

**THE OPEN UNIVERSITY OF SRI LANKA  
BACHELOR OF MANAGEMENT STUDIES DEGREE PROGRAMME  
LEVEL 6  
FINAL EXAMINATION: 2013  
STRATEGIC MANAGEMENT – MCU 4201**



**Duration: Three Hours**

**Date: 7<sup>th</sup> July, 2013**

**Time: 1.30 pm to 4.30 pm**

*This Question Paper consists of three (03) pages and has six (06) questions.*

**Instructions:**

- **Answer QUESTION 1 AND ANY THREE QUESTIONS FROM OTHERS. Total FOUR (4) questions.**
- **Maximum marks : 100**
- **Answers should be methodical and focused. Cite suitable Sri Lankan examples to support your answer where necessary.**

1. Read the following “Kohler Bathroom Fittings” and attempt the questions given at the end.

In 1983, with the industry in a long-run noticeable decline in performance, profits in the plumbing fixtures business driven rapidly to lower levels. For companies that made tubs, toilets, sinks, and showers, it seemed a time to retrench. However, for the privately held Kohler Company or Kohler, Wisconsin, creator of the Infinity Bath, the Super Spa, and other exotica for people who want their bathrooms to be fun as well as functional scenario was different. Even though Kohler had to lay off 300 of its 6,000 workers because of slow sales of some products, the company was going ahead with its most ambitious capital spending programme ever. In 1983 Kohler invested \$50 million, more than 10 percent of its expected sales of \$400 million. The plan included a big expansion of its factories in Brown-wood, Texas.

Unlike most American Executives, who were often criticized for trying to boost short-run profits at the expense of long-range investment, Chairman Herbert Kohler could afford to disregard the short-term bottom line. His family and relatives owned or controlled 90 percent of the Kohler stock. While the typical U.S. company reinvested 60 percent of its earnings, Chairman Kohler claimed to put 90 percent of his profits back into the firm.

Kohler viewed a recession as a grand opportunity to increase his share of the kitchen and bathroom business. Because of the slump, he pointed out, some building material cost less than they did in 1980, and thus the construction of new factories was comparatively inexpensive. During the recession in 1973-75, Kohler expanded its facilities enough to overtake ‘American Standard’ as the largest manufacturer of luxury plumbing fixtures in the United States.

When Herbert Kohler became chairman in 1972, he decided that plumbing had not reached its potential. In his own words he stated, “I felt we could innovate

with shapes and colours to change the whole function of the bathroom and make it something stimulating, possibly even social.”

The company has since introduced the infinity Bath, a kidney-shaped tub for two (price:\$2,000), and the Super spa, a giant whirlpool (\$4,000) that can come with a built-in table for those who, for example, want to play poker as they soak. Kohler’s masterpiece is the \$12,500 Environment, a pleasure chamber that pampers bathers with “tropic rain, jungle steam, Chinook winds, and Baja sun,” all accompanied by soothing stereo music.

Though plumbing fixtures are rarely mentioned in the same breath with computers or robots, Kohler was convinced that the sanitary ware business had considerable growth potential. He expected to see the day when whirlpool will virtually be the accepted standard in middle-class homes.

*(Adapted from “Rub-a-Dub-Dub” Time, USA, July 26, 1982)*

- (a) Carryout a SWOT analysis and comment on the company’s strategic position. (10 Marks)
  - (b) What would have been the key success factors of the firm? Justify your answer. (5 Marks)
  - (c) Explain the short term strategies pursued by this organization. Identify the intensive strategies pursued by the Chairman for the success of the organizations and critically comment on the same. (25 Marks)
2. ‘Vision and Mission statements provide a good guideline for employees of an organization for better organizational performance in a competitive business environment.’
- (a) Comment on this statement. (06 Marks)
  - (b) What are the key features of the vision and mission statements? (06 Marks)
  - (c) Explain how the presence of a clear mission statement can benefit other activities of the strategic management process. (08 Marks)
3. ‘Managing different business-ventures is one of the challenges faced by top management of a business group.’
- (a) Describe portfolio analysis matrix developed by the Boston Consultancy Group (BCG). (10 Marks)
  - (b) Explain the investment decisions and management efforts of different business ventures of an organization in light of the BCG matrix. (10 Marks)

4. 'Strategic control function plays a vital role for the success of strategy implementation of an organization.'
- (a) Explain the above statement with suitable illustrations. (08 Marks)
- (b) What tools and measures are used by strategists in strategic control functions? Explain. (12 Marks)
5. Explain Michael Porter's generic strategies for business success, with suitable illustrations. (20 Marks)
6. Explain the following. (5 Marks each)
- (a) Long term objectives and short-term objectives.
- (b) Functional Strategies.
- (c) Need for a change in organizational structure when implementing a new strategy.
- (d) Strategic management audit.

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