



Final Examinations Winter 2005

December 08, 2005

BUSINESS MANAGEMENT

(MARKS 100)
(3 hours)

- Q.1 (a) Team development process may comprise of the following four successive stages i.e. forming, storming, norming and performing. What team dynamics do you expect to see in action, in each of these stages? **(04)**
- (b) List and briefly describe the characteristics of an ideally functioning team. **(04)**
- Q.2 Shahbaz, the Managing Director of a large multinational company was successful in convincing the Board of Directors to take a decision of making an investment of Rs.500 million in new machines and technical infrastructure. His plea was that as per the company's aggressive marketing plan, existing capacity shall exhaust within 3 years, hence the company will need more capacity to fill market demand. The business unit where the investment was decided to be made was contributing 70% of the turnover and profits. Unfortunately, immediately after the new investment, competition became very aggressive and some new competition also entered into the market with new competitive advantage. This resulted into price pressure as well as loss of market share to the multi national company. The company came into severe problems though they were in a comfortable position before the new investments.
- (a) What mistakes did Shahbaz make? Please explain. **(06)**
- (b) What alternative courses of action were available to Shahbaz, which would have been less risky? **(06)**
- Q.3 Beatles Corporations, a good name in Domestic Appliances business are considering launching a new product. The product is the result of the R&D efforts of the company and has several new features expected to give the company a competitive edge. Cost of the product will definitely be higher than their existing products. Company's higher management would like to go for market skimming price strategy with minimum 20% higher price than the current product. A feedback meeting with the Channel of Distributors however, confused the Brand Manager, as all of them were insisting to begin marketing of the new product with initial price equal to existing products and as customer response grows, increase the price gradually to the desired level.
- (a) How would you differentiate between market skimming and penetration pricing strategies? **(04)**
- (b) Would you recommend the company to go with the suggestions of the distributors? What are the risks involved? **(04)**
- (c) What would be your decision as the Brand Manager of the new product in Beatles Corporation? Please explain with reasons. **(03)**
- Q.4 Many multinational companies now believe that streamlining cross company processes (supplier process improvement programs) is the great frontier for reducing costs, reducing wastage, enhancing quality and speeding operations. It's where the next decade's productivity wars will be fought.

(2)

- (a) Please comment on the above statement. (04)
- (b) Give your recommendations for supplier process improvement program for multinationals investing in Pakistan. (06)

Q.5. Synergy Chemicals are in the business of manufacturing and marketing agrochemicals mainly fertilizers and have been quite successful. Recently, they started experiencing a stagnant market share growth and all initiatives including new products, gave them no positive results. Management team of the company was in a meeting to decide upon the strategic direction of the company. The Chief Marketing Officer (CMO), Asim Saleem, while concluding his presentation, finally remarked, "Gentlemen, all our efforts to improve our competitive position for the last several years have gone to waste. It is only feasible that we diversify into new business while maintaining our position in our current business. I mean a new business unit. Our Marketing Research department has prepared a feasibility report on Fast Moving Consumer Goods which show a consistent growth pattern. It suggests cartoned milk as an excellent option at this point in time. This may look different but not difficult as the return of our investment is well guaranteed."

The Chief Financial Officer was not very convinced of the idea of Asim Saleem. He was of the opinion that the company should still focus on intensive growth strategies rather than jumping on the conclusion of stagnant product life cycle of their existing business.

Management team was not able to make any decision and adjourned for the next meeting after two days. The Chairman got an opportunity to count on several options for both the strategies given by two of his senior managers.

- (a) What type of growth strategy is being proposed by the CMO? Evaluate pros and cons of the strategy. (08)
- (b) If the management adopts the CFO's idea of intensive growth, what are various options on which they should work? (03)

Q.6 Inter departmental conflict is an important issue in any organization. A number of methods are used by experts in positively using departmental conflict for integrated business results.

- (a) List down some of the key reasons for inter departmental conflict. (03)
- (b) What are various methods to resolve them? (03)

Q.7 The marketing arena is dominated by market leaders, setting the pace of the market with runners-up challenging the leader. Then we have follower companies, who prefer to follow taking the lead from the leaders and runner-ups rather than challenging them. Generally, such companies are defined as HIGH TURNOVER, LOW MARGIN companies. Low margin is compensated with High Turnover and gives them the required profits. But then there is another segment of companies, who work on the principle of LOW TURNOVER, HIGH MARGIN, they are called Niche Marketers.

- (a) Who are Niche Marketers and what is meant by Niche Market? (02)
- (b) The key idea in nichemanship is specialization. List at least eight specialist roles available to niche marketers. (08)

- Q.8 (a) Every international affiliate has different relationships with its parent company. These inter company relationships require different payments to its parent company. Identify the various types of payments made to the parent company. (05)
- (b) An industry is a group of firms that offer a product or class of products that are close substitutes for each other. Accordingly a company's closest competitors are those pursuing the same target markets and the same strategy.

The above two statements clearly identify the need for detailed information on competitors activities to keep ahead in the competition to redefine corporate strategy and plans based on the new rules devised by the competitors.

List at least eight sources that are available to the company to obtain information on the competitors' activities. (04)

- Q.9 In the wake of industrial accidents like Union Carbide – Bhopal, and environmental disasters such as Exxon Valdez – Alaska, Oil and chemical companies have become very sensitive to Safety, Health and Environment (SHE) concerns. Nearly all companies have made SHE a part of their core values and mission statement, and keep close track of their performance in these areas. Obviously SHE initiatives command a sizeable budget and demand time of managers.

DO you agree that besides being a good Corporate Social Responsibility practice, adopting SHE standards makes any business sense as well? If yes, what in your opinion could be the bottom line benefits of such policies? (06)

- Q.10 Just as physical climate is described by such variables as temperature, humidity, and precipitation, corporate culture is composed of such factors as friendliness, risk taking, open communication amongst others. The culture existing within a firm influences the employees' degree of satisfaction with the job as well as the level and quality of their performance.

- (a) Define Corporate Culture. (02)
- (b) List the internal factors that affect the Corporate Culture. (05)
- (c) Culture is often viewed in terms of level of participation within the organization. What do you think are the various benefits derived when the top executives encourage the process of participation by employees in the decision making process? (05)

- Q.11 “Superior product quality is the key to higher return on Investment of any business.” Do you agree? Please explain. (05)

(THE END)