BUSINESS MANAGEMENT PAST PAPERS ALONG WITH ICAP SUGGESTED ANSWERS
(1) Question Background: Winter 2012, Q # 1. Syllabus Topic:

A sound system of Environment Scanning is of critical importance in the formulation of Strategic Plans of any progressive company operating in a fast-changing and competitive business environment. Hawk Engineering Limited (HEL) is engaged in the business of manufacturing of small motors which are installed in printers. HEL has made substantial investments in manufacturing facilities and R&D and has developed its own in-house technology and manufacturing processes. This gives HEL competitive advantage over its rivals in terms of meeting the stringent requirements of its quality conscious customers. Important customers of HEL are the original equipment manufacturers of precision laser printers. Although motors account for a nominal proportion of the cost of the laser printers, their efficient and reliable performance are of crucial importance for HEL’s customers who provide performance guarantees for their products. HEL is one of the few firms who manufacture these types of small motors. It is able to achieve high profit margins and returns on its investments because of the superior quality of its products for which its customers are willing to pay premium prices.

Required: Identify and explain briefly four factors which HEL should monitor closely to anticipate the emerging business environment in which it operates and its impact in the formulation of its Strategic Plans.

(10 Marks)

Suggested Answer:-

HEL should closely monitor the following factors in the emerging business environment in which it operates and its impact in the formulation of its strategic plans:

(i) Projection of future demand for laser printers in the international market – The demand for motors by the original equipment manufacturers of laser printers is a derived demand and changes in the demand for these printers can have considerable impact on the business prospects of HEL. HEL would have to expand its manufacturing capacity if it anticipates increase in the demand for laser printers or alternatively explore new markets for its products if it foresees decline in demand for these printers in its existing markets.

(ii) Technological changes – Changes in models and designs of laser printers due to variations in customer’s requirements can have considerable impact on HEL’s business prospects. HEL would have to keep abreast of these changes, continuously enhance its R&D capabilities and introduce necessary modifications in its manufacturing processes, designs and tooling. This would involve substantial R&D expenditures and investments in additional equipment which would have to be incorporated in its strategic planning process.

(iii) Threat of entry of new competitors – HEL is presently earning high profit margins and realizing attractive returns on investments. Therefore, the threat of new entrants who may pose competitive challenges to HEL is always present. HEL should be prepared to meet the threat of new entrants and adopt appropriate measures to maintain its competitive advantages and face threats posed by potential competitors by interacting closely with its important customers and creating barriers of high switching costs. This would involve continuous upgrading of technology and improvement of manufacturing process to retain its competitive advantage.

(iv) Competitive rivalry and prices of Competing Products – Although HEL has significant competitive advantages in terms of quality of its products over its competitors, it should take cognizance of the strategies of its rivals who would want to improve the quality of their products and may offer competitive prices to attract HEL’s customers. HEL should adopt appropriate strategies to monitor these threats and counter them effectively.
(v) **Diversification** – HEL’s present customer base and product range is considered to be quite narrow. It may like to explore the prospects of marketing its products to other original equipment manufacturers such as manufacturers of photocopiers, computers, etc. and also introduce related products (other than small motors).

(2) **Question Background:** Winter 2012, Q # 2 (a). **Syllabus Topic:**

Sitara Limited is a well-known manufacturer of a wide range of chromium plated sanitary fittings in Pakistan. The company has recently negotiated several long-term contracts for export of various items of sanitary fittings. Consequently, the work force would have to be increased significantly in a short period to expand the production. Prior to recruiting the new workers, Adnan Khan, the Human Resources Manager, intends to prepare a HR Skills Information Database of the existing employees.

**Required:** Briefly discuss the purpose, usefulness and relevance of compilation of HR Skills Information Database in the areas of recruitment, training and development and succession planning of Sitara Limited  

**Suggested Answer:**

The compilation of Human Resource Skills Information Database has relevance and usefulness in the recruitment, training and development and succession planning in Sitara Limited in the following areas:

(i) **Recruitment** – Compilation of HR Skills Information Database in a systematic manner would help Sitara Limited to identify the pool of skills and experiences of the employees currently available within the organization and fill in the skill gaps by induction of new employees for the expansion of the facilities and efficient functioning of the organization to meet its corporate objectives. This is necessary to ensure recruitment of only such skilled employees who can contribute to the company’s requirements for expansion of its manufacturing capabilities.

(ii) **Training and Development** – HR Skills Information Database would help to identify the deficiencies and weaknesses among the existing workers and adopt appropriate training and skills development program to enable them to perform their work more effectively and strengthen the HR capabilities of Sitara Limited.

(iii) **Succession Planning** – HR Skills Information Database would help to identify employees who are most suitable for promotion to higher levels in the organization hierarchy due to the creation of new openings in the firm and also in the event of retirement or death of an employee. A proper HR Skills Information Database would help to match these individuals with the HR requirements at various levels and fill in the vacant position promptly without causing any disruptions or delays.

(3) **Question Background:** Winter 2012, Q # 2 (b). **Syllabus Topic:**

A number of firms prefer to conduct Performance Appraisal of their skilled workers on a quarterly basis rather than as an annual exercise. Identify three advantages of pursuing this policy of quarterly Performance Appraisal of skilled workers.

**Suggested Answer:**

The advantages of a policy of Quarterly Performance Appraisal of skilled workers by such firms are:

(i) Employees efforts and capabilities are recognized promptly and they are suitably rewarded for their performance resulting in enhanced performance level of the individual employees in terms of productivity and low material losses due to defects in workmanship.

(ii) The employer can ensure that the quality specifications of its products are strictly adhered to.
(iii) The employer is able to identify and retain the highly skilled workers and promptly replace those workers who are unable to meet the quality standards.

(iv) Employees make sustained efforts throughout the year, rather than strive to achieve high levels of performance close to the year end to earn good appraisal rating.

(4) Question Background: Winter 2012, Q # 2 (c). Syllabus Topic:

Although companies experiencing high rate of employee turnover are in a position to recruit new workers quickly to replace the outgoing employees, most of them are not aware of the real costs of the high rate of turnover of their employees. Briefly describe the different types of costs which are associated with high rate of turnover of employees. (04 Marks)

Suggested Answer:-

The costs associated with a high rate of turnover of employees include:

(i) Hiring Costs – comprising of recruiting and advertising expenses, salaries of interviewers, employee testing costs, verification and reference checking time and expenses.

(ii) Training Costs – including cost of orientation time of new workers, staff time and salaries of trainers, cost of training materials, supervisors’ and co-workers “coaching” time and salaries.

(iii) Productivity Costs – including lost productivity due to “break-in time” of new employees and lack of awareness of the company’s products and services.

(iv) Separation Costs – such as HR staff and time of supervisors and salaries to process separation formalities and exit interview time and costs.

(v) Disclosure of Confidential Information – former employees may pass on expert knowledge or disclose important confidential information to competitors.

(5) Question Background: Winter 2012, Q # 3 (a). Syllabus Topic:

What is meant by the term Customer Database? (02 Marks)

Suggested Answer:-

A Customer Database is an organized and updated collection of comprehensive information of existing and prospective customers names and addresses, telephone numbers, demographic information of age, income, number of family members, business activities, interests, purchases and other useful information.

(6) Question Background: Winter 2012, Q # 3 (b). Syllabus Topic:

Why, in your opinion, it is useful for a commercial bank planning to launch its credit card marketing scheme to create, maintain and update the database of its existing and prospective customers? (07 Marks)

Suggested Answer:-

(i) Identify prospective customers – The customer database would help the bank to identify prospective customers and contact them by telephone calls, personal visits and promotion letters to convince them of the advantages of acquiring the bank’s credit card facilities.

(ii) Formulation of marketing policies – Credit Cards have different features e.g. platinum cards, gold cards, etc. with varying credit limits, bonus points, payment or waiver of initial and annual fees, etc. Information
obtained from the customer database can help the bank to formulate policies for the different needs of customers and offerings of types of credit cards which best serve their needs.

(iii) Provide vital information of high-value customers – Information from the customer database can enable the bank to create a profile of privileged customers and cater to the special needs of these customers.

(iv) Negotiate Terms with suppliers to benefit high-value customers – Information from the customer database can be used by the bank to seek concessional special terms for its customers from relevant institutions such as hotels, travels agents, selected retail outlets, etc.

(v) Adopt proactive competitive strategies – The bank can use the information from the customer database to upgrade the cards and enhance the credit limits of customers who have shown good performance in terms of customer profitability and timely payments of their dues to compete effectively with the products offered by the competitors.

(7) Question Background: Winter 2012, Q # 4. Syllabus Topic:

Identify the strategies/policies/objectives which are being pursued in each of the following cases: (06 M)

(i) Poshak Fashions (PF) are designers and manufacturers of superfine cotton garments and have their two outlets in Karachi and Lahore. PF produces only limited quantities of their exclusive designs of garments for the narrow niche market of the most fashion-conscious customers. PF introduces new designs of garments for the coming season and the unsold inventory at the end of the previous season is sold at lower prices to other retailers in the country after removing PF’s prestigious labels. PF is pursuing a __________ market strategy.

(ii) Super Beverages believes that the world is one big market for its products and its various subsidiaries and divisions pursue a uniform marketing strategy for sale of its products indifferent countries. Super Beverages has adopted a __________ strategy for marketing its products in different countries.

(iii) Sarmad Group is a pioneer in the textile industry in the country. The second generation entrepreneurs of this Group have ambitious plans to launch new ventures in telecommunications, electronic media and real estate development. The Group is now seeking to follow __________ strategy.

(iv) To press for their demands, employees of Citizens Bank Limited have decided to work strictly according to the terms of their contract of employment and refuse to perform any extra tasks, resulting in slow down of banking services and causing inconvenience to customers. The employees of Citizens Bank Limited are pursuing __________ policy.

(v) Good Meats has recently established several retail outlets to sell selected cuts of choice meats and establish its own brand name in a high growth market before new competitors enter this market and set up their business on similar lines. Good Meats wants to seize the __________ advantage of this market.

(vi) Neptune Chemicals, a manufacturer of industrial chemicals, has established independent units who would be responsible for development of their own marketing strategies within the company’s overall market and customer focus to be able to serve the needs of the various categories of customers more efficiently. The independent units are __________ of Neptune Chemicals.

Suggested Answer:-

(i) Market skimming  (ii) Global  (iii) Conglomerate or Diversification
(iv) Work-to-rule  (v) First mover advantage  (vi) Strategic Business Units
(8) Question Background: Winter 2012, Q # 5 (a). Syllabus Topic:

HR Managers often deal with delinquent employees and encourage them to change their attitude and behaviour and adopt a positive approach towards their responsibilities to the organisation. Consequently, HR Managers have to exercise considerable discretion and provide proper guidance to the employees, rather than resort to immediate extreme punitive measures.

**Required:** Identify and explain briefly the various stages of dealing in a fair and equitable manner with employees involved in wrongful behavior/actions. (08 Marks)

**Suggested Answer:**

A competent HR Manager should pursue the following stages in handling employees who have been involved in behavior/actions which are contrary to the rules of company discipline:

(i) **Investigation** – A thorough investigation should be undertaken of the nature of the delinquent behavior of the employee and the factors which have led the employee to behave and conduct himself in a manner which is contrary to the accepted norms of the firm’s rules and discipline.

(ii) **Counseling** – The objective in this phase is to create awareness among the employees of organizational policies and rules. Often, creating awareness of rules and knowledge of disciplinary actions may prevent violations by the employees. Counseling by the immediate supervisor can have positive effects.

(iii) **Written documentation** – If change in behavior is not achieved, then a second session of meeting with the concerned employee would become necessary. Whereas, the first phase took place as a conversation between the supervisor and employee, the proceedings of this meeting are documented in written form in which the employee and the supervisor prepare written solutions to prevent further continuation of the problem.

(iv) **Final warning** – When the employee does not follow the written solutions noted in the second step, a final warning meeting is held. In this session, the HR official emphasizes to the employee the importance of rectifying the inappropriate behavior/actions. Employers may also demote employees or temporarily suspend their services for a limited period with pay. The demotion/suspension period is used to demonstrate the seriousness of the problem and the organisation’s determination to bring a change in the behavior of the employee.

(v) **Discharge** – If the employee fails to follow the action plan that was developed and the problem continues to persist, then the services of the employee is terminated after giving notice and keeping all the legal implications of the action in perspective.

(9) Question Background: Winter 2012, Q # 5 (b). Syllabus Topic:

The trend of outsourcing of certain activities by business firms to external entities has gained considerable momentum in the past few years. Identify four advantages which, in your opinion, these firms expect to derive from outsourcing of selected business activities to external entities. (04 Marks)

**Suggested Answer:**

Business firms expect to derive the following advantages by outsourcing of selected business activities to external entities:

(i) Reduce requirements of capital investment and human resources as the facilities and services are provided by the external entities to which these activities have been outsourced.
(ii) Place greater focus on core value-added activities of the business as the ancillary activities are outsourced to external suppliers.

(iii) Achieve cost economies as the suppliers of the outsourced activities are able to obtain the advantages of economies of scale.

(iv) Derive benefits of the particular expertise and innovations of the external entities who provide these services.

(10) Question Background: Winter 2012, Q # 6 (a). Syllabus Topic:

Explain briefly the factors which have contributed to the creation and significant expansion of Global Markets during the preceding 20-25 years. (06 Marks)

Suggested Answer:-

The factors which have contributed to the creation and significant expansion of the Global Markets are:

(i) **Specialization of Products** – Certain countries have achieved high degrees of specialization in the manufacturing of specific types of goods which have worldwide demand. These products are promoted on a worldwide scale through aggressive advertising campaigns to create and expand their global markets.

(ii) **Reduction in tariff barriers and relaxation of direct foreign investment regulations** – MNCs have been able to increase their exports significantly and expand global markets as policies of liberalization of trade restrictions and relaxation of foreign investment regulations have received worldwide acceptance.

(iii) **Economies of Scale** – Access to global markets allow MNCs to obtain benefits of economies of scale which are achieved by manufacturing large quantities that can be sold in several markets in different countries.

(iv) **High R&D expenditures on Products** – A number of knowledge-based products involve exceptionally large R&D costs which can be incurred only in countries with substantial financial resources and technical human resource base. Worldwide demand for such R&D-intensive products is responsible for creation of global markets for these types of products.

(v) **Reduction in Communication and Transportation Costs** – Efficient and fast means of communications and reduction in transportation costs have provided considerable impetus to the growth of global markets for a large number of products.

(11) Question Background: Winter 2012, Q # 6 (b). Syllabus Topic:

Briefly explain the salient features of the terms which are usually incorporated in a typical Franchising Agreement. Give one example of a Franchise Relationship between an international company and a Pakistani enterprise. (05 Marks)

Suggested Answer:-

The terms which are incorporated in a typical Franchise Agreement are:

(i) The franchisor authorizes the franchisee to use the franchisor’s complete brand concept, goodwill and business operating systems and methods to conduct business as defined in the franchise agreement.

(ii) The franchisee undertakes to make investment of a specified amount in the business and operate within a defined territory.

(iii) The franchisee undertakes to achieve predetermined sales targets.

(iv) The franchisee is entitled to benefit from the promotion and advertising campaigns of the franchisor to facilitate the franchisee to achieve the sales targets in the defined territory.
(v) The franchisee makes an initial payment of the stated amount and further commission or royalties on the amount of sales.

(vi) The franchisee undertakes to purchase selected material inputs from the franchisor or a specified supplier. Examples: McDonald, Burger King, Dunkin Doughnut, Marriot Hotel, etc.

(12) Question Background: Winter 2012, Q # 7 (a). Syllabus Topic:

Progressive business organizations, which have substantial share of the market, are continuously engaged in the planning of their marketing strategies to achieve specific objectives in their existing markets and also to identify and seize opportunities in new markets.

Required: Explain briefly the various objectives which these organizations aim to achieve through their marketing strategies in their existing markets as well as in the new markets

Suggested Answer:

Progressive organizations aim to achieve the following objectives by pursuing various marketing strategies:

(i) They pursue marketing strategies to achieve maximum market penetration and increase their share of the existing and expanding market.

(ii) They plan their strategies to achieve market leadership status or to hold on to their second or third tier positions in the market depending upon their own resourcefulness and objectives and the relative strengths and competitive advantages of the market leader.

(iii) They pursue marketing strategies to overcome competitive pressures by special price offers and more aggressive promotion and advertising campaigns and modifications in product specifications to create differentiation advantages.

(iv) They create market acceptability for their products and pursue marketing strategies to consolidate their position through aggressive promotion, more efficient distribution and creating stronger linkages with the distribution channels.

(v) They pursue marketing strategies to maintain market visibility, create goodwill and strengthen relations with their stakeholders to improve their business reputation in order to counter threats from competitors.

(vi) They also pursue marketing strategies to explore new markets to diversify into those markets which offer higher profitability prospects and to identify and seize new opportunities which would create synergy effects with the existing product mix.

(13) Question Background: Winter 2012, Q # 7 (b). Syllabus Topic:

Successful companies make concerted efforts to retain their competitive advantages vis-à-vis their competitors as an ongoing exercise encompassing all spheres of their business operations.

Required: Narrate six measures which these companies usually take to retain and further consolidate their competitive advantages

Suggested Answer:

Successful companies must take the following measures to retain and consolidate their competitive advantages vis-à-vis their competitors by:

(i) Developing, retaining and motivating a cadre of corporate leadership which has a strong value-driven vision of the company’s mission.
(ii) Creating an efficient and flexible organizational structure to achieve the objectives of the company in changing business environments.
(iii) Making continuous efforts to improve their performance capabilities in all spheres of their business activities and achieve competitive advantage.
(iv) Providing superior and value-added products/services to their customers as compared to the competitors.
(v) Protecting their intellectual property rights and ensuring that they are not infringed by any unscrupulous competitors.
(vi) Training and development of employees and empowering them to achieve the company’s objectives and share the company’s values.
(vii) Stating clear performance standards and fair and equitable reward systems to the employees to obtain high levels of motivation.

(14) Question Background: Winter 2012, Q # 8 (a). Syllabus Topic:
Blue Transport Company (BTC) operates a fleet of 150 buses which provides inter-city transport services. The company takes considerable pride in the superior quality of its services. BTC accords a high degree of importance to the human relationship management of its employees, comprising of the ticketing staff, drivers and maintenance crew as it believes that the commitment of its staff is a critical factor for the success of its business. **Describe the benefits that BTC expects to derive by pursuing a well-conceived policy of good human relations management between the employer and the employees. (05 Marks)**

Suggested Answer:-
BTC expects to derive the following benefits by pursuing a well-conceived policy of good human relations management between the employer and the employees:
(i) The employees at all levels would be committed to achieve high levels of performance in providing good service resulting in customer satisfaction.
(ii) A more co-operative work environment would encourage better team work among the various cadres of employees leading to safety of the passengers, vehicles and staff.
(iii) The reduced lost time due to good maintenance of the vehicles and more efficient handling of customers would result in low operating costs and higher profitability.
(iv) The staff would be satisfied with the management’s good relations policy which would result in low absenteeism and minimum employee turnover rate.
(v) There would be open communication between the management and the staff and sharing of information to achieve positive results.
(vi) The good human relations policy would encourage training and development of the staff at all levels.

(15) Question Background: Winter 2012, Q # 8 (b). Syllabus Topic:
**What is meant by Competency–based Job Descriptions?** (03 Marks)
Suggested Answer:-
Competency–based job descriptions define observable and measurable behaviour traits of skills and performance that individuals must exhibit to do the job efficiently. Competency–based job descriptions are primarily worker performance-focused rather than work description-focused and place high degree of emphasis on achievements. Competency–based job descriptions specify that the employees must be capable of achieving high levels of performance and commitment in demanding and highly challenging work environments.
(16) Question Background: Winter 2012, Q # 9. Syllabus Topic:
Zest Dairy Company Limited intends to launch a new line of frozen fruit yogurts in the major cities which would cater to the tastes of the customers for packaged food products. Assume that you are their advertising media advisor and have to give a presentation on the advantages and disadvantages/limitations of placing advertisements for the new yogurt products on each of the following media channels:
(i) Television  
(ii) Widely Circulated Newspapers and  
(iii) Billboards (Hoardings)
Identify and list three advantages and disadvantages/limitations of placement of advertisements of each of these different types of media. Explanations and illustrations are not required.  
(08 Marks)
Suggested Answer:-
The advantages and disadvantages/limitations of placement of advertisements by Zest Diary Company for introducing their frozen fruit yoghurt products on the various types of media are:

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages/Limitations</th>
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<tbody>
<tr>
<td><strong>Television</strong></td>
<td></td>
</tr>
<tr>
<td>(i) Offers combined effects of highly attractive sights, sound and motion to appeal to the audience.</td>
<td>(i) Entails high cost.</td>
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<td>(ii) Captures high attention of the audience.</td>
<td>(ii) Has very short exposure.</td>
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<td>(iii) Reaches a large segment of the prospective market.</td>
<td>(iii) Has minimum audience selectivity.</td>
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<tr>
<td>(iv) Qualities of the product can be highlighted more effectively.</td>
<td>(iv) Audience can move away from the TV sets during advertisement breaks.</td>
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<td><strong>Widely circulated newspapers</strong></td>
<td></td>
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<tr>
<td>(i) Extensive coverage of different categories of the prospective audience.</td>
<td>(i) Newspapers have a very short life and advertisements are effective only if they are repeated frequently.</td>
</tr>
<tr>
<td>(ii) A large part of the audience may read the newspaper in their free time or when required when it is easier to respond.</td>
<td>(ii) Quality of the advertisements is generally not ‘audience attention captivating type’.</td>
</tr>
<tr>
<td>(iii) Customers can refer back to the newspaper whenever there is a need for the product.</td>
<td>(iii) Newspapers have a very restricted ‘pass-on’ or secondary audience.</td>
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<td>(iv) Captures attention of the audience for a relatively longer duration.</td>
<td>(iv) Busy readers glance through the newspapers to read the headlines and ignore the advertisements.</td>
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<tr>
<td><strong>Billboards (Hoardings)</strong></td>
<td></td>
</tr>
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<td>(i) High repeated exposure to the passing traffic.</td>
<td>(i) Limited audience selectivity.</td>
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<td>(ii) Can be installed at most strategic locations.</td>
<td>(ii) Ignored by the fast moving traffic on busy roads.</td>
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<td>(iii) Colourful digital graphic billboards attract attention of large audience.</td>
<td>(iii) Billboards placed too closely are eyesore for the audience and are ignored.</td>
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<td></td>
<td>(iv) Audience often find the similar colours on billboard boring and therefore avoid looking at them.</td>
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<td></td>
<td>(v) High costs are involved in the maintenance and upkeep of the billboards.</td>
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(17) Question Background: Winter 2012, Q # 10 (a). Syllabus Topic:

Eagle Limited (EL) is a large conglomerate. The company is planning to establish a joint venture in Centralia, a country which has several untapped sectors. EL foresees attractive opportunities for development of its business in Centralia. EL is therefore keen to pursue corporate and business policies which would be perceived favourably, not only by the joint venture partner but also by the government and other stakeholders. Adoption of these policies would facilitate EL to expand its business in future.

Required: Briefly describe four policies which, in your opinion, EL may pursue for achieving its long term business objectives

Suggested Answer:-

Pursuance of the following policies by Eagle Limited would be perceived favourably by the joint venture partner and other stakeholders and also contribute towards the industrial development objectives of Centralia:

(i) Eagle Limited should act as a good corporate citizen and respect the culture, customs, traditions and values of the host country.
(ii) Eagle Limited should offer its best manufacturing technologies and practices to the joint venture in the host country.
(iii) Eagle Limited should allow the local partners to set their own rules and regulations and adjust the manufacturing processes to match the skills of the local workers.
(iv) Eagle Limited should keep the expatriate employees to the minimum strength and provide training to the local managers to enable them to acquire skills and assume responsibilities at all levels.
(v) The joint venture should be encouraged to develop local R&D which would help to reduce dependence on imported inputs.

(18) Question Background: Winter 2012, Q # 10 (b). Syllabus Topic:

State the main reasons why leading companies obtain cross-border financing including equity, debt and bank financing in different countries.

