



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 page of the question paper that are specifically allocated for this purpose. Remember that any rough work done on the last page 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.

Q.1 TechNova, a large technology firm, is preparing to launch its latest innovation, the XPad Ultra - a hybrid tablet designed for professional use. The XPad Ultra integrates cutting-edge features, including an advanced AI-powered productivity suite, seamless integration with various office software, and exceptional battery life. Its target market includes tech-savvy professionals, freelancers, small business owners, and all technology enthusiasts who need a versatile and powerful device for their work.

TechNova has conducted extensive market research, revealing the following insights:

Factor	Insight
Market Segmentation	60% of the target market prefers high-end devices with premium features.
Industry Needs	Specific industries (e.g., healthcare, finance) require AI-driven solutions tailored to address unique challenges.
Price Sensitivity	70% of potential customers are willing to pay a premium for high-quality devices.
Distribution Preferences	80% of the target market prefers purchasing through major electronics retailers and e-commerce platforms.
Marketing Channels	75% of the target market engages with digital marketing content, particularly via social media influencers, online ads, and content marketing. Decision-makers in healthcare and finance also value industry-specific events and webinars.

Based on this research, TechNova’s marketing team is considering the following aspects of the marketing mix for XPad Ultra’s launch:

- (i) TechNova could either offer the XPad Ultra in three versions (Standard, Pro, and Elite) with varying features and price points to appeal to both high-end and price-sensitive customers, or develop industry-specific versions of the tablets for industries like healthcare and finance, including tailored AI solutions.
- (ii) The team could adopt either a skimming strategy or competitive pricing approach.
- (iii) The XPad Ultra could be made widely available through major electronics retailers and e-commerce platforms, or TechNova could partner with professional organizations and industry-specific retailers to directly reach the market.
- (iv) TechNova could launch a comprehensive digital marketing campaign leveraging social media influencers, online ads, and content marketing or it could organize industry-specific events and webinars to showcase the XPad Ultra’s capabilities, particularly targeting decision-makers in healthcare and finance.

Required:

Recommend the best option for each aspect of the marketing mix. Provide reasons for your recommendation.

(12)

Q.2 In 2012, two brothers launched their own mini-marts, UrbanMart and CityShop, in the city of Peruit, with similar resources and ambitions. Despite these shared beginnings, by 2020, both marts had diverged in growth, each facing unique challenges.

UrbanMart

UrbanMart began with a clear focus on control and consistency. After opening its first few branches, central management recognized that steady oversight and standardized processes could help them scale without risking quality or efficiency. As UrbanMart expanded, central management maintained close oversight, viewing any inconsistencies as potential threats to its reputation.

By 2020, UrbanMart reached ten branches and 300 employees, but its steady growth began to decline. Branch managers expressed growing frustration with the strict processes and limited autonomy.

CityShop

CityShop, on the other hand, followed a different path. From its inception, CityShop prioritized rapid expansion and a management approach guided by research. As it grew, it encouraged branch managers to adapt quickly to local demand. The branches flourished with high flexibility, prompting CityShop’s central management to adopt a more hands-off approach, allowing regional and local managers greater decision-making power. Each branch was also encouraged to share innovative practices with others.

CityShop expanded to 25 branches with a workforce of 700 employees by 2020. However, the rapid expansion and lack of standardization has led to inconsistent performance and operational issues across branches.

Required:

In the light of Greiner’s Growth Model:

- (a) Discuss the current phase of growth, crisis being faced and corrective measures for each mart. (08)
- (b) Comment on the reasons for such different growth trajectories of both marts. (02)
- (c) Explain a potential drawback for each mart, if the corrective measures suggested in (a) are not taken in a timely manner. (02)

Q.3 (a)

Transcript of Appraisal Interview	
Interviewer: Mr. Ather Mehmood, Head of Sales	
Interviewee: Mr. Rehan Malik, Sales Manager	
Ather:	Assalam o alaikum, Rehan. Thank you for joining me today for your annual performance review.
Rehan:	Walaikum as salam. Thanks for having me.
Ather:	You know we conduct these reviews annually. Let’s just jump right into it. Looking back over the past year, how do you assess your performance?
Rehan:	Overall, it’s been a good year, sir. I’ve put in a lot of effort and tried to meet all the targets.
Ather:	That’s good to hear. I know you met all the targets I assigned you for the standard products. I hope you’ve also managed to meet the targets for new products.
Rehan:	Yes, sir. I have met most of them.
Ather:	Alright. However, there are a couple of areas where I think you could improve. For example, there have been some instances where your communication with the team was lacking. Can you recall a specific situation where you faced a communication challenge?
Rehan:	Well, there was one project where there was some miscommunication about the deadlines with the team.
Ather:	I see. Improving communication skills is crucial, especially in a team environment.
Rehan:	Sure, I’ll work on that.
Ather:	Great. For the upcoming year, I expect you to significantly improve your sales records, surpassing this year’s achievement.
Rehan:	I will do my best, sir.
Ather:	So, I am giving you the rating of ‘Good’ this year. I expect no cases of miscommunication next year and hope you can continue to meet sales targets.

