

[N.B. - The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

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| | | Marks |
| 1. | a) What do you mean by Sustainability and sustainable business practice. | 4 |
| | b) Why Sustainability and sustainable business practice is important for a responsible corporate? | 4 |
| | c) Sumi's Cake and Sweets Ltd, (Sumi) was established as a manufacturer of confectionary items in Dhaka, Bangladesh. It was founded in 1983. By 1996 the company commanded approximately 10% of Dhaka's 10% sugar confectionary market. | |

At this time 50% of its sales were represented by one type of sweet Sumi's Cake. These are supplied to the retail trade in different size of paper bags. The remainder of the company's products range was composed of other sweets sugar confectionary, such as ice mints, fruit drops and snacks items.

Over the years Sumi achieved good profits and grew steadily by a policy of vertical integration into wholesaling and by consolidating its product range under its three house names. However, after 2021 financial performance began to deteriorate sharply with falling sales and decreasing profit. In 2024 the first time in its history the firm recorded a net loss.

Ownership:

Sumi is very much a family firm. Nearly 60% of its shares are held by Sumi's family, who also fill most of the senior management positions. The remaining shares are held by the employees.

Operation:

All productions are concentrated at one factory in Savar and is delivered to customers by Sumi's own distribution fleet and wholesaling network. Sweet are manufactured to long established recipes by traditional means, often using method developed by the founder, Mr. Bashir. Finished sweets are packed in paper boxes and bottles. Costs are closely monitored by a standard costing system with weekly reports of variance to production managers. Recently instability in world sugar prices has led to large variations in unit cost.

Company's sales force consists of three selling unit: one with two sales managers who sell to large retail accounts, the other two consist of 50 salesmen who each deal with smaller outlets. In the latter two groups salesman are allocated to one of the company's house names and only sell product under this brand. This sometime leads to duplication of sales calls but the chairman is of the view that it would not be effective for one representative to handle three brands.

Recently all three sales teams have experienced difficulty in meeting target. At a recent board meeting the sales director was called to explain the poor performance of his team. He explained that decreasing sales were not due to lack of efforts by the sales force but due to national trends such as increasing concern about tooth decay caused by sweets and an increase in the popularity of savory snacks. In addition, there was an increasing concentration of confectionary sales in super markets at the expenses of traditional outlets. Super markets demanded sweets in a prepackaged form that Sumi found difficult to meet. He also noted a worrying trend in incursions into the sugar confectionary market by national manufacturer of chocolate markets.

Planning at Sumi is handled by the finance director who operates a system of annual budget. These are based upon the previous year's actual results suitably adjusted for known changes such as increases in wages rates, sugar price, etc. Draft budgets are then reviewed by the board which adjust budgeted revenue to include new business targets and ensure that budgeted result meet the Sumi's family objectives for the business of providing worthwhile financial performance while preserving our independence and offering secure employment of our workforce.

The finance director, who is not a family member, is becoming very disillusioned by the planning process. He feels that the adjustments made by the board are increasingly optimistic and result in targets that are simply not achievable. In addition, the process of budget revision often drags on for several months due to disagreements over what constitutes an acceptable level of returns. At a recent meeting he explained his worries to other board members and expressed his doubts over whether the existing Sumi's business could achieve the budget the board had set. If the board wished to achieve the budgeted level of profit, he argued, they would have to have new strategies. When asked for suggestions he said that in his view two opportunities are open to the firm:

- 1) Either to adopt a programme of product in the savory snacks area or
- 2) Consolidate the current position in the present markets and develop sales through supermarkets.

Requirements:

- i) Prepare an analysis of current strategic position, internally and externally, of Sumi and clearly identify what you consider to be the major issues. 4
- ii) Critically evaluate the current objectives of the business, suggest how the statement of objectives may be improved and outline the benefits of any changes you suggest. 4
- iii) Evaluate the new strategies suggested by the finance director and discuss whether they are likely to return the business to profitability. 2

2. Multi Service Ltd (MSL) is a business which offers building services including building plumbing, joinery and electrical work. Mr. Zafarullah and Mr. Sahidullah are the only shareholders, each having a 50% holding having merger their firms,

Zafarullah started his building business in 1987 as a sole trader offering building services to households to the North West of Bangladesh. Typically, he would take small to medium-sized job. while prices were above the industry average for a small building firm, customers were obtained through a reputation for good workmanship, use of high quality raw materials and reputation. Larger building firms, with specialists skill, charge more than firms like Zafarullah, but they tend to produce higher quality work. Very small building firms, with one or two employees, charge significantly less than Zafarullah, but their quality of work is variable and, in many cases poor.

The business grew rapidly and by 2010 Zafarullah had 50 employees consisting mainly of builders and joiners. As this time, each employee was charged out to customers at BDT 150 per day, with about 250 chargeable days per employee, per year, including overtime days.

In 2011 Zafarullah met Sahidullah, who owned a business offering plumbing and electrical services. Sahidullah had 75 employees, they are being charged at BDT 200 per day, plus travel cost, each with about 250 chargeable days per year. Almost all of the Sahidullah's business was as subcontractor for a large business company called Hamim Company Ltd.

