITY OF SRI LANKA

THIRD EXAMINATION IN BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY
FOR MANAGEMENT STUDIES – 2009 / 2010
SEMESTER – I, AUGUST 2011

ITMS 3123 STRATEGIC MANAGEMENT

Answer all questions

Time: 03 hours

01. Read the following case and answer the questions given at the end.

AVILION Stationary Ltd.

The general trend of elevated prices and contraction in demand had started affecting the sale of AVILION stationary Ltd. products also. Its customers were focusing on correcting their inventory positions (using existing stocks of materials to keep production lines and marketing activities rolling). Consequently, they were not buying much from AVILION stationary Ltd.

The company was in the middle of Economic crisis. Mr. Dinash, CEO of the Company, realized that some strong measures must be taken to extricate the Company from its present crisis. At a meeting with his top level managers, Mr. Dinash, proposed a controversial strategic decision. When asked for comments, each manager responded with supportive comments and praise. After announcing that they were all in apparent agreement, Mr. Dinash, stated that they were not going to proceed with the decision. There is mounting evidence that when an organization is facing a critical environment, the best strategic decisions are not arrived at through consensus when everyone agrees on one alternative. To this end, Mr. Dinash held several meetings and brainstorming sessions with the all level management team and finally identified the strategic focus areas: Managing working capital flows, cutting costs and paying attention to employee productivity.

Moving away from the traditional approach one usually follows during the recessionary periods, Mr. Dinash instead of shutting down company's plants and cutting production, decided to continue to operate the Company's two plants at Batticola and Colombo at full capacity. To

match sales with production, he planned to reach out to newer customers by expanding Company's distribution network. He identified packaging boards to be marketed in rural areas where the meltdown had minimal effect. As the market conditions were still difficult, the company also decided to cut the prices by 2 to 3 per cent. Along with the price cut, its marketing thrust in rural and town areas ensured that the sales were not impacted much. Net sales remained flat throughout 2009-10; though the profitability of the Company suffered because of the lower margins it received from its business.

For raising capital, the Company did not approach banks and investors, rather it intensified its efforts to recover its debits from its clients. The efforts resulted in fast recovery. Disputed debts were also settled expeditiously to raise more cash. To cut costs further, the Company took steps to improve productivity and reduce its wage bill. Inefficient employees were asked to leave. No new appointments were made unless they were critically important. In addition, employees received lower increments for 2009-10; even Mr. Dinash did not take any increment.

In March, 2010 the company bought enough raw materials to last for about 9 months as against the company's policy of buying, in the normal system is for about 2-3 months. According to Mr. Dinash, this decision also resulted in a huge saving.

Mr. Dinash and his senior management team also re-evaluated the organizational structure to improve efficiency in the organization. When all the above strategic decisions had been successfully implemented, Mr. Dinash knew that the worst for the company was over. This was also reflected in gradual increase in the quarterly profits of the company, Mr. Dinash however sounded very modest about his stewardship of the Company while appreciating his all management team for the great job done to ride out the slowdown.

Questions

(a) There is mounting evidence that when an organization is facing a critical environment, the best strategic decisions are not arrived at through consensus when everyone agrees on one alternative. Assume that you are the CEO of this company: How will you advice the top level managers in this consensus situation? (07 Marks)

(b) Explain with reasoning the corporate strategies the AVILION Stationary Ltd had adopted for its survival. (10 Marks)

(c) What functional strategies were undertaken by the AVILION Stationary Ltd to overcome its crisis? (10 Marks)

(d) State the basic responsibilities of a strategic leader in a business organization. Explain whether or not Mr. Dinash provided strategic leadership to this Company. (08 Marks)

(Total 35 Marks)

02. (a) Define the concept of sustained competitive advantage and explain how a firm can achieve it. Why is it important for an organization in the competitive environment? (08 Marks)

(b) Explain the concept of organizational mission and evaluate the components of mission statement with an organization of your choice. (06 Marks)

(c) Define the terms hyper competition, competitive intelligence, and forecasting. (06 Marks)

(d) How resource can be viewed to determine core and distinctive competencies of the firm?

(05 Marks)

(Total 25 Marks)

03. (a) Briefly describe the relationships between IFAS matrix, EFAS matrix, SFAS matrix and strategy formulation. (07 Marks)

(b) "One of the most popular aids to developing corporate strategy in a multi business organization is portfolio analysis". Justify this statement with an organization of your choice.

(10 Marks)

(c) Michael Porter proposes "two generic" competitive strategies for outperforming the organizations in a particular industry. Explain these strategies. (08 Marks)

(Total 25 Marks)

04. (a) All the strategies developed are not implemented. The manager's careful analysis is important in this stage. Explain the strategies that are to be avoided by the effective managers for the proper implementation in an organization. (08 Marks)

(b) The Strategic Audit (SA) provides a checklist of questions, by area or issue that enables a systematic analysis of various corporate functions and activities to be made. The SA summarizes the key topics in the Strategic Management model. Describe. (07 Marks)

(Total 15 Marks)