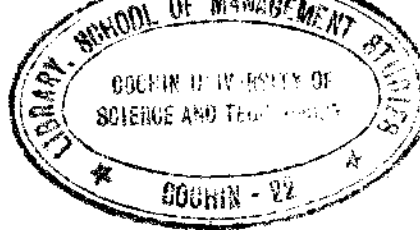


1B-IV



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B

MBA (IB) DEGREE IV SEMESTER EXAMINATION MAY 2016

SMI 2401 INTERNATIONAL STRATEGIC MANAGEMENT
(Regular and Supplementary)

Time: 3 Hours

Maximum Marks: 50

PART A
(Answer *ALL* questions)

(5 × 2 = 10)

Write short notes on the following:

1. Dimensions of business.
2. Role of objectives.
3. Environmental scanning.
4. Take over strategies.
5. Experience curve

PART B
(Answer *ANY FIVE* questions)

(5 × 4 = 20)

6. What is the relevance of product concept in strategic management?
7. What problems can an unclear mission create for an organization?
8. How is an operating turnaround strategy different from a strategic turnaround strategy? Use an example.
9. Explain how are strategies activated.
10. What is the basic nature of strategy evaluation?
11. Differentiate between strategic control and operational control.
12. Explain BCG matrix.

(P.T.O.)

PART C
(Answer **ANY TWO** questions)

(2 × 10 = 20)

13. Consider the case of any Indian company. What steps should it undertake for resource allocation for implementing its strategies? What difficulties could be expected in doing so and how can they be dealt with?

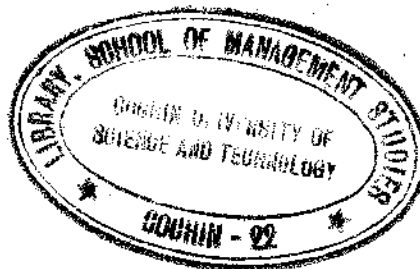
14. Case study 1.

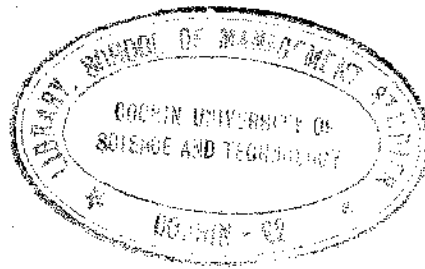
BB Ltd. is a business organized as three divisions and head office. The divisions are based on market groupings, which are retail, wholesale and government. The divisions do not trade with each other. The main method of control of the divisions has been the requirement to earn a return on investment (ROI) of 15% p.a. The definition of return and capital employed is provided by head office, at the criterion ROI rate of 15%. The recent experience of BB Ltd., is that the group as a whole has been able to earn the 15% but there have been wide variations between the results obtained by different division. This infringes another group policy that forbids cross-subsidization, i.e., each and every division must earn the criterion ROI, of BB Ltd. Is now considering divestment strategies and this could include the closure of one or more of its divisions. The head office is aware that the Boston Product Market portfolio Matrix (BPMPM) is widely known within the divisions in the formulation and review of marketing strategies. As it is so widely known within the group and is generally regarded by the divisions as being useful, the head office is considering employing this approach to assist in the divestment decision.

You are required to:

- (i) Evaluate the use by BB Ltd. of the concept of ROI and its policy that forbids cross-subsidization.
- (ii) Describe the extent to which the BPMPM could be applied by BB Ltd. In its divestment decision. Evaluate the appropriateness of the use of the BPMPM for this purpose.
- (iii) Recommend, and justify, two other models that could be used in making a divestment decision. Demonstrate how BB Ltd. could utilize these models to make this decision.

(Cont....3)





15. Case study 2

You have recently been appointed to head the management accounting department of A(P) Ltd.(APL), which is a small engineering company engaged in the manufacture of precision parts. The market in which the company sells its products is small and APL faces severe competition. Due to the production facilities available, the company is able to undertake only small-scale engineering work. Large scale engineering jobs are turned away as the company does not possess the manufacturing facilities to undertake them. At best, it can act only as agent for another contractor to do the work. The board of APL is aware that the volume of work which is being turned away is increasing. This is particularly frustrating as the company is unable to utilise its capacity to the fullest extent all the time. APL has achieved a steady increase in profit over the last few years. Nevertheless, the board of the company believes that it could increase profitability still further by expanding and thus being able to carry out the larger scale work which is currently being turned away. Budgetary control and standard costing information has, for many years, been provided as the sole output of the management accounting department. The previous management accountant prided himself on the punctuality and comprehensiveness of the reports produced. Each job is priced by adding a percentage of its total cost calculated in accordance with the company's standard costing procedure. The annual cost budget is split into monthly parts and flexed to take account of a particular period's actual production. Monthly cost variances, comprising those for direct materials, direct labour, variable and fixed production overheads, are produced and provided to the relevant managers. In addition, sales price and volume variances are produced by the management accounting department each period.

The company does not have a marketing department although new customers are obtained from advertising within professional engineering journals and by attendance at trade shows. At one such trade show, the managing director was introduced to the concept of benchmarking. He believes that there may be advantages in APL undertaking benchmarking.

Required:

- (i) In consideration of the need for the board of APL to be provided with information which assists its strategic decision making, comment critically on the management account reports, currently provided.
- (ii) State and justify what changes you, as management accountant, would make in providing information which facilitates strategic planning in the company (within your answer, describe what financial and non-financial information you would supply which is different from that, already provided).
- (iii) Explain the concept of benchmarking and suggest how it might be applied to information for strategic planning in APL.