In 2011, Zafarullah and Sahidullah decided to merger their business to form Multi Service Ltd. (MSL). The new company would be able to offer a wide range of both to private householders and to Hamim and, being much larger than either of the separate business, it would have greater, market visibility. MSL adopted the pricing and quality policies previously used by them.

The business model of MSL is to offer a comprehensive range of household building services with a reputation for good quality, the pricing policy is to set prices that is perceived is to be fair and transparent in order to avoid the public perception that some tradespeople charge excessive price for the quality of the work performed, Prices charged to Hamim were initially higher than those charged to individuals, but Hamim work is subject to review and also there had to be a quick response to urgent requests.

The private household business remained, as before, in the North West. but the work of Hamim was over a wider geographical covering the North of Bangladesh. The reason for this was that Hamim was willing to pay travel and accommodation cost for MSL employees, while individual householders would only use local tradespeople. Most MSL tradespeople spent some time at Hamim assignments and some time on individual household assignment to ensure all staff had a breadth of experience. However, MSL normally allocated their best employees to the Hamim contract to ensure quality. These were also the most flexible employees who were willing to travel, and they therefore spent a large majority of their time working for Hamim.

In 2022 a new marketing director of MSL was appointed named Jenny, to manage the customer relationship with Hamim and to promote the business to individual households.

In 2023, MSL had grown to 200 tradespeople. In terms of revenue generated and prices, the Hamim contract had remained constant at the 2011 level, as had the number of tradespeople assigned to the Hamim contract. The daily charge-out rate to the individual households had, however, increased to BDT 200. Staff cost are about, BDT 80 per labour day, and raw material cost are about 25% of revenue earned at the current pricing level. Fixed cost is about BDT. 2 Million per year.

In November 2024 Hamim's procurement director wrote to MSL that I have reviewed all subcontracting agreements and I have decided that from 1 January 2025 we will begin in most cases, to use our employees for building services. We will gradually take on more staff through 2025 to fully implement the strategy.

If, however, you are willing to reduce your prices from 200 to 150 per day we may be willing to offer you some work during 2025 while the transition takes place. We would expect any work that we may offer you, to reduce continually throughout 2025 from its present level. From 1 January 2026 we will not be requiring any services from you.

After getting letter from Hamim Ltd., the board of directors held a meeting on the issue.

Sahidullah opened the conversation. What we are going to do? I have built my own business around serving Hamim, we have never let them down, we have charged reasonable prices and now this happens. I blame the procurement director—this would never have happened with the previous director. We were good friends and we knew each other socially and professionally.

Zafarullah opined we have a problem and we need to accept the loss of Hamim do what we can. In just over a year, a large proportion of our current employees will have nothing to do and even that is a best case situation if we reduce our selling price drastically. We need to increase sales or to downsize our staff quickly but I am not even sure that we can afford to redundancy payments at the moment.

Jenny the marketing director added: There is not enough potential in the local market to expand sales sufficiently to replace work within 12 months. On the other hand, we do not want to lose our reliable employees with the right skill as they are hard to find. Nevertheless, on the other hand we cannot pay them to be idle for several years until we grow the business. I think we need to keep downsizing to a minimum through cutting our price to accelerate growth. However, we also need to cut our costs by buying cheaper raw materials, freezing the salary of those employees remaining with us and cutting our fixed costs by streamlining our head office and support services. This may lead to inefficiencies but as I see it, we have little choice.

Requirements:

So far as the information permits

- a) Explain the financial and non-financial of the loss of the Hamim contract for MSL. 5
 - b) Advise on the factors that the company should consider whether to accept the suggested price reduction for Hamim for 2025. 4
 - c) Explain the change management problem that are likely to occur as a result of the downsizing- that will follow the loss of the Hamim contract. Discuss how the problems may be mitigated, 4
 - d) Evaluate the marketing director's suggestions to reduce prices and costs. Include an assessment of the impact that this strategy will have on MSL's competitive position. 4
3. Fortune Shoes, headquartered in Dhaka was founded over thirty years ago by Asif Iqbal and his friend Mizanur Rahman, an entrepreneur in search of a profitable business opportunity. His goal was to dream up a new kind of sneaker tread that would enhance a runner's traction and speed, and he came up with idea for Apex's waffle tread after studying the waffle iron in his home. Asif and Mizan made their shoe and began selling it out of the trunks of their car at track meets. From this small beginning, Fortune has grown into a company that sold over Tk 12Bn worth of shoes in the Tk 100Bn athletic footwear and apparel industries in 2024.

Fortune's amazing growth came from its business model, which has always been based on two original functional strategies: to create state of the art athletic shoes and then to publicize the qualities of its shoes through dramatic guerrilla style marketing. Fortune's marketing is designed to persuade

customers that its shoes are not only superior but also a high fashion statement and a necessary part of a lifestyle based on sporting or athletic interests. A turning point came in 2007 when Fortune increased its marketing budget from Tk 8Bn to Tk 48Bn to pursue customers its shoes were the best. A large part of this advertising budget soon went to pay celebrities like Tamim Iqbal millions of takas to wear and campaign its products. The company has consistently pursued this strategy: in 2023 it signed football star Jamal Bhuyian to a Tk 90mn endorsement contract, and many other sports stars, such as Mehedi Miraz, Nigar Sultana are already part of its charmed circle.