Suggested Answer:-

Leading MNCs engage in international or cross-border financing and raising funds, including equity, debt and bank financing in different countries:

(i) To obtain financing at overall lower costs, comprising of interest costs and impact of any adverse fluctuations in exchange rates.
(ii) Because of liberalization of foreign exchange regulations which allows easy and free movement of capital in the important financial centers.
(iii) Because financing can be obtained conveniently in different countries in which MNCs conduct significant business operations.
(iv) Fund raising in certain countries is easier because the debt and equity markets there are broad-based and have greater market depth.
(v) To seize strategic advantages of their presence and relationships in important financial centers in many countries.
(19) Question Background: Summer 2012, Q # 1. Syllabus Topic:

Fintex Company Limited (FCL) is in the advanced stage of implementing facilities for manufacture of home textile products such as curtain draperies, sofa cloth, bed linen, towels, table covers, etc. FCL intends to market its products to customers through 20 company-owned retail outlets to be established in the major cities. FCL’s Institutional Marketing Division (IMD) would sell the company’s products, as well as workers uniforms to be procured from external vendors, to institutional customers such as hotels, hospitals, industrial companies and government organizations. FCL’s principal corporate objectives are to create a sustainable competitive advantage and obtain a firm foothold in the substantial and fast growing target market of middle class customers. These customers are keen shoppers who want quality products at affordable prices. FCL’s IMD also wants to aggressively pursue marketing strategies to cater to the requirements of the institutional customers who are a source of repeat business.

Required: Identify and explain briefly four Critical Success Factors which in your opinion would create sustainable long-term competitive advantage for FCL

Suggested Answer:

The Critical Success Factors which would create sustainable long term competitive advantage for FCL and enable the company to obtain a firm foothold in the target market are:

(i) Management and Organizational Competence: The knowledge, skills and attitude of the management relating to understanding of the home textile industry, the objectives and role of FCL, including insight in FCL’s strengths and weakness and pursuance of appropriate corporate and business strategies to achieve the objectives would be critical success factors. The management of FCL would have to develop necessary competence for identifying opportunities, formulating, implementing and monitoring sound corporate strategies, creating a supporting organizational structure and mobilizing resources.

(ii) Manufacturing Capability and Production Process: FCL should acquire and develop the best manufacturing capabilities and introduce sound technical processes. It needs to manufacture products which would satisfy the needs of its customers who want new and better products at affordable prices.

(iii) Skilled and Motivated Employees: FCL must adopt sound policies relating to hiring, training, development, performance evaluation, working environment and compensation of its employees. These policies would promote motivation and commitment of the employees at all levels towards the achievement of the objectives of the company.

(iv) Marketing Know-how and Promotion Strategies: Market research and knowledge of the target market is essential for sustained growth in sales. Marketing programs would have to be developed to meet the needs of the customer groups. Company-owned retail outlets would enable FCL to achieve high rates of sales turnover through finely tuned marketing policies and also retain high profit margins which otherwise would be demanded by prominent retailers. Ability of the Institutional Marketing Division to develop a supply chain of reliable vendors who can manufacture products of the required specifications to be sold to the institutional customers would also be a critical success factor for FCL.

(20) Question Background: Summer 2012, Q # 2. Syllabus Topic:

According to the Boston Consulting Group Matrix, businesses organisations which have multi-divisions and compete in different industries pursue separate strategies for their various business divisions. The BCG Matrix describes the characteristics of the markets and the relative competitive position of the various business
divisions as Stars, Cash Cows and Dogs. **Explain the distinctive characteristics of each of these types of business divisions in terms of their relative market positions. Also mention the types of business strategies which should be pursued by each of these types of business divisions.** (09 marks)

**Suggested Answer:**

The distinctive characteristics of the different types of business divisions in terms of their relative market positions and pursuit of business strategies are as follows:

**(i) Stars** -- Star business divisions have a relatively large share of the market in high-growth industries and offer lucrative opportunities for growth and profitability in the long-run. Substantial investment should be made in Star business divisions to maintain and strengthen their dominant positions. Strategies of vertical and horizontal integration, market penetration and product development may be considered to further consolidate the well-entrenched position of the Star business divisions and to compete aggressively in the market.

**(ii) Cash Cows** -- Cash Cows are business divisions which have a relatively large market share but compete in a low-growth industry. The Cash Cows are in a position to generate substantial funds because of their strong competitive position. However, their requirements of funds for expansion are minimal and they are therefore in a position to generate funds which are in excess of their requirements. The Cash Cows are ‘milked’ as a source of corporate resources for utilization of funds in other business divisions which offer long-term growth prospects and in which competitive advantages can be achieved. Quite often the Star divisions with the passage of time are relegated to the position of Cash Cows.

**(iii) Dogs** -- Dogs are those business divisions which have a relatively small share of the market and compete in a slow or no-growth industry. Dog business divisions are not able to earn fair profits and generally incur losses. Therefore such divisions are often liquidated or divested or subjected to policies of retrenchment to curtail expenditures on salaries and other associated costs. It may not always be advisable to liquidate or divest the Dog divisions as their assets can be disposed of only at throw-away prices because of the company’s weak bargaining position. This strategy may pay off if there is a business turnaround at a later stage.

**Question Background:** Summer 2012, Q # 3 (a). Syllabus Topic:

Employee Training is an important function of Human Resource Department of Apollo Engineering Limited, a company which considers workers skills at the factory floor level to be critical for achieving the overall strategic objectives. The HR Department classifies the factory employees in 3 categories as follows:

(i) Competent to perform in the present position.
(ii) More than competent to perform in the present position.
(iii) Not yet competent to perform in the present position.*

*Note: These employees are not incompetent

**Required:** Briefly discuss the Training Needs of employees in each of the above categories and explain how they would help Apollo Engineering Limited to improve motivation amongst the employees at all levels. (08 marks)

**Suggested Answer:**

Training Needs of employees of Apollo Engineering Limited in the different categories are:

**(i) Competent to perform in the present position:** These employees should be provided training by way of lecture sessions and skills enhancement programs to enable them to be able to handle assignments in the next stage of competence. Appropriate training programs for these employees would upgrade their work skills and retain their motivation levels.
(ii) **More than competent to perform in their present positions:** These employees should be provided training opportunities through participation in seminars, job enrichment and job rotation to assume greater challenges and to facilitate them to move to higher positions. In case it is not possible to promote such employees, their job satisfaction level can be increased by delegation of authority and responsibilities and redesigning their jobs. Such measures will increase their level of motivation and deter them from seeking job opportunities elsewhere.

(iii) **Not yet competent to perform in the present position:** The specific areas of weaknesses of these employees should be identified and on the job training should be provided to enable them to overcome their weaknesses and perform efficiently. Since employees in this category are not incompetent, providing proper training through lecture sessions, workshops and on the job training would improve their skills and help them to achieve competency in their present positions.

(22) **Question Background:** Summer 2012, Q # 3 (b). **Syllabus Topic:**

Appropriate Employee Compensation and Reward Packages are central to a healthy and enduring relationship between the employer and the employees. These Compensation and Reward Packages comprise of salaries and fringe benefits, pleasant working environment, career growth opportunities, challenging work, self-respect and sense of achievement, etc. What principal objectives should an employer seek to achieve through a well-formulated Employee Compensation and Reward system for a service-oriented company operating in a competitive business environment? (06 marks)

**Suggested Answer:**

The Employee Compensation and Reward system for a service-oriented company operating in a competitive business environment should be designed to achieve the following objectives:

(i) Obtaining support of employees for the main strategic objectives of the service-oriented company for innovation, efficiency, teamwork and high standards of customer service.

(ii) Building of a durable and mutually beneficial long-term relationship between the employer and the employees.

(iii) Deriving significant value-addition at all the stages of customer service chain because human resources are strategic assets of a service-oriented company and personnel costs account for a substantial portion of the total administration costs.

(iv) Inducting and retaining a pool of suitably skilled and motivated work force.

(v) Inculcating a sense of financial transparency and fairness of the compensation and reward system among the employees.

(vi) Articulating in precise terms the organization’s expectations of employee performance and service standards to create a competitive business advantage.

(vii) Aligning the compensation and reward packages with the comparative packages offered by the competitors.

(23) **Question Background:** Summer 2012, Q # 4 (a). **Syllabus Topic:**

What is Wilful Misconduct? State why acts of Wilful Misconduct are considered as serious offences by employers? Identify four situations in which an employee may be guilty of Wilful Misconduct. (04 marks)

**Suggested Answer:**

...
Wilful Misconduct is a deliberate act of violation of rules of employment by an employee. Acts of Wilful Misconduct are considered to be serious offences as they can cause serious financial loss to the employers and their reputation or pose grave risks to the health and safety of other employees.

The situations in which an employee may be liable to be guilty of Wilful Misconduct are:

(i) Theft.  
(ii) Fraud.  
(iii) Misuse of official properties/assets.  
(iv) Damage to employer’s property with malicious intent.  
(v) Harassment of other employees.  
(vi) Gross misbehaviour with supervisors, peers and junior staff.  
(vii) Conduct or actions which pose threat to the employee’s own life or the lives of others.

(24) Question Background: Summer 2012, Q # 4 (b). Syllabus Topic:

Sona Sugar Mills is being established in the outskirts of a small rural town. The management has engaged a Chief Security Officer to plan for the security of the employees and plant facilities. State five measures which the Chief Security Officer should adopt to meet the objectives of security of employees and physical facilities of Sona Sugar Mills.  

(05 marks)

Suggested Answer:-

The following measures should be adopted by the Chief Security Officer to meet the objectives of security of employees and physical facilities of Sona Sugar Mills:

(i) Access to the factory premises should be properly controlled by installation of CCTV cameras and deployment of trained security personnel. Only employees on duty and authorized visitors should be allowed entry inside the factory premises.  
(ii) All vehicles/trucks carrying sugar cane and other supplies should be thoroughly checked at certain designated points before they are allowed to enter the factory area.  
(iii) Security awareness training and orientation should be provided to the employees who should immediately bring any suspicious activity to the attention of the security personnel.  
(iv) Crisis Management/Emergency Training should be provided to the employees, including procedures to be followed in the event of a bomb threat, armed attack, fire or any other emergency and communicated to the employees.  
(v) Policy regarding zero tolerance of any criminal activity should be adopted and communicated clearly and understood by the employees for strict compliance.  
(vi) Personal records of employees should be investigated to ensure that they do not have affiliation with any groups engaged in criminal activities. This investigation exercise should be conducted in a discreet manner without causing any undue concern or panic among the employees.

(25) Question Background: Summer 2012, Q # 5. Syllabus Topic:

Consumer Products are classified by marketers in different categories as follows:

(i) Convenience Products: detergents, packaged milk, newspapers, soft drinks, etc
(ii) Shopping Products: readymade clothes, furniture, carpets, shoes, etc
(iii) Specialty Products: televisions, refrigerators, branded watches, etc

The marketing mix of each category of Consumer Products comprises of the following ingredients:

<table>
<thead>
<tr>
<th>Price</th>
<th>Customer Buying Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>• expensive</td>
<td>• less frequent purchase/keen comparison of price, quality and style</td>
</tr>
</tbody>
</table>
You are required to identify the most appropriate characteristics of each ingredient of the marketing mix for the above categories of Consumer Products. (09 marks)

Suggested Answer:

Identification of appropriate characteristics of each category of the Marketing Mix for the different categories of Consumer Products is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Convenience Products</th>
<th>Shopping Products</th>
<th>Specialty Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(i)</strong> Price</td>
<td>Low price</td>
<td>High price</td>
<td>Expensive</td>
</tr>
<tr>
<td><strong>(ii)</strong> Consumer Buying Behaviour</td>
<td>Frequent purchase/less planning</td>
<td>Less frequent purchase/keen comparison of price, quality and style</td>
<td>Special purchase effort/brand loyalty</td>
</tr>
<tr>
<td><strong>(iii)</strong> Distribution Channels</td>
<td>Widespread distribution at convenient locations</td>
<td>Distribution in few outlets</td>
<td>Outlets in specialized markets/shopping malls</td>
</tr>
<tr>
<td><strong>(iv)</strong> Promotion / Advertising</td>
<td>Mass promotion by producer</td>
<td>Advertising and personal selling by producer/resellers</td>
<td>Carefully targeted promotion by producer/resellers</td>
</tr>
</tbody>
</table>

(26) Question Background: Summer 2012, Q # 6. Syllabus Topic:

All leading global business organisations possess certain distinctive capabilities and competitive advantages which set them apart from those companies whose operations are confined within their limited geographical areas. Describe at least six core capabilities which are observed in leading global organisations regardless of their special lines of business. (09 marks)

Suggested Answer:-

The core capabilities which are commonly observed in leading global business organizations are:

(i) In-depth knowledge of the organisation’s products/services, their strengths and special customer service skills.

(ii) Highly developed marketing skills by way of insight of consumer behavior, market segments, share of the market and distributions channels.

(iii) Capacity for continuous innovation and research which is a prerequisite for maintaining and consolidating of their global leadership status in a highly competitive business environment.

(iv) Creation and retention of a pool of talented and motivated management team and work force aligned with the strategic objectives of the organisation.

(v) Financial resourcefulness with the capability to utilize the funds effectively with sound planning and control structures.

(vi) Assessment of the strengths and weaknesses of the competitors in the different territories in terms of their market share, competitive advantages and anticipated business strategies.
Research in a number of organisational settings shows that efforts to introduce major changes for achieving the objectives of corporate turn-around and improvements invariably meet with strong resistance from employees at various levels. Identify the reasons why employees offer strong resistance to major organisational changes and prefer to continue with the existing status. (05 marks)

Suggested Answer:-

Employees offer strong resistance to major organisational changes and prefer to continue with the existing status because of the following reasons:

(i) The employees may have concerns of financial insecurity due to loss of their jobs or decline in their existing level of compensation.

(ii) The employees fear that they may lose their present position/status, power and authority.

(iii) The employees may anticipate that changes in work assignments, alterations in work processes and transfers would threaten their present work routines, patterns of social-on-the-job interactions and friendships.

(iv) The employees may fear uncertainties in the new organizational design, attitudes and working styles of new supervisors and their own status in the organisation in the revised set-up.

(v) The failure of management to communicate to the employees in a convincing manner the reasons and need for change which gives rise to suspicions and apprehensions and results in resistance to change.

(vi) The fear of dissonance because employees may have to confront with new and different process, systems, technology or expectations. The dissonance or discomfort created by what is new or different is a psychological process which causes resistance to change.

Explain the term Business Ethics and discuss its increasing significance in the present business environment. (05 marks)

Suggested Answer:-

Business Ethics are the moral principles of conduct applied in the commercial world. Business ethics provide guidelines to individuals and organizations to determine whether a particular action is right or wrong. Good business ethics are essential for good strategic management as issues of ethics permeate in all areas of strategy formulation, implementation and evaluation.

An ethical approach has become increasingly necessary both for corporate success and a positive corporate image. The rapid expansion of information technology has created awareness and enhanced the importance of ethical behaviour in business all over the world. Pressures from employees, consumers and other stakeholders for adherence to ethical and responsible business practices have led many organizations to make public commitment of their ethical business standards. An increasing number of organizations now adopt concepts of personal and corporate accountability in all aspects of their business conduct. Misleading advertisements, poor employee health and safety procedures, causing harm to the natural environment, poor product or service safety standards, insider trading and discrimination in dealing with employees are considered to be violation of acceptable ethical behavior.
(29) Question Background: Summer 2012, Q # 8 (a). Syllabus Topic:

In the past two decades a number of Mergers and Acquisitions have been witnessed between some of the most prestigious and financially strong international corporations in a wide range of businesses such as pharmaceutical and automobile manufacturing companies, financial institutions, supermarkets, etc. Narrate the principal objectives behind the mergers and acquisitions of companies which are considered to be financially sound and well-established in their own spheres of business. (05 marks)

Suggested Answer:

The principal objectives of mergers and acquisitions of financially strong and well-established international corporations are as follows:
(i) To gain access to strategic proprietary assets/technical know-how and exploit these strengths with greater effectiveness.
(ii) To gain market power and dominance, including access to strong distribution channels in expanding and lucrative markets.
(iii) To achieve synergies in domestic and global operations across different industries which offer complementary advantages?
(iv) To expand the size of operations to obtain advantages of economies of scale and achieve competitive advantages in negotiations with suppliers, customers and financial institutions from a position of greater strength.
(v) To diversify operations and spread risks over a more wide area.

(30) Question Background: Summer 2012, Q # 8 (b). Syllabus Topic:

Differentiate between the characteristics of Strategic Decisions and Tactical Decisions. (04 marks)

Suggested Answer:

The distinguishing characteristics of Strategic Decisions and Tactical Decisions are:
(i) Strategic Decisions determine the course and define the contours of the company’s main objectives, whereas the Tactical Decisions are concerned with the achievement of targets within the framework of the main strategic objectives of the company.
(ii) Strategic Decisions are made at the board of directors/senior management level, whereas Tactical Decisions are taken by middle-level managers.
(iii) Strategic Decisions have long-term implications, whereas Tactical Decisions have consequences which are of medium-term nature.
(iv) Strategic Decisions have far-reaching financial repercussions, whereas Tactical Decisions have relatively less financial bearing on the company’s results.

(31) Question Background: Summer 2012, Q # 9. Syllabus Topic:

Firms ranking in second and third positions in highly competitive industries demonstrate significant business strengths and hold a sizeable share of the aggregate market. Often these firms have to make strategic marketing decisions whether to challenge the Market Leader to achieve the top position or to continue to hold on to their Market Follower status. Discuss the concepts of Market Challenger Strategy and Market Follower Strategy and briefly explain the circumstances in which a firm would prefer to pursue a particular market strategy. (10 marks)
Suggested Answer:-

**Market Challenger Strategy** - In this strategy, firms which are placed in second and third positions launch aggressive marketing campaigns to capture a larger share of the market to dislodge the market leader from its number one position. A market challenger must have substantial resources and sustaining capability to challenge the market leader. A resourceful market challenger may launch a full frontal attack to match the market leader’s main strengths, i.e. product, pricing, advertising and distribution efforts. The outcome of the challenge would depend on the relative strengths of each of the firms. Alternatively a market challenger may pursue a strategy of indirect attack on the competitor’s weaknesses and gradually make inroads in the market to achieve the top position. A market challenger may also pursue a strategy of acquisition of smaller companies to eliminate competition and steadily increase its share of the market to achieve top position.

**Market Follower Strategy** - In a market follower strategy, a firm prefers to retain its runner-up position in the industry rather than to attack and dislodge the market leader. When the market follower realizes that the market leader would put up strong resistance and not yield easily from its well-entrenched position or the market follower lacks the resources to meet the capabilities of the market leader, it decides to maintain its existing status. A market follower may be satisfied with its existing runner-up position as it would not have to incur the high expenditure on developing new products and educating the consumers of the new product in the market. A market follower learns from the market leader’s products and programs usually with less investment. A market follower retains the current customers and plans to achieve a fair share of the market expansion and also avoids retaliation from the market leader. A market follower strives to keep its manufacturing costs and prices low and maintain the quality of its products to meet its targets of market share, sales revenue and profitability without inviting retaliation from the market leader.

(32) **Question Background: Summer 2012, Q # 10 (a). Syllabus Topic:**

Multinational Corporations (MNCs) which have widely dispersed operations in several countries often prefer to centralise their cash management functions and conduct all their major cash operations from pools located in internationally recognised financial centers. This policy requires each subsidiary to retain minimum cash for its own transaction purposes and remit all excess funds to a central cash depository.

**Required:** Explain the advantages which MNCs seek to achieve through centralised cash management policies and pooling of all excess cash balances at prominent international financial centers    (06 marks)

**Suggested Answer:-**

Multinational Corporations seek to achieve the following advantages through policies of centralised cash management and establishment of cash pools at prominent financial centers:

(i) **Security and Convenience:** Centralised cash pools are maintained at major financial centers which offer advantages of political and economic stability, convertibility of currencies, access to international communication facilities and well defined legal procedures. The pooling of cash funds at such locations provides security and convenience of prompt transfer of funds from and to the subsidiaries.

(ii) **Availability of Information:** Location of cash pools at major financial centers provide advantages of immediate access to latest information of the relative strengths and weaknesses of various currencies, fluctuations in rates of return on financial instruments in various currencies and ease of execution of financial transactions.
(iii) Holding of Minimum Surplus Funds for Precautionary Purposes: The pooling of funds at centralised locations in excess of the transaction requirements of the subsidiaries enables the MNCs to reduce the overall size of the cash pool without any loss of level of protection to any individual subsidiary.

(iv) Reduction in Interest Costs: The large size of the pooled funds enables financial managers to negotiate borrowings most effectively and thus reduce borrowing costs.

(v) Acquisition of Services of Competent Personnel: The funds can be managed by highly competent financial managers whereas individual subsidiaries may not be in a position to acquire the services of such executives.

(33) Question Background: Summer 2012, Q # 10 (b). Syllabus Topic:

Give five reasons why the process of Globalization has assumed great importance in the present business environment.

Suggested Answer:-

Globalization has assumed great importance in the present business environment due to the following reasons:

(i) Adoption of free market economic policies by increasing number of countries has created opportunities for capital investment and significant economic growth.

(ii) Rapid improvement in communications have reduced costs of transportation and facilitated quick movement of goods, services and financial resources.

(iii) Technological advances have made it possible to manage and control business operations in different countries through electronic mail, internet and frequent travel by key management and other professional staff.

(iv) The development of the emerging markets has expanded the demand for products and services worldwide.

(v) Global companies seek competitive advantages by locating production facilities of components and parts in those countries where the costs are the lowest.

(34) Question Background: Winter 2011, Q # 1. Syllabus Topic:

Sound Health Pharmaceuticals Limited (SHPL) is a reputable international company engaged in the business of manufacture of a wide range of medicines with facilities located in several countries. SHPL’s products have been developed after long periods of research at considerable costs and are prescribed by medical consultants for patients suffering from life-threatening diseases. As Director of Human Resources, you have to recruit Director Public Relations and Media Affairs to replace the incumbent official who is expected to retire shortly. Identify and explain briefly eight critical skills and competencies you would seek in the prospective candidates for this high-profile position in SHPL’s senior management hierarchy.

Suggested Answer:-

The critical Skills and Competencies required for the position of Director Public Relations and Media Affairs of SHPL are:

(a) Good understanding of SHPL’s mission, goals and objectives and the ability to communicate them to all the stakeholders

(b) Deep understanding and insight of the role of the various media channels in projecting a positive image of the reputation and standing of SHPL

(c) Demonstrable track record and experience in media relations and media contacts to handle unforeseen situations which may affect SHPL’s reputation and image
(d) Excellent interpersonal and communication skills with ability to deliver messages by adopting appropriate styles, tools and techniques depending on the type of information and the intended recipients
(e) Good management and organisational skills and be able to prioritize and plan activities taking into account factors such as deadlines and resources
(f) Work closely with senior level executives as an effective member of the top management.
(g) Assimilate complex information and take independent action where necessary and handle multiple projects and work demands at a time
(h) Excellent writing skills with a high level of capability to attend to details
(i) Qualities of leadership and a positive frame of mind
(j) Proficient in developing web-site content, maintenance and supporting the in-house broadcasting department.

(35) Question Background: Winter 2011, Q # 2. Syllabus Topic:

Explain briefly the following types of Growth Strategies pursued by Business Organisations. Give one example of each of these types of strategies.

(a) Horizontal Integration Strategy
(b) Forward Integration Strategy
(c) Conglomerate Growth Strategy

Suggested Answer:-

(a) **Horizontal Integration Strategy:** This strategy seeks to achieve growth by ownership/acquisition or merging of functions of organisations which operate on a similar level. It is characterized by integration of firms producing the same kind of goods or operating at the same stage of the supply/value chain. This strategy is pursued to achieve economies of scale by sharing of resources and competencies to gain significant competitive advantages.

Example: A profitable cement company acquiring another cement manufacturing unit.

(b) **Forward Integration Strategy:** It is a strategy which envisages gaining ownership or taking control of distribution channels when the existing external distribution channels insist on unduly high profit margins or are unreliable or are unable of meeting the firm’s distribution objectives. Forward Integration strategy is most beneficial when significant competitive advantages can be achieved through ownership or effective control of the distribution channels. The firm must have sufficient capital and human resources for pursuing a successful forward integration strategy.

Example: A leading manufacturer of branded fashion clothing establishing its own network of retail outlets.

