YOU ARE REQUIRED TO ANSWER A TOTAL OF THREE (3) QUESTIONS IN THE PAPER.
SECTION A COMPULSORY AND ANSWER TWO (2) QUESTIONS FROM SECTION B

THIS IS A RUNNING CASE SCENARIO. PLEASE NOTE THAT THE QUESTIONS ARE LINKED, EVEN THOUGH THEY ARE NUMBERED SEPARATELY.

THINK POSITIVE AND BEST WISHES IN THE EXAM.

SECTION A

1. Given the following financial ratios for Baye Inc., analyse the company’s financial performance for the stated period and then make summary recommendations to the management team, which is about to engage in a strategic planning retreat. (20 marks)
Question 1 (cont’d)


<table>
<thead>
<tr>
<th></th>
<th>Baye</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales Growth (Qtr vs year ago qtr)</strong></td>
<td>5.70</td>
<td>18.00</td>
</tr>
<tr>
<td><strong>Sales growth (5-Year Annual Avg.)</strong></td>
<td>31.59</td>
<td>29.29</td>
</tr>
<tr>
<td><strong>Net Income growth (5-Year Annual Avg.)</strong></td>
<td>31.81</td>
<td>56.29</td>
</tr>
<tr>
<td><strong>Current Price Earnings (P/E)</strong></td>
<td>21.5</td>
<td>53.4</td>
</tr>
<tr>
<td><strong>Price/Cash Flow</strong></td>
<td>13.70</td>
<td>36.60</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>71.5</td>
<td>39.9</td>
</tr>
<tr>
<td><strong>Net Profit Margin</strong></td>
<td>16.7</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>5Yr Gross Margin (5-Year Avg.)</strong></td>
<td>77.7</td>
<td>40.7</td>
</tr>
<tr>
<td><strong>5Yr Net Profit Margin (5-Year Avg.)</strong></td>
<td>17.1</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Debt/Equity Ratio</strong></td>
<td>0.02</td>
<td>0.05</td>
</tr>
<tr>
<td><strong>Current Ratio</strong></td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Quick Ratio</strong></td>
<td>1.8</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Adapted from www.moneycentral.msn.com

SECTION B

Answer any two (2) questions.

2. You know the importance of Value Chain analysis and realize that your client seems not to understand its relevance to improving costs and gaining competitive advantage. Illustrate the importance of utilizing value chain analysis in strategic decision-making, clearly justifying why an understanding of the value chain’s core elements is so important in management costs and gaining or sustaining competitive advantage.  

(20 marks)

3. Compare and contrast the Industrial Organisation (IO) approach and Resource-Based View (RBV) to competitive strategy.  

(20 marks)

TURN OVER
4 (a) There are several competitive strategies that can be used by management in organizations in developing their business strategy. List competitive strategies under the following categories:

(i) Porter's five generic competitive strategies;
(ii) integration strategies;
(iii) intensive strategies; and
(iv) diversification strategies

(5 marks)

4 (b) Select one strategy from each category and justify why these strategies may be best suited for Baye Inc.

(15 marks)

5. As a consultant, your role is to advise the CEO and Board on the competitive position of Baye Inc. Provide an analysis of the CPM for Baye Inc. and include summary recommendations to management.

(20 marks)

Competitive Profile Matrix (CPM) for Baye Inc.

