



Business Management and Strategy

Instructions to examinees:

- (i) Answer all **EIGHT** questions.
 - (ii) Answer in **black** pen only.
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Q.1 Star Coffee (SC) is a USA based chain of high-end cafes. It has sixty-three state of the art cafes mostly in the commercial areas of the country to target office workers.

Every year in October, SC orders freshly harvested and processed coffee cherries from several growers in Guatemala – a place that is well-known for its coffee industry and offers benefits of labour arbitrage. Along with the payment for cherries, SC pays the growers to book premium shipping agents who can deliver the cherries to SC warehouse in USA. When the shipments arrive, SC workers run quality checks to keep only the best quality cherries and return the rest back to the growers. SC keeps the cherries in a highly well-maintained large storage facility at the warehouse to ensure they stay fresh as long as possible and are carefully sent to the cafes when required.

Each SC cafe is equipped with roasters and grinders. The roasting process is quite complex but the grinding process is fairly simple. As soon as the cherries arrive at the cafes, they are checked for freshness and roasted into coffee beans according to SC's specific requirements. The coffee beans carry a long shelf life and are kept at small stores in the cafes. To bring just the right flavours, the coffee beans are crushed by grinders right when that perfect cup of coffee needs to be prepared.

SC takes pride in its proprietary quality control, roasting and grinding processes and markets them by putting imprints on cups, placing attractive posters on cafe walls and by word of mouth through their customers. SC is extremely particular about the customer experience at the cafes. It only hires experienced staff, maintains cafes in immaculate condition, has a credible loyalty program and provides free use of Wi-Fi, newspapers and magazines.

Required:

- (a) Explain how SC's primary business activities offer value to the customers to achieve the competitive advantage. **(06)**
- (b) Suggest improvements in SC's primary business activities to reduce costs without reducing the value delivered to the customers. **(06)**

Q.2 (a) Fatima Fawad is a well-known dietician. She is planning a start-up business under the brand name 'Know Your Calories' (KYC) for which she is determining the size of her target market. KYC would prepare customized daily, weekly and monthly healthy meals and exercise plans and would charge premium price. In the first phase, KYC would target working women only.

Required:

Explain how Fatima may determine the size of target market by using different approaches to market sizing. **(05)**

- (b) Bina's Kitchen (BK) is a medium size company specializing in ready to cook spices. Management at BK plans to provide personalized services to its customers to improve customer retention. It is considering to adopt Customer Relationship Management (CRM) system to efficiently provide personalized customer service.

Required:

Discuss how the functions of CRM system can assist BK to improve customer retention. (05)

- Q.3 Sporty Limited (SL) is engaged in exporting sports products in a highly competitive market. The management of SL is under pressure of meeting targets as at the beginning of year, it has been clearly communicated by CEO that if SL fails to meet financial targets, there will be no bonuses and promotions for this year and some of the management personnel may also be laid-off.

Taha Buksh, Treasury Head, a qualified Chartered Accountant, has been given an additional role of officiating the office of CFO in the absence of Mahira Akhtar, who is on annual leaves. Taha and Mahira have been associated with SL for over ten years and they have also worked together in many projects successfully.

Recently, one of the key customers has placed a large order with SL. While authorizing the sales invoice, Taha noted the significant difference between the price agreed as per sale agreement and invoiced price. On inquiry, Finance Manager informed him that under-invoicing is a common practice to avoid tax and import duties. It is also implied from the discussion that Mahira has never objected on customer's demand of under-invoicing and if Taha does not act as per customer's demand, SL would most likely lose out that customer to a major competitor.

Taha knows that under-invoicing is an illegal act and SL stresses on strict compliance with laws and regulations. The disclosure of this information would likely result in legal consequences and bad reputation for SL as well as internal disciplinary action against Mahira.

Required:

- (a) Identify and explain threats to compliance with the fundamental principles of ethics that Taha might be subject to. (06)
- (b) Suggest the safeguards that SL may apply within the work environment to prevent illegal/unethical activities. (05)
- (c) Discuss the matters that Taha may consider before disclosing the information to board of directors. (04)

- Q.4 (a) On 15 March 2020, middle of spring semester, AUM University (AUM) decided to promptly act on government's directive to close university campuses for the rest of the semester due to the global pandemic and take all classes online. Since the closure of campuses, complaints have been mounting from faculty members, students and IT support staff. Summary of their complaints is as follows:

- **Faculty members** are complaining that they are ill-prepared with taking the courses online and using online teaching tools.
- **Students** say that the sudden burst of online work from the university and stay-at-home chores amount to a lot of work, which they were not ready for. Also, due to varied personal circumstances not all of the students can attend online sessions in a synchronous mode.
- **IT support staff** is facing a resource crunch as they are overwhelmed with a sudden rush of queries from faculty and students.

