



**UTHM**

Universiti Tun Hussein Onn Malaysia

**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
SEMESTER I  
SESSION 2013/2014**

COURSE NAME : STRATEGIC MANAGEMENT  
COURSE CODE : BPB 33803  
PROGRAMME : 4 BPA  
EXAMINATION DATE : DECEMBER 2013/JANUARY 2014  
DURATION : 2 HOURS 30 MINUTES  
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF **THREE (3)** PAGES

**Q1** Compliance, Inc., (CI) conducts clinical human and animal trials for the pharmaceutical and biotechnology industries. Revenues are split evenly between early and late drug development services. While the bulk of its business is conducted in Europe and the U.S. (10 and 17 subsidiaries, respectively), CI also have subsidiaries in Africa, Latin America, Asia, and Australia. Historically CI operated under a multidomestic strategy, owing to the fact that the clinical testing industry was geographically fragmented to meet the diverse needs of the many strong local pharmaceutical companies and distinct regulatory environments. CI's organizational structure truly reflected the autonomous character of each country's businesses. Many of the country managers have been with CI for over a decade, and have a great deal of discretion over the activities of their home-market businesses. However, globalization of the regulatory environment (both global and local standards), globalization of the biotechnology firms (increasing the geographic scope of their operations), and tremendous consolidation in the pharmaceutical industry (reducing the number of pharmaceutical industry participants to only a handful of major global companies) caused CI to question its multidomestic strategy. Consequently, the firm has begun its transition to a transnational strategy.

(a) Analyse the type of organizational structure that was likely to have been in place under Compliance, Inc., (CI's) multidomestic strategy. (15 marks)

(b) Investigate **TWO (2)** obstacles that will be encounter by CI's if it attempts to change its structure to support the transnational strategy. (10 marks)

**Q2** Jewell Company (JC) is a \$2 billion diversified manufacturer and marketer of simple household items, cookware, and hardware. In the early 1950s, JC's business consisted solely of manufactured curtain rods that were sold through hardware stores and retailers like Sears. Since the 1960s however, the company has diversified extensively through acquisition into such businesses as paintbrushes, writing pens, pots and pans, and hairbrushes. Over 90 percent of its growth can be attributed to these many small acquisitions, whose performance it improved tremendously through aggressive restructuring and its corporate emphasis on cost-cutting and cost controls. While JC's sixteen different lines of business may appear quite different, they all share the common characteristics of being staple manufactured items and sold primarily through volume retail channels like Wal-Mart, Target, and Kmart. Because JC operates each line of business autonomously (separate manufacturing, R&D, and selling responsibilities for each line), it is perhaps best described as pursuing a related linked diversification strategy. The common linkages are both internal (accounting systems, product merchandising skills, and acquisition competency) and external (distribution channel of volume retailers). JC is presently contemplating the acquisition of Plastico, a \$3 billion U.S.-based manufacturer of flexible plastic products like trash cans, reheatable and freezable food containers, and a broad range of other plastic storage containers designed for home and office use. While Plastico has been highly innovative (over 80% of its growth has come from internal new product development), it has had difficulty controlling costs and is losing ground against powerful customers like Wal-Mart. JC believes that the

market power it wields with retailers like Wal-Mart will help it turn Plastico's prospects around.

(a) Describe **TWO (2)** general types of diversification strategies. (5 marks)

(b) Investigate the effect of JC's diversification strategy to economies of scale and market power. (20 marks)

**Q3** Strategy Evaluation is as significant as strategy formulation because it throws light on the efficiency and effectiveness of the comprehensive plans in achieving the desired results. The managers can also assess the appropriateness of the current strategy in today's dynamic world with socio-economic, political and technological innovations. Strategic Evaluation is the final phase of strategic management.

(a) Analyse why strategy evaluation can be a complex and sensitive undertaking. (10 marks)

(b) Discuss **FIVE (5)** reasons why strategy evaluation is becoming increasingly difficult with the passage of time. (15 marks)

**Q4** (a) Strategy evaluation allows an organization to take a proactive stance toward shaping its own future.

Discuss the meaning of the above statement. (10 marks)

(b) Businesses prepare contingency plans because things do go wrong from time to time.

Describe the **FIVE (5)** steps of processes in developing the effective contingency planning in strategy evaluation. (15 marks)

- END OF QUESTION -