



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 Beans (SB) is a well-known brand of cafes in Amerita. It is one of the biggest names in cafes in terms of revenue, number of branches and reach within the country. SB is renowned for its great tasting coffee and trendy cafes in high activity areas like commercial hubs and tourist spots. SB is frequently recommended by numerous tourist blogs as a must try for people visiting Amerita.

Two years ago, SB decided to open cafes in Sirania, a small mountainous country that is well-known for its beautiful landscapes and lakes amongst the tourists. Sirania has a rich coffee culture. For Siranians, coffee is not just a drink, it is a part of their social culture. Meeting over a cup of coffee is a common reason to meet family and friends. Almost every neighbourhood in Sirania has a coffee shop where locals gather after work. The servers at the cafe usually know the regular customers by names and serve their preferred flavours without having to ask first. Sirania has three states and each state has its own local brand of coffee that is distinctly different from others. One could take a sip and guess the origin of the coffee where it was made.

The huge coffee drinking market in Sirania attracted SB in the first place. SB entered Sirania's market with full force by opening several cafes covering almost every commercial area in each city and all major lakes in the country. However, SB's business never really picked up in Sirania. It has been two years and all the cafes are showing losses except a few cafes near the lakes. SB is not sure what went wrong. The CEO of SB said – "We did everything right. We shipped our great tasting coffee directly from our central plant in Amerita. We made sure that all the cafes implement our winning ways to the dot. We had strong financial support and were committed to stay in Sirania. However, sometimes you don't get all that you want and with a sad heart I announce that we will be closing all our loss making cafes in Sirania".

Required:

Evaluate and suggest improvements to SB's strategy for international business operations. Include Critical Success Factors in your answer.

(11)

- Q.2 (a) Company A is a cotton yarn manufacturer founded in 1997. It has 65 employees with Rs. 58 million revenues and is growing steadily. It is a well-structured organization which follows centralized decision making model and has strong procedures and control systems. However, recently there have been a number of concerns raised by the employees about the efficiency and effectiveness of decisions made by the top management.

Company B is a direct competitor of Company A. It was founded in 2007 and has 68 employees with Rs. 65 million revenues. Its organizational structure has evolved into five divisions each having its own divisional manager who handles all matters pertaining to the division and reports progress to the top management.

Required:

In light of Greiner's growth model, explain the current growth phase and the crisis to be expected for Company A and Company B.

(08)

- (b) An industry analyst was asked about how Company B grew and evolved so rapidly when compared to Company A, he said – “the only differentiating factor could be that Company B has a better marketing and sales team”.

Required:

Using Greiner’s growth model, evaluate and indicate your agreement with the industry analyst’s comments. (05)

- Q.3 The Human Resources Department has received the following emails from Faraz, Sales Head and Laiba, Sales Officer:

Email from Faraz

To: Human Resources Department
 From: Faraz Mobeen
 Subject: Dismissal
 Date: 8 December 2021

Laiba has not been able to meet targets for the past two years. I have given her multiple verbal intimations through performance appraisals that she needs to improve her performance. However, she never takes my words seriously and has shown no intent for improvement. Today, we lost a potential client only because she failed to send the proposal on time. I have informed her that she cannot work with me anymore.

Regards,
 Faraz

Email from Laiba

To: Human Resources Department
 From: Laiba Nausheen
 Subject: Unfair dismissal
 Date: 8 December 2021

This morning Faraz called to tell that he is dismissing me from the job. I know Faraz does not like me as it is implied from his actions that he likes to work with young people and finds aged staff low on motivation. It was also reflected in annual performance appraisal interviews wherein he mostly talked about my weaknesses and failures during the year and ended the interviews with giving me low performance ratings. Unfortunately, that is all formal interactions we have had in these past two years.

I always try to put in my best efforts. I consider this an unjust dismissal and would like to hear from senior management or else, I will seek legal advice and act accordingly.

Regards,
 Laiba

Required:

- (a) Evaluate the disciplinary action taken by Faraz. Suggest other disciplinary alternatives that Faraz could have considered before dismissing Laiba. (04)
- (b) Identify the shortcomings in the performance appraisals of Laiba. Suggest the improvements for future performance appraisals. (06)
- (c) Recommend the disciplinary process that senior management may follow to offer fair trial to Laiba. (05)

- Q.4 GameIT Limited (GIL) is the market leader in the video game industry. It has introduced the slickest video game console (Console) that supports high-end graphics and online video streaming services giving unique experience to users. The Console is patented to prevent competitors from imitating its unique design and ultra-advanced features.

GIL has been enjoying high profit margin by selling Console as an exclusive brand to its targeted high-end customers through celebrities' endorsements and positive word of mouth. Customers make purchases through GIL's high-tech website or its dedicated flagship stores wherein customers can have tangible experience before buying Console.

The patent on Console is expiring in a year's time. The management has decided that after the expiry of patent, it would continue offering Console to existing customer base by using current marketing mix strategy. However, to counter competitors and meet large untapped markets of middle and low-end potential customers, a standard and economical Console variant would also be introduced.