(c) **Conglomerate Growth Strategy:** This strategy seeks to create diversified business units/entities, each of which is capable of achieving excellent financial performance in its respective line of business. Firms which pursue conglomerate growth strategies search across different industries for opportunities for expansion and purchase of companies whose assets are undervalued and therefore can be acquired at low prices, yet have the potential to offer high returns on the investment. Firms which have excellent top management capabilities and can effectively plan, manage and control individual units in different industries pursue conglomerate growth industries.

Example: A prominent textile group establishing or making acquisition of a power generation unit.
(36) Question Background: Winter 2011, Q # 3 (a). Syllabus Topic:

Business firms, at times, place excessive emphasis on Cost Reduction and Austerity policies to achieve their profit objectives. These policies may be in conflict with the interests of customers, employees and the society as a whole. Identify any three adverse effects of introduction of stringent Cost Reduction and Austerity policies on each of the above stakeholders. (4.5 marks)

Suggested Answer:-

Stringent Cost Reduction and Austerity policies may be in conflict with the interests of the stakeholders in the following situations:

(i) Customers
• The products may be of an inferior quality and perform unsatisfactorily
• The products may have a very limited useful life
• Sub-standard quality of raw material inputs and packaging may be harmful for the health of the customers

(ii) Employees
• Working conditions may not be conducive for the health of the workers
• Poor maintenance of machinery and equipment may cause injuries and accidents
• Inadequate compensation may result in financial difficulties for the workers

(iii) Society as a whole
• Cause pollution and create environmental hazard
• Lack of interest in charities, sports and community activities
• Impose social cost on the society by making improper use of public assets.

(37) Question Background: Winter 2011, Q # 3 (b). Syllabus Topic:

What is meant by the term Corporate Social Responsibility? (3.5 marks)

Suggested Answer:-

Corporate Social Responsibility is a form of voluntary business approach that a business firm pursues to meet or exceed the expectations of its stakeholders by adopting social, ethical and environmental measures. The goal of CSR is to make a positive impact through its activities on the environment as well as all its stakeholders.

(38) Question Background: Winter 2011, Q # 3 (c). Syllabus Topic:

State five important factors which should be included in developing an effective Accident Prevention and Reporting System for a company involved in heavy mechanical and engineering operations. (05 marks)

Suggested Answer:-

The following important factors should be included in developing an effective Accident Prevention and Reporting System for a company involved in heavy mechanical and engineering operations:

(i) All accidents should be reported on Accident Reporting Forms and proper records should be maintained of accidents resulting in death and major injuries.

(ii) Identification of particularly more risky activities and adopting special precautionary measures such as installation of safety grills to prevent accidents.

(iii) Periodic training of employees for compliance with the safety rules and procedures so that they are fully aware of the accident hazards while performing their duties.
(iv) Regular maintenance of plant and machinery to ensure that all the parts and components are repaired/replaced promptly so that they do not cause injuries to the workers due to malfunction or breakdown of the equipment.

(v) Periodical review of the safety conditions should be carried out by an independent person.

(vi) Statistical trends of recurring accidents must be monitored closely to identify and examine the need for introduction of special measures.

(vii) Procedures for reporting ‘near-misses’ should be laid down: anonymously, if necessary to encourage timely corrective actions and openness in reporting of such incidents.

(39) Question Background: Winter 2011, Q # 4 (a). Syllabus Topic:

Accurate Engineering Limited is engaged in the business of manufacturing precision earth drilling tools used by the oil exploration industry. The Company employs a high proportion of skilled and experienced workers for the smooth and efficient manufacture of its quality-sensitive high-value products. Recently, the company has been facing an unusually High Rate of Employee Turnover which is a matter of serious concern for the management. Identify five disadvantages which Accurate Engineering Limited would experience due to the unusually High Rate of Employee Turnover. (05 marks)

Suggested Answer:

Accurate Engineering Limited would experience the following disadvantages due to the exceptionally High Rate of Employee Turnover:

(i) Loss of important confidential and proprietary information and knowledge of work processes to competitors.

(ii) Disruptions and delays in manufacturing operations as new workers would have to be recruited and would require training to learn the work processes.

(iii) Deterioration and inconsistency in the quality of the products as the new workers would require time and hands-on experience to acquire the levels of proficiency and skills necessary to manufacture precision earth drilling tools.

(iv) Effort and cost incurred in training of employees who leave the organisation are irrecoverable losses. Additional effort and costs would be involved in the training of new workers who would replace the outgoing workers.

(v) The new workers would require time to assimilate in the Company’s organisation culture.

(vi) Additional costs of placement of advertisements, background verification, medical examination and conducting interviews would have to be incurred in the hiring of new workers.

(vii) Staff morale and motivation would be adversely affected which would create a sense of insecurity among the remaining workers and result in low employee productivity.

(40) Question Background: Winter 2011, Q # 4 (b). Syllabus Topic:

(i) Briefly explain what is meant by a Differentiation Strategy. (02 marks)

(ii) List six types of skills and resources which are critical for the pursuance of a successful Differentiation Strategy. (03 marks)

Suggested Answer:

(i) In a Differentiation Strategy, the firm is in a position to provide a product or service which the customer perceives to be of a higher value than those offered by other competitors. The customer considers that the
additional cost of purchasing the particular product or service is well below what the product or service is worth as compared to the other available alternatives.

(ii) The types of skills and resources which are critical for the pursuance of a successful Differentiation Strategy are:
- Strong marketing capabilities, including support of marketing channels.
- Sound capabilities for research and product engineering.
- Corporate reputation for technical and professional leadership.
- Good reputation for high standard of products and consistent quality.
- Strong relations with the suppliers of major inputs and services.
- Tradition of positive and prompt response to customers’ queries.
- Incentives based on subjective measures
- Stress continuous improvement and innovation

(41) Question Background: Winter 2011, Q # 5 (a). Syllabus Topic:

Explain what is meant by Scenario Planning. (03 marks)

Suggested Answer:-

Scenario Planning is a technique which involves the process of identifying alternative scenarios in the future, and on the basis of different assumptions that the strategists may anticipate in the future, formulate corporate strategy. The process of scenario planning on the basis of different assumptions enables the company to realign its corporate strategy quickly in the changing business conditions. The purpose of scenario planning is to avoid formulating corporate strategy on the basis of a single future outcome which may not materialize. Rather, the objective is to re-evaluate the relevance of the strategic objectives which would be valid for different outcomes/events as they unfold from time to time.

(42) Question Background: Winter 2011, Q # 5 (b). Syllabus Topic:

In highly competitive business environments dominated by relatively few equally powerful players, the participants make concerted efforts to implement effective Marketing Intelligence Systems.

(i) What is meant by the term Marketing Intelligence System? (03 marks)
(ii) List five different sources which help in the creation of an effective Marketing Intelligence System. (05 marks)

Suggested Answer:-

(i) Marketing Intelligence System is an ongoing and organized procedure to generate, organize, store, disseminate, analyze and retrieve large amount of data from internal as well as external sources for use in making marketing decisions.

(ii) The different sources would facilitate in the creation of an effective Marketing Intelligence System are:
(a) Well trained and motivated sales force to provide inputs on the improvements required in the company’s current marketing mix as well as identify new market opportunities.
(b) Motivated distributors, retailers and other intermediaries who would obtain important information and pass it on to the company to improve the overall quality of products and consumer services.
(c) Obtain feedback from customers regularly to improve the quality of the products and services in order to offer more value to the customers.
(d) Participation in trade shows and examination of competitor’s products and their advertisements etc.
(e) Collect information from competitors’ published reports, suppliers, couriers and transporters.
(f) Published government statistics relating to population, agricultural production, manufacturing data, etc. to extract information which can be incorporated usefully in the Marketing Intelligence System.
(g) Purchase of information from professional suppliers of data and information. These external firms have access to useful data and sell them to the interested parties.

(43) Question Background: Winter 2011, Q # 6 (a). Syllabus Topic: Explain what is meant by Geocentric Orientation in the context of global business companies. (05 marks)

Suggested Answer:-
A Geocentric orientation is an approach followed by companies having global scale of operations. The management of such companies considers a worldwide focus both at the headquarters and also in the host countries to obtain optimal advantages. Major issues such as raising of funds, building of plants, research and development are centralised in the entire global perspective. At the same time, the company also considers designing its products and services to cater to the local differences in tastes and cultures to add maximum customer value and achieve optimal results.

(44) Question Background: Winter 2011, Q # 6 (b). Syllabus Topic:
Alpha Equipments is a Taiwanese manufacturer of various types of photocopiers and has recently decided to export its products to Pakistan. Alpha Equipments is considering appointing a Single Distributor in Pakistan who would represent the exporter and would be responsible for the entire marketing operations in this country.
State six different advantages that Alpha Equipments would achieve through the appointment of a Single Distributor for import and distribution of its products in Pakistan (06 marks)

Suggested Answer:-
The advantages of appointment of a Single Distributer in Pakistan by Alpha Equipments are:
(i) The large volume of business would attract a competent and resourceful distributor who would wield considerable influence in the local business community in Pakistan.
(ii) The appointment of a knowledgeable Single Distributor who is conversant with the local business practices, culture and marketing channels would ensure smooth handling of all marketing operations in a more professional and purposeful manner.
(iii) The Single Distributor would be able to coordinate promotional efforts and exchange vital information with Alpha Equipments on a continuous basis and in a purposeful manner.
(iv) Training and marketing efforts of the retailers located in the various cities in Pakistan would be coordinated in a much more effective manner.
(v) The Single Distributor would be able to maintain sufficient level of inventories as he would have a better perception of the market demand and as a result make prompt dispatches of supplies to the retailers as and when required.
(vi) The Single Distributor would have high stakes in the business which would lead to greater effort and a better principal – distributor relationship.
(vii) The logistics of exports including transportation costs would be less cumbersome and more economical.
Foresight Electronics is a knowledge-based company and is known for its ability to manufacture innovative and new-to-the-market electronic products and sell them in specifically identified niche markets. The company follows a Market Skimming Strategy to achieve its profitability objectives.

**Narrate four conditions which are essential for Foresight Electronics to be able to successfully adopt its Market Skimming strategy.**

**Suggested Answer:**

Foresight Electronics would be able to adopt its Market Skimming Strategy successfully in the following conditions:

(i) When the niche market for its products comprises of customers who can afford and are willing to buy the product at the high prices.

(ii) When the firm is in a position to obtain the advantage of initial high price of its products for the duration that it intends to pursue its market skimming pricing strategy.

(iii) When the high price would create and convey an image of superior quality products among the buyers.

(iv) When the unit cost of manufacturing a small quantity of output is not so high so as to offset the advantage of selling the product at the high price.

(v) There should be a high entry barrier of the industry.

**Household Furniture Co.** is manufacturers of a wide range of furniture products used primarily by customers in the middle income group. Identify four different types of conditions in which it would be advantageous for the firm to pursue Market Penetration Strategy.

**Suggested Answer:**

It would be advantageous for Household Furniture Company to pursue a Market Penetration Strategy in the following situations:

(i) When the demand for household furniture is price elastic.

(ii) When the firm is in a position to achieve significant economies of scale by producing and selling a large volume of output.

(iii) When the quality of the furniture sold by Household Furniture Company and its promotional strategies are designed to capture a large share of the expanding market.

(iv) When there is intense competition in the market and Household Furniture Company wants to retain/expand its share of the market to derive benefits in future.

**Horizon Limited (HL)** is engaged in the business of manufacturing and marketing of a wide range of consumer durable products. The company’s products are in different stages of their Product Life Cycles. Consequently, HL pursues different promotional strategies for products depending on the stage of their Product Life Cycles.

State the types of Promotional Strategies which HL may pursue for marketing of its wide range of products in the (i) Introduction, (ii) Growth, (iii) Maturity and (iv) Declining stages of their Product Life Cycle.

**Suggested Answer:**

End of Document
Suggested Answer:-

Horizon Limited may pursue Promotion Strategies in the marketing of its consumer durable products in their different stages of Product Life Cycles as follows:

(a) Introduction Stage
(i) Inform and educate the potential customers of the existence of the product
(ii) Encourage trial of product and create awareness of the benefits that would accrue to the customers by using the product and how it should be used
(iii) Secure distribution in leading retail outlets
(iv) Place heavy emphasis on personal selling and promotion in trade shows and exhibitions.

(b) Growth Stage
(i) Stimulate demand in selected market segments and promote the particular brand as competition increases
(ii) Increase emphasis on advertising to capture a large share of the growing market
(iii) Enter new markets and expand coverage
(iv) Identify new distribution channels
(v) Shift emphasis from product awareness to the individual firm’s brand preference through aggressive advertising.
(vi) Promote differentiation

(c) Maturity Stage
(i) Focus on promotion and advertising to persuade the customers to purchase the particular brand rather than to provide information about the product
(ii) Selective promotion only as intense competition and increase in promotion expenditures would result in lower profits
(iii) Increase R&D budgets to improve product quality vis-a-vis competitors
(iv) Extend product lines to meet niche customer demand.

(d) Declining Stage
(i) Reduce promotion expenses as the size of the market is shrinking
(ii) Focus of promotion towards reminding remaining customers.
(iii) Rejuvenate old products to make them look new.

(48) Question Background: Winter 2011, Q # 9 (a). Syllabus Topic:

In your opinion what important factors have led leading Japanese companies to establish automobile assembling/manufacturing plants in selected developing countries? Identify five factors and substantiate them with brief explanations.

Suggested Answer:-

The leading Japanese companies have established automobile assembling or manufacturing plants in selected developing countries due to the following reasons:
(i) The developing countries are witnessing significant economic growth and increase in population which has created very large markets for various types of vehicles. Establishment of automobile assembly/manufacturing plants locally would fulfill the demand/supply gaps in these countries.
(ii) Labour and other manufacturing costs are on the high side in Japan and the high prices of imported vehicles from Japan would be beyond the reach of a large segment of the market.
(iii) The strong Japanese Yen makes the price of imported vehicles very expensive in the developing countries and would restrict the size of the market
(iv) Transfer of technology and creation of job opportunities are viewed favourably by the governments in the developing countries and they offer liberal tax concessions to the Japanese companies to establish assembling/manufacturing facilities in their countries
(v) The domestically assembled/manufactured vehicles of various types and models are adapted to meet the local requirements in terms of prices and their suitability for the particular developing countries.

(49) Question Background: Winter 2011, Q # 9 (b). Syllabus Topic:

Describe briefly the Political Factors which should be taken into consideration by a multinational corporation while evaluating a decision to make substantial direct investment in a foreign country. (03 M)

Suggested Answer:-

The following Political Factors should be taken into consideration by a multinational company while evaluating a decision to make substantial direct investment in a foreign country:

(i) Form of the Government and its Stability - a government having the support of its citizens and enjoying political stability would provide continuity to its economic and financial policies which would be beneficial for MNC.

(ii) Attitude towards Private and Foreign investment - a government which pursues policies of encouragement towards private investment, including foreign investment, would be considered favourably as against policies which pursue government ownership of business enterprises.

(iii) Relations with other countries - a country which has good relations with other countries would be considered favourably as it would provide stability and sustained long-term operations for MNC’s business.

(50) Question Background: Winter 2011, Q # 10 (a). Syllabus Topic:

Selection and recruitment of candidates requires careful assessment of the diversified attributes of the prospective candidates. Besides interviews, different types of tests are administered to ascertain the suitability of candidates for the positions for which they are being considered for appointment.

(a) Explain briefly the purpose of each of the following types of tests which are administered to candidates in the selection process.

(i) Intelligence Tests
(ii) Proficiency Tests
(iii) Aptitude Tests

(03 marks)

(b) State two qualities of a well-conceived Selection Test and indicate why they are important. (02 marks)

(c) Identify the different situations in which it may be considered necessary for an organisation to dismiss an employee. (05 marks)

Suggested Answer:-

(a) The purpose of different types of tests administered to the prospective candidates is:

(i) Intelligence Tests: Intelligence Tests are administered to measure the candidate’s ability to think logically, analyze the pros and cons of problems and make rational decisions. Intelligence Tests may also be used to determine the candidate understands of social values and customs.

(ii) Proficiency Tests: Proficiency Tests are designed to evaluate the candidate’s level of skills, expertise and competence to perform the particular task for which the individual is being considered for recruitment.

(iii) Aptitude Tests: Aptitude Tests are conducted to ascertain the candidate’s ability to work with others in a team environment, handle work-related stress and cope with the various demands of the job.
(b) A well-conceived Selection Test should have the following qualities:
(i) A high degree of validity - that is it should be capable of measuring attributes which it seeks to evaluate in the candidate
(ii) A high degree of reliability – that is should provide results which have a high degree of consistency among the various candidates.

(c) It may be necessary for an organisation to dismiss an employee in the following situations:
(i) The abilities of the employee have been impaired and it is not possible for the individual to continue to perform the assigned duties satisfactorily.
(ii) The employee has indulged in serious misbehaviour/indiscipline with the supervisor or peers and this conduct is not conducive to the good working environment of the organisation.
(iii) The employee cannot continue to work as it would be in contravention of the legal requirements/ laws of the country.
(iv) The employee is involved in corruption/misappropriation of the employer’s properties.
(v) The employee has divulged company’s confidential/proprietary information to competitors.
(vi) The employee has attempted or made unauthorized access in the company’s confidential information network with malicious intent.

(51) Question Background: Summer 2011, Q # 1 (a). Syllabus Topic:
A leading manufacturer of automobiles attaches high degree of importance to the competencies and skills of its front-line operational managers in the manufacturing and assembly lines. Identify and briefly explain the different types of competencies and skills required for effective performance by these managers.

Suggested Answer:-
The different types of competencies and skills required by front-line operational managers of an automobile manufacturing and assembly unit are:

**Technical Competencies and Skills:** Technical competencies and skills are necessary for knowledge of procedures and rules, performance and management of day-to-day activities and for understanding the manufacturing operations. Technical skills are essential for applying the procedures for routine work, such as setting work priorities, quality control, meeting schedules and conserving resources at the floor level. These skills are important for the front-line managers because they have to guide and supervise the production workers.

**Human Competencies and Skills:** These are interpersonal competencies and skills which enable managers to work effectively with other employees as team players. Human competencies and skills also include communication skills and the ability to motivate and lead subordinates and ensure discipline. Human Skills are important for front-line managers because they have to liaise with the workers as well as with other managers.

(52) Question Background: Summer 2011, Q # 1 (b). Syllabus Topic:
Employee Participation is often considered to be vital for the growth and development of individuals and teams to enable them to make effective contribution towards achievement of the goals of the organisation. List five advantages which employers seek to achieve by encouraging Employee Participation in the affairs of the organisation.
Suggested Answer:-

The advantages of Employee Participation in the affairs of the organization are:
(i) Employee Participation would improve decision making as the employees would acquire the necessary knowledge and insight to contribute effectively in this process.
(ii) Employee Participation would make the workers more willing to implement the decisions in which they have also been involved.
(iii) Employee Participation would help to improve internal communication and coordination and contribute towards better working relationships at all levels.
(iv) Employee Participation would tend to reduce the extent of supervision as the workers would be more conversant with the actual work because of their close involvement.
(v) Employee Participation would enable the employees at all levels to acquire new skills and develop leadership qualities.
(vi) Create an attitude change and ownership of the organization and tasks improving the productivity.

(53) Question Background: Summer 2011, Q # 2 (a). Syllabus Topic:

Identify the force of competition which is relevant in the context of Michael Porter’s Five Forces Model of Competition in each of the scenarios presented below. Substantiate your answer by highlighting the salient features of the Model of Competition selected by you in each of these scenarios.

(i) Four companies of similar size and strength are engaged in the manufacture of detergent powder for washing clothes. These companies are key market players and jointly share 95% of the aggregate market which is not expected to witness any significant growth in the foreseeable future.
(ii) Sound health Pharmaceuticals and Good care Pharmaceuticals are manufacturers of two new medicines for treatment of cancer. The medicines have been developed after a long period of research at a very substantial R&D cost and are highly effective. Both the existing manufacturers are earning exceptionally high profits in a market which is expected to witness growth in the future.
(iii) Lucky Coal Mines Limited is the sole supplier of coal to a cement plant located in close proximity to the mines. The cement plant requires substantial quantities of coal for firing of its kilns. Quality of this coal is most suitable for the cement plant and also cost-effective due to low transportation costs. Lucky Coal Mines has several buyers who are willing to purchase the coal because of its high calorific value.

Suggested Answer:-

(i) Rivalry among Existing Firms: Since companies of equal size and strength are involved in competition in a market which is not expected to show any growth, the strategies pursued by any one company can be successful to the extent that it has competitive advantage over the strategies of its rivals. Price competition, campaigns for creation of perceptions of quality differentiation, more convenient and attractive packaging features and aggressive promotion would be observed among the competing firms.

(ii) Potential Threat of Entry of New Competitors: Since the market has significant growth prospects and present firms are earning lucrative profits, there would be a strong attraction for other resourceful companies to enter this market. Although a new entrant would have to incur huge research and development costs to develop the specialized products, yet threats from successful and experienced companies would always be present.

(iii) Bargaining Power of the Supplier: Lucky Coal Mines is in a strong bargaining position. It can sell its coal to many other buyers whereas the cement plant would have to incur high transportation costs - switching costs -
if it were to procure coal from other mines which are located at a considerable distance. Furthermore, the quality of coal from other sources may not be as suitable for the cement plant. Lucky Coal Mines can therefore dictate its terms e.g. price, advance payments on placement of orders and recovery of transportation costs from the cement plant.

(54) Question Background: Summer 2011, Q # 2 (b). Syllabus Topic:

Unique Textile Mills are leaders in the designing and manufacturing of cotton fabrics for ladies fashion clothing. Identify four Strategic Objectives which in your opinion may be included in the strategic planning process of Unique Textile Mills.

Suggested Answer:-

Unique Textile Mills should include the following objectives in its strategic planning process:
(i) Maintain and consolidate its leadership status as designers and manufacturers of high fashion fabrics.
(ii) Innovate; Bring new designs in the market well in advance of the competitors.
(iii) Minimize the time involved in the stages of Designing, Manufacturing and marketing of the products.
(iv) Play a pioneering role in introducing the latest technologies and textile machinery in the country.
(v) New distribution channels: Create a network of company-owned retail outlets for distribution of exclusive high-value fabrics.
(vi) Reduce the cost of manufacturing and venture into vertical integration

(55) Question Background: Summer 2011, Q # 3. Syllabus Topic:

Symco Bank Limited has introduced significant changes in its organizational structure and downsized its operations so that it may be able to provide more efficient services to its customers and meet intense competition from other banks.

(a) Define Downsizing and very briefly describe its impact on the Bank’s organizational structure.

(b) List the important considerations which should be kept in perspective by the HR Manager of the bank while pursuing a policy of downsizing.

Suggested Answer:-

(a) Downsizing is the process of reducing the number of employees with the purpose of making the organization more efficient and responsive to the changes in its business environment. It results in more flat organizational structures, greater delegation of authority and responsibilities, improved communication within the bank and more functions being performed at the lower echelons in the organization, close to the points of interaction with the customers.

(b) HR Manager of the bank should keep the following considerations in perspective while pursuing a policy of downsizing and lying off of employees:
(i) The downsizing process should be transparent and objective and not convey any impression of favouritism or create a feeling of victimization.
(ii) The laying off of employees should not demoralize the surviving employees or pose a threat to their job security concerns which would affect their morale and performance.
(iii) The layoffs should not result in loss of all employees who are performing important functions and are conversant with the internal procedures of the bank.
(iv) The remaining staff should not be excessively overburdened as they would have to carry the additional workload which was handled by the employees who have been laid off.
(v) The downsizing should not lead towards excessive consolidation of duties and responsibilities which may result in compromising the important controls and security aspects of the bank’s operations.
(vi) The bank should not have negative image in the financial circles nor should the customers have any apprehensions about the goodwill and long-term financial standing of the bank and its ability to continue to render good service to the customers.
(vii) Before downsizing there should be a fresh appraisal / performance competence done and results taken in consideration.

(56) Question Background: Summer 2011, Q # 4. Syllabus Topic:

(a) What is meant by Market Research? (02 marks)
(b) Give four basic reasons why companies conduct market research. (04 marks)

Suggested Answer:

(a) Market Research is the systematic designing, collection, analysis and reporting of data relevant to distribution and selling of goods and services in a specific marketing environment facing an organization.

(b) The basic reasons for undertaking market research are as follows:
(i) To identify market opportunities and problems and determine the need for changes in marketing plans;
(ii) To evaluate and predict consumers behavior which may influence their decisions for purchase of various goods and services;
(iii) To analyze the marketing strategies of competitors and their impact on the firm’s business;
(iv) To formulate product development, pricing, promotion and distribution strategies to achieve optimal results.