Required:

Propose possible measures AUM should adopt to address the issues in order to successfully deliver online teaching services. (10)

- (b) Faiz Ibrahim is a Regional Sales Manager at Dolphin Limited. He leads a team of 10 sales personnel. There is a vacant position of Assistant Sales Manager and management has authorized Faiz to promote one of his sales personnel for that position.

Faiz has been appraising performance of his team in the scale of 4-6 out of 10 for the past five years. Given the on-going economic downturn in the region, none of the sales personnel has met the targets this year and Faiz could not decide on how to select sales personnel for promotion.

Required:

Discuss the appraiser bias in the above case. Suggest techniques of assessment that Faiz may apply while deciding to select the sales personnel for promotion.

(05)

- Q.5 Leather Fiesta Limited (LFL), a medium-sized company, is engaged in making and selling shoes and bags. The company intends to introduce new product lines and expand the business in other regions and for that management is considering appointing Regional Sales Director (RSD) for new region.

RSD would lead a large team, work in close liaison with Country Sales Head and report to Board of Directors. Other key responsibilities include: overseeing revenue generation strategies including launching successful marketing and sales campaigns, interfacing with inventory and purchasing departments, reviewing and analyzing periodic sales reports and cultivating lasting relationships with customers and other stakeholders.

The human resource department has shortlisted two candidates for the position of RSD. The summarized profiles are given below:

Name of Candidate	Brief Introduction	Key Skills & Competencies
Arham Nasir	He has been associated with LFL for over ten years and has worked at various positions in the sales function. He is currently working as Sales Manager and reporting to his Regional Sales Director.	<ul style="list-style-type: none"> ▪ Meeting sales targets consistently ▪ Maintaining good client relationships ▪ Preparing and finalizing sales reports
Shahveer Zaidi	He has working experience of over twenty years with number of small and medium sized organizations. He is currently leading a sales function and reporting to board of directors at Star Limited, a small sized organization.	<ul style="list-style-type: none"> ▪ Developing sales targets ▪ Managing portfolio of products ▪ Monitoring sales strategies

Required:

Evaluate the profiles of shortlisted candidates and discuss the factors that Board of Directors may consider before making selection from above candidates.

(12)

- Q.6 The internet has invigorated the industry competition by challenging the existing ways of doing business. It has also significantly disrupted the Porter's five forces of industry competition.

Required:

Analyze the impact of internet on each of the Porter's five forces. Also provide business/industry examples to support your analysis.

(10)

Q.7 Razzaq Cement (RC) is one of the largest producers of cement in the country. It achieves this success by adhering strongly to its well established bureaucratic processes and systems.

In an effort to diversify the business portfolio, Razzaq Laghari, the owner of RC has acquired three profitable businesses under the brand name of 'Razzaq'. He has acquired a hospital with professional bureaucracy configuration, a delivery services start-up with simple structure configuration that caters to in-country deliveries and an IT company with adhocracy configuration that makes innovative algorithms for business decisions.

The acquired businesses were expected to adopt and adhere to the well-polished organizational process and systems used for RC. However, after just a few months, sharp declines in profits were observed in all three acquired businesses. RC Management is convinced that the issue lies in the organizational configuration reforms. In order to achieve this, Babar Rao, COO of RC, suggested that instead of RC Management running the affairs of the new businesses, each business should be considered a separate division with its own unit head who will be responsible for the profitability of the businesses by ensuring RC's organizational process and systems are strictly adhered to.

Required:

- (a) Discuss the typical elements of organizational configuration for each of the business entities. (03)
- (b) Analyse Babar's suggestion and recommend possible course of action. (07)

Q.8 Zaryab Khan, a young enthusiastic entrepreneur, started a venture under the brand name 'Flagship Products' (FP) three years ago. Zaryab prides in achieving the consistent growth by means of effective utilization of available profits and consistent optimization of core capabilities.

Zaryab is considering expanding business in Middle East. He is of the opinion that FP should launch its first international venture as a wholly owned business. He is confident that the existing growth strategy of FP should be continued in Middle East in future as well. However, Marketing Head and CFO have shown their reservations over launching a wholly owned business in Middle East.

Marketing Head is of the view that FP should establish joint venture. On the other hand, CFO believes that franchising is a better option as it would be less risky given the fact that FP has no previous experience of operating in foreign markets.

Required:

- (a) Explain the existing growth strategy of FP. Also discuss why this strategy might not be suitable in the long-term. (06)
- (b) Discuss the methods of expanding business in Middle East as suggested by Marketing Head and CFO. (05)
- (c) Discuss the factors that FP would need to consider while deciding on whether to launch wholly owned business or form an alliance with a local company in Middle East. (05)

(THE END)