Universiti Tun Hussein Onn Malaysia

UNIVERSITI TUN HUSSEIN ONN MALAYSIA

FINAL EXAMINATION
SEMESTER II
SESSION 2021/2022

COURSE NAME	:	STRATEGIC MANAGEMENT
COURSE CODE	:	BPB 33803
PROGRAMME CODE	:	BPA
EXAMINATION DATE	:	JULY 2022
DURATION	:	3 HOURS
INSTRUCTIONS	:	1. ANSWER **ALL** QUESTIONS. 2. THIS FINAL EXAMINATION IS CONDUCTED VIA **CLOSED BOOK.** 3. STUDENTS ARE **PROHIBITED** TO CONSULT THEIR OWN MATERIAL OR ANY EXTERNAL RESOURCES DURING THE EXAMINATION CONDUCTED VIA CLOSED BOOK.

THIS QUESTION PAPER CONSISTS OF **SEVEN (7)** PAGES

Q1 The greatest formulated and implemented strategies become obsolete as a firm's external and internal environments change. Thus, it is vital that organization systematically review, evaluate, and control the execution of strategies. The evaluation stage is a form of framework that could guide managers' efforts to evaluate strategic-management activities, to make ensure that the strategy are working as planned, and to make timely changes if necessary.

(a) Discuss the Rumelt's criteria in evaluating strategies with example.

(12 marks)

(b) Discuss **FOUR (4)** characteristics of effective evaluation system.

(8 marks)

Q2 Sweet Pastries Corporation is considering to expand its business into four divisions. In doing so, the company is planning to adopt the Boston Consulting Group (BCG) Matrix to develop new strategies. The following **Table Q2** depicts the summary of information on sales and profits for analysis.

Table Q2: Information on sales and profits

Divisions	Sales (RM)	Profits (RM)	Relative Market Share	Industry Growth Rate (%)
1	930	-500	0.10	-5
2	1,300	805	0.60	-10
3	1,620	1,015	0.40	+15
4	4,240	1,710	0.75	+14

(a) Calculate the contribution (in percentage) for sales and profits for each division to the overall division performance based on the information in **Table Q2**.

(4 marks)

(b) Plot the four quadrants BCG Matrix based on relative market share and industry growth rate in **Table Q2** and answer in **Q2(a)** to show the strategic positioning for all divisions.

(12 marks)

(c) Identify **TWO (2)** strategies for each Division 1 and Division 4 based on answer in **Q2(b)**.

(4 marks)

Q3 Bien had just been appointed as a strategic planner in TAC Technology Berhad. TAC Technology Berhad is a technology based company that manufacture electronic devices such as computer, computer related equipment, computer service and software and electronic component and products. Bien has been assigned by the managing director to revise the strategy that currently been practiced in the organization. His top management has asked him to assess the company's goal, identify area where improvement can be made in the company, do a research on the industry trends and, conducting a market research and preparing reports on strategic idea to the senior management. Bien has asked you to assist him by applying the Porter's Five Forces concept in his report.

Recommend Porter's Five Forces Model analysis based on the above scenario.

(20 marks)

Q4 Based on the case study in **Appendix I**, answer the following questions.

(a) Interpret Sime Darby mission statements by using Mission Statement Evaluation Matrix. The interpretation should highlight which statement belongs to the nine components of mission statements.

(10 marks)

(b) Synthesize **FIVE (5)** type of strategies that has been implemented by Sime Darby Berhad. The synthesis should include detail explanations of the strategies and **ONE (1)** example for each of the strategies.

(20 marks)

(c) Discuss **TWO (2)** implications for each marketing and Management Information System (MIS) issues based on the strategies in **Q4(b)**.

(10 marks)

– END OF QUESTIONS –

FINAL EXAMINATION APPENDIX I

SEMESTER / SESSION : SEMESTER II / 2021/2022 PROGRAMME CODE : BPA
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Sime Darby: Weathering Ten Decades for Business Sustainability

Early stage of business

In 1910, William Middleton Sime, Henry d'Esterre Darby and Herbert Mitford Darby set up the British Company of Sime, Darby and Co. Ltd. to capitalize on its 500-acre rubber estates in Malacca with initial capital of US$20,000. Historically, the business expansion of Sime Darby falls into four chronological periods: from a plantation-based to a trading-based business (1910-1929), followed by domestic expansion (1929-1950s), conglomerate diversification (1950s to present), and international expansion (1970s to present). In the first period (1910-1929), Sime Darby acting as managing agent for number of plantation companies, specifically in rubber estates. Over the years, Sime Darby & Co. diversified into timber, preservatives and motor insurance. Sime Darby acquired it British competitor, R.G. Shaw & Co. in 1926 and ventured into money brokering and insurance brokering (Utrecht, 1981). In 1929, Sime Darby, acquired the Sarawak Trading Company, which subsequently was appointed as a franchise of Caterpillar (machinery) dealer for Sarawak market.