(57) Question Background: Summer 2011, Q # 5. Syllabus Topic:

You have recently been appointed as Human Resource Manager of Fine Electrical Company Limited (FECL), a leading manufacturer of a wide range of household appliances. The company has over 800 employees working in the various departments involved in the manufacture of its different product lines. You have observed that FECL does not have a system of Formal Succession Planning Scheme in the company.

Required: (a) Explain briefly what is meant by Formal Succession Planning (03 marks)
(b) Briefly explain to the management of FECL the advantages of introducing a Formal Succession Planning Scheme in the company. (05 marks)

Suggested Answer:

(a) Formal Succession Planning is an important HR function as it ensures availability of sufficient number of appropriately qualified and competent employees from internal sources to meet the future HR needs of the organization. Suitable employees are identified in the early stages of their careers and are groomed through a process of job rotation and training, to assume more responsible positions in the organization arising due to promotions, transfers, retirement or death of key employees.

(b) The main advantages which would accrue to FECL by introducing a Formal Succession Planning Scheme are as follows:
(i) It would enable FECL to anticipate HR requirements in advance and avoid awkward problems arising due to delays in identifying and recruiting suitable employees from external sources to fill in key vacancies.
(ii) It would enable the company to identify high-potential employees at an early stage whose career paths can be planned for promotion to higher levels in the organization hierarchy.

(iii) It would align the HR function of career path planning of employees with the overall corporate and strategic planning objectives.

(iv) It would increase the managerial depth within the organization which can readily fill in the positions when necessary.

(v) It would provide internal promotion opportunities for the employees to increase their level of motivation and commitment towards the company.

(vi) It would reduce the risk of inducting employees from external sources at higher levels who may not be able to assimilate in the corporate culture of FECL and work in a cohesive team environment.

(vii) Positive goals for key personnel, which will help keep them with the company and will help assure the continuing supply of capable successors for each of the important positions included in the succession plan.

(viii) Defined career paths, which will help the company recruit and retain better people.

(58) Question Background: Summer 2011, Q # 6 (a). Syllabus Topic:

What is Market Penetration Policy? Identify the conditions in which Market Penetration Policy may be pursued to achieve optimum results. (06 marks)

Suggested Answer:

Market Penetration Policy aims to charge low prices of the product to capture a large share of the market or achieve large volume of sales.

Market Penetration Policy may be pursued to achieve optimal results under the following conditions:

(i) Discourage existing and potential competition in a highly competitive market.

(ii) Sufficient production capacity exists and the firm is prepared to sacrifice short-term profits to capture a major share of the market.

(iii) Market is price sensitive and a low price would result in rapid growth of the market.

(iv) Manufacturing and distribution costs would show a downward trend with increase in production and the size of the market.

(59) Question Background: Summer 2011, Q # 6 (b). Syllabus Topic:

Explain briefly what you understand by the term Market Segmentation. State the criteria which are essential for classification of markets in different segments. (05 marks)

Suggested Answer:

Marketing Segmentation is a process of dividing the total market into several distinct groups with each group having certain homogeneous characteristics. The groups can be formed on the basis of their geographic locations, income levels, age groups, educational qualifications, psychological behavior, buying habits and cultural backgrounds, etc.

The markets can be divided into segments if the segment fulfills the following criterion:

(i) The market segment must be capable of classification as a distinctly identifiable and measurable group having common characteristics.

(ii) The market segment must be of a size which is sufficiently large to elicit interest of the seller in term of its sales revenue and profit potential.
Highly Creative Strategic Planners in progressive organizations have innovative mindsets and do not merely project past strategies in the future but are continuously engaged in “out of the box” thinking to explore new opportunities beyond the existing strategy framework. Identify the distinguishing characteristics of organizations which pursue innovative corporate strategies. (09 marks)

Suggested Answer:

The distinguishing characteristics of organizations which pursue innovative corporate strategies are:
(a) They compete in the market on the basis of their differentiated superior products/services as compared to the offerings of other companies;
(b) They are continuously searching for new growth platforms for their business and are several steps ahead of their competitors;
(c) They are able to anticipate threats from competitors and seek to respond with new or better products/services to sustain their competitive advantage;
(d) They are always making efforts to develop new and innovative products to provide greater customer value;
(e) They are forward looking visionaries and are continuously searching for means to change their strategic direction;
(f) They value management cohesiveness at all levels and both the strategy planners and those involved in implementation of the strategy work in close collaboration.

Distinguish between a global business strategy and a multi-domestic/adaptive business strategy. Identify a real life example of each strategy and give reason for your choice. (06 marks)

Suggested Answer:

A global business strategy specifies a standardized worldwide product and marketing strategy by which a firm sells the same product in essentially the same manner throughout the world by highlighting its main features such as quality, specifications, warranty, packaging, etc. A multi-domestic or adaptive business strategy is one in which the firm treats each market in a different manner and develops products and marketing strategies which appeal to the varying customs, tastes and buying habits in the different national markets.

Real Life Example of a Global Business Strategy - photocopiers, medical equipments, chemicals, cement, steel, etc are not sensitive to differences in cultures and are sold in different markets highlighting similar features and attributes such as quality and convenience, etc.

Real Life Example of Multi-domestic or Adaptive Products strategy - Food products such as fast foods, apparel and clothing, cosmetics, etc. which are adapted to meet the consumption habits, tastes and cultural sensitivities and unique requirements of the different markets.

What are the key financial decisions which should be made by the management while contemplating direct investment in a foreign country by formation of a subsidiary company? (05 marks)
**Suggested Answer:**

The key financial decisions which should be made by the management while contemplating investment in a foreign subsidiary company are:

(i) Should the parent company invest in the subsidiary as a wholly owned company or should the parent company retain only a majority interest in the subsidiary?

(ii) If the parent company decides to retain only a majority interest, then should the subsidiary raise equity through a resourceful local investor in the host country or should it make a public offering of its shares?

(iii) Should the subsidiary be financed substantially through equity investment or should it raise debt financing to meet a large proportion of its capital costs?

(iv) Should the subsidiary make the borrowings in the local currency of the host country or in any other currency to avail benefits of exchange fluctuations?

(v) Should the subsidiary distribute a large portion of its profits as high dividends or should it retain a substantial portion of its earnings to meet the cost of its expansion strategy?

(vi) Should the subsidiary raise the bulk of its working capital requirements through borrowings from banks or should it place heavy reliance on trade credit?

**Question Background: Summer 2011, Q # 9. Syllabus Topic:**

A multinational company which has its headquarters in the UK pursues a strategy of exercising very close control and centralization of all important decision-making processes of all of its four overseas subsidiary companies. **Identify four factors which in your opinion may have influenced the MNC’s strategy of implementing highly centralized decision making policies for its subsidiary companies.** (10 marks)

**Suggested Answer:**

The factors responsible for the MNC’s policy of close control and centralized decision making for the subsidiary companies are:

(i) Large size of the subsidiary companies and Substantial Capital Investment - Due to the large size of the individual entities and substantial investment of the MNC in the subsidiary companies, their performance can have far-reaching implications on the financial standing and profitability of the MNC.

(ii) Access to technology and manufacturing process - The manufacturing process in the subsidiary companies involves sophisticated technology which has been developed by the MNC at a very high R&D cost. The technology is closely-guarded and the parent company wants to ensure maximum security and confidentiality of this technology.

(iii) Operations of the subsidiary companies are closely integrated and inter-dependent - The operations of the subsidiaries are closely integrated and interdependent and unsatisfactory performance of any one company can have adverse impact on the performance of other group companies, including the MNC itself. There is therefore the need for more centralized control and supervision of the subsidiaries.

(iv) Stringent Targets - If the products manufactured by the subsidiaries have to conform to stringent quality control requirements stipulated by the parent company or if the operations are of a highly environmentally sensitive nature, then the parent company would want to exercise more close control of the subsidiary companies. Any lapse or mishap by the subsidiary can have far-reaching adverse impact on the standing and reputation of the parent company.
(65) Question Background: Summer 2011, Q # 10. Syllabus Topic:

List ten responsibilities/obligations which employers must fulfill to ensure that the issues of Health and Safety are addressed adequately in a manufacturing environment. (05 marks)

Note: Explanations are not required

Suggested Answer:-

(i) The plant and equipment must be maintained according to the specified standards.
(ii) The employees must be provided training for compliance with the safety procedures.
(iii) The Safety Policy should be communicated to all the employees
(iv) Instructions for proper handling of equipment should be displayed prominently in the work areas.
(v) Employees who are exposed to risks should be provided proper safety gear.
(vi) All moving parts which may cause injuries to the workers should have protective fencing.
(vii) All slippery floors areas should display adequate warning signs.
(viii) First aid boxes with necessary supplies should be provided at various points.
(ix) Fire Alarms and firefighting facilities should be provided and checked and refilled at regular intervals.
(x) Health and Safety Advisors should conduct Workshops and Seminars at regular intervals.
(xi) Employees should immediately report all accidents on the prescribed Accident Reporting Forms.

(66) Question Background: Summer 2011, Q # 11. Syllabus Topic:

Briefly discuss the following:
(a) Business Ethics (2.5 marks)
(b) Environmental Scanning (2.5 marks)
(c) Tactical Planning (2.5 marks)
(d) Backward Integration Strategy (2.5 marks)

Suggested Answer:-

(a) Business Ethics is a code of moral principles that management and employees follow with respect to what is right and what is wrong from the standpoint of the organization’s dealings and interactions with its stakeholders. Besides generally acceptable values and norms, the organizational culture and internal policies of individual organizations play a very important role in determining the ethical policies that are followed in the company. The guidelines for proper ethical conduct are embodied in the company’s Formal Code of Ethics.

(b) Environmental Scanning is the process of collecting information about the external marketing environment in order to identify and interpret potential trends. It includes analysis of collected information to anticipate whether the trends represent opportunities or threats. Environmental scanning includes assessment of political developments, economic trends and social and cultural influences which would affect the organization.

(c) Tactical Planning refers to the day-to-day plans regarding implementation of the different work activities required to achieve the objectives of the strategic plans. Tactical Plans pertain to the current and short-term activities performed by low-level managers which are nevertheless of vital importance for implementation and achievement of the objectives of the overall strategic plans.

(d) Backward Integration Strategy seeks the ownership or increased control of the firm’s sources of important raw materials and other critical inputs and supplies. Backward integration strategies are pursued in situations where the suppliers are unable to adhere to the buyers specifications of quality, or are unreliable in meeting their commitments or are few in number and dictate unreasonable terms or charge exorbitantly high prices to take advantage of the buyers who are heavily dependent on the inputs from these suppliers.
(67) Question Background: Winter 2010, Q # 1 (a). Syllabus Topic:

Dental Equipments Limited (DEL) is engaged in the business of manufacture of a wide range of equipments used by private dentists as well as leading hospitals. The Company strives hard to achieve sustainable growth and meet the requirements of highly demanding dentists who want the “very best and the latest” equipments to serve their patients. DEL has recently observed a trend of unethical practices followed by its sales representatives. The sales representatives who are not able to meet their targets, book fictitious sales at year ends and later record them as sales returns. They also share a portion of their commissions with the purchase representatives of the major hospitals. **State what policy measures DEL should adopt to eliminate the unethical practices of the sales representatives.**

Suggested Answer:

DEL should adopt the following policy measures to eliminate the unethical practices followed by the sales representatives:

(i) Create a written Company Code of Ethics and circulate it to each member of the sales department. This would eliminate the ambiguities and help the employees to differentiate between what is considered to be acceptable behaviour and what is unethical behavior.

(ii) Issue clear and specific instructions, requiring adherence to the norms of ethical behaviour. These instructions would be deterrent for the sales representatives and dissuade them from engaging in unethical practices.

(iii) The consequences of indulging in unethical behavior should be stated clearly in the Code of Ethics.

(iv) Sales Representatives who are unable to achieve their allocated targets fully should also be rewarded on an appropriate basis.

(v) DEL should sponsor and organize seminars and workshops on Ethics to emphasize the importance of ethical behaviour.

(68) Question Background: Winter 2010, Q # 1 (b). Syllabus Topic:

**State the situations in which an MNC would prefer to operate in a foreign country as a branch instead of establishing a subsidiary company.**

Suggested Answer:

It would be advantageous to establish branch operations in a foreign country instead of an overseas subsidiary company in the following situations:

(i) If the foreign business is not expected to be profitable in the initial years and therefore the losses of the subsidiary company can have a negative effect on the image of the MNC.

(ii) If the legal and accounting formalities of the branch operations are more simple vis-à-vis those involved in a subsidiary company.

(iii) If the MNC does not intend to have a long term presence in the foreign country, it would prefer to establish branch operations.

(iv) If the amount of investment involved in the foreign country is of a nominal amount and it may be advisable to set up branch operations instead of a subsidiary company.

(v) If it is advisable to have a low operating profile to achieve the business objectives.
(69) Question Background: Winter 2010, Q # 2. Syllabus Topic:

List and explain briefly four factors which in your opinion create Exit Barriers and prevent existing participants from quitting a loss-incurring industry.  

(08 marks)

Suggested Answer:-

The factors which create Exit Barriers and prevent existing participants from quitting a loss-incurring industry are:

**Substantial Investment in Highly Specialized Fixed Assets:** This is particularly relevant in capital-intensive industries which require very large investments in specific-purpose building and machinery. These assets do not have alternative uses and their salvation value is usually low. The substantial initial capital costs and low salvation value of the assets would result in heavy losses and create exit barriers.

**High Redundancy Costs:** Organizations having a large workforce with high salaries or contracts that stipulate high redundancy payments have to incur substantial costs by way of severance payments to its employees to exit from the industry. These payments require heavy cash outflows and act as exit barriers.

**Ancillary Costs of Closure of Business:** The organization may have entered into long-term contractual agreements with important suppliers or buyers and tenancy agreements carrying substantial penalties in the event of premature termination of these agreements. The high costs of premature termination of agreements are exit barriers as the closure of business would cause huge losses.

**High Fixed Operating Costs:** An organization which has very high fixed operating costs and is faced with unfavourable business conditions may continue operations if it is able to recover its variable costs fully and a portion of its fixed costs. This is particularly relevant if the unfavourable conditions are considered to be of a temporary nature and the firm is optimistic about the prospects of an upturn and recovery from its current difficulties. This type of composition of preponderance of fixed costs acts as an exit barrier.

(70) Question Background: Winter 2010, Q # 3. Syllabus Topic:

Identify the business strategy/policy/tool which an organisation is pursuing in each of the following situations:

(a) In 1990, Sony launched the first High Definition (HD) TV in the market at a price of $43,000 per set. These TV sets were purchased by customers who could afford to pay the high price for the new technology. After reaping the maximum profits and recovery of the sunk R&D costs, the price was gradually reduced in 1993 to $6,000 for a 28” TV set to attract new customers. This strategy is called __________.

(b) The management tool that enables a firm to classify its range of products according to their current market share and expected growth is called __________.

(c) The assessment tool used to compare and identify the variance between a firm’s current market coverage and potential market opportunities for its products is called __________.

(d) A company which has capabilities to manufacture a complete line of superior quality ball bearings for a wide range of original equipment manufacturers and industrial users is pursuing a strategy of __________.

(e) If a company engaged in the textile manufacturing business acquires majority holdings in a sugar mill, a motor car manufacturing plant and a private airline; it is pursuing a __________ strategy.

(f) The chief executive officer who makes alternative plans to deal with emergencies or unexpected situations prior to their occurrence is pursuing a __________ strategy.
(g) A firm uses different brands of essentially the same product to target different market segments is pursuing a _________ strategy.

(h) A bank which strives to develop better understanding of the customer’s needs and satisfy them to create customer loyalty is adopting a policy of _________.

(i) A method of demand forecasting in which a firm markets its new products in a limited geographical area to ascertain consumer response and from this sample develops projections of the size of market over a larger area is called _________.

(09 mark)

Suggested Answer:

The business strategy/policy in each of these situations is:

(a) Market Skimming Pricing Strategy
(b) BCG Matrix
(c) Gap Analysis
(d) Product Specialization
(e) Conglomerate Diversification or Conglomerate Expansion Strategy
(f) Contingency Planning Strategy
(g) Multi-brand Strategy
(h) Relationship Marketing
(i) Test Marketing

(71) Question Background: Winter 2010, Q # 4 (a). Syllabus Topic:

Recruitment of the right type of staff is of critical importance for the short term as well as the long-term success of an organisation. Induction of unsuitable employees creates difficulties for an organization in the achievement of its goals, undermines the morale of other employees and has adverse effects on the individuals themselves as they are misfit and unable to make worthwhile contribution towards the organization.

Required: Briefly describe qualities that a skilled recruiter should possess in order to be able to evaluate prospective candidates for recruitment in a performance–oriented organization

(06 marks)

Suggested Answer:

A skilled recruiter should:

(i) Possess knowledge about the job to be filled – The recruiter should have a clear understanding of the job and be able to ascertain whether it is necessary to induct a new employee or the work can be handled adequately by reorganizing or reallocating other jobs. If the job is necessary then the duties and responsibilities attached to the job should be clearly spelt out.

(ii) Possess insight in the attributes and qualities of the individuals to perform the job – The recruiter should be aware of the qualifications, experience and skills necessary to perform the job.

(iii) Have knowledge of the sources and the means of attracting a range of suitable candidates – In case it is necessary to recruit from external sources, the recruiter should be aware of the sources where suitable applicants are available, identify the potential candidates and adopt appropriate methods of recruitment.

(iv) Possess skills to evaluate the candidates who are most suitable for the job – The recruiter should have insight in the methods of obtaining information about the candidates and be able to apply the appropriate methods for selection of the right candidate.

(72) Question Background: Winter 2010, Q # 4 (b). Syllabus Topic:

A leading hospital which has a network of facilities at several locations in Karachi and also in other cities intends to invite applications for the posts of Laboratory Technicians at its various facilities. List six important items that should be contained in an advertisement to be placed by the hospital in a newspaper having wide circulation in several cities in the country.

(03 marks)
Guggested Answer:-

The advertisement should contain the following information:
(i) Requirements of the job specifications stating main tasks to be performed and the responsibilities associated with the position.
(ii) Outline of the hospital’s network and its reputation, working conditions, the facilities available in the hospital and professional capabilities of the staff.
(iii) Location(s) at which the technicians would be posted.
(iv) Compensation package including fringe benefits.
(v) Specifications of job requirements such as education, professional training, particular skills and experience.
(vi) Name /designation of the individual to whom the application should be sent and last date for receipt of applications.

(73) Question Background: Winter 2010, Q # 5 (a). Syllabus Topic:

List the following methods of payment for the imported products which are most advantageous from the perspective of an importer in descending order.
(i) Open Account    (ii) Sight Letter of Credit    (iii) Consignment    (iv) Usance Letter of Credit (02 M)

Suggested Answer:-

The methods of payment in the order of preference for the importers are:
(i) Consignment    (ii) Open Account    (iii) Usance Letter of Credit    (iv) Sight Letter of Credit

(74) Question Background: Winter 2010, Q # 5 (b). Syllabus Topic:

State six constraints which in your opinion act as impediments towards attracting foreign investments in an underdeveloped country (03 marks)

Suggested Answer:-

The constraints which act as impediments towards attracting foreign investment in an underdeveloped country are:
(i) Poor infrastructure facilities of roads and communications.
(ii) Currency depreciation of the underdeveloped country.
(iii) High costs of energy inputs and their unreliable availability.
(iv) Absence of laws relating to patents, copyrights and intellectual properties.
(v) High Risk of political instability in the country.
(vi) Widespread corruption in the government and other social sectors.
(vii) Lack of education and non-availability of a skilled and competent work force.
(viii) Absence of generally accepted accounting principles.
(ix) Uncertain long-term economic and financial policies.

(75) Question Background: Winter 2010, Q # 5 (c). Syllabus Topic:

List four advantages of adopting market-based transfer pricing policies. (04 marks)

Suggested Answer:-
The advantages of market-based transfer pricing policies are:
(i) The individual units would achieve high level of efficiency as they can negotiate most favourable market-based prices as if they were independent units.
(ii) The selling unit would make efforts to improve the quality of the products in accordance with the requirements of the purchasing unit.
(iii) The performance of the individual units can be evaluated more objectively.
(iv) The tax authorities would accept more favourably a market-based transfer pricing policy.

(76) Question Background: Winter 2010, Q # 6 (a). Syllabus Topic:

A well-established and successful Chinese company engaged in the business of manufacturing of a wide range of home appliances such as refrigerators, washing machines, microwave ovens and assorted juicers and blenders intends to launch its products in Pakistan. The Company’s management is of the opinion that its products have significant cost and quality advantages and can capture 4-5 percent share of Pakistan’s market in 5 years.

Identify and list at least twelve key parameters which should be considered by the company for an objective evaluation of the Export Market Potential. (06 marks)

Suggested Answer:-

<table>
<thead>
<tr>
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<th>Market Accessibility:</th>
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<td>(x) Resourcefulness of potential distributors</td>
<td>(xviii) Level of education</td>
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(77) Question Background: Winter 2010, Q # 6 (b). Syllabus Topic:

Some companies enter into Licensing Arrangements with the overseas companies as an alternative to direct exporting. Identify the advantages that such companies seek to achieve by following this strategy. (05 marks)

Suggested Answer:-

Companies enter into Licensing Arrangements with overseas companies instead of direct exporting to obtain the following advantages:
(i) Direct Exporting may be unattractive because of tariffs, quotas or other import restrictions in overseas markets.
(ii) Licensing may allow fairly rapid penetration of overseas markets.
(iii) Licensing does not require substantial financial resources.
(iv) Political risks are reduced since the licensee is likely to be a local company.
(v) Local production may be the only feasible option in the case of bulky products such as cement and flat glass.
(78) Question Background: Winter 2010, Q # 7 (a). Syllabus Topic:

Explain the meaning of Brand Equity. (02 marks)

Suggested Answer:-

Brand Equity is the differential effect of awareness and familiarity of the brand name on the customer response to the quality of a product or service. It is a measure of the brand’s ability to capture and retain the preference and loyalty of the consumers. A brand has positive brand equity when consumers react more favourably to it than to any generic or other branded versions of the same product.

(79) Question Background: Winter 2010, Q # 7 (b). Syllabus Topic:

Silkfinish Paints Limited (SPL) are manufacturers of a wide variety of superior quality paints which are used in interior and exterior finishing of residential, commercial and industrial buildings. SPL intends to launch an aggressive “Pull Strategy” to counter competition from new entrants who are offering lucrative margins to the retailers to promote their products which are inferior in quality and priced much below the prices of SPL’s products.

(i) What is meant by Pull Strategy? (02 marks)

(ii) Explain briefly what advantages SPL is seeking to achieve by launching an aggressive Pull Strategy. (03 marks)

Suggested Answer:-

(i) A Pull Strategy is a promotional strategy in which considerable expenses are incurred in advertising and customer promotion to attract the final consumers who seek to purchase the products on the strength of its brand name.

(ii) SPL intends to launch an aggressive Pull Strategy to achieve the following advantages:
• Further strengthen the brand image for its products and create greater brand awareness among the quality conscious customers.
• Differentiate its products from those of the competitors and create value for the customers who would be willing to pay a premium price for the products.
• Create customer loyalty by emphasizing that the long-term advantages of superior quality paints far outweigh the apparent savings offered by competitors by way of lower prices.

(80) Question Background: Winter 2010, Q # 8 (a). Syllabus Topic:

The role of Human Resource Managers in companies which have a very large workforce has assumed increasing importance and they are now more closely involved and proactive in the Formulation and Implementation of Strategies at the corporate level. State the areas of specific responsibilities which fall in the domain of a Senior Human Resource Manager involved in the Formulation and Implementation of overall Corporate Strategy of an integrated textile mill having over 15,000 employees in various cadres. (10 marks)

Suggested Answer:-

A Senior Human Resource Manager involved in the Formulation and Implementation of Strategy at the corporate level of a textile mill having 15,000 employees should have responsibilities to achieve the following objectives:
(i) The organizational structure should be appropriately designed to achieve the overall corporate objectives. The organizational structure should capitalize on internal strengths and strive to remove internal weaknesses which may be impediments to the achievement of the objectives.

(ii) The company’s objectives and goals should be communicated and well understood by the employees at all levels.

