

THE OPEN UNIVERSITY OF SRI LANKA
BACHELOR OF MANAGEMENT STUDIES (HONOURS) DEGREE PROGRAMME
LEVEL 6
FINAL EXAMINATION: 2017
STRATEGIC MANAGEMENT – MCU4201



Duration: Three (03) Hours

Date: 30th July, 2017

Time: 1.30 pm – 4.30 pm

This Question Paper consists of four (04) pages and has seven (07) questions.

Instructions:

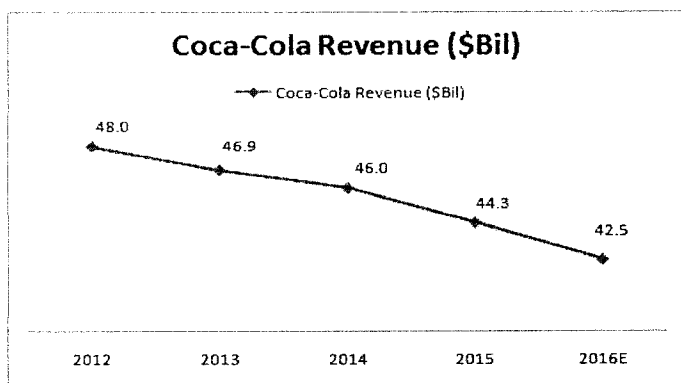
- Answer Question 1 and any THREE (3) questions. Maximum marks: 100
- Answers should be methodical and focused. Cite suitable Sri Lankan examples to support your answers where necessary.

Question 1. Read the following and answer the questions given below.

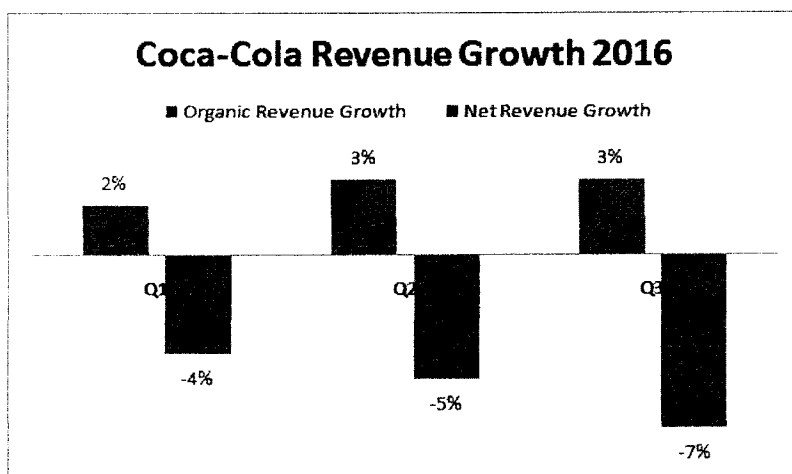
Why We Should Look Beyond Coca-Cola's Declining Revenue

The Coca-Cola Company reported its Q3 results on October 26, and it was another quarter where negative currency translations and structural changes hindered top line growth. Organic revenue rose 3% year-over-year in Q3, but net revenue declined 7% due to a 2 percentage point impact of currency fluctuations and a larger 8% impact of acquisitions, divestitures, and other structural effects.

The stock of one of the world's largest food and beverage companies, The Coca-Cola Company, has not grown by more than 2-3% over the last three years. Much of this has been attributed to the beverage manufacturer's greater exposure to low-growth categories as compared to the faster growing beverage categories. Net revenue has declined for the last three years and is expected to have again declined in 2016.