Meanwhile, in second period of domestic expansion (1920-1950s), Sime Darby concentrated in the plantation-based business, by focusing in palm oil and cocoa plantations, while maintaining the rubber trade. Changing into other types of plantation was made due to World War 2 in London. London headquarters at Great Tower Street is engulfed in flames due to enemy aircraft activity. The rubber trade is under threat due to the creation of synthetic rubber, which led to commercialisation of the oil palm. During this period, its activities grew to include supply, finance, sales and shipping of products for many plantations, and by 1954 it was managing some 80,000 acres of rubber land with a total of 18 branch offices in Malaysia, Singapore, Brunei, and British North Borneo. In 1946, Sime Singapore was established, as a result of acquisition of Ewart & Co.

In the third period of conglomerate diversification (1950s to present), Sime Darby Holding Limited was established in London as a result of rapid growth of the business. In the late 1960s was the new beginning of Sime Darby venturing into automotive industry. For example, in 1968, Sime Darby Motors acquired BMW Concessionaires (HK) Ltd, the sole importer and distributor of BMW cars and motorcycles in Hong Kong and Macau. To date, Sime Darby vision is "To be the leading Motors and Industrial player in Asia Pacific" and its mission, "Develop a winning portfolio of sustainable businesses, deliver superior financial returns through operational excellence and high performance standards, subscribe to good corporate governance and high ethical values and provide an environment for our people to realise their full potential."

Nationalization of Sime Darby

Since Tun Mahathir became the Prime Minister of Malaysia, he has introduced national strategy known as 'Malaysia Incorporated' to empower Malaysian firms to be part of Malaysia's incorporation policy including those owned by the British such as Sime Darby, Guthrie, Harrison & Crossfield who have long profited from Malaysian soil. Sime Darby pointed Tun Tan Siew Sin (former Finance Minister of Malaysia), as the first Asian Chairman in 1976 the mission is to bring back Sime Darby from London based company to be Malaysian based company owned by Malaysian. In 1978 the British lost control of the company and in 1979 the head office relocated back to Malaysia. The company's stock was listed on the KLSE in same year. Sime Darby, which was already owned by Malaysian investors since 1977 has made several attempts take over Guthrie (another plantation giant operating in Malaysia owned by British). However, all efforts have failed. It was under the brainchild of Tun Dr Mahathir (the then Prime Minister of Malaysia), the acquisition of Guthrie in London stock Exchange through the very famous corporate acquisition known as 'The Dawn Raid' in 1981 made a historic takeover of Guthrie Corporation as part of Nationalisation policy and affirmative action for Bumiputera equity participation through Permodalan Nasional Bhd (PNB). The PNB strategic team was led by Tun Ismail Mohmed Ali (the then Chairman of PNB) and Tan Sri Khalid Ibrahim (the then PNB Investment Manager) with the help of British's brokers Rowe and Pitman to acquire Guthrie. Guthrie was officially owned by Malaysian and was listed on the Kuala Lumpur Stock Exchange together with Sime Darby Bhd.

Business portfolios expansion through diversification

Major diversifications begin in the early 1980s, as rapid grow further into non-core activities such as in motor vehicles, paint and tyre manufacturing in 1981, oil and gas in 1983, property and insurance in 1984, health and hospitality in 1990, travel and tourism in 1991, power generation in 1994, finance in 1996, hypermarkets in 2000, and retail petroleum in 2001. There are three major waves of domestic growth taken by Sime Darby. The first ware of expansion was focused in the plantations sector, while geographical expansion of its trading business become the second wave. Lastly, the third wave was based on a range of diversified business strategies both upstream and downstream, such as oil and gas, financial services, property development, energy, and motor vehicle distribution.

The fourth period of international expansion (1970s to present) began through international trading activities particularly exports of commodity products. During that period, Malaya was known as biggest rubber and cocoa producer in the world (Allen and Donnithorne, 1957). The expansion in both geographically and sectorally indicated that Sime Darby are looking forward for internationalization. In the late 1970s, Sime Darby decided to continue to diversify to keep up with Malaysian economic activities, while at the same time branching out regionally. The expansion began with the purchase of BF Goodrich Philippines (now known as Sime Darby Pilipinas) in 1981, China Engineers (Holdings) Limited, Harpers International Limited, and Amoy Canning Corporation (Hong Kong) Limited, all based in Hong Kong (United Nations, 1985). China Engineers focused in engineering, manufacturing, insurance and shipping activities, while production of canned food by Amoy Canning. Not limited to these business activities, purchase of Harpers International Limited provide Sime Darby with the franchise for the distribution of Ford, BMW, and Mitsubishi automobiles. Sime Darby keeps to diversified into investment, shipping, and trading by acquiring Shaw and Co., a company in United Kingdom. Further, Sime Darby and Tesco signed an agreement in 2000 to set up a chain of hypermarkets in Malaysia, with Sime Darby taking up 30% share.