Required:

Analyse the weakness in the appraisal interview detailed above, and propose constructive improvements, with reasons, to enhance the robustness of the appraisal process. (12)

- (b) Explain SMART goals and provide an example of a SMART goal for Rehan’s next year sales target. (05)

- Q.4 Paore, a bustling city in Mitierra, faces a severe smog crisis fueled by industrial emissions, vehicle pollution, and crop burning. Air quality often reaches hazardous levels, prompting government-mandated shutdowns that disrupt industries like textiles and retail. Physical businesses are now urgently turning to digital options to stay afloat and reach customers.

Paore Textiles Ltd. (PTL), renowned for its high-quality, luxury textiles including silk and embroidered materials, primarily serves its customers through physical stores known for personalized service. However, smog-related shutdowns have led to a steep decline in foot traffic, eroding revenue and straining the company's finances. Consequently, PTL has no choice but to establish an online presence quickly to offset these losses.

Recent surveys show that customers, especially younger ones, value quality fabric but they are more likely to trust a brand if it adopts sustainable practices aided by digital convenience. Despite PTL's lack of digital expertise and infrastructure, moving online is essential to meet government directives to adopt technology and address customer concerns. PTL's short-term objective is to recover revenue losses from smog-related shutdowns within five years, aiming longer-term to expand its market share by appealing to younger, digitally-savvy consumers who seek innovative and eco-friendly online shopping experiences.

As PTL transitions online, it is exploring several e-branding strategies: directly duplicating the existing brand identity, adapting the brand slightly for digital platform, partnering with an established e-brand to use their expertise, or creating a distinct, online-only brand for a younger, digital-native audience.

Required:

- (a) Recommend the best short-term and long-term e-branding strategies for PTL, providing reasons for each. (07)
- (b) Analyze why the other strategies are less suitable in each timeframe. (05)
- Q.5 MHN (Private) Limited is engaged in the manufacturing of cosmetics and skin care products. The entire shareholding is held by three brothers, who also serve as the directors of the company. Mahmood owns 70% of the shares, while Haroon and Nasir own 20% and 10% respectively. Mahmood holds the position of CEO, whereas Haroon and Nasir do not hold any executive roles within the company. Karim, a chartered accountant, serves as the Chief Financial Officer, having been appointed to the position in 2022.

MHN had been performing reasonably well since its incorporation. However, in 2023, its profitability had dropped significantly causing the employees bonus to be reduced. Further, MHN's bank requested additional security for its loan due to breach of certain covenants.

In January 2024, during review of a production report, Karim had noted that the raw material supplied by SSV Limited, MHN's major supplier, had quality issues. As a result, a significant quantity of a product was rejected by quality control, causing substantial losses to MHN. Although Karim raised the issue, the CEO was not in favour of replacing the supplier.

Recently, SSV requested a price increase, which was approved by the Board. During discussions with the CEO, Karim expressed concerns about the justification for the price increase. Mahmood responded by pointing out that the decision was supported by all the directors. As a shareholder, Mahmood questioned why he would support the increase if it were unjustified.

Later, during a departmental meeting, Karim discussed the issue with his managers. During the meeting, Karim learned that the father-in-law of Mahmood's daughter is the major shareholder of SSV. After the meeting, one of the managers informed that Mahmood had previously justified his preferential treatment of SSV by remarking, "We are the owners of this company, and ultimately, it is our decision how we run things."

Required:

- (a) Examine the ethical situation from the perspective of all relevant stakeholders i.e. minority shareholders, bankers, employees, customers and government authorities. (09)
- (b) Propose actions and safeguards that Karim should take to address the situation effectively. (06)

Q.6 Faisalabad Elektron Limited (FEL) manufactures split air-conditioners for domestic users under a license from the world renowned brand 'Ice Cool'. It is well known for its high-quality compressors and coils. Ice Cool has performed well since its inception in 2006. The following information has been extracted from the financial statements of FEL as on 30 November 2024:

	Rs. in million
Ordinary share capital	900
Long-term bank loan	300
Redeemable term finance certificates	200

Over the past three years, FEL has significantly increased its prices to offset rising costs, while customer purchasing power has declined due to inflation. Consequently, FEL's sales volume has decreased. Recent market research indicates a significant shift in consumer behavior towards affordability, with an increasing demand for lower-priced air-conditioners.

