



Strategy and Performance Measurement

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Name: _____

INSTRUCTIONS

Please carefully read the following instructions:

1. You are required to access your answer working area by using your Student ID and Password as mentioned on your Admit Card.
2. The overall duration of the exam is 3 hours and 30 minutes, which includes the 15-minute reading time and an extra 15 minutes of time that has been allocated due to the introduction of computer-based examinations.
3. All questions are compulsory.
4. Questions can be attempted in any sequence.
5. There is no specific time allocated for individual questions.
6. An auto-save function runs every minute. Further, your answers are saved automatically when you navigate between questions or click on the > (**NEXT**) or < (**BACK**) symbols.
7. Each question provides an answer area with a Rich Text Format (RTF) editor for writing your answers. Additionally, below the RTF editor, a spreadsheet is provided, where necessary, to facilitate examinees in doing rough calculations or other workings. **However, please note that any work performed in the spreadsheet will not be considered for marking. To ensure your work is considered, you must copy and paste it from the spreadsheet to the RTF editor.**
8. Work done in the spreadsheet of one question can also be copied into the RTF editor of the same or another question.
9. You may use Microsoft Office applications such as MS Word or MS Excel for rough working. However, please remember that any work performed in these applications cannot be copied into the examination software, and vice versa. Furthermore, any such work will not be uploaded with your exam for marking.
10. You may use pen and paper for rough work, but please note that pen and paper work should only be done on the last two pages of the question paper that are specifically allocated for this purpose. Remember that any rough work done on these pages will not be uploaded with your exam for marking.
11. An external calculator can be used, provided it is included in the list of permissible calculators issued by ICAP.
12. During the exam, access to any website other than Assessment Master is strictly prohibited. Engaging in such activities will be considered a violation under the policy on the use of unfair means, leading to disciplinary action.

- Q.1 Jubilee Motoronics Limited (JML) manufactures and sells spare parts for motor vehicles. The following information was extracted from an information paper submitted recently to its bank:

Operating performance

JML's operating results were impacted by the difficulties of its customers, motor vehicles manufacturers, which held large inventories, leading to reduced production. Triggered by high inflation and exorbitant interest rates, there was a significant decline in motor vehicle demand during 2021 and 2022. However, despite ongoing high inflation and interest rates, motor vehicle manufacturers' production picked up in 2023, boosting JML's outlook as it began receiving numerous orders.

Financial information:

- (i) Profit or loss statement

	2023	2022	2021
	----- Rs. in million -----		
Export sales	822	714	792
Local sales	2,248	1,890	2,112
Total sales	3,070	2,604	2,904
Operating costs	(2,912)	(2,592)	(2,856)
Operating profit	158	12	48
Financial charges	(84)	(48)	(40)
Profit/(loss) before tax	74	(36)	8

- (ii) Break-up of operating costs

	2023	2022	2021
	----- Rs. in million -----		
Raw materials	1,037	840	870
Salaries and wages	898	852	812
Electricity and gas	425	370	340
Depreciation (straight line method)	240	266	290
Other expenses	312	264	544

Other related information:

- (i) Margins have suffered on account of inflation, which has significantly raised the cost of production. However, JML has managed to pass on a major portion of this increase to its customers by increasing its prices by 15% at the start of 2023, after a two-year interval.
- (ii) At the beginning of 2023, JML added 4 new companies based in East Asia to its customer list. Although sales to these customers in 2023 were not significant, JML expects larger orders in the coming years.

Required:

Assess the financial and non-financial performance of JML for the year 2023 and provide necessary recommendations where appropriate.

(15)

- Q.2 Hassan Ahmed operates a family-owned furniture workshop called Crafty Creations (CC), renowned for its unique handmade furniture. Despite gaining popularity among locals for their craftsmanship, financial constraints hinder the expansion of his business. Seeking to reach a wider market, he plans to launch an online platform for CC. However, a close friend has recommended an alternative strategy: rather than creating a standalone online store, he should partner with an e-commerce platform to list his products.

Required:

Evaluate the feasibility of both strategies for CC: establishing a standalone online store versus listing products on an established e-commerce platform. Also, recommend the most suitable strategy for CC.