(iii) The various divisions and departments should work in close coordination to achieve the main goals and objectives of the company. Areas of friction and conflict which may undermine performance should be identified and rectified at appropriate levels.

(iv) The managers at all hierarchical levels should make effective plans to achieve the business and operational goals and targets entrusted to their respective departments.

(v) The job descriptions and job specifications should be precisely defined and clearly understood by the employees at all levels.

(vi) The organization’s reward system, including benefits and policies of promotion should be fair and equitable and designed to achieve optimum employee performance at all levels.

(vii) The policy issues of training, job rotations, career path and succession planning should be accorded the necessary degree of importance and be implemented in an objective and fair manner.

(viii) The employees should be kept fully motivated and their morale and commitment should be high at all times. The employees should take pride in their association with the company.

(81) Question Background: Winter 2010, Q # 8 (b). Syllabus Topic:

What is meant by a Strategic Business Unit (SBU)?

Suggested Answer:

A Strategic Business Unit (SBU) is an independent unit within a large organization and has its own staff, financial resources and products. A separate SBU pursues its own marketing strategy and is established on the premise that a single strategic approach is not always appropriate in a large diversified organisation which markets different products to serve the needs of a wide range of customers.

(82) Question Background: Winter 2010, Q # 9. Syllabus Topic:

Management has to expend considerable efforts in devising business strategies to achieve corporate objectives and goals effectively.

(a) Why do companies accord importance to the pursuance of a formal Strategic Planning Process?

(b) Explain the different steps which the management has to undertake in the formulation and implementation of a well-considered business strategy.

Suggested Answer:

(a) Companies accord importance to the pursuance of a formal Strategic Planning Process to achieve the following objectives:

(i) A formal Strategic Planning Process helps to identify the opportunities and risks involved in the company’s business. The company can make well-considered strategies and adopt measures to seize the opportunities accruing from its internal and external strengths and also reduce the various business risks.
(ii) A formal Strategic Planning Process enables the company’s top management to be involved in proactive thinking of the business objectives and taking coordinated actions relating to deployment of resources to achieve its strategic goals.

(iii) A formal Strategic Planning Process ensures the participation of management and the staff who are seized with the task of achievement of the business objectives. The staff at all levels develop understanding of the productivity-reward relationship in the strategic plans which increases their motivation and reduces the adverse impact of resistance to change.

(iv) A formal Strategic Planning Process is essential to create alignment of the company’s short-term, medium-term and long-term targets for achievement of the company’s objectives.

(v) A formal Strategic Planning Process is essential for optimum coordination of the corporate, business and functional strategies for achievement of the Company’s objectives.

(b) In the formulation of a well-considered Business Strategy, the management conducts an Appraisal of the company’s internal and external environment. For this purpose SWOT Analysis may be carried out in order to find ways for (a) exploiting the company’s strengths to help achieve short-term and long-term objectives and (b) reviewing the weakness and threats faced by the company from the following standpoints.

The steps in the implementation of a well-considered Business Strategy are:

(i) Organizational Structure: Organization Structure is suitably integrated for achieving harmony among the various departments and functions and co-ordination at all levels.

(ii) Human Resources: Human resources with necessary skills and proper motivation are deployed in appropriate positions for effective implementation of strategy.

(iii) Availability of Financial Resources: Adequate financial resources should be made available in time for implementation of the strategy.

(iv) Technology: Appropriate technological inputs are made available to support the performance necessary to achieve the objectives of the strategic plans.

(v) Decision Process: Sound policies and processes are developed to ensure that all significant decisions are taken on time and in a coordinated manner.

(vi) Monitoring and Control Systems: Appropriate systems are established to ensure that progress is monitored against the established standards on a continuous basis and deviations if any are identified for taking timely corrective actions for implementation of the strategic plans.

(83) Question Background: Winter 2010, Q # 10. Syllabus Topic:

One common factor which distinguishes well-managed and highly profitable service-oriented companies from their competitors is the competence and commitment of their human resources. The top companies assign very high priority towards the training and development of their staff and genuinely consider their human resources as their “key strategic assets.” In these companies, training and up-gradation of the quality of human resources, at all levels, is a continuous endeavor with active involvement of the senior management. Explain what competitive advantages these service-oriented companies expect to derive by committing resources towards training and development of a competent and committed workforce. (09 marks)

Suggested Answer:-

The well-managed service–oriented companies give high importance to staff training and development and create a cadre of competent and committed employees to derive the following advantages:
(i) The cadre of properly trained and competent staff who are fully knowledgeable of their duties and responsibilities can handle customers in a highly professional and courteous manner. The competent staff inspires confidence in the customers and helps to retain their loyalty, which brings repeat business.

(ii) Success of even the well-conceived corporate and business strategies of service-oriented companies depend to a considerable extent on the competence of their staff at various levels to deal with a variety of situations where proper handling is of vital importance towards the achievement of the corporate goals.

(iii) Properly trained and competent employees are able to avoid and handle accidents and mishaps and contribute towards the safety and security of customers, other members of the staff as well as the valuable physical assets.

(iv) A well-trained and competent work force at all levels requires less directions and supervision and is able to handle the various day-to-day issues promptly in a responsible manner to the satisfaction of the management. These companies can operate efficiently with relatively flat organization structures and lower operating costs.

(v) A competent, committed and motivated workforce is able to create a high degree of cohesion and team effort among the staff at various levels.

(vi) A well-trained and competent workforce with multi-skilled capabilities is able to handle varied and different assignments.

(vii) The new inductees who undergo formal training programs are better absorbed in the culture of the organization.

(88) **Question Background: Summer 2010, Q # 1. Syllabus Topic:**

Dandy Candies Limited (DCL) are manufacturers of a wide range of chocolates, candies and sweets catering primarily to the market segment comprising of children in the age group of 6-15 years. DCL’s products are well accepted in the market in Karachi and its adjoining metropolitan areas and two of its main brands are quite popular in the middle class segment of the market. The management has now realized that in spite of substantial capital investment in fixed assets and good quality of its products, DCL has not been able to exploit the full potential of the rapidly growing size of the market and achieve high level of operating capacity. The Board has recently appointed a new Marketing Director and has given him a target to increase DCL’s annual sales from the current level of Rs. 600 million approximately in each of the preceding 2 years to Rs. 1200 million in the next 3 years. Achievement of this target would launch DCL in the league of key market players and also significantly increase its profitability. The incoming Marketing Director has a track record of good performance in the consumer goods industry and achieving high sales targets by pursuing aggressive marketing policies through deep insight of the market dynamics. The Marketing Director is confident that he would be able to achieve the sales target set by the Board of DCL. **Briefly explain the Marketing Penetration Strategies which the Marketing Director should pursue to achieve the sales target set by the Board.** (10 Marks)

**Suggested Answer:**

The incoming Marketing Director of DCL may pursue the following Marketing Penetration Strategies to increase the Company’s annual sales from Rs 600 million to Rs 1200 million in the next 3 years.

(a) **Pricing:** DCL should reduce its prices to achieve a larger share of the growing market. This strategy would be particularly rewarding as the target market for children is assumed to be highly price sensitive and will result in substantial increase in the sales revenue. Besides, DCL’s average cost would decline with increase in production and better utilization of existing capacity. Pursuance of this pricing policy would therefore contribute towards increase in sales revenue as well as overall profitability of DCL.
(b) Increase in Promotion and Distribution Support: DCL should launch well-conceived advertising and promotion campaigns to attract those segments of the market in which its products are not consumed at present. It would also be necessary to identify and appoint competent new distributors who would aggressively promote DCL’s products. DCL should provide support to the retailers by way of prizes and gifts for distribution among the children and also sponsor special events to increase awareness of its products in the target market. DCL might have to explore both the push and pull marketing strategy along with media advertising

e) Product Modifications: DCL should introduce further product improvements and change design features from time to time to make the products more attractive for the children. This strategy would enable DCL to gain a larger share of the market as the consumers would increase the frequency of their purchases.

(d) Incentives to Marketing Staff: DCL should offer performance related incentives and special benefits to the marketing staff that are able to achieve and exceed the sales targets given to them.

(e) Market Development: DCL should introduce its products in new geographic areas besides Karachi which offer good opportunities of achieving larger share of the market and increase in sales revenue.

(39) Question Background: Summer 2010, Q # 2 (a). Syllabus Topic:

Identify the important functions which have to be performed by the Human Resources Department of a commercial bank which has a strength of 17,500 employees deployed in a network of 800 branches located throughout the country. The commercial bank is a well-reputed organization known for its fair business policies, progressive outlook and concern for development of a competent and well motivated cadre of employees.

(06 Marks)

Suggested Answer:-

The important functions which have to be performed by the Human Resources Department of the commercial bank are:

(i) Human Resource Planning
(ii) Recruitment, selection and induction of employees
(iii) Organization of departments and design of work flows
(iv) Preparation of job specifications and job descriptions of employees
(v) Salary and wage administration, including reward systems
(vi) Planning for posting and transfers of suitable staff in the various branches
(vii) Training and development of staff
(viii) Measuring and monitoring of staff performance
(ix) Instituting measures for improving motivation and morale of employees
(x) Succession planning of competent staff
(xi) Handling of employee grievances and complaints
(xii) Employee welfare, health and safety
(xiii) Compliance with employment legislation and other legal requirements.
(xiv) Maintenance of centralized records of all the branches.
(xv) Ensuring equality amongst all the branches, policies should be made at central level with equal remuneration and training opportunities for all the 17500 employees.
(90) Question Background: Summer 2010, Q # 2 (b). Syllabus Topic:

Research Studies by Human Resource experts have shown that successful organizations create internal work environments in which the employees are able to operate at their optimal levels of productivity. What are the important Human Resource Management practices which, in your opinion, contribute towards workforce optimization in a manufacturing plant with several integrated workshops and departments?

Suggested Answer:-

The important Human Resource Management practices which contribute towards workforce optimization in a manufacturing plant with several integrated workshops and departments are:

(i) **Hiring of Workers**: Workers are selected carefully on the basis of their skills to undertake the specialized jobs they are required to perform.

(ii) **Workforce Planning**: The strength of workers in various categories are determined in anticipation of the expected workload and measures are taken for ensuring their availability at the required point of time.

(iii) **Work Processes**: Work processes are well-defined and training is provided to the employees to enable them to perform their tasks in an efficient manner.

(iv) **Working Conditions**: The internal working conditions are conducive for maximum achievement and the management supports high levels of performance.

(v) **Performance Management Systems**: Well-designed employee performance systems are instituted in the organizations which are communicated and accepted by all the concerned employees.

(vi) **Conflict Management**: Conflicts due to differences in perceptions, role ambiguities and competition for resources must be contained and resolved by management in a fair and equitable manner to promote team effort for the achieving the organizational objectives.

(vii) **Reward System**: High level of performance is expected from the workers and they are adequately rewarded in a transparent manner for their good performance. Also reduce Staff turnover rate by providing adequate compensation and support.

(viii) **Employee Service**: Make sure that the staff is provided with healthcare incentives, proper maintenance of records and information system.

(91) Question Background: Summer 2010, Q # 3 (a). Syllabus Topic:

Identify and explain briefly six factors which have contributed to the significant increase in importance of International Trade in the preceding 3-4 decades.

Suggested Answer:-

The factors which have contributed to the increase in importance of International Trade in the preceding 3-4 decades are:

(i) Reduction in tariffs, quotas, exchange controls and liberalization of trade and investments have resulted in making the imported products competitive in local markets.

(ii) Phenomenal improvement in communication and transportation technologies have resulted in rapid movement of goods and consequent reduction in transportation costs.

(iii) Development of free-trade zones such as European Union and North American Free Trade Agreement have resulted in increase in international trade owing to preferential movement of goods and dismantling of high tariff regimes.
(iv) Global standardization and worldwide brand building with local adaption have created significant market opportunities in different countries.
(v) Substantial expenditures have been incurred on R&D and standardization of manufacturing and marketing techniques by global companies in industries such as manufacturing of pharmaceutical products, energy development, telecommunications, fast food, etc and such companies seek opportunities to apportion these costs to markets in different countries.
(vi) Important raw material exporting countries now have a growing class of affluent citizens and foreign residents which have resulted in the creation of substantial markets for import of vehicles, construction materials, equipment, edible products and luxury goods.

(92) Question Background: Summer 2010, Q # 3 (b). Syllabus Topic:

According to Michael Porter the nature of competitiveness in any industry is a composite of Five Forces. The Competitive Analysis model developed by Porter is widely followed for formulating business strategies in many industries. List the five Competitive Forces stated by Michael Porter. (05 Marks)

Suggested Answer:-

The Competitive Forces stated by Michael Porter are:
(i) Potential threat of entry of new competitors
(ii) Potential threat of substitutes
(iii) Bargaining power of buyers
(iv) Bargaining power of suppliers
(v) Rivalry among existing competitors

(93) Question Background: Summer 2010, Q # 4. Syllabus Topic:

Fine Sugar Mills Limited (FSML) owns and operates a sugar cane crushing plant for manufacture of refined sugar. The affairs of FSML are looked after by a team of professional management and the company ranks third amongst all the sugar mills in the country in terms of its sales and profitability. The Company has developed an extensive network of growers spread over a wide area who deliver cane at the factory site which is then crushed in the minimum possible time to achieve high rates of sucrose recoveries. Identify the key stakeholders of FSML and explain briefly why you consider each of these constituent stakeholders to be of vital importance for the sustainable and long-term profitable operations of the Company. (09 Marks)

Suggested Answer:-

Key stakeholders of FSML and their importance for the sustainable and long-term profitable operations of the Company are:
(a) Shareholders: The shareholders are the ultimate owners of the Company and it is important to maximize their wealth through sustained growth in real earnings and profitable expansion of the business.
(b) Distributors and Customers: The distributors and customers are important as the Company can operate profitably only if it is able to build long-term relationship with the distributors and the ultimate customers by offering quality products and value for money.
(c) Cane Growers: The sugar cane farmers are critical stakeholders as the Company has to build ongoing relationship with them for supply of good quality cane according to the pre-determined delivery schedules.
(d) Employees: The employees are important as the staff have to be trained and motivated to enable the Company to maintain and strengthen its reputation as a progressive company and be able to continue to operate as a profitable entity.
(e) Creditors: The creditors, including the banks, are important stakeholders as substantial amounts of finances are required by FSML for making payments to the cane growers, financing of stocks of sugar manufactured during the crushing season, purchase of components, parts and spares, etc. The creditors are important stakeholders as they have to provide funds to meet FSML’s requirements.

(f) Government: The government officials at various levels play an effective role for the smooth operations of FSML for movement of heavy traffic, maintaining law and order particularly during the crushing season, its role for fair pricing of sugar and ensuring its availability for the consumers throughout the country.

(g) Community: The neighboring community has to accept the Company as a socially responsible and conscientious corporate citizen mindful of its obligations to the community and its overall welfare.

(94) Question Background: Summer 2010, Q # 5 (a). Syllabus Topic:

What are the four main types of information that a properly designed Job Application Form is expected to provide to the recruiter in the preliminary process of screening of a prospective candidate? (04 Marks)

Suggested Answer:-

A properly designed Job Application Form is expected to provide the following information to the recruiter in the process of preliminary screening of a prospective candidate:

(i) Enable the recruiter to assess whether the applicant has the basic educational qualifications, and technical skills to meet the requirements of the job.

(ii) Enable the recruiter to evaluate whether the applicant has relevant work experience to meet the requirement of the job.

(iii) Enable the recruiter to draw tentative conclusions about the applicant’s suitability for the position under consideration on the basis of previous work record.

(iv) Enable the recruiter to predict whether the applicant would fit in the cultural and social structure of the organization.

(v) Enable the recruiter to reach a decision whether it would be worthwhile to process the application further and call the applicant for test or interview.

Question Background: Summer 2010, Q # 5 (b). Syllabus Topic:

State five different situations in which it would be advisable for a firm to pursue policies of Unrelated Diversification. (05 Marks)

Suggested Answer:-

It would be advisable for a firm to pursue policies of Unrelated Diversification in the following situations:

(i) The firm operates in an extremely competitive market or in a no-growth industry characterized by declining industry-wide profitability and low returns on investments.

(ii) The firm considers it advantageous to control sources of supplies or marketing channels by backward or forward integration.

(iii) The firm’s existing channels of distribution can be gainfully utilized to market the new products and services.

(iv) The firm has an opportunity to purchase an unrelated business at a very low cost with prospects of attractive rate of return on investment.

(v) The new products offer counter cyclical sales patterns compared to the firm’s existing product lines.
(96) Question Background: Summer 2010, Q # 6. Syllabus Topic:

In any market of significant size for products which have a widely diversified and dispersed customer base there are a large number of firms, each, competing for its respective share of the market by pursuing different competitive marketing strategies. In such a market environment, an individual firm has to identify its distinctive role and positioning which then determines the type of marketing strategy which it would pursue to achieve its objectives. **You are required to list the distinctive characteristics of a firm which pursues Competitive Marketing Strategies of:**

(a) A Market Leader  
(b) A Market Challenger  
(c) A Market Follower and  
(d) A Niche Marketer.  

(09 Marks)

Suggested Answer:-

**A Market Leader:**
(a) Develops strategies to expand the total size of the market  
(b) Pursues strategies to expand its own current market share  
(c) Defends its own market share vigorously  
(d) Is customer driven and innovative  
(e) Flexible and adaptive  
(f) It tends to be on the cutting edge of new technologies and new production processes. It sometimes has some market power in determining either price or output

**A Market Challenger:**
(a) Retains a substantial portion of the market share  
(b) Launches direct and indirect attacks on the Market Leader in areas in which there are apparent signs of weakness of the Market Leader  
(c) Attacks firms other than the Market Leader to increase its own share of the market  
(d) Offers price discounts and reduces own cost.  
(e) Chooses only one target at a time, assesses the strength of the target competitor. Considers the amount of support that the target might muster from allies

**A Market Follower:**
(a) Imitates and attempts to adopt the policies of the Market Leader  
(b) Adopts a secondary or runner-up position as it lacks the resources to challenge the Market Leader  
(c) Follows its particular strengths and skills to maintain its market share and profitability as it considers that pursuing any other strategy would result in a less favourable outcome.  
(d) No expensive R&D failures as best practices are already established.  
(e) Employ “play it safe” strategy, the rationale is that by developing strategies that are parallel to those of the market leader, they will gain much of the market from the leader while being exposed to very little risk

**A Niche Marketer:**
(a) Is a relatively small or a medium-sized firm  
(b) Specializes in a narrow segment of the market according to customer size or fulfilling specific customer requirements  
(c) Meets the requirements of a particular geographical area.  
(d) They tend to market high end products or services, and are able to use a premium pricing strategy  
(e) They tend to keep their operating expenses down by spending less on R&D, advertising, and personal selling.  
(f) The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency.
(97) Question Background: Summer 2010, Q # 7. Syllabus Topic:

Management of Business Organizations are invariably seized with numerous problems and expend a considerable proportion of their energy and time in making decisions to solve these problems. Explain briefly the various stages involved in the Decision Making Process. (09 Marks)

Suggested Answer:-

The various stages of the Decision Making Process are:

(a) **Identification of the objectives:** The first stage in the decision making process involves identification of the objectives which may vary considerably. It is important at this stage to specify the criteria for measuring the extent to which the objective has been achieved.

(b) **Collection of information and ideas:** The importance of outcome of the decision would determine the extent of the efforts that should be made to collect the information and ideas and the degree of accuracy of the input data required to reach a well-considered decision.

(c) **Analyses of information and ideas:** The information and ideas collected have to be analyzed to assess the alternative courses of action. Decisions which cannot be reversed readily and have serious long-term consequences require more in-depth and accurate analysis of the data and evaluation of the ideas obtained from the different sources.

(d) **Making of the Decision:** This is the most important stage of the decision making process as the decision maker has to select a particular course of action. Reaching the right decision is important because this process involves selection of a particular course of action to the exclusion of the various other alternatives. At times the decision maker may require additional information to reach a well-considered decision.

(e) **Communication of the Decision:** Quite often the persons making the decision are different from those who have to implement the decision. Consequently it is necessary to issue instructions to all individuals who would be affected by the decision or who would be required to implement the decisions.

(f) **Evaluation of the results of the decision:** Decision makers have to evaluate the outcome of the decision. It enables them to modify the course of action or revise the objectives etc.

(98) Question Background: Summer 2010, Q # 8 (a). Syllabus Topic:

Accurate Engineering Limited is a company located in Europe and is engaged in the business of manufacturing a wide range of high precision metallurgical components for the automobile, medical equipment and miscellaneous engineering industries. The Company’s customers are sensitive to quality and require components conforming to most stringent tolerance standards. The Company is presently incurring high labour costs and is considering a proposal to locate a portion of its facilities in Asia to achieve cost economies. **Narrate at least six different types of Political Risks which should be considered by Accurate Engineering Limited while evaluating an investment involving substantial capital with long-term implications** (06 M)

Suggested Answer:-

The different types of Political Risks which should be evaluated by Accurate Engineering Limited are:

(i) The assets may be nationalized or expropriated by the government of the host country.

(ii) The Asian country may impose stringent exchange control restrictions which would make it difficult to repatriate the profits and investments.

(iii) The country may face domestic instability such as revolution, social and political unrest and terrorist activities which would be detrimental to the interests of Accurate Engineering Limited.
(iv) The country may be involved in conflict, disputes and war with other countries which would cause disruptions in business.
(v) Deterioration of relationships between the investor country and the country in which the investment is proposed would pose difficulties in the business operations of Accurate Engineering Limited.
(vi) Frequent changes in the government with far reaching shifts in its policies.
(vii) Risk of sovereign default by the host country.
(viii) Maintenance of the tolerance standards, relaxation in any way could impact the demand.

(99) Question Background: Summer 2010, Q # 8 (b). Syllabus Topic:
A Multinational Corporation has subsidiaries in several developing countries with majority shareholdings in each of them. The MNC pursues a policy of centralized financial decision making and the subsidiary companies are required to retain only minimum balances to meet their immediate operating requirements and transfer surplus funds to the parent company. List various advantages the MNC seeks to achieve by pursing such a centralized financial decision making policy. (06 Marks)

Suggested Answer:-
The MNC seeks to obtain the following advantages by pursuing a centralized financial decision making policy:
(i) The parent Company has superior fund management skills which are not available in the subsidiaries.
(ii) The risks of losses on account of devaluation in the currency of the host countries are minimized.
(iii) The funds can be promptly invested in avenues which offer optimal returns.
(iv) The risks of expropriation of funds by the governments of the host countries are reduced considerably.
(v) The pooling of funds can help to implement a more coordinated and effective overall fund management strategy.
(vi) The parent company can obtain facilities on more favourable terms from the bankers due to the substantial size of the pooling of funds.

(100) Question Background: Summer 2010, Q # 9 (a). Syllabus Topic:
Describe briefly the following methods of selection of candidates:
(i) Group/Panel Interview
(ii) Structured Interview

Suggested Answer:-
Group/Panel Interview consists of multiple interviewers who independently record and rate the applicant’s responses during the interview session. The panel normally includes the immediate supervisor, a representative of the HR Department and a Job Expert.

Structured Interview is a procedure in which interviewers ask the same set of questions in the same order to all the candidates. The questions are based on job analysis of the position and the responses from the candidates are reviewed for their relevance, accuracy and bias.

(101) Question Background: Summer 2010, Q # 9 (b). Syllabus Topic:
State two advantages of each of the Group & Structured interviews

Suggested Answer:-
The advantages of Group/Panel Interview are:
(i) Reduces the biases of an interview conducted by a single interviewer.
(ii) Increases the reliability and validity of the interview.
(iii) The candidate is simultaneously evaluated by all those individuals who are relevant to the appointment.
(iv) Less time consuming and can provide the candidate insight of how the staff works together and interacts

The advantages of Structured Interview are:
(i) The interview is highly focused and all the candidates are assessed according to their responses to the specific job related questions.
(ii) It is easy to ensure that all relevant information has been collected.
(iii) Ensures that answers can be reliably aggregated and that comparisons can be made with confidence between subgroups or between different survey periods.