The CEO of FEL has proposed the following strategies to boost sales and profitability:

Strategy A: Introduce a new low-cost brand 'Super Cool'

Super Cool will be a low-cost brand using cheaper components. It will be priced at least 15% lower than current low-cost brands but will offer superior quality within its category. The marketing team is confident that this strategy will win back former customers and attract new ones. Implementation of this strategy is budgeted to cost Rs. 200 million.

Strategy B: Increase market share

A comprehensive advertising campaign will be launched across TV, radio, online and social media to boost brand visibility and highlight the unique selling points of Ice Cool air-conditioners, using customer testimonials. As part of this campaign, flexible pricing strategies will promote limited-time discounts, trade-in programs, and easy financing options. This strategy will cost Rs. 100 million.

Strategy C: Introduce new central air-conditioning systems for commercial users

With the growing popularity of shopping in large malls across the country, there is a plan to manufacture central air-conditioning systems tailored not only for malls but also for hotels, hospitals, and large office buildings. High margins are anticipated for these systems as there is currently only one other provider of these systems in the country. This strategy is budgeted to cost Rs. 800 million.

The debt-to-equity ratio [calculated as debt / (debt + equity)] is 50% for the industry, and the current FEL's shareholders cannot commit to any further equity injection for any of the proposed strategies.

Required:

- (a) Classify the strategies proposed by the CEO into Ansoff Matrix. Provide reasons for your answer. (04)
- (b) Discuss the merits and demerits of each of the strategies proposed by the CEO. (08)
- (c) Recommend and justify which strategies FEL should pursue at present. (03)

- Q.7 Heritage Hotels, established in 1987 in Islamabad, has expanded from its flagship hotel to include a prominent facility in Lahore in 2010. The hotel's main sources of income are room bookings, dining services, business conferences and banquet facilities.

The COVID-19 pandemic disrupted the hospitality sector but also unveiled new opportunities. Amidst this, domestic and nature-focused tourism soared as travelers sought open spaces and proximate destinations. Recognizing a gap in the Kalam's hospitality market, the management launched Heritage Kalam in 2024 near Swat Valley's vibrant food hub. This new facility primarily aims to meet the growing demand for quality accommodations of local and international tourists.

Amid these developments, the country has faced high inflation of 22% in both 2023 and 2024, driving up almost all costs. In response, the hotel has passed these increases onto customers by raising prices for all its services. Although the hotel has not yet experienced any significant loss in revenue, the expansion strategically prepares it to offset any potential revenue declines in the future from Islamabad and Lahore.

Excerpt from financial statements for the year ended 31 October

Description	2024	2023
	----- Rs. in '000 -----	
Revenue		
Room revenue	19,981	14,710
Food and beverage revenue	9,236	7,861
Events and conferencing revenue	1,685	1,960
Costs		
Food and beverage costs	(4,368)	(4,550)
Managers' salaries	(2,700)	(1,985)
Staff costs	(5,044)	(4,869)
Depreciation	(2,537)	(1,872)

Customer feedback

As part of its customer experience practices, the hotel collects feedback from guests through pre-populated surveys. While not all customers complete the feedback forms, following is an average of approximately 100 responses received from guests during the year ended 31 October 2024 across four main categories:

Description	Business & leisure guests (all three locations)	Banquet & family event guests (Lahore and Islamabad only)
Ambiance and location	4.6/5.0	4.7/5.0
Food and beverages	3.9/5.0	3.6/5.0
Service and facilities	4.2/5.0	3.5/5.0
Pricing and value for money	3.8/5.0	2.5/5.0
Overall	4.0/5.0	3.2/5.0

Additionally some descriptive reviews provided by guests are as follows:

- (i) **Aisha Malik – from Karachi – Overall rating: 4.4/5.0**
As a business traveller, I was very impressed with my stay at Heritage Hotels, Islamabad. The ambiance is absolutely captivating, mixing traditional style with modern comforts. Excellent conference facilities and attentive staff. Large menu offers commendable food quality. Overall, highly recommended for business retreats and corporate events!

- (ii) **Mark Johnson – from London** - *Overall rating: 4.0/5.0*
Heritage Kalam provides breath-taking views and serene surroundings. The new amenities were impressive, and the staff's hospitality added to the experience. However, the food selection could expand to include more vegan options to cater to a broader range of guests. Excellent choice for nature lovers and those seeking a peaceful escape.
- (iii) **Sara Khan – from Lahore** - *Overall rating: 3.5/5.0*
Chose Heritage Hotels, Lahore for a family event, which added a special touch to our celebration. However, the prices seemed a bit high for a local gathering. While the staff was polite and attentive, there were a few times the service seemed slower than expected.

Required:

- (a) Assess the financial performance of Heritage Hotels for the year ended 31 October 2024. **(09)**
- (b) Assess the non-financial performance of Heritage Hotels for the year ended 31 October 2024, providing necessary recommendations, where appropriate. **(08)**

(The End)

