

THE OPEN UNIVERSITY OF SRI LANKA
BACHELOR OF MANAGEMENT STUDIES – LEVEL 6
ASSIGNMENT TEST – 2009



STRATEGIC MANAGEMENT – MCU 4201

DURATION : TWO (02) HOURS

This paper contains four questions and has two pages.

Date : 25th January 2009

Time : 10.00 am – 12.00 noon

Instructions: Answer question 1 (compulsory) and any two (02) from others. Answers should be methodical and focused.

1. Arun/Aruni's mother had started helping others by making cakes for various purposes which has developed into a successful small business today. Now this family has earned goodwill for preparing good quality different types of cakes for various purposes such as weddings, birthdays, anniversaries, celebrations etc. Further they supply some cakes regularly for two retail shops. Due to past customer experience and with the word of mouth publicity by the past customers, Arun/Aruni's family get many orders, which they cannot cater during certain days. Though there are some retailers in the area who wanted a regular supply of cakes, they had to be turned away since they could not cope up with the demand. During the recent past they have observed an increase in the number of orders that have to be turned down due to the limitation in capacity in cake manufacturing (baking and processing) capabilities.

Aruni/Arun being the only child and as the family has other sources of income, they decided to put more effort into this business and expand it. One aspect is to expand the capacity of cake manufacturing and processing and the other is to expand the sales/distribution of cakes. They have approached the local authorities for registering their business as a family owned company.

The demand for specialty cakes varies with time. It differs with season and also follows certain cyclical pattern as well. So far the economic condition of the area has not had any noticeable impact on the demand for cakes made by Arun/Aruni's family.

Basically flour, sugar, milk, butter, margarine, fruits, colouring, emulsifiers and natural and artificial essences are used for cakes. These ingredients, the processing mechanism and time and efforts vary with the type of cakes. For example a rich cake/wedding cake needs more time and effort where as a plain butter cake supplied for the retail shops needs the least time and effort.

At present they supply 15kg of regular cakes (sandwiched butter cakes, chocolate cakes with icing and fruit cakes) per day and up to 4 orders for special cakes per day and operate approximately 25 days a month. They get the assistance of two persons

working regularly and two persons working on part time basis for cake manufacturing. They have medium scale LP gas fuelled oven and several electric mixing machines of different sizes, a scale, different types of moulds and other needed utensils. The floor area for expansion of the operations is not an issue for them. Arun/Aruni has found that the oven has the capacity to increase the production by three times and any further expansion needs an additional oven with higher capacity. They have to go for more mixing machines if the capacity has to be increased by 150%.

Among the plans are, to increase the regular supply of different cakes for retailers and accept more custom orders, formalize systems, go for a brand name and regularize the purchase of raw material required for cakes.

*Assume that you are Arun/Aruni. You are expected to respond to the following **with justifications.***

- a) Set up a vision and mission statement for this business. (12 marks)
- b) What should be the long term goals for this business? (12 marks)
- c) Setup medium and long term objectives. (16 marks)
- d) Carryout an environmental scan for this business (12 marks)
- e) What strategy/strategies do you suggest? (04 marks)

State all assumptions used for your answers.

- 2. As a student of business management explain the need for adopting Strategic Management practices for any organization. (22 marks)
- 3. Describe the process of Strategic Management and explain its key components. (22 marks)
- 4. Describe the process of environmental scanning used in Strategic Management exercise. Explain the importance of carrying out environmental scanning in developing alternative strategies. (22 marks)

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