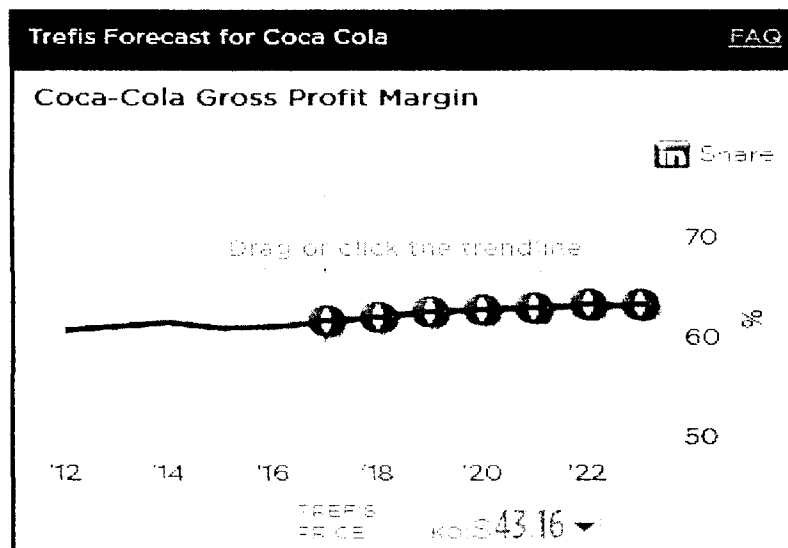


However, this is mainly because the company is in transition. Coca-Cola is refranchising many of its bottling operations in a bid to move away from the capital intensive and low margin business of bottling, and focus more on the concentrate business as the consumption of carbonated drinks continues to slow down, especially in developed markets. Coca-Cola's net sales growth has been hurt in the last few quarters due to structural changes. A look at the graph below suggests that while Coca-Cola's organic revenue has grown strongly through the first three quarters of 2016, net revenue has declined, and this is mainly due to the negative impact of currency translations and structural changes. In fact, through September, acquisitions, divestitures, and structural items had a 5 percentage point negative impact on the manufacturer's top line.



Coca-Cola Company is moving away from a capital-intensive organization with its intended refranchising plans for North America, China, and structural changes in Europe and Africa. The company is looking to refranchise two-thirds of its bottling territories in North America by the end of 2017, and a substantial portion of the remaining territories no later than 2020, in a bid to move away from the capital intensive and low-margin business of distribution. All this in hopes to improve operating performance. Coca-Cola signed six definitive agreements and closed four transactions recently, thereby remaining on track to complete its refranchising efforts in North America by the end of 2017. A bottling business comes with

four to five times more revenue per drink sold and the accompanying cost. Thus, any impact on the sales of the bottler is going to have a magnified impact on overall sales for Coca-Cola and much less effect on the company's profits.



Coca-Cola is therefore focusing more on capitalizing on profitability in the concentrate business and looking to rebrand some of its bottling investments. This means that the dip in revenue is part of the longer-term strategy of improving margin. Coca-Cola has been able to maintain solid margin through the first three quarters of the year boosted by increased pricing, favorable geographic mix, lower commodity costs, and productivity initiatives. The company's operating margin rose to 22.4% through September, up 140 basis points year-over-year. Although the company's portfolio is still heavily skewed towards low volume-growth beverage categories such as carbonated soft drinks, which represent 72-73% of the net company volume, Coca-Cola is seemingly well placed in terms of the broader plan for its future.

(Source: www.forbes.com/sites/greatspeculations/2017/01/12/why-we-should-look-beyond-coca-colas-declining-revenue)

Attempt the following

- Identify the core business of the company. (4 marks)
- Identify the key issues faced by the company. What would have caused such issues? Explain. (8 marks)
- Explain the moves of the company in reshaping its strategies and its expected outcome. (12 marks)
- Describe the main strategies identified by Coca-Cola Company in its move towards improving overall organizational growth and profitability. (10 marks)

(Total Marks -34)

Question 2.

TOWS matrix helps strategists to identify and develop alternative strategies.'

- a) Describe TOWS matrix. (8 marks)
 - b) Explain the relationship between environmental analysis and TOWS matrix. (8 marks)
 - c) 'Grand Strategy Matrix can be used instead of TOWS matrix'. Critically Evaluate. Support with examples. (6 marks)
- (Total -22 Marks)

Question 3.

- a) What is meant by strategic business units of an organization. Explain using examples. (10 marks)
 - b) Describe how the top management of an organization can use B.C.G. matrix in analyse its SBUs. Use suitable illustrations. (12 marks)
- (Total -22 Marks)

Question 4.

- a) Describe different types of integration strategies. (9 marks)
 - b) State the key conditions that may encourage strategists to pursue such strategies. Provide suitable Sri Lankan examples. (6 marks)
 - c) "Some argues that not to go for integrations, but to seek outsourcing". Critically evaluate this statement. (7 marks)
- (Total -22 Marks)

Question 5.

'Once a suitable strategy is selected, one has to carry out many tasks to implement it.'

- a) Explain the different tasks that are needed to carryout for successful implementation of a selected strategy. (10 Marks)
 - b) What control systems would you recommend to monitor the success or progress of strategy implementation? (12 Marks)
- (Total -22 Marks)

Question 6.

- a) Describe any four types of organizational structures and the key advantages of the said structures. (12 marks)
 - b) Explain how organizational structures could be an advantage or barrier in implementing strategies successfully. (10 marks)
- (Total -22 Marks)

Question 7.

Explain **any TWO** (2) of the following with suitable examples. (11 marks each)

- a) Corporate social responsibility of an organization and its benefits to organizations
- b) Key attributes of 'Mission Statement' and 'objectives' of an organization
- c) Differentiation and focus strategies
- d) M.E. Porter's industry analysis model

(Total -22 Marks)

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