(102) Question Background: Summer 2010, Q # 10. Syllabus Topic:
List eight Health and Safety hazards which are often faced by workers in a typical manufacturing environment. (04 Marks)

Suggested Answer:-
The Health and Safety hazards which are faced by workers in typical manufacturing environment are:
(a) Contact with chemicals and other harmful materials.
(b) Excessive noise and vibrations of heavy machines.
(c) Extreme temperatures.
(d) Poorly designed equipment which affects postures of workers.
(e) Slippery floors and passage ways.
(f) Absence of safety guards on moving parts of equipment.
(g) Poor illumination e.g. light glare, insufficient light.
(h) Improper ventilation.
(i) Lack of safety rules and regulations.
(j) Faulty /Outdated safety equipment.
(k) Improper machine maintenance.
(l) Excessive humidity.

(103) Question Background: Winter 2009, Q # 1. Syllabus Topic:
Red Balloon Clothing Limited (RBCL) is engaged in the business of manufacturing a wide range of children clothing since the past six years. The Company has built a reputation for good quality products of latest designs and its brand name is very popular in the middle class segment of the market. The Company strongly believes in a policy of giving “value for the customers’ money.” At present, RBCL markets its products through a widely dispersed network of independent retailers who sell the company’s brands along with the products of other manufacturers. RBCL is considering a proposal of forward integration and establishing its own chain of retail outlets for sale of its products. RBCL would however, continue to sell its products through the network of existing retailers also. You are required to identify and explain briefly the different factors which RBCL should examine while evaluating the proposal for establishing its own network of retail outlets. (10 Mark)

Suggested Answer:-
RBCL should consider the following factors while evaluating the decision to establish its own network of retail outlets:
(i) Examine the existing network of retailers of RBCL to ascertain the extent to which they have advantages of location of their shops in important shopping centers.
(ii) Compare the capital expenditure involved in the establishment of retail stores and their recurring operating expenses and inventory carrying costs with the costs incurred under the existing set-up.

(iii) Estimate the envisaged number of RBCL’s own retail stores to be established to cater to the requirements of the target segment of the market.

(iv) Determine the ability of RBCL to mobilize sufficient financial resources required to establish and operate the business of retail marketing of its products.

(v) Examine whether sufficiently experienced and trained staff at various levels would be available to manage and operate the retail outlets.

(vi) Ascertain the profit margins currently earned by the independent retailers on the Company’s products and the impact of the self-owned retail outlets on the company’s profitability.

(vii) Consider the impact of the decision to establish own retail outlets on the Company’s future relationships with the independent retailers.

(viii) Examine the need to revise the terms and conditions relating to sales to be offered to the independent retail outlets.

(ix) Enquire into the business policies of competitors who have their own retail network and whether RBCL would be able to enjoy a competitive advantage over the independent retailers.

(x) Examine the extent to which the availability of more reliable information of future market and fashions trends would be an advantage after RBCL establishes its own retail outlets.

(xi) Analysis of the industry growth expected and the market share to be captured, carry out a viability study of the share of market available

(xii) Analyze the value addition by gaining ownership of retail outlets; evaluate the possibility of brand dilution in independent retail houses.

(104) Question Background: Winter 2009, Q # 2. Syllabus Topic:

Although Strategies of Cost Leadership and Product/Service Differentiation appear to be highly attractive, many companies are often not able to achieve much success because they lack the necessary capabilities to implement these strategies successfully.

(a) Explain what you understand by the term Cost Leadership Strategy. (02 Marks)

(b) What is meant by Product/Service Differentiation Strategy? (02 Marks)

(c) In your opinion what kind of capabilities are of crucial importance for the successful implementation of a Product/Service Differentiation Strategy? (04 Marks)

Suggested Answer:-

(a) Cost Leadership is a strategy that seeks to establish long-term competitive advantages by emphasizing that value chain activities can be achieved at costs which are substantially below what competitors are able to match on a sustained basis. This allows a firm to compete primarily by charging a price lower than the competitors and still earn satisfactory levels of profits.

(b) A Product/Service Differentiation Strategy is a strategy which promotes and emphasizes that the product/service offered by the firm is different from other available products/services of a similar nature. The differences are based on certain desirable features and performance attributes and therefore the high prices are justified.

(c) The capabilities which are most important for the success of a Product/Service Differentiation Strategy are:
(i) Strong and functional research and development department, able to correctly anticipate and assess the consumer behavior and desire.
(ii) Strong coordination between research and development, Marketing and Technical departments.
(iii) Innovative Management allowing better ideas to be cultivated.
(iv) Deep insight of the market and close association with the distribution channels.
(v) Strong brand name.
(vi) Strong connection and cooperation from well-established vendor network.
(vii) Capital Allocated for attracting technical and creative human resources enabling ability to create a unique value/attribute that is hard to copy by competitors.
(viii) Protection of research should be available in order to ensure that resources are not imitated.

(105) Question Background: Winter 2009, Q # 3 (a). Syllabus Topic:
List and explain briefly any four important packaging features which would influence the decision of a consumer to purchase an edible consumer product. (06 Marks)

Suggested Answer:-

The packaging features which would influence a consumer’s decision to purchase an edible consumer product are:

(i) Convenience of the Size of the Package – The consumer should be able to chose from a range of sizes available, that is, a sachet for a single use, or a size which would meet the requirements for a period of say, one month or an economy package for a large family.
(ii) Preserve the Quality of the Product – The packaging should be capable of preserving the quality of the edible product from the elements e.g. sunlight, humidity or moisture.
(iii) Product Information – The packaging should provide vital information regarding the ingredients of the food item, their nutritional value and expiry date.
(iv) Attractiveness of the Package – The packaging should be attractive in its presentation and colour scheme to draw the attention and interest of the customer at the point of display of the product on the shelves in the retail outlets. The design and color should be in line with the brand and brand name should be displayed prominently.
(v) Convenience of Handling the Package – The packaging should make it easy to take out the edible product for use and also close the package easily after use.
(vi) Convenience of Storage – The package containing the edible product can be stored conveniently and occupy minimum storage space.
(vii) Disposal of the Package – The package, after consumption of the contents, can be disposed of safely from the environmental viewpoint.

(106) Question Background: Winter 2009, Q # 3 (b). Syllabus Topic:
Market researchers often place reliance on external databases as the information can be obtained readily with minimum of effort and at a low cost. However, experienced market researchers are aware of the limitations of the external databases and use them discreetly on a selective basis realizing fully the shortcomings of the information.

(i) State four limitations of using external databases.
(ii) Identify one specific situation in which it may not be advisable to use external databases. Give reason for your selection of the particular example. (06 Marks)
The limitations of external databases are:
(i) The external database may not be accurate and it may not be possible for the user to determine the extent to which the database is inaccurate.
(ii) The external database may not be current for the purpose of arriving at the decision in the present changed circumstances.
(iii) The external data may not be impartial and may have been prepared with a bias for a particular purpose.
(iv) The information required to reach reliable and rational conclusions may not be available in the external databases.
(v) The data might be unrepresentative as every research has a different criteria for the target segment depending on the in its objectives.

Examples: Launching of a new food product in which reliable feedback and consumer reactions for taste, eating habits, price considerations, type of packaging, etc are very important information. The external database may not be able to address to the issues required to evaluate these factors for the particular type of food product.

OR

Obtaining information of prospective subscribers and circulation of existing magazines for launching a new high fashion magazine. Information regarding income, age, educational profiles of the prospective subscribers may be available but information regarding their particular interests would not be available in the external databases.

(107) Question Background: Winter 2009, Q # 4. Syllabus Topic:

It is observed that work-related stress often pose a heavy burden in organizations and is manifested by frequent absenteeism, late-coming, accidents and decline in the ability of employees to perform in an efficient manner. In these situations, Employee Counseling can help to create a secure and an enabling environment for mitigating the adverse effects of stress on employees and enabling them to perform at peak levels of efficiency. **Identify the scope of Employee counseling and explain briefly how such counseling sessions can help employees to reduce work stress. (08 Marks)**

**Suggested Answer:-**

Employee-Counseling includes working with individuals to promote and nurture relationships which are supportive, psychotherapeutic, providing guidance for dispelling fears and apprehensions and resolving of work-related problems. The scope of Employee Counseling could be to:

1. Help the employee identify areas that need improvement.
2. Support the psychological equilibrium of employee
3. Bring in focus the nature of problem
4. Explore the impact of the problems and exploring all possible solutions.
5. Create a constructive environment mutually beneficial to employees and organization.

**Functions of Counseling:**

(i) **Provide Reassurance:** Offering reassurance to employees by inspiring them and giving confidence to handle problems and inculcating in them a sense of direction and purpose in the discharge of their responsibilities and duties.
(ii) Help to release of Emotional Tensions: Employee Counselor can help to create a conductive non-critical and objective attitude by providing suitable opportunities to employees to communicate and explain their problems to counselors who are receptive and sympathetic to the problems faced by the employees so that the tensions are released.

(iii) Clarification of Thought Process: Enable employees to clarify their thought process and motivate them to accept responsibilities and adopt a realistic approach in dealing with work-stress. It revives the employee’s level of aspirations and motivates them to high levels of actual achievement.

(108) Question Background: Winter 2009, Q # 5. Syllabus Topic:

(a) Why mission-oriented business strategists do not view the Short-termism approach favourably? (02 Marks)

Give two examples of typical business situations to highlight the defects of pursuing a policy of short-termism. (03 Marks)

Suggested Answer:-

(a) Mission-oriented business strategists do not view the strategy of short-termism outlook favourably because it ignores the principle that long-term economic maximization of wealth and pursuit of objectives on a sustainable basis cannot be achieved by maximizing economic wealth in each of the individual short-term periods.

(b) Examples: A pharmaceutical company may not incur expensive R&D costs and be satisfied with its existing line of products which are popular. Although this would result in high profits in the short-term, the long-term performance would suffer as new and more effective medicines are introduced in the market by the competitors. A beverage company may prefer to defer advertising expenditures to reduce the costs and report high profits. However, in the long-run, the company may lose the efficacy of its brands and competitive advantage to other more aggressive competitors.

(109) Question Background: Winter 2009, Q # 6. Syllabus Topic:

Superb Engineering Limited (SEL) manufactures parts and components for assembly/manufacture of automobiles. During the past few years, the company has witnessed phenomenal growth in its product lines and sales revenues have registered significant growth. However, the overall profitability has not shown a corresponding increase. SEL considers that a substantial proportion of the efforts and energies of the management and staff at various levels are expended in handling a very wide range of diversified activities. SEL is, therefore, examining the feasibility of outsourcing certain activities of its operations to outside parties.

You are required to identify four advantages and disadvantages each of Business Process Outsourcing in the above situation for SEL. (06 Marks)

Suggested Answer:-

The advantages of Business Process Outsourcing are:

(i) Outsourcing would enable the managers and the staff to concentrate in activities which are of critical importance for the achievement of the corporate mission, thus improving their core competencies and the overall productivity.

(ii) Outsourcing may help to reduce the operating costs of SEL.

(iii) Outsourcing would enable SEL to reduce the amount of capital investment that it would otherwise have to incur in the facilities which would be provided by the outsourced agency. Also enable SEL to improve core activities performance.
(iv) Careful selection of outsourcing companies would help to acquire new know-how and expertise from the outsource agencies as they would be providing similar services to their several customers.

The disadvantages of Business Process Outsourcing are:

(i) Outsourcing involves loss of some control and places excessive reliance on outsiders.
(ii) Outsourcing can result in loss of valuable in-house skills.
(iii) Outsourcing may result in creation of competition in future.
(iv) Outsourcing may result in disclosure of critical confidential information to outsiders.
(v) If the level of the performance is not the same then it might result in brand dilution and shift in brand loyalty.

(110) Question Background: Winter 2009, Q # 7. Syllabus Topic:

Strategic Planning and Management is an exercise undertaken at the highest levels of the management hierarchy and involves decisions concerning formulation, implementation and evaluation of cross-functional activities which would enable an organization to achieve its stated objectives. In spite of the cumulative skills and considerable experience of the senior management team, it has been observed that a number of organizations are not able to achieve significant success and the actual performance often falls short of the set goals.

Explain the key factors, which in your opinion, are responsible for the management’s inability to achieve all of the goals envisaged in the Strategic Plans. (09 Marks)

Suggested Answer:-

The key factors which contribute towards the achievement of only a limited number of goals envisaged in the Strategic Plans are:

(i) Inadequate understanding of the strategic plans and failure at the business and functional levels to realize that sustained and coordinated efforts are required to achieve the goals.
(ii) Poor allocation of resources, organizational as well as human. Lack of support from the management in providing adequate resources for the achievement of the goals set in the strategic plans.
(iii) Weak organizational culture, leading to lack of involvement of the management at the business and operational levels who feel that they are not on board in the strategic planning exercise and therefore there is lack of “ownership” of the plans and goals from their side.
(iv) Consideration of the strategic planning as a ritual exercise and not as a day-to-day sustained effort for achievement of the objectives of the plan, indifferent attitude and lack of commitment and motivation on the part of the line managers towards the achievement of the goals.
(v) Poor Communication and lack of coordination between the top, middle and operational level of management leading to poor goal definitions and unawareness of the department’s role in achieving the goal.
(vi) Pre-occupation of the operational level managers with the achievement of their short-term targets and lack of awareness of the contribution of their own efforts towards achievement of the overall objectives.
(vii) Inability to integrate and coordinate the various functions of research and development, HR management, procurement, production, marketing and finance with the result that these activities are working independently and at cross purposes.
(viii) Absence of a proper system to measure actual performance from time-to-time and compare the results with the targets to take timely corrective measures in the event of any new development or unfavorable variances.

(111) Question Background: Winter 2009, Q # 8. Syllabus Topic:

In your opinion, what types of complexities are generally encountered by parent companies in the planning and control of operations of their foreign subsidiaries? (06 Marks)
The types of complexities generally encountered by parent companies in the planning and control of operations of their foreign subsidiaries are:

**Physical and Cultural Distances:** The geographical and cultural distances separating the parent company increases the duration, expenses and barriers in communications between the headquarters and their foreign subsidiary companies and creates difficulties in the planning and control process.

**Diverse Economic Conditions:** The parent company has to adjust operations to the situations prevailing in the countries in which the subsidiary companies are located. Differences in size of the market, nature of competition, type of the products, labor costs and currency implications render the tasks of setting standards and evaluating performance of foreign subsidiaries extremely complicated.

**Uncontrollable Factors:** Planning and control is effective only in situations when timely corrective actions can be taken in the event of deviations in performances. Corrective action may not produce positive results because many foreign subsidiaries operate in conditions which are very different from those of the parent company.

**Question Background: Winter 2009, Q # 9. Syllabus Topic:**

Excel Chemicals Limited (ECL) owns and operates facilities for the manufacture of industrial chemicals, including various types of highly corrosive acids. The Company’s operations involve processes of procurement, production, packaging, storage and transportation of chemicals which can result in serious fire, physical injuries and other environmental and health hazards in the event of any lapses in the safety procedures.

Identify and explain briefly six safety steps which should be adopted and implemented by the management of ECL as a responsible employer. (06 Marks)

**Suggested Answer:**

The management of ECL should take the following Safety Policy measures to minimize the risks of accidents in the plant for the manufacture of industrial chemicals:

(i) Involvement and active supervision by the top management and participation of the employees in introducing effective safety policies in the entire premises.

(ii) Creation of a Safety Committee to review the safety measures and monitor the implementation of the safety rules and procedures periodically to create a safe and secure working environment.

(iii) Preparation of Safety Rules and Instruction Manuals for strict compliance by employees at all levels.

(iv) Education and training of the workers on a continuous basis and dissemination of information by posting of safety charts, posters and installation of safety equipment at all sensitive areas in the premises.

(v) Creation of an environment where the equipment and machines which are properly maintained and the workers are provided protective uniforms.

(vi) Installation of proper warning/alarm systems and conduct of regular safety drills and exercises.

(vii) Adoption of a policy which ensures that the workers are not required to work for very long hours which may adversely affect their concentration and result in performance lapses.

**Question Background: Winter 2009, Q # 10. Syllabus Topic:**

The pursuit of goals of achieving cost economies and operating with lean and more flat organizational structures has resulted in creation of an environment in which the staff at the managerial levels are required to perform with greater business competencies and responsibilities. Consequently, managers at various levels have to acquire all-round competencies of external business environment awareness as well as deep understanding of the concepts of internal business management to be able to fulfill their responsibilities and perform in an
intensely challenging and rapidly changing business environment. You are required to identify four different types of competencies each of external business environment and internal business management which in your opinion are most important for the present-day managers to enable them to perform successfully in the prevailing corporate environment. (08 Marks)

Suggested Answer:-

The different types of external business environment and internal business management competencies requirements of managers to perform in the prevailing corporate environment are:

External Business Environment Competencies:
(i) Capable of evaluating external environment and be able to see the “whole picture”.
(ii) Capable of quick thinking and be able to make timely decisions regarding changes in the external environment.
(iii) Being proactive in anticipating the changing environment.
(iv) Being sensitive to the interests and concerns of the different stakeholders in the organization in which new complex business relationships such as partnerships, alliances, joint ventures are prevalent.
(v) Ability to take and manage external business threats.

Internal Business Management Competencies:
(i) Awareness of the overall organizational objectives, rather than being limited to the day-to-day operations of the organization.
(ii) Capable of handling increased workloads and pressures.
(iii) Responsible for building effective work groups and developing teams.
(iv) Flexible in handling human relations and in managing internal challenges of group work performance.
(v) Initiative for self-development, learning and acquiring financial and information management and IT skills.

(114) Question Background: Winter 2009, Q # 11. Syllabus Topic:

Capital Bank Limited is a leading financial institution and is well-known for its strength in rendering highly efficient professional services to its customers and keeping ahead of the competitors. The Bank follows a policy of recruiting staff at the entry level after careful evaluation of the qualifications of the candidates, their potential for advancement, professional aptitude and career objectives. The staff is groomed and entrusted with increasing responsibilities after careful career-path planning for each employee. The Bank operates in a highly competitive environment where the skills, knowledge and commitment of its human resources are of critical importance for the success of its business. The competitors are always on the lookout to identify professional staff and hire them at more attractive compensation packages.

Required: (a) What do you understand by the term Employee Compensation Package? (02 Marks)
(b) List and explain the essential steps involved in the formulation and implementation of a well-conceived Employee Compensation Strategy which the Bank should incorporate in developing its overall HR strategy. (09 Marks)

Suggested Answer:-

(a) Employee Compensation Package refers to all forms of pay and rewards received by the employees for the performance of their jobs, including cash, bonuses, benefits, facilities and perquisites.
(b) The steps which should have been followed in the formulation and implementation of a well-conceived Employee Compensation Strategy are:

(i) Identification of the Objectives of the Employee Compensation Strategy: Compensation objectives should have been identified and articulated as part of the Bank’s overall planning process. The objectives should be in line with the organization's overall corporate strategy and lead to the creation of a work force that is capable of implementing its plans.

(ii) Review of Compensation Plan: Examination of the strengths and weaknesses of the existing compensation policies should have been carried on a regular basis to enable the management to formulate new or improved compensation package.

(iii) Identification of the Positions and Prepare their Job Descriptions: Identification of the positions at various levels and precisely defined job descriptions are essential for the development of a meaningful compensation program. Job descriptions should be reviewed periodically to ensure that they are in conformity with the employee skill requirements, assignments and responsibilities.

(iv) Evaluation of the relative importance of the Positions and their significance for achieving the objectives of the Bank: Evaluation and comparison of the positions is necessary to establish their relative importance and the relationship between the compensation for different positions. The standards must be well-defined and applied specifically to the positions rather to the individuals in these positions.

(v) Comparison of the Compensation Packages with the packages offered by the competitors: Development of a rational compensation program in accordance with the competitive environment by collecting relevant data of compensation packages offered by the competitors. The Bank should identify the competitors and offer competitive compensation packages to attract and retain skilled and motivated employees.

(vi) Administration of the Compensation Program: Administration of a comprehensive compensation program to be applied uniformly for all employees. By adopting formal procedures and standards, arbitrary or unfair personnel decisions can be avoided.

(vii) Communication of the Compensation Package: Communication of all aspects of the compensation package to the concerned parties including the employees, supervisors, administrators and management who must have a thorough knowledge of the program to avoid any misunderstandings.

(115) Question Background: Winter 2009, Q # 12 (a). Syllabus Topic:

List the following steps involved in the operation of a typical Letter of Credit in their logical order of sequence. (06 Marks)

(i) The exporter’s bank endorses the documents (bill of lading/airway bill) and delivers them to the importer’s bank.

(ii) The importer’s bank pays the proceeds to the exporter’s bank.

(iii) The importer obtains the bank’s promise to pay the specified amount on behalf of the importer.

(iv) The exporter ships the goods and obtains the Bill of Lading/Airway Bill.

(v) The exporter delivers the documents to his banker.

(vi) The importer’s banker promises the exporter to pay the specified amount on behalf of the importer.

Suggested Answer:-

The steps involved in the operation of a letter of credit in their logical sequence are:

(i) The importer obtains the bank’s promise to pay the specified amount on behalf of the importer.

(ii) The importer’s banker promises the exporter to pay the specified amount on behalf of the importer.
(iii) The exporter ships the goods and obtains the Bill of Lading / Airway Bill.
(iv) The exporter delivers the documents to his banker.
(v) The importer’s bank pays the proceeds to the exporter’s bank.
(vi) The exporter’s bank endorses the documents (bill of lading/airway bill) and delivers them to the importer’s bank.

(116) Question Background: Winter 2009, Q # 12 (b). Syllabus Topic:

Identify five advantages which a multinational corporation expects to achieve by establishing manufacturing facilities in foreign countries.

Suggested Answer:-

The major advantages of establishing manufacturing facilities in foreign countries are:
(i) To utilize cheap raw materials, energy and human resources.
(ii) To achieve economies of large-large production opportunities available in certain countries.
(iii) To eliminate or achieve economies in costs of transportation of raw materials and finished goods.
(iv) To overcome high tariff rates and various non-tariff barriers.
(v) To obtain available tax concessions and tax holidays.
(vi) To achieve advantages of lower financial costs in certain countries.

(117) Question Background: Summer 2009, Q # 1. Syllabus Topic:

Pan Pacific Steel Mills Limited was established in 1960 to manufacture steel products such as iron bars, wire rods, girders and steel sheets. In 2006, a team of professional management assumed charge of the Company’s operations. The new management team made ambitious plans to increase the rated capacity, diversify the product-mix and upgrade the quality of the products to bring the Company’s operations at par with the leading players in the country’s steel industry. In spite of formulation of Corporate and Business Strategy on sound lines by the multi-disciplinary management team, the Company is experiencing serious problems in achieving its objectives due to lack of cohesion between the formulation of strategic plans and their actual implementation.

(a) Explain the relationship between Strategy Formulation and Strategy Implementation.
(b) What essential elements should the management of Pan Pacific Steel Mills Limited consider for creating an environment of good relationship between Strategy Formulation and Strategy Implementation?

Suggested Answer:-

(a) Strategy formulation policies can be successful only if the strategic plans are implemented effectively by converting the plans into well-conceived actions designed to achieve the objectives of the organization. Strategic plans and strategy implementation have to be synchronized to perform in close interaction to achieve optimum results.

(b) The essential elements which should be considered by the management of PPSML for creating good relationship between formulation of strategic plans and strategy implementation are:
(i) Organizational Structure: Organizational structure creates the formal pattern of interactions and coordination amongst the management, supervisors and workers to link the tasks and efforts of the individuals and groups to implement and achieve the strategic plans. The management should ensure that the Organization Structure is suitably integrated for achieving harmony among the various functions and greater co-ordination at all levels.
(ii) Human Resources: Human resources with necessary skills should be deployed in appropriate positions, for effective strategy implementation.
(iii) Technology: Technology comprises the knowledge, equipment and work techniques necessary to deliver the products or services. Technology is an important factor in strategy implementation. The management should
ensure that appropriate and adequate technological inputs are available to support the performance necessary to achieve the objectives of the strategic plans.

(iv) Decision Process: Decision processes are required for the resolution of problems encountered in the operations of the business and achievement of the objectives of the strategic plan. Decisions relating to allocation of resources are particularly important for strategy implementation because timely availability of resources are crucial for the success of strategic plans. Sound policies and processes should be developed to ensure that all significant decisions are taken on a timely basis and in a co-ordinated manner.

(v) Monitoring and Control Systems: Appropriate system should be established to ensure that progress is monitored against the established standards on a continuous basis and deviations if any, are identified for taking timely corrective actions.