<table>
<thead>
<tr>
<th>Critical Success Factors</th>
<th>Weight</th>
<th>Rating</th>
<th>Weighted Score</th>
<th>Rating</th>
<th>Weighted Score</th>
<th>Rating</th>
<th>Weighted Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>0.05</td>
<td>3</td>
<td>0.15</td>
<td>4</td>
<td>0.20</td>
<td>1</td>
<td>0.05</td>
</tr>
<tr>
<td>Service / Product Quality</td>
<td>0.08</td>
<td>3</td>
<td>0.24</td>
<td>4</td>
<td>0.32</td>
<td>2</td>
<td>0.16</td>
</tr>
<tr>
<td>Price Competitiveness</td>
<td>0.08</td>
<td>3</td>
<td>0.24</td>
<td>2</td>
<td>0.16</td>
<td>1</td>
<td>0.08</td>
</tr>
<tr>
<td>User Friendly Website</td>
<td>0.07</td>
<td>3</td>
<td>0.21</td>
<td>4</td>
<td>0.28</td>
<td>2</td>
<td>0.14</td>
</tr>
<tr>
<td>Financial Position</td>
<td>0.10</td>
<td>2</td>
<td>0.20</td>
<td>3</td>
<td>0.30</td>
<td>1</td>
<td>0.10</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>0.12</td>
<td>4</td>
<td>0.48</td>
<td>3</td>
<td>0.36</td>
<td>2</td>
<td>0.24</td>
</tr>
<tr>
<td>Product Lines</td>
<td>0.08</td>
<td>4</td>
<td>0.32</td>
<td>3</td>
<td>0.24</td>
<td>2</td>
<td>0.16</td>
</tr>
<tr>
<td>Market Share</td>
<td>0.10</td>
<td>4</td>
<td>0.40</td>
<td>3</td>
<td>0.30</td>
<td>2</td>
<td>0.20</td>
</tr>
<tr>
<td>Customer Service</td>
<td>0.08</td>
<td>3</td>
<td>0.24</td>
<td>4</td>
<td>0.32</td>
<td>2</td>
<td>0.16</td>
</tr>
<tr>
<td>Technology</td>
<td>0.12</td>
<td>4</td>
<td>0.48</td>
<td>3</td>
<td>0.36</td>
<td>2</td>
<td>0.24</td>
</tr>
<tr>
<td>Employees</td>
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<td>3</td>
<td>0.15</td>
<td>2</td>
<td>0.10</td>
<td>1</td>
<td>0.05</td>
</tr>
<tr>
<td>Global Expansion</td>
<td>0.07</td>
<td>3</td>
<td>0.21</td>
<td>4</td>
<td>0.28</td>
<td>2</td>
<td>0.14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.00</td>
<td>3.32</td>
<td>3.22</td>
<td>2.08</td>
<td>1.72</td>
<td></td>
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</tr>
</tbody>
</table>

TURN OVER
6. Given the following SPACE Matrix for Baye Inc., critically analyse the statistics/data therein and then write a brief report on your key findings and recommendations to management.

(20 marks)

**SPACE MATRIX FOR BAYE INC.**

![SPACE Matrix Diagram]

**Financial Stability (FS)**
- Return on Investment
- Leverage
- Liquidity
- Working Capital
- Cash Flow

**Financial Stability (FS) Average**

**Competitive Stability (CS)**
- Market Share
- Product Quality
- Customer Loyalty
- Competition's Capacity Utilization
- Technological Know-How

**Competitive Stability (CS) Average**

\[ Y-axis: \ FS + ES = 1.0 + (-3.8) = -2.8 \]
\[ X-axis: \ CS + IS = (-1.8) + (3.6) = 1.8 \]

**Environmental Stability (ES)**
- Unemployment
- Technological Changes
- Price Elasticity of Demand
- Competitive Pressure
- Barriers to Entry

**Environmental Stability (ES) Average**

**Industry Stability (IS)**
- Growth Potential
- Financial Stability
- Ease of Market Entry
- Resource Utilization
- Profit Potential

**Industry Stability (IS) Average**

\[ \text{FS Average} = -3.8 \]
\[ \text{CS Average} = -2.4 \]
\[ \text{ES Average} = -5 \]
\[ \text{IS Average} = 3.2 \]
7. The following Grand Strategy Matrix is for Baye Inc. Conduct an evaluation of its results and suggest the most appropriate competitive strategies the company should implement. (20 marks)

GRAND STRATEGY BAYE INC.

8. a) Define the term Corporate Social Responsibility (CSR)? (3 marks)

b) What factors are responsible for CSR being placed high on the agenda of businesses today? (5 marks)

c) Illustrate how Baye Inc.'s management can ensure that CSR is integrated at both strategic and operational levels. (12 marks)

END OF QUESTION PAPER