Required:

By using 4 P's of marketing mix:

- (a) explain the existing marketing strategy of GIL. (06)
 - (b) evaluate the management's decision to continue the existing marketing strategy for high-end customers after the expiry of the patent. (02)
 - (c) recommend the marketing strategy for the standard and economical Console variant. (07)
- Q.5 Blue Ocean, a marketing agency in Karachi, offers digital marketing solutions. There has been a considerable change in the consumer buying behavior post COVID-19. Therefore, the board has requested Huzaifa, Marketing Head, to find and propose a training program on the subject. He is also authorized to nominate 3 candidates who would accompany him for that training program.

Huzaifa who is eager to visit Dubai Expo 2020, got excited and started looking for possible training programs in Dubai only and finally found one there. However, he also knows that similar programs at much lower pricing are also offered in Karachi.

Required:

Carry out a mirror test for Huzaifa.

(04)

- Q.6 Aspire Textile Mills (ATM) has nationwide operations. It is considering expanding its customer base in European market. The management has approached potential customer there who has requested ATM to share its Corporate Social Responsibility (CSR) policy and related reporting.

ATM has no formal CSR policy in place. Some random CSR activities are performed due to local pressure groups that have questioned ATM's increasing environmental footprint and lack of social contributions.

The management is considering adopting formal CSR policy and its reporting to stakeholders. However, one of the board members has shown concern of likely increase in costs.

Required:

- (a) Advise the steps that ATM may take in formulating its CSR policy. (05)
- (b) Evaluate the board member's concern that CSR program and related reporting would result in increased costs. (02)
- (c) Recommend **two** measures that ATM may take to reduce environmental footprint and **two** measures to increase social contributions. (02)
- (d) Suggest the reporting framework that ATM may adopt for sustainability reporting. (02)

- Q.7 The hand wash soap market of Parash, a tourist friendly metropolitan city in Asia, can be categorized by two product variants: bar soap and liquid soap. Before 2019, only two standard size of the variants were offered in the market i.e. 3.5 inches' soap bar and 500 ml liquid soap bottles.

In January 2019, Khalid established a new company called Soapsy in Parash to fill the gap in the market. Soapsy makes 2 inches travel size 'mini-soap bars' and 200 ml 'mini-liquid soap' bottles for air travellers. The bars and liquid soap are designed to be used 9 to 10 times for standard quantity usage. To-date, Soapsy has been extremely consistent in its approach and offerings with no observable changes to the internal workings of the company. It remains the only company catering to travellers in Parash. Presented below is the quantity of each product sold during the period specified:

| | | 2019 | | | | 2020 | | | | 2021 | | |
|----------------------------|----------------------|------|------|------|------|------|------|------|------|------|------|------|
| | | Mar | Jun | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Sep |
| Soapsy | Mini-soap bar | 5 | 4 | 4 | 3 | 1 | 1 | 1 | 3 | 3 | 3 | 3 |
| | Mini-liquid soap | 12 | 14 | 16 | 18 | 2 | 2 | 2 | 35 | 38 | 40 | 42 |
| Soap Industry Trend | Standard soap bar | 2200 | 2400 | 2600 | 2800 | 3800 | 4200 | 4500 | 4800 | 5000 | 5200 | 5400 |
| | Standard liquid soap | 1200 | 1400 | 1600 | 1800 | 3200 | 4300 | 5000 | 5400 | 5600 | 5800 | 6000 |

Note: The figures presented are in multiple of 10,000.

Required:

- (a) Comment on the appropriateness of the gap chosen by Soapsy. (03)
- (b) Analyse information provided in the case and identify possible reasons of slump in sales in 2020. (06)
- (c) Advise future strategies to Soapsy on how they can tackle a slump in sales like experienced in 2020. (04)
- Q.8 The Vocal Limited (TVL) is a medium-sized publishing house. TVL's magazines are recognized for quality contents and catchy images. The content for magazines is mostly outsourced to well-known content writers which is then edited in-house before sending to distributors and retailers.

Hunain, CEO, is concerned over significant downfall in sales and profitability over the past two years. In a recent meeting, Zarnish, Distribution Head, pointed towards the emerging trend of e-reading and emphasized that TVL should consider e-publishing its magazines as well. She suggested that TVL may duplicate its existing brand identity to e-publishing.

Zarnish also mentioned that e-publishing would facilitate direct interaction with targeted customers and adoption of Customer Relationship Management (CRM) system could assist in attracting and retaining them.

The existing IT team at TVL comprises of two officers who are involved in day-to-day administrative and basic technical support. Hunain understands that setting up e-publishing would involve cost but he is optimistic that it is a one-time cost which could be recovered in no time as e-publishing would have an immediate positive effect on the profitability of the company.

Required:

- (a) Discuss the potential challenges to e-publishing that TVL may encounter. (06)
- (b) Comment on CEO's viewpoint that e-publishing would involve one-time cost that would be recovered immediately. (03)
- (c) Evaluate Zarnish's suggestion of duplicating the existing brand identity for e-publishing. Suggest the other possible alternatives of e-branding that may also be considered. (04)
- (d) Discuss how CRM system could assist TVL in attracting and retaining the targeted customers. (05)

(THE END)