(vi) Reward System: A well-conceived reward system comprising salaries, benefits, promotions and recognition should be developed to provide necessary motivation to the workforce for successful implementation of the strategic plans.

(118) Question Background: Summer 2009, Q # 2. Syllabus Topic:

Euro Motors Limited is engaged in the business of manufacturing and marketing of an extended line of motor cars catering to the varied needs of a wide segment of the automobile market. The Company operates in a dynamic market environment dominated by four well-entrenched and strong companies competing aggressively to achieve leadership status and expand their respective share of the market.

List six performance indicators, which in your opinion, would help to measure the success of marketing strategy of Euro Motors Limited.

(06 Marks)

Suggested Answer: -

The performance indicators to measure the success of marketing strategy of Euro Motors Limited which is engaged in the business of manufacturing and marketing of automobiles in a dynamic and highly competitive business environment may be as follows:

(a) Growth in sales revenue
(b) Increase in market share.
(c) Percentage increase in sales achieved through customer retention/brand loyal customers.
(d) Product development speed time i.e. time to develop, manufacture and market a new product.
(e) Number of customer complaints lodged. Percent increase/decrease in number of customer complaints.
(f) Number of new distributorships appointed in the year.
(g) Sales of new products / models lodged in the year as a proportion of the Company’s annual turnover.

(119) Question Background: Summer 2009, Q # 3. Syllabus Topic:

Apollo Mining Company Limited owns and operates integrated facilities of mining of coal and iron ore along with power generation and distribution facilities. Although these facilities have been developed at a substantial investment cost, the management has been indifferent to the conditions of its workforce of 1500 employees. A major accident in the coal mines, which occurred recently, resulting in the death of 120 workers, has triggered wide-spread resentment and agitation among the workers due to the poor safety conditions and they have demanded strict compliance with the Mine Safety Rules and Regulations. Due to the aggressive attitude of the striking workers and to safeguard its assets, the Company has deployed private armed guards at a considerable cost. After 28 days of complete closure of all mining and other business activities due to stand-off and strikes, the management and the Workers’ Union have agreed to enter into negotiations through a process of collective bargaining.

(a) State four factors which, in your opinion, are responsible for the indifferent attitude of the management of Apollo Mining Company Limited towards its workers.
(b) Briefly describe five different measures that the management should take to satisfy the demands of the workers and help to achieve a conducive working environment.

(09 Marks)
Suggested Answer:

(a) The indifferent attitude of management of Apollo Mining Company Limited towards the workers may be attributed to:
(i) Abundance of workers seeking jobs and comparatively few opportunities for employment in the area.
(ii) Unsatisfactory enforcement of Mining Rules and Regulations by the concerned regulatory authority.
(iii) The Management does not believe in ethics, justice and fair play in its dealings with the workers.
(iv) The Workers and their Union is not fully aware of the rights of the workers and their bargaining strength.

(b) The management of Apollo Mining Company Limited should take the following measures to satisfy the demands of the striking workers:
(i) Compensation for the Affected Workers: Management should pay compensation to the dependents of the workers who have lost their lives in the accident. Proper arrangements should be made for treatment, including hospitalization, of workers who have been injured in the accident.
(ii) Safety Equipment: Management should install proper safety equipment in the mines and protective personal gear for ensuring safe working conditions in the mines.
(iii) Formal Safety Training of the Workers: Management should introduce Safety Training Programs and educate the workers of the positive results achieved through the introduction and implementation of these programs.
(iv) Provide Medical Facilities to the Workers: Management should provide adequate medical facilities, including hospitalization for the workers and their families.
(v) Group Life Insurance: Management should provide Group Life Insurance coverage for the workers.
(vi) Social Needs of the Workers: Management should sponsor recreational and social activities for the workers and their families.

(120) Question Background: Summer 2009, Q # 4. Syllabus Topic:

Companies which seek expansion of business can achieve their objectives either through organic/internal expansion or by pursuing acquisition strategies.

(a) Explain the key differences between strategies of expansion by organic/internal growth and by acquisition.  
(06 Marks)
(b) Give any four reasons why organizations generally prefer to achieve expansion through internal growth and not through policies of acquisition.  
(06 Marks)

Suggested Answer:-

(a) Organic/internal growth is a strategy to achieve growth by expansion in the company’s own line of products and market portfolio. It relates to increasing the market share in the existing market or entering new markets by bringing high value products. Acquisition strategies involve expansion by way of purchase of controlling interest in other existing companies.

The key differences between the two strategies are as follows:
(i) In internal growth strategy, expansion is achieved in a steady and planned manner extending over a phase-wise schedule, whereas in an acquisition strategy, rapid expansion is achieved through acquisition of existing assets of another company.
(ii) In expansion by internal growth, the success of the strategy is dependent, to a considerable extent, on the management’s ability to formulate and implement sound plans, whereas in growth by acquisition, the success of the strategy is also linked with achievement of corporate, business and operational level synergies.
(iii) In a strategy of internal growth, the level of competition can become more intense, particularly if there are relatively few strong players, but in expansion by acquisition the level of competition may be reduced by acquiring a rival competitor.

(b) A company may pursue a policy of growth by organic/internal expansion and not through acquisition for the following reasons:
(i) Expansion of its physical infrastructure and facilities can be planned more efficiently to fulfill the organizational requirements. In case of acquisition, the company would have to utilize the existing sites and facilities which may not be the most suitable option for its requirements.

(ii) The cost of acquisition of an existing company may be much higher than the cost of expansion of assets through internal growth.

(iii) Often, acquisitions require substantial investment outlays and the acquiring companies resort to heavy borrowings which may extend financial leverage beyond prudent limits.

(iv) In acquisitions, a company acquires functions of other companies which may result in duplication of facilities or redundancies which ultimately results in lowering of employee’s morale.

(v) Human Resources can be utilized more effectively and with a greater degree of cohesion of corporate culture by adopting strategies of organic growth. Also, in the case of organic growth, better career development opportunities are provided to the employees. In case of expansion by acquisition of other businesses, the company usually has to acquire and assimilate the staff of those businesses.

(121) Question Background: Summer 2009, Q # 5 (a). Syllabus Topic:

Rapidly changing economic, technology and social environment along with the pressures to produce more value-added products and services at lower costs compel organizations to adopt measures to utilize their resources in the most efficient manner. Although Human Resources are not reflected as assets in the Financial Statements, they play a critical role in the achievement of the Company’s business strategies.

Explain how sound Human Resource Management and Planning policies can play an important role to enable a Company to successfully achieve its business objectives. (08 Marks)

Suggested Answer:-

The Human Resource Management and Planning policies can play an important role in the achievement of business objectives by:

(i) Determining Requirements of Human Resources: an essential element of HR Management and Planning function is to ascertain accurately HR requirements to avoid problems of manpower shortages, wastages, and mismatch of work skills with the job requirements and redundancies due to over staffing.

(ii) Ascertaining Training Needs: an important HR planning function pertains to preparation and conduct of training programs to ensure that a cadre of skilled workforce is available to meet the requirements of the organization.

(iii) Career Path Planning for Managers: Career path planning of trained and experienced officers/managers is essential in order to retain them and keep them motivated to meet the present and future requirements of personnel in all management positions.

(iv) Fair Compensation: Fair compensation plans, including fringe benefits are essential for inducting and retaining a motivated and performance–oriented team and work force at all levels.

(v) Industrial Relations: Properly conceived industrial relations strategies are essential for maintaining a skilled and motivated work force and ensure continuity of smooth operations.

(123) Question Background: Summer 2009, Q # 5 (b). Syllabus Topic:

Although managers at various levels are frequently involved in the Performance Appraisal of their subordinates, there are certain weaknesses in this process. Knowledgeable Human Resource Managers are aware of these weaknesses and take measures to minimize their adverse impact.

In your opinion what kind of limitations should be kept in perspective by Human Resource Manger while reviewing Performance Appraisal Reports? (06 Marks)

Suggested Answer:-

The limitations of Performance Appraisal are:
(i) Performance Appraisals often focus on employee’s efforts for short-term rewards rather than on issues that are important to the long-term success of the organization.
(ii) Supervisors involved in Performance Appraisal often consider them in the context of reward-punishment exercises and not on the overall skills and potential of the employee.
(iii) Performance Appraisal is often considered as a routine paperwork exercise rather than conducting an objective critique of the individual’s performance.
(iv) Individuals being appraised consider the exercise as being biased or unfair.
(v) Subordinates react negatively when evaluators offer unfavorable comments.
(vi) Personal biases and inconsistencies of the individual conducting the Performance Appraisal may undermine the efficacy of the entire exercise.

(124) Question Background: Summer 2009, Q # 6. Syllabus Topic:
You have been entrusted with the task of hiring an individual for the position of General Manager Marketing for Good Health Dairies Limited. The company has been established recently and is in the process of establishing marketing network for distribution of its products throughout the country.
Identify and explain briefly, what kinds of managerial competencies would you examine and seek in the prospective candidates for the position. (09 Marks)

Suggested Answer:
In order to recruit a suitable candidate for the position of General Manager, Marketing, I will examine and seek the following managerial competencies:
(i) Communication Competency: The ability to effectively transfer and exchange information with senior management and subordinates as well as other stakeholders.
(ii) Planning and Administrative Competency: The ability to plan and organize activities and make decisions especially related to resource allocation, costs, etc.
(iii) Teamwork Competency: The ability to complete the tasks through individuals who have to work collectively in a team environment.
(iv) Strategic Action Competency: The ability to understand the overall mission and strategies of the organization and be able to achieve the objectives of the company.
(v) Global Awareness Competency: Ability to explore and seize business opportunities. The Marketing Manager should have knowledge of different cultures and a receptive and open mind.
(vi) Self-management Competency: The General Manager should have a sense of integrity and good ethics and be willing to accept responsibilities.

(125) Question Background: Summer 2009, Q # 7. Syllabus Topic:
Companies which pursue market-driven business strategies consider that sponsorship of high profile and attractive events are communication techniques to create awareness and affiliation of their companies and brands with the target market. These companies enter into agreements and provide financial and non-financial support for social, cultural, literary and sports events to a group, organization or an individual celebrity in anticipation of creation of a lasting awareness of the company’s name or its brand among the audience. Sponsorship by leading companies, as a promotional alternative, has gained world-wide prominence in recent years. Briefly describe six main objectives which are envisaged to be achieved through sponsorship of such high profile and attractive events? (09 Marks)

Suggested Answer:
Companies which pursue market-driven business strategies consider sponsorship of attractive and high profile events to achieve the following objectives:
(a) Increased Visibility: The wide exposure such events receive in both the electronic and print media provides sponsors with vast publicity opportunities.
(b) Business-to-business Promotion: Competition for prominent positioning of products in the shelf-spaces of popular retail outlets is a big challenge for companies. Various types of sponsorships e.g. paid overseas holidays or complimentary tickets/passes for popular events can be used to attract retailers, dealers and other intermediaries in the distribution channel to promote the company’s products.

c) Differentiate Product from Competitors: Sponsorship provides companies a competitive selling advantage because it offers opportunities for category exclusiveness which can be used as product differentiation strategy for creating greater acceptability amongst the customers. Sponsorships help companies to create exclusive attributes for their products in the minds of the customers to fulfill their needs and objectives.

(d) Active Display of Product Attributes: Sponsorship allows companies to draw special attention of the audience to the advantages and unique attributes of their product by promoting special events e.g. tyre manufacturers may sponsor car-racing events to demonstrate their products in action.

(e) Cost Effectiveness: Sponsorships are usually more cost effective especially when a specific category of audience is to be targeted.

(f) Targeted Sponsorship: Properly planned sponsorship programs integrated with predetermined objectives and focused on specific audience targets can create lasting impact.

(g) Captive Viewership: Advertisements on TV are often avoided by the viewers, for example by changing the channels. In case of popular programs/shows, it is possible to retain the attention of the captive viewership.

(126) Question Background: Summer 2009, Q # 8. Syllabus Topic:

In the preceding five decades, a significant number of companies have pursued well conceived strategies of Globalization in order to seize the immense business opportunities by operating on a worldwide basis. These companies have achieved notable success in the expansion of their business globally and have manufacturing facilities and marketing networks spread in several countries. State and briefly explain six significant objectives of multinational companies in pursuing policies of Globalization. (09 Marks)

Suggested Answer:-

The significant objectives of multinational companies in pursuing strategies of globalization are:

(i) To achieve significant economies of scale in management and other functional operations of the global companies.

(ii) To recover extremely high Research and Development expenditures required in the manufacturing of knowledge-based products from widely dispersed target markets located in different countries.

(iii) To gain access to wide global markets without incurring substantial expenditures on product development in different markets.

(iv) To seize the advantages offered by growing economies, such as dismantling of trade restrictions, growth of free trade zones and relaxation of regulations regarding direct foreign investments.

(v) To enter into widely diversified markets and achieve maximum profits through transfer pricing and tax concessions.

(vi) To derive maximum advantages of access to cheap sources of labour, raw materials and energy.

(127) Question Background: Summer 2009, Q # 9. Syllabus Topic:

Competition for attracting direct foreign investments among countries has always been intense. Countries such as Singapore, Malaysia and Cyprus have been able to satisfactorily fulfill the requirements of the foreign investors and achieve significant growth through these investments. However, a large number of third world countries have not been so successful in attracting direct foreign investments mainly due to the high level of Political Risks perceived by the prospective investors.

(a) Explain what is meant by the term Political Risk in the above context.

(b) What are the different types of Political Risks which have to be considered by a prospective investor while evaluating opportunities of direct foreign investment in a third world country? (07 Marks)
Suggested Answer:

(a) Political risk is the probability that political decisions or events would negatively affect the long-term security and profitability of an investment in a foreign country.

(b) The different types of Political Risks which would adversely affect the security and long-term profitability of direct foreign investment in a third world country are:
   
   (i) **Domestic Instability** – Domestic instability relates to the risks of subversion, revolution, internal conflict and government crisis.
   
   (ii) **Foreign Conflict** – Foreign conflict pertains to the extent of hostility and disputes that a country has with other country (ies).
   
   (iii) **Political Climate** – Political climate can be affected by radical shifts in government policies and can be influenced by the number of political parties, their level of maturity, political and economic agenda and approaches towards free or restrictive foreign investment policies.
   
   (iv) **Economic Culture** – Economic culture refers to the risks of significant shifts in policies concerning government involvement and control of economic activities as well as financial markets, including currency fluctuations, inflation, repatriation of capital and dividends, regulation of prices of essential inputs and development and maintenance of infrastructure.
   
   (v) **Level of Corruption** – Level of corruption refers to the degree to which the various institutions, including the government, are perceived to be untrustworthy, open to bribes and involved in various types of fraudulent and unethical practices.

(128) **Question Background:** Summer 2009, Q # 10. Syllabus Topic:

According to Maslow’s Theory of Hierarchy of Human Needs, all human beings have different kinds of needs. Competent marketing managers must have insight in the Hierarchy of Needs to be able to create appropriate promotional strategies for successful marketing of their products. **In the context of Maslow’s Theory of Human Needs, which type of human needs would be satisfied by the following:**

(i) Health insurance  
(ii) Cosmetics  
(iii) Flowers for a sick friend  
(iv) Tandoori Nan  
(v) Burglar alarm system in a bungalow  
(vi) Rare and expensive work of art  
(vii) Membership of an exclusive golf club  
(viii) Wages received by a daily worker  
(ix) Sponsoring of a charitable hospital  
(x) a luxury car

(05 Marks)

**Suggested Answer:**

The products / services would satisfy the following types of Human Needs:

<table>
<thead>
<tr>
<th>Product/ Service</th>
<th>Type of Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) health insurance</td>
<td>Security</td>
</tr>
<tr>
<td>(ii) cosmetics</td>
<td>Social/friendship/love</td>
</tr>
<tr>
<td>(iii) flowers for a sick friend</td>
<td>Social/friendship/love</td>
</tr>
<tr>
<td>(iv) tandoori nan</td>
<td>Physiological</td>
</tr>
<tr>
<td>(v) burglar alarm system in a bungalow</td>
<td>Security</td>
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<tr>
<td>(vi) rare and expensive work of art</td>
<td>Self-actualization</td>
</tr>
<tr>
<td>(vii) membership of an exclusive golf club</td>
<td>Esteem</td>
</tr>
<tr>
<td>(viii) wages of a daily worker</td>
<td>Physiological</td>
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<tr>
<td>(ix) sponsoring of a charitable hospital</td>
<td>Self-actualization</td>
</tr>
<tr>
<td>(x) a luxury car</td>
<td>Esteem</td>
</tr>
</tbody>
</table>

(129) **Question Background:** Summer 2009, Q # 10. Syllabus Topic:

**Briefly explain the following concepts:**  
- Business Ethics  
- Pull Strategy of Promotion  
- Licensing  
- Benchmarking  

(10 Marks)
Suggested Answer:-

**Business Ethics** is a code of moral principles that the employees follow with respect to what is right or wrong from the viewpoint of the organization’s dealings and interactions with its stakeholders. The organizational culture and internal policies and systems have far-reaching ethical implications and reinforce the set of values to be upheld by the employees in all their business dealings. The standards of ethical conduct may be embodied in the Company’s Formal Code of Ethics.

**Pull Strategy of Promotion** is a promotional strategy based on aggressive advertising of brands to build-up consumer demand. In a successful Pull Strategy, the customers ask for the brand by name, inducing retailers or distributors to acquire stocks of the company’s goods.

**Licensing** is a technique of entering a specific market in which the licensor enters into an agreement with a licensee, by offering the licensee the right to use the manufacturing process, trade mark, patent, trade secret or any other item of value for a fee or royalty.

**Benchmarking** is the process of comparing the company’s products and processes with those of the competitors or leading firms in other industries or any other accepted standards against which the performance of the company is measured.

**(130)** Question Background: Winter 2008, Q # 1. Syllabus Topic:

Orient Cement Limited (OCL) aspires to be included in the category of a select group of progressive companies in the country and is considering a proposal for introducing significant changes in its labour welfare policies which would offer tangible benefits to the workers. This would include construction of a housing colony, provision of medical benefits, subsidized canteen facilities, besides payment of partial fees for dependent children of the employees. **In your opinion what important benefits would accrue to OCL by introducing welfare– oriented labour policies?**

(06 Marks)

Suggested Answer:-

The introduction of welfare-oriented labour policies would offer significant benefits to OCL by way of:

(i) Improvement in goodwill, image and reputation of the Company.
(ii) Increase in efficiency and productivity of the workers.
(iii) More congenial working relationship and better harmony with the workers union.
(iv) Ability to attract and retain competent and more committed work force.

**(131)** Question Background: Winter 2008, Q # 2. Syllabus Topic:

It is widely realized that companies pass through various stages of growth during the different periods of their existence. State four dominant characteristics which would be apparent in a company which is in:

(a) The start-up or initial stage of its business;
(b) The rapid and dynamic growth stage of its existing business.

(06 Marks)

Suggested Answer:-

(a) The dominant characteristics of a company which is in the start-up stage of its business are:
(i) High financial costs.
(ii) Limited cohesiveness in the senior management team.
(iii) Organization’s systems and procedures are not in place.
(iv) Extremely high workload for key personnel with conflicting and multiple priorities.
(v) Resources are not sufficient to meet multiple demands.
(vi) Relationships with suppliers, customers and other stakeholders are in the developing stage.
(b) The dominant characteristics of a company which is witnessing rapid and dynamic growth of its existing business are:
(i) New markets, products and technology are being introduced.
(ii) Multiple and conflicting demands for allocation of management, technical and financial resources.
(iii) Rapidly expanding organizational structure.
(iv) Unequal growth in various sectors within the organization.
(v) Shift in power structures as the organization witnesses expansion in business.
(vi) Constant dilemma between doing current work and building support systems for the future.

(132) Question Background: Winter 2008, Q # 3. Syllabus Topic:
Shakeel Ahmed, a competent and hard working young officer, is at the initial stage of his professional career in a leading insurance company. He has an ambitious goal to reach senior management position within a period of seven years. He intends to plan his career path well in advance and pursue a Personal Development Plan (PDP) with a high degree of zeal and commitment.

(a) What do you understand by Personal Development Plan? (03 Marks)

(b) What are the principal advantages of adopting and pursuing a well-formulated Personal Development Plan? (04 Marks)

Suggested Answer:-

(a) Personal Development Plan is a plan which outlines the process of improving and upgrading one’s work skills, knowledge and capabilities in order to enhance its effectiveness and adaptability. Personal Development Planning is a continuous process to improve and utilize one’s full potential at each stage of the chosen career path.

(b) The principal advantages of adopting and pursuing a well-formulated Personal Development Plan are:
(i) Continuous appraisal of the individual’s career path and upgrading of skills.
(ii) Acquisition and accumulation of new skills thus minimizing the chances of the existing skills becoming obsolete or redundant.
(iii) Continuous monitoring of progress in one’s career to ensure that it is on the right path and taking timely corrective measures, if considered necessary.
(iv) Creating a sense of achievement and commitment to reach the set targets within specified time-limits.

(133) Question Background: Winter 2008, Q # 4. Syllabus Topic:
New Age Automobile Company Limited intends to diversify its operations by establishing a separate division for manufacture of a less-expensive brand of tractors. The tractors would be used primarily by agriculturists having small farm-holdings. The Management is contemplating whether to promote personnel from the automobile division for certain middle-level technical positions in the tractor division and induct new entry level personnel in the automobile division, or alternatively recruit foremen level personnel from external sources for the tractor division by advertising for the positions in the news media. Narrate and explain briefly the advantages and disadvantages of internal promotion and transfer of foremen level personnel for the tractor division from the automobile division. (10 Marks)

Suggested Answer:-

The advantages of promotion from internal sources, for the tractor division are:
(i) Improvement of Morale – The internal transfers and promotions would provide an impetus to the morale of the workers. They would feel assured that the company has a policy to provide opportunities to the existing employees rather than to outsiders.
(ii) Proper Evaluation of Employees - The management is in a better position to evaluate the performance of existing employees before considering them for higher positions. The past performance of existing employees is a better guide to their skills, competency levels and commitment as compared to interviews with outsiders.
(iii) More effective team work - Since the existing employees know the middle and senior level managers, they would be motivated to put in their maximum efforts leading to more effective team work.
(iv) Cost-effective - Internal transfer from within the organization is less costly than recruitment from external sources.

The disadvantages of transfer and promotion from the automobile division are:
(i) Absence of Fresh Ideas - Transfer from internal sources prevents introduction of fresh blood and new ideas which are essential for innovations.
(ii) Biases and Personal Preferences of Managers- The managers may not necessarily promote deserving employees strictly on merit because of their personal likes and dislikes for certain individuals.
(iii) Limitations on the number of employees to be transferred –Since the transfer has to be made from within the organization, the number of individuals who are eligible to apply would be restricted. The individuals outside the organization who are more talented would not be given an opportunity to serve the organization.
(iv) Rather than being motivated to work hard, employees may become complacent because of their assured promotion and seniority.

(134) Question Background: Winter 2008, Q # 5 (a). Syllabus Topic:
What are the distinctive ingredients of Vision and Mission Statements? (03 Marks)

Suggested Answer:-
Vision and Mission Statements are manifestations of the unique identities of an organization. They are enduring statements containing:
• Business philosophy
• Unique purpose
• Goals of business
The above are inter-twined with the competitive advantages which distinguishes it and sets it apart from others.

(135) Question Background: Winter 2008, Q # 5 (b). Syllabus Topic:
It has been observed that certain companies adopt, with minor modifications and changes in emphasis, the basic ingredients of Vision and Mission Statements of the more successful rival companies in an attempt to achieve similar results. Describe the drawbacks of adopting such an approach in formulation of Vision and Mission Statements. (04 Marks)

Suggested Answer:-
The drawbacks of adopting Vision and Mission Statements of more successful rival companies, with certain changes and modifications, are as follows:
(i) Vision and Mission Statement of a firm is inextricably inter-linked with its management philosophy, purpose of business and distinctive capabilities which cannot be replicated in their entirety by other firms.
(ii) The imitated version of a Vision and Mission Statement cannot be an enduring or permanent feature and frequent lapses or deviations in actual performance are bound to create resentment and suspicion among the internal and external stakeholders.