FINAL EXAMINATION **APPENDIX I**

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Corporate Strategy rationalization – Merger and Demerger

The changing business environment requires firm to continuously adapt for suitable strategy to ensure growth and sustainability. In 2006, the country has witnessed the biggest history of Malaysia corporate merger of three entities namely, Guthrie Bhd, Sime Darby Bhd and Gloden Hope Plantation Bhd and become the largest plantation-based company in the world valued at RM 31 billion. The merged entity maintained the listing status of Sime Darby Bhd.

After 10 years of becoming the giant conglomerate, the merged entity of Sime Darby has grown in such situation in which facing challenges to measure performance of each division within the group. It was the intention to grow each division of Sime Darby business as separate 'pure plays' for better monitoring, valuation and unlocked the value of each business according to each industry. PNB as the major shareholder of Sime Darby led by the then its chairman, Tan Sri Wahid Omar has announced the demerger of Sime Darby into three separate entities three separate entities namely Sime Darby Bhd (maintaining manufacturing and trading business), Sime Darby Plantation Bhd (focus on plantation related) and Sime Darby Properties (Focus on property Development). The much-anticipated demerger of the Sime Darby group was completed in November 2017 country's largest conglomerate into "pure plays" and allowing the individual businesses to measure against similar peers. Post demerger witnessing Sime Darby Bhd focussing on separate business focus from different set of company under the controlling stake of same major shareholders namely PNB.

In the 21st century, Sime Darby gearing up its momentum to survive and growth in the marketplace. The progress of Sime Darby can be summarized by establishing new business through acquisitions and setting up company for venturing new business activities in the local and global markets as follows:

- 2002 – Sime Darby Australia Ltd acquired the Corefleet business.
- 2003 – Sime Darby Hong Kong Ltd was renamed Sime Darby China Ltd and its regional headquarters was relocated from Hong Kong to Beijing, China.
- 2004 – Sime Darby Motors in New Zealand invested in the truck business involving the distribution of Mack, Renault, and Hino brands. The investment added new brands to the group's retail business which included Nissan, Mitsubishi, Kia, and Suzuki.
- 2005 – Sime Darby Motors finalised the acquisition of Hyundai businesses in Malaysia from Berjaya Group, adding the Hyundai brand to its marques.
- 2007 – The newly merged Sime Darby, Guthrie, and Golden Hope re-entered the Kuala Lumpur Stock Exchange under the name of Sime Darby Bhd with a market capitalisation of RM59.5 billion – nearly 80% more than its original RM31.6 billion at the start of the merger process.
- 2007 – Sime Darby Industrial was formed. Tractors Singapore Limited and several other Cat dealers formed a joint venture, APAC Energy Rental Pte Ltd, to operate generator set rentals in the region.
- 2008 – Sime Darby brings together its healthcare businesses, namely the Subang Jaya Medical Centre (SJMC), Megah Medical Specialists Group, and the SJMC Academy of Nursing and Health Sciences under one division.

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- 2008 – Sime Darby expands into Transportation and Installation (T&I) services for the Oil & Gas sector via joint venture company, Sime Darby T&I Sdn Bhd.2013 – Sime Darby Berhad and Ramsay Health Care Limited entered into a joint venture to expand their healthcare businesses. The new company (Ramsay Sime Darby Health Care) is equally owned by Ramsay and Sime Darby.
- 2015 – Tractors Singapore Limited expanded Cat machine coverage in Maldives with appointment of second level distributor by Maldives Transport and Contracting Company Plc.
- 2017 – Demerger of Sime Darby Berhad from a conglomerate to three independent entities: Sime Darby Plantation Berhad, Sime Darby Property Berhad, and Sime Darby Berhad (consisting of Industrial, Motors, Logistics, Healthcare, and other businesses).
- 2019 – Sime Darby Industrial expanded its footprint to New Zealand with the acquisition of Gough Group Limited, whose business interest include the New Zealand Caterpillar dealership.
- 2019 – Sime Darby Motors obtained its first electric vehicle marque with the opening of a Singulato Brand Experience Centre in China.
- 2020 – The disposal of 30% stake values at RM270 million in Tesco Malaysia during the year, as part of our ongoing exercise to monetise its non-core assets.
- 2021 – Sime Darby Berhad acquired Australia's Salmon Earthmoving Holdings, a leading provider of rental and maintenance services in Australia servicing the civil construction, agricultural and mining sectors.
- 2021 – Joint venture Ramsay -Sime Darby Health Care Acquires Manipal Hospitals, Klang.
- 2021 – Sime Darby Berhad Disposes 11 per cent Stake in Eastern & Oriental Berhad (Hotel business) for RM93.5 million.
- 2022 – Sime Darby and Porsche roll-out first locally assembled Cayenne at launch of first assembly facility outside Europe, in Kulim Kedah.

After more than 100 years, Sime Darby Berhad now operates in 19 countries and had a strong footprint in Asia Pacific. Further, as the oldest and diversified conglomerate company in Malaysia's, Sime Darby Berhad managed to survive for very long time through various corporate strategy adaptation to stay relevant.

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