

UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE

YEAR III SEMESTER I EXAMINATIONS 2021/2022
BACHELOR OF BUSINESS ADMINISTRATION AND MANAGEMENT

COURSE CODE: 3102
COURSE NAME: BUSINESS POLICY

Date: Saturday, 22nd January 2022
Time 9:30 am - 12:30 pm

INSTRUCTIONS:

1. Time allowed: **3 hours**
 2. Attempt any **four** questions.
 3. All questions carry equal marks.
 4. Use of relevant examples will be credited.
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Question One

James and Polo are the proprietors of Japolo Limited. The company was established in 2005 following James's retirement from Posta Uganda Limited (PUL). In setting up the company, the proprietors combined both James's retirement package and a short term loan from PUL to kick start this retirement dream of self-employment. James had been a postman with PUL for over 25 years, and had worked in several departments including marketing. In setting up his own hair dressing company, James was fulfilling a long held dream of being a beautician. He was, therefore, joined by his wife as co-director and off they started. Jane had all along been employed by family beauty centre as a beautician. She, therefore, had a wealth of experience for the kind of business they were going into.

JAPOLO not only offers hair dressing services, but other services as well, including manicure, pedicure and facials. It also sells hair accessories such as scissors, brushes, combs, curlers and hair driers. Lately, the company is considering further diversification by introducing body massage. The challenge has been the increased debt burden and the company's imminent failure to meet its debt obligations.

As the company expanded operations over the years, JAPOLO obtained loan facilities to finance its ambitious expansion plans, which saw them open the third outlet in the greater Kampala area. With interest rates on the rise from most of the period 2013–2016, the company has generally struggled to meet its loan repayment obligations in time. Reports indicate that one of the lenders has issued a final demand notice, pending attachment of the directors' personal properties. Matters

were further exacerbated by the depreciation of the shilling against the dollar. One of the loans taken out with a defunct commercial bank was a USD 30,000 loan used to pay for imported equipment. With the shilling depreciating against the USD, JAPOLO is now faced with an increased loan repayment burden.

Despite the financial pressures, JAPOLO is a remarkable entrepreneurship success story by Ugandan standards. However, the company neither has a defined strategic plan nor a clear vision for the future. This may explain the haphazard opening up of outlets that have stretched the company's borrowing limits. Asked about his approach to planning, James shrugs his shoulders and says Business Policy & Strategy –Paper 151 December, 2017 Page 3 of 9 “Yes, planning is good, but most of the times those things end on paper. They are meant for office people but they do not work in reality. I have been in this business for a long time and believe me, I know what works and what doesn't. As long as I am able to feed my family, pay fees for the children, then I know there is progress in the right direction.” On whether he is considering recruitment of professionals, James adds that, “Professionals are good people, but they are also very expensive to maintain. I would rather do things myself. Besides, my wife also sits here with me! For as long as we know when cash comes in and when cash leaves, recruiting professionals is not a priority.”

James's comments may have some truth in them as the company is run with very few staff. As managing director, he is mainly concerned with the marketing side of the business and financial management. He spends most of his time in the selling role and in customer care, which he rates as a major contributor to the company's success. He is a very good salesman and is also responsible for public relations. He is popular with his clients and much of the business is built on his personal relationship with them. His wife is also an outgoing personality, always accessible to customers and ready to go out of her way to provide a first class service. As the director responsible for administration, she has built excellent relationships with suppliers, and this has enabled the company obtain good credit facilities.

Jane is also responsible for managing the hair stylists, arranging for acquisition of hair dressing materials, hair accessories, their distribution across the outlets and general administration. The low staff numbers may be a blessing with regard to cost control (cost to income ratio is at approximately 30%) but they might also turn out to be the company's undoing. During peak hours, especially over the weekend, some customers have to wait for up to two hours before they can be attended to. This is particularly true of JAPOLO's outlet located in central Kampala, next to some busy shopping areas.

The current financial pressures have not diminished the proprietors' appetite for growth. James seems to be even more determined than ever before to push JAPOLO to the next level, a fact that shows his desire for power and influence as opposed to just profit maximization. Instead of slowing down and consolidating the achievements given the current economic difficulties, he still insists on further growth by diversifying into massage and health club facilities. He generally questions

the ability of the company to continue in its current form and is looking for ideas which may facilitate corporate expansion. He has, therefore, approached you for advice on a number of issues.

Required:

- a) (i) Examine the need for a strategic vision at Japolo Limited. (6 marks)
(ii) Propose a vision for the company. (4 marks)
- b) Discuss the relevance of assessing the operating environment at Japolo Limited. (5marks)
- c) Suggest ways through which Japolo Limited may improve strategic planning and thereby avoid corporate decline. (10 marks)

Question Two

Strategic Management “as an art and science of formulating, implementing and evaluating cross-functional decisions” enables an organization to achieve its objectives.

- a) Explain the Critical task of Strategic Management in today’s business (8 marks)
- b) Examine the benefits of strategic management in today’s business (10 marks)
- c) What are the risks associated with strategic management in an organization? (7 marks)

Question Three

It has been argued that all efforts in strategic management will bear no fruits unless proper decision making process is followed. In other words, Decision making is the process of choosing a course of action for dealing with a problem or opportunity. Based on this,

- a) Explain the steps in systematic decision making? (8 marks)
- b) What are some of the current issues in decision making? (11 marks)
- c) How do you infuse ethics into the decision-making process? (6 marks)

Question Four

- a) When an organization does not react to environmental changes, it cannot achieve its objectives in the long run. Organizations should therefore continuously analyze its environment. Using the PEST analysis, explain the important factors to be considered in the assessment of organization. (20 marks)
- b) Explain the purposes of environmental analysis to the survival of the organization in the long run (05 marks)

Question Five

- a) Conceptually, strategy of a firm consists of two inseparable parts: business strategy and corporate strategy.
 - i. Distinguish between business strategy and corporate strategy. (3 marks)
 - ii. Identify the key elements considered to develop and formulate such master strategy. (12 marks)

- b) Given below is an extract from the literary supplement of a leading newspaper: An imprint of one's own "Earlier, publishing houses, focusing on writing by women and books on women-oriented subject, might have been inconceivable. But now such Publishing houses, mostly with a distinct feminist slant to what they publish, have become a reality worldwide. Virago, Women's Press, Kali for Women, Stree, Labyrinth, Attic Press, Minnesota Women's Press, Street Women Press etc., have not only given women a voice long due to them, but have also earned themselves a respectable position in the Publishing Industry. In fact, Seagull Bookstore is possibly the only bookstore in the city of Kolkata that has a separate shelf for books on "gender". Seagull Bookstore has translated a lot of Mahasweta Devi's works into English, which have reached many people all over the world." Does this convey any strategy-related message? If so, write in brief a note on the same. (10 marks)

Question Six

Discuss how Porter's five forces model help managers to identify the opportunities and threats confronting a company. (25 marks)

The End