(136) Question Background: Winter 2008, Q # 6. Syllabus Topic:
Corporate and Business Strategies of marketing-focused organizations operating in different product lines pursue entirely different approaches depending on customer, competitor and inter-functional orientations. The features of each of the different types of orientations are:
Customer Orientation: Entire focus on customer e.g. Jeweler boutique selling expensive designer jewelry to a select niche market.
Competitor Orientation: Emphasis on plans and actions of competitors as only few competitors dominate the market e.g. branded edible oil.
Inter-functional Coordination: Marketing is considered to be an all-encompassing company-wide responsibility and all the departments are geared to contribute towards the marketing efforts e.g. a shipyard manufacturing ocean-going vessels for major foreign buyers.
List four characteristics which, in your opinion, would determine the direction of marketing policies and efforts in each of the above three types of business orientations. (09 Marks)

Suggested Answer:-

The determinants of competitive policies and efforts in the different categories of business are:

**Customer orientation**
- Customer commitment.
- Creation of customer value.
- Measure customer satisfaction.
- Understanding of customer needs and objectives.
- After-sales service.

**Competitor orientation**
- Sales force shares competitors’ information among themselves.
- Individual organizations respond rapidly to competitors actions.
- Senior managers frequently discuss competitors’ strategies and tactics.
- Keen to seize opportunities for competitive advantage.
- Constant struggle to achieve market leader status.

**Inter-functional coordination**
- Inter-functional calls on customers.
- Technical, procurement, customer and market information is shared closely among different functions/departments.
- Close integration among different functions and departments in implementation of strategy.
- Functions are geared towards creation and satisfaction of individual customer needs.
- Resources are shared frequently among the various business units.

(137) Question Background: Winter 2008, Q # 7 (a). Syllabus Topic:

Currently, a large number of progressive companies are in the various stages of adopting policies of Corporate Social Responsibility. Explain what you understand by the term Corporate Social Responsibility. (03 Marks)

Suggested Answer:-

Corporate Social Responsibility involves an organization’s obligation to provide benefits to society in ways that protect and improve the welfare of the society, along with pursuance of the organization’s own business interests.

(138) Question Background: Winter 2008, Q # 7 (b). Syllabus Topic:

In your opinion what are the major concerns which prevent organizations from adopting and implementing comprehensive policies of Corporate Social Responsibility? (05 Marks)

Suggested Answer:-

The major concerns which prevent organizations from adopting and implementing comprehensive policies of CSR are:

(i) Concerns that they may adopt a comprehensive CSR policy while their competitors may not do so with the result that they may incur costs which may place them at a competitive disadvantage.

(ii) Organizations may not feel a sense of commitment and urgency to address to the various issues which are of a societal nature.

(iii) There are no accepted standards on CSR issues.

(iv) At times it may be difficult to identify the stakeholders and the audience for the CSR reports which may be ambiguous and could undermine the quality of the reports.

(v) Belief that efforts of the traditional philanthropists are sufficient to take care of the social needs of the society.

(vi) Reporting on the entire scope of a company’s impact upon the society and the environment is a complex exercise which is beyond an individual organization’s capabilities and scope of activities.
Governments in developing countries are often concerned that global companies with substantial financial and technical resources are in a position to exploit the opportunities in a manner which are detrimental to the interests of the host countries. It is also feared that the domestic industries which are in the infant stages of their development may face grave problems due to the highly aggressive policies of the global companies.

**Identify and briefly explain six types of policy decisions which governments in the developing countries may take to meet the threats from the global companies.** (09 Marks)

**Suggested Answer:**

The Governments in developing countries may take the following policy decisions to protect their interests in the face of threats from global companies:

(i) Impose quotas which would prescribe limits on the quantities and values of raw materials that the global company may import from its affiliated/parent companies.

(ii) An import tariff structure may be imposed which may make the imported goods expensive and enable the domestic manufacturers to compete in the local market.

(iii) The government may place restrictions on the ability of global companies to acquire domestic companies, especially those which are engaged in business of a sensitive nature such as defense, utilities, etc.

(iv) The government may impose restrictions on the maximum per cent of shares that a global company can hold in a domestic business entity.

(v) Legal standards of safety and quality of imported goods may be imposed to prevent global companies from importing goods which are considered to be of a substandard or inferior quality.

(vi) Impose stringent conditions of deletion programs.

(vii) Stipulate that a certain proportion of the local personnel should be hired by the global company.

**Multinational Enterprises are classified as Ethnocentric, Polycentric and Geocentric companies depending on the strategies and policies pursued by their top management.**

**List the distinguishing characteristics of each of the above types of international companies.** (06 Marks)

**Suggested Answer:**

Ethnocentric oriented companies follow policies that are primarily home-grown and the management assumes that the practices which work in the headquarters or in the home country are most suitable and should be adopted and pursued in all their international operations.

Polycentric oriented companies follow the philosophy that the organization located in the host country should be staffed by local individuals to the maximum extent as they are expected to understand more closely their culture, work ethics and markets. Consequently, subsidiaries in various countries operate under the directions of locals and are controlled by the parent company through well-conceived financial reporting systems.

Geocentric orientation is an approach in which the management considers that a worldwide focus, both at the headquarters and also in the host countries, offers optimal advantages. The best people, regardless of their home or host country origin, should be used to solve company problems. Major issues of headquarters and subsidiaries, such as rising of funds, building of plants, research and development are viewed in the entire global perspective.

**Paragon Polyester Company Limited (PPCL), a Korean company, is considering a proposal for a substantial investment to establish a polyester plant in a foreign country. PPCL has considerable technology and expertise in its particular line of business which is available in only a few countries. PPCL is examining the pros and cons...**
of setting the project as a wholly-owned subsidiary company or entering into a joint venture with one of the local entrepreneurs.

**In your opinion, what are the distinctive advantages and disadvantages of undertaking overseas manufacturing operations through a wholly-owned subsidiary company? (08 Marks)**

**Suggested Answer:**

The advantages and disadvantages of undertaking overseas manufacturing operations through a wholly-owned subsidiary company are:

**Advantages**

(i) The Korean company would not have to share its profits with any other entity.

(ii) The Korean company would not have to share its technology and know-how with any foreign entity.

(iii) The Korean company would not have communication problems which are frequently experienced in joint venture operations.

(iv) The overseas manufacturing operations of the Korean company would be fully integrated and aligned with its overall international operations.

**Disadvantages**

(i) The substantial amount of investment may prevent or discourage the Korean company from undertaking wholly-owned overseas manufacturing operations.

(ii) The risks of nationalization and losses are much greater in the event the host government introduces major changes in its policies towards foreign investments.

(iii) It may be difficult to recruit suitable high-level technical and management personnel in the host country in the absence of benefits of equity ownership.

(iv) The wholly-owned subsidiary may not be able to avail the benefits of the overseas partner’s valuable knowledge and expertise of the domestic conditions, local markets and distribution channels etc.

(142) **Question Background: Winter 2008, Q # 10. Syllabus Topic:**

Strategists involved in the marketing of Fast Moving Consumer Goods (FMCG) keep a close watch on the various stages of the Life Cycle of their products and adjust their strategies accordingly.

**List the type of marketing-mix strategies of Products, Pricing, Distribution and Sales Promotion which should be pursued to meet the requirements of the products which are in the introduction, growth, maturity and decline stages of their product life cycle. (12 Marks)**

**Suggested Answer:**

The marketing-mix strategies in different stages of Product Life Cycle should be pursued on the following lines:

<table>
<thead>
<tr>
<th>Marketing-mix</th>
<th>Stages</th>
<th>Introduction</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td></td>
<td>Basic Product</td>
<td>Product extension, after sales service and warranties</td>
<td>Diversification of products</td>
<td>Phasing out of weak products</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td>Unit cost, plus</td>
<td>Price to penetrate market</td>
<td>Price to meet Competition</td>
<td>Reduce price</td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td>Build selected distribution channels</td>
<td>Build intensive distribution channels</td>
<td>Strengthen distribution network</td>
<td>Eliminate unprofitable outlets</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td></td>
<td>Heavy sales Promotion</td>
<td>Reduce effort due to increase in consumer demand</td>
<td>Increase efforts to promote brand</td>
<td>Reduce cost to minimum level</td>
</tr>
</tbody>
</table>
(143) Question Background: Winter 2008, Q # 11. Syllabus Topic:

Briefly explain the following:
(a) Business Ethics  
(b) Core Competence
(c) Environment Management  
(d) Job Description  
(12 Marks)

Suggested Answer:-

(a) **Business Ethics** refers to the code of moral principles and values which are applied by individuals and organizations in their dealings in the commercial world. Business ethics provide guidelines for acceptable behaviour by organizations in their strategy formulation and day-to-day operations.

(b) **Core Competence** is the key ability or strength that an organization has acquired which differentiates it from others, gives it competitive advantage and contributes to its long term success. Core competence accrues due to its favourable location, access to superior quality raw materials, unique capabilities of equipment, acumen of management, skills and competence of workers and marketing insight. Core competence is valuable, rare and difficult for competitors to imitate.

(c) **Environment Management** is a systematic approach to minimize the damage caused by an organization to the environment in which it operates. Environment management has assumed considerable importance because all the stakeholders expect organizations to be responsible for the preservation of the environment and management are increasingly being held responsible and liable for their organization’s environmental performance. Environment management involves reducing pollution/waste and consumption of natural resources in judicious manner.

(d) **Job Description** is a structured and factual statement of a job’s functions and objectives. It defines the boundaries of the job-holder’s authority and responsibility and includes the job title, department, job site, and reporting channels.

(144) Question Background: Summer 2008, Q # 1. Syllabus Topic:

The sponsors of Seaside Resorts Limited (SRL) are considering to set up a major project on the sea coast at a distance of 85 kilometers east of Karachi. The project would have facilities of guest houses, swimming pools, golf courses, tennis and squash courts and scuba diving. It would also have modern facilities of conference rooms and auditoriums for holding business meetings, training courses, conferences and symposia. This first-of-its-kind project in Pakistan would involve substantial capital investment and also require well-planned physical facilities and selection of state-of-the-art specialized equipment. A cadre of highly trained and dedicated work force having diversified skills would be crucial for the successful operations of the project. The sponsors who were seized with these overwhelming problems were considering acquiring the services of an expatriate executive to implement this project and operate it in the initial years. However, the uncertainties associated with the hiring of an individual on contract basis and entrusting him with such far-reaching authorities and responsibilities was a source of grave apprehension for the sponsors. In the meantime, Oriental Resorts Inc, a Thailand-based company with experience of managing of similar high profile luxury resort projects in several far-eastern countries has approached SRL and offered to provide guidance and expertise for implementation and operation of the proposed project under a franchise arrangement.

**Explain what is a Franchise Arrangement? Also identify four advantages that would accrue to SRL by entering into a Franchise Arrangement with Oriental Resorts Inc.**  
(09 Marks)

Suggested Answer:-

In a Franchise Arrangement, one business entity who is the franchisor grants a license to another business entity called the franchisee to use the name and brand/trademark of the franchisor and conduct the business according to the tested processes, methods, administration and marketing techniques developed by the franchisor. SRL
would be able to gain the following advantages of entering into a franchise arrangement with Oriental Resorts Inc.:
(i) The franchisee is able to make investment in a proven business format and can eliminate the risks and
difficulties of establishing a completely new business.
(ii) The franchisee can use a well-known brand name which is promoted aggressively and has wide customer
acceptance.
(iii) The franchisee receives guidance and advice on selection of a suitable project design and equipment
according to the pre-tested specifications of the franchisor.
(iv) The franchisee can concentrate wholly on the day-to-day operations of the business as the responsibilities of
purchasing stocks, staff training, marketing and advertising are handled by the franchisor.
(v) The franchisee can seek managerial advice and guidance to overcome any problems which he may
encounter in the business.

(145) Question Background: Summer 2008, Q # 2. Syllabus Topic:

East-West Centre of Diabetes (EWCD), a non-profit organization has recently received substantial donations
from a group of overseas Pakistani philanthropists. EWCD has ambitious plans to develop the institution into an
absolutely world-class research and teaching university-cum-hospital in the country. The Hospital would
provide infrastructure facilities and medical care by a team of highly reputable consultants. It is envisaged to
provide treatment for diabetes which is growing at an alarming rate and adversely affecting the health of a large
segment of the population in all age groups. The University would also help to produce qualified doctors who
would specialize in the treatment of patients suffering from this highly debilitating disease.

You are required to prepare a Mission Statement for EWCD stating its purpose and identifying its core
values. The Mission Statement should be brief, simple and clearly highlight the important purpose, intent
and aspirations of EWCD. (06 Marks)

Suggested Answer:-

Mission Statement: EWCD is committed to the development of human capabilities through the sharing of
knowledge and application through service. It seeks to prepare individuals who would be exemplary doctors and
nurses, through excellence in research and education, all dedicated to provide meaningful contribution to
society in the treatment of diabetes.

(146) Question Background: Summer 2008, Q # 3. Syllabus Topic:

What do you understand by Code of Ethics in the context of a business organization? State four
advantages which in your opinion are important for adopting a Code of Ethics? (07 Marks)

Suggested Answer:-

Code of Ethics provides a guideline to the moral principles or values by which an organization conducts its
business with respect to what is right or wrong. The Code of Ethics applies both to the organization as well as
its employees in all their business dealings. The advantages of adopting a formal code of ethics are:
• Provides an explicit guidance to employees so that they know what is expected from them in terms of ethical
behavior.
• Enhances the organisation’s reputation and inspires public confidence.
• Creates an awareness of the organisation’s expectations of proper conduct among all the stakeholders,
including the management.
• Promotes a culture of excellence by demonstrating the organisation’s commitment to ethical behavior.

(147) Question Background: Summer 2008, Q # 4. Syllabus Topic:

As a Senior Manager in the Human Resources Department of Apex Bank Limited, you have been entrusted with
the task of conducting a Disciplinary Enquiry against Mr. Hameed Khan, an Assistant Manager in the Bank
Square Branch. The Branch Manager, who is a highly respected senior officer with considerable experience, has leveled charges of aggressive attitude and gross misbehavior against the Assistant Manager in dealings with his colleagues. **What steps would you take to ensure that the Disciplinary Enquiry is conducted in a fair and impartial manner and the final outcome is based on principles of equity?** (12 Marks)

**Suggested Answer:**

In order to conduct the Disciplinary Enquiry in a fair and impartial manner, I would adopt the following steps:

(i) Obtain complete written evidence from the Branch Manager stating the specific nature of the Assistant Manager’s misconduct, their dates and timings and the names of colleagues with whom the Assistant Manager was involved in the offensive conduct.

(ii) Make efforts to obtain specific information from the complaints as well as other colleagues regarding any special circumstances inside the office or outside which may help to explain the source of the problem.

(iii) Investigate into the Assistant Manager’s personal record to ascertain if there is any evidence of indiscipline, aggressive behaviour or misconduct in the past.

(iv) Study the Bank’s disciplinary rules bearing in mind the Assistant Manager’s past record and the nature and intensity of the offence.

(v) Direct the Assistant Manager to give a written reply to the various allegations of aggressive conduct and misbehaviour offering his explanations to the charges made by the Branch Manager.

(vi) A meeting would be held with the Assistant Manager in which he would be provided an opportunity to explain his viewpoint and circumstances leading to the Branch Manager’s complaint. Structure the enquiry and make noting of the important points to be covered in the enquiry. The Assistant Manager would be informed of the date, time and place of the enquiry and the reason why he has to appear for the enquiry.

(vii) Examine similar cases in the past and the nature of punishment meted to the defaulters.

(viii) After hearing of the Assistant Manager’s explanation in an objective, fair and consistent manner, I would draw my conclusions regarding the nature of the allegations and the intensity of the misconduct.

(ix) Prepare a comprehensive report on the allegations leveled by the Branch Manager, written and verbal replies of the Assistant Manager and my findings along with the course of proposed line of action and rationale for my recommendations.

(148) **Question Background: Summer 2008, Q # 5. Syllabus Topic:**

All leading global business organizations possess certain distinctive marketing capabilities and competitive advantages which set them apart from those companies whose operations are confined within their limited geographical areas. **Describe five core capabilities which are observed in leading global organizations regardless of special lines of business.** (10 Marks)

**Suggested Answer:**

The core capabilities which are commonly observed in leading global business organizations are:

(i) In-depth knowledge of the organisation’s products, their strengths and special customer service skills.

(ii) Highly developed marketing skills by way of insight of consumer behaviour, market segments, share of the market and distributions channels.

(iii) Capacity for continuous innovation and research which is a prerequisite for maintaining and consolidating of their global leadership status in a highly competitive business environment.

(iv) Creation and retention of a pool of talented and motivated management team and work force aligned with the strategic objectives of the organization.

(v) Financial resourcefulness with the capability to utilize the funds effectively with sound planning and control structures.

(vi) Assessment of the strengths and weaknesses of the competitors in the different territories in terms of their market share, competitive advantages and anticipated business strategies.
(149) Question Background: Summer 2008, Q # 6. Syllabus Topic:

In the current economic scenario, business organizations are under continuous stress to achieve economies in their production and operating costs. The pressures for cost reduction emanate from the management as well as the competitors and customers. Identify eight operational and strategic areas which must be scanned continuously by an industry leader to achieve cost economies and maintain its competitive advantage.

Suggested Answer:-

The economies in production and operating costs can be achieved by focusing in the following areas:
(i) Exploring alternate sources of cheaper raw materials and components.
(ii) Negotiating with existing suppliers of raw materials and components for more favourable terms.
(iii) Relocating facilities to areas which have lower costs.
(iv) Improving capacity utilization to achieve economies in costs.
(v) Introducing modifications in production designs to reduce costs.
(vi) Improving machine and worker efficiencies.
(vii) Re-engineering processes to eliminate activities and bring cost reductions.
(viii) Hiring contract workers with the objective to reduce labour costs.
(ix) Outsourcing processes/ manufacturing of components to low cost suppliers if quality control measures can be implemented.
(x) Adopting efficient inventory management practices such as just-in-time inventory management techniques.

(150) Question Background: Summer 2008, Q # 7 (a). Syllabus Topic:

Lazzat Foods Limited is engaged in the business of manufacture of packaged masalas, jellies and jams. The Company’s sales have been stagnant since the past two years due to intense competition and aggressive promotion by the competitors in the domestic market. The Management has proposed to explore new markets abroad and has suggested that the Company consider participation in a Trade Fair to be held in Colombo. Give four advantages which are expected to be achieved by the Company’s participation in the Trade Fair

Suggested Answer:-

The expected advantages of participation in the Trade Fair are:
• The Trade Fair can serve as a vehicle for securing orders for the Company’s products.
• The Trade Fair can create awareness of the products among the prospective customers.
• The participants in the Trade Fair from other countries may show interest in the products which may lead to sales and joint ventures in these countries.
• The Trade Fair may lead to contacts and opportunities for appointment of agents and distributors in Sri Lanka.

(151) Question Background: Summer 2008, Q # 7 (b). Syllabus Topic:

State six reasons why companies enter into international alliances and Give two examples of industries in which international alliances are most common and identify a logical reason for such an alliance  (08 M)

Suggested Answer:-

The reasons for entering into international alliances are:
• To gain access to foreign markets.
• To effectively utilize complementary technologies.
• To co-operate to reduce research costs.
• To minimize risk for any individual participant.
• To take advantages of firms with different skills and abilities.
• To avoid ownership of overseas operations.
Examples of industries in which International Alliances are common:
• Pharmaceutical Industry --- to reduce research costs and use complementary skills.
• Manufacture of computers and electronics --- to utilize complementary manufacturing facilities and skills.
• Airline Industry ---to share passenger load and utilize available capacity.

(152) Question Background: Summer 2008, Q # 8 (a). Syllabus Topic:

Narrate important points that should be considered in the decision making process. (03 Marks)

Suggested Answer:

The following important points should be considered when one is involved in the decision making process:
(i) Have a clear perspective of the goals to be achieved.
(ii) Develop the timeframe for reaching the final decision.
(iii) Analyze the nature of the problem in sufficient detail according to the importance of the final outcome of the decision.
(iv) Examine the various available options.
(v) Weigh the possible consequences of selecting any one or combination of actions.

(153) Question Background: Summer 2008, Q # 8 (b). Syllabus Topic:

Union Group of Companies has diversified interests in fertilizer, sugar, cement and steel industries. Each entity operates as a strategic business unit and executives in the individual companies have powers to take all decisions at the operational level and only limited decisions at the tactical level. The Group Management Team which monitors and controls the performance of the different strategic business units has retained for itself the powers to make all strategic decisions. Describe the distinguishing features of decision making process at Operating, Tactical and Strategic levels. (09 Marks)

Suggested Answer:

Operational Level Decisions
• Decisions are concerned with day-to-day systems and procedures.
• Decisions are more structured and are of a routine nature.
• Outcomes of decisions are immediate and of short term nature.
• Decisions involve fewer risks.

Tactical Level Decisions
• Decisions are concerned with short to medium term objectives.
• Decisions are often related with implementation and success of strategic decisions.
• Decisions are concerned with overseeing and handling of budgets, personnel, schedules and resources.
• Risks of failure of decisions are moderate.

Strategic Level Decisions
• Decisions are concerned with long-term goals and future direction of business.
• Decisions are more conceptual and have elements of uncertainty.
• Decisions have far-reaching consequences and are therefore of considerable importance.
• Decisions are taken at the highest management and board levels.

(154) Question Background: Summer 2008, Q # 9. Syllabus Topic:

Tameer Construction Company, a UAE-based entity, has ambitious plans to develop major real estate projects in Pakistan through a subsidiary company. The parent company’s principal office in Dubai is largely managed by expatriate executives who are committed to a policy of highly centralized control of the Company’s financial resources and are reluctant to delegate financial powers to the overseas
subsidiary. As the Chief Executive Officer of the subsidiary, you are required to advise the parent company of the disadvantages of pursuing a highly centralized financial policy. Identify four disadvantages of pursuing such a centralized policy.

(06 Marks)

Suggested Answer:

The major difficulties expected to be faced by the parent and subsidiary companies in pursuing a highly centralized financial policy are:
(i) The staff at the parent company would not be fully conversant with the local rules and regulations in Pakistan.
(ii) The operations of the subsidiary may suffer due to delays in the decisions by the parent company resulting in higher costs and inefficiencies.
(iii) The executives at the parent company would be overburdened as they would have to take numerous decisions pertaining to the subsidiary.
(iv) The morale and initiative of the local staff may be affected as they would have to obtain approvals for decisions which can be taken here readily by responsible officers.
(v) The overall costs would increase considerably due to duplication of work and additional traveling and incidental costs.

(155) Question Background: Summer 2008, Q # 10 (a). Syllabus Topic:

The governments generally promulgate comprehensive laws for health, safety and security of the workers. State five objectives which are expected to be achieved through these laws

(05 Marks)

Suggested Answer:

The objectives of promulgating comprehensive laws for the health, safety and security of the workers are:
(i) To encourage employers and employees to reduce hazards in the work place and to strengthen the health, safety and security programs.
(ii) To establish minimum safety and health standards, particularly in hazardous industries such as steel, mining and construction.
(iii) To create an effective framework for enforcement of the regulations.
(iv) To frame procedures for reporting of job related accidents, injuries, illnesses and deaths.
(v) To prevent employment of child workers.
(vi) To provide special facilities for female workers.

(156) Question Background: Summer 2008, Q # 10 (b). Syllabus Topic:

Safety Engineers are convinced that industrial accidents are attributable to inadequate Human, Environmental and Mechanical/Technical security factors. How can responsible management effectively reduce the risks of accidents in each of these categories?

(09 Marks)

Suggested Answer:

Responsible Management can reduce the risks of industrial accidents by adopting the following measures:

**Human Factors:**
- Strict compliance with safety rules
- Proper operation of equipment
- Avoid excessive overtime

**Environmental Factors:**
- Good housekeeping
- Proper ventilation
- Adequate lighting

**Mechanical/Technical Factors:**
- Safe storage and handling of inflammable materials
- Adequate protective equipment or mechanical guards
- Proper tools and equipment
Question Background: Summer 2008, Q # 11. Syllabus Topic:

What do you understand by transfer pricing in the context of multinational companies. List two advantages of adopting market-based transfer pricing policies. (04 Marks)

Suggested Answer:-

International transfer pricing is the price at which products or services are transacted between units of the same company which are located in different countries. The advantages of market-based transfer pricing are:

(i) The individual units would achieve high level of efficiency as they can negotiate most favourable market-based prices as if they were independent units.
(ii) The selling unit would make efforts to improve the quality of the products in accordance with the requirements of the purchasing unit.
(iii) The performance of the individual units can be evaluated more objectively.