(11)

- Q.3 Pangkawi, a serene island renowned for its natural beauty and wellness centers, offers travellers a refreshing break from daily life. Amidst its beautiful landscapes, two popular wellness centers offer a unique array of services through well-trained staff and a serene environment to cater to the diverse needs of visitors. The details of these two wellness centers are as follows:

Wellness centre	Services included	Charges (per day, per person)
Serenity Haven Wellness	Art therapy, aroma therapy, hydrotherapy, mindfulness sessions, meditation, personalized relaxation therapies	USD 500
Harmony Wellness	Mindfulness sessions, stretching exercises, meditation	USD 100

These wellness centers are far from city and it takes about 2 hours to reach them from the center of the city where most of the hotels are located. Many people stop at the Trout Fish Restaurant at the junction by the lake with scenic views, where the paths to these wellness centers diverge. The restaurant has a single-item menu that costs USD 20 per serving.

At present, travellers rent vehicles and call the wellness centers for booking themselves, which can be a real hassle. The charges per day for a 4-seater vehicle with a driver and fuel are: 1300cc at USD 35 and 2000cc at USD 100. Smaller vehicles are not recommended for the remote locations of the wellness centers.

To capture the growing demand for wellness tourism and provide a hassle-free travel experience to wellness centers, Pangkawi Tours (PT), a tour operator, is looking to devise two one-day packages: premium variant with value-added features targeting high-end customers, and an economy variant with basic features targeting economy customers.

Required:

Devise the two packages for PT and recommend a marketing strategy for each package based on the 4 P's of the marketing mix. (16)

- Q.4 Global Technologies Limited (GTL) offers comprehensive information technology solutions to its customers. Recently, GTL announced its intention to acquire Innovative NetTech Limited, a medium-sized company specializing in the manufacture of networking equipment. This acquisition aims to enhance GTL's capabilities in networking setup and services. However, the announcement has sparked significant interest and concern among various stakeholder groups.

GTL's major shareholders, who represent institutional investors with substantial stakes in GTL, are known for their assertiveness in demanding increased profitability and returns for shareholders. The workforce, lacking direct influence, is deeply concerned about job security. Customers, though lacking decision-making power, remain loyal to GTL as long as it continues providing reliable products and services at affordable prices. The government, which has the authority to approve or block the acquisition, focuses primarily on ensuring legal compliance rather than actively shaping the acquisition process. Environmental advocacy groups, which expressed slight concern about GTL's environmental practices a few years ago, have never exerted significant influence over corporate decision-making.

The board of directors at GTL is tasked with navigating complex stakeholder dynamics to ensure a successful acquisition, while addressing the diverse interests and concerns of all parties involved.

Required:

Analyse the power and interest levels of GTL's stakeholder groups using Mendelow's Stakeholder Matrix. Also, recommend appropriate strategies for GTL's board of directors to manage each of the stakeholder groups' expectations during the acquisition. (10)

Q.5 Royal Limited (RL) is a reputable chain of hotels that owns and operates seven hotels across Pakistan. RL's management sets aggressive financial targets at the beginning of the year for each hotel. All bonuses and promotions of sales and management staff are contingent upon achieving at least 15% revenue growth. If a hotel manager fails to meet the minimum target, RL may reassign their responsibilities to other staff members.

Badar Yousuf, a chartered accountant, joined RL last year as the Chief Financial Officer. He recently discovered that Moeed Bhatti, one of the hotel managers, has been providing regular corporate customers with discount vouchers for their personal holidays. This strategy is used to encourage these customers to consider this hotel for their corporate bookings. Upon inquiry, the finance department informed Badar that such practice is commonly employed by Moeed at this hotel to meet sales targets.

Required:

- (a) Carry out a mirror test for Moeed Bhatti. (06)
- (b) Identify and explain threat(s) to compliance with the fundamental principles of ethics that Badar might be subject to. (02)
- (c) Suggest any **six** safeguards that RL may apply within the work environment to prevent any unethical activities. (06)

Q.6 ZA Frozen Foods (ZA) is a well-established, family-owned business specializing in processed chicken products. Zaid started this venture with his brother Ayyan about fifteen years ago. ZA now operates successfully countrywide, with a state-of-the art production plant located in the outskirts of Lahore.

To expand ZA's business, the following options were discussed at the recent board of directors' meeting:

- (I) Ayyan informed the board that the owners of Zavy Poultry Farm (Zavy), from which ZA purchases its main ingredient, broiler chicken, are planning to move abroad soon and have put their running business for sale for a lump sum amount of Rs. 200 million. Ayyan proposed purchasing Zavy and integrating its operations with ZA. He is confident that controlling the source of supply will result in increased market share and sales, along with improved product quality. Ayyan further informed that he has been in close contact with the owners of Zavy since the business inception and understands the nuances of the poultry business.
- (II) Shams, Director Operations, apprised the board that currently, ZA's distribution channels comprise of supplying wholesalers at a gross margin of 35%. He suggested that besides these distribution channels, ZA should open 10 retail outlets of its own to sell their products, with an estimated initial investment of Rs. 170 million, across four major cities. To increase sales, ZA can offer promotions at the opening of every outlet. Direct interaction with customers would help ZA improve customer base and sales. However, operating and marketing costs would also increase. Although ZA has no experience of direct customer dealing in a highly competitive retail landscape, social media campaigns and aggressive marketing could help boost sales.

The following summary financial information and projections have been provided by the finance department in respect of the above options:

	Sales	Gross profit	Operating expenses
	Rs. in million		Rs. in million
Current performance of ZA	1,750	35% of sales	250
Projection if ZA goes with option (I)	2,150	39% of sales	350
Projection if ZA goes with option (II)	2,950	43% of sales	750

Required:

- (a) Evaluate the plausibility of both options from a financial as well as non-financial perspective and recommend the most suitable option for ZA. (13)
- (b) Suggest human resource strategies for your recommendation in (a). (05)

Q.7 SweetBites (SB) has been a well-established brand in Ponesia for 30 years, with 75 outlets across the country. SB sells a variety of delicious packaged bite-sized snacks. SB is now considering to expand its business beyond the domestic market and believes that this is the right time to enter Middleton, a large neighbouring country.

SB has planned to open 10 outlets at various locations in Middleton. The results of a market research study on Middleton showed distinct taste preferences across different regions. The northern region of Middleton, where 3 outlets are planned, prefers the same standard SB taste. The eastern region, where 3 outlets are planned, likes a markedly different taste, requiring SB to develop and introduce new product variety. Similarly, the southern region, where 4 outlets are planned, prefers another taste that requires SB to develop and introduce another new product variety.

SB board is divided between two dominant strategies on how best to serve the Middleton market. The details of both strategies are as follows:

Strategy 1:

Establish manufacturing facilities in each of the three regions of Middleton to cater to the regional product preferences and serve each market through regional offices.

Key activities under this strategy are as follows:

Activity	Months
Facility establishment	12
Operations, including outlets setup	6
Equipment procurement	3
Production and quality assurance	10

Facility establishment must be completed before any other activity starts in the region. Operational setup and equipment procurement can start simultaneously. Production and quality assurance can only begin after both equipment procurement and operational setup are complete.

Strategy 2:

Serve the required products in Middleton from central manufacturing facility and head office in Ponesia.

Under this strategy, new facility establishments would be required in Ponesia for the new product variants as per the requirements of eastern and southern regions, and follow all the activities stated above in Strategy 1. However, for the standard product to be supplied to the northern region, only the following additional activities, which can be performed simultaneously, are required:

Activity	Months
Extending the manufacturing facility in Ponesia	3
Operational setup in Middleton	6

Additional information:

- (i) For Strategy 1, there is a regulatory requirement that the northern region’s manufacturing facility should be established and operated first before the establishment of any manufacturing facility in the other regions. However, no such restriction applies to Strategy 2.
- (ii) From a business perspective, the CEO is of the viewpoint that Strategy 1 should be preferred as a nearby manufacturing facility greatly benefits operations. However, the cost of setting up a new facility is very high, and SB has limited funding available until May 2026.

Required:

- (a) Evaluate the two strategies presented and recommend the most effective course of action by giving due consideration to the management’s viewpoint. (09)
- (b) Devise the most efficient implementation plan for the strategy recommended in (a), starting from July 2024. Also, state the total duration of the plan. (07)

(The End)