Fortune's strategy to emphasize the uniqueness of its product has obviously paid off; its market share soared, and its revenues hit Tk 9.6Bn in 2018. However, 2018 was also a turning point because in that year, sales began to fall. Fortune's premium brand 'Super deluxe' no longer sold like they used to, and inventory built up in stores and warehouses. Suddenly it seemed much harder to design new shoes that customers perceived to be significantly better. Fortune's stunning growth in sales was actually reducing its profitability; somehow it had lost control of its business model. Asif Iqbal, who had resigned his management position, was forced to resume the helm and lead the company out of its troubles. He recruited a team of talented top managers from leading consumer products companies to help him improve Fortune's business model. As a result, Fortune has changed its business model in some fundamental ways.

In the past, Fortune shunned sports like golf, football, rollerblading and so on, it focused most of its efforts on making shoes for the track and basketball markets to build its market share in these areas. However, when its sales started to fall, it realized that using marketing to increase sales in a particular market segment can grow sales and profits only so far; it needed to start selling more types of shoes to more segments of the athletic shoe market. So, Fortune took its design and marketing competencies and began to craft new lines of shoes for new market segments. For example, it launched a line of football shoes and perfected their design over time, and by 2024, it had won the biggest share of the football market from its rival. Also in 2024, it launched its 'Deluxe premium' shoes which are aimed at the millions of casual soccer players throughout the world who want a shoe they can just "play" in. Once more, Fortune's dramatic marketing campaigns aim to make their shoes part of the soccer lifestyle, to persuade customers that traditional sneakers do not work because soccer shoes are sleeker and fit the foot more snugly.

To take advantage of its competencies in design and marketing, Fortune then decided to enter new market segments by purchasing other footwear companies offering shoes that extended or complemented its product lines. For example, it bought Baly, the maker of retro-style sneakers. Allowing Baly to take advantage of Fortune's in-house competencies has resulted in dramatic increases in the sales of its sneakers, and Baly has made an important contribution to Fortune's profitability.

Fortune had also entered another market segment when it bought Rata, the dress shoemaker, in the 2000s. Now it is searching for other possible acquisitions. It decided to enter the athletic apparel market to use its skills there, and by 2024, sales were over Tk 1Bn. In making all these changes to its business model, Fortune was finding ways to invest its capital in new products where it could increase its market share and profitability. Its new focus on developing new and improved products for new market segments is working. Fortune's ROI has soared from 14% in 2020 to 24% in 2024, and it makes over Tk 1Bn profit.

Requirements:

- a) What business model and strategies are Fortune pursuing? 4
- b) How has Fortune's business model changed the nature of industry competition? 4
- c) What new strategies have emerged in the shoe industry as a result? 4
- d) What could be the potential growth segment for Fortune in the coming years? 4
- e) Can you elaborate on Fortune's guerrilla-style marketing tactics? 4
- f) How effective have their social media campaigns been? 4

4. Soheli Rahman is the owner of four hotels. Three of these have been recently acquired; one is in Khulna, one in Chattogram and the third one is in Sylhet tea garden area. The original hotel is The Imperial, located in Dhaka. The Imperial has been in the Rahman family for 50 years and was bequeathed by Salim Rahman, his father.

The Imperial has 40 rooms. Five of these are deluxe suites with lounge/ante-room, bed room and bathroom. 20 are double bed room and the remainder are single rooms. The hotel has a beautiful location in 10 acres of landscaped gardens. The hotel makes good returns and has good all-year-round occupancy rates. Much more comes from special events like wedding, and as a stopover for honeymooning couples before departure elsewhere the next day.

The Regent in Chattogram and the Orangery is in the garden district Sylhet are similar to the Imperial. The former has 30 rooms, while the later has as Only twenty double rooms. The Serpentine hotel in Khulna has 55 rooms i.e., 30 double, five deluxe suites and 20 single rooms. Mr. Rahman bought the hotels from an old family friend, each of the hotel needs some refurbishing, Rahman has 10 years of experience in managing the Imperial but realized that a four hotel group is a different matter. A consultant brought in by his bankers has called to assist Mr. Rahman to develop the company. During the course of investigation, the consultant interviewed the following officials. Summary of the interviews are given below.

Mr Zaman (Finance Manager, The Imperial)

I'm a bit over qualified for this job. I'm a Chartered Accountant with four years post qualification experience. I've been here for two years and although the job is fairly easy, the people here are to work with Mr. Rahman who is absolutely superb with customers, they check their files before guest arrive and Rahman makes them feel really special. They love Mr. Rahman. On the other hand, Rahman does not want to be concerned with detail. They forget about decisions and they have trouble taking decisions without consulting everyone else first. They think about "direction of the hotel" etc., so I suppose they're more strategic.

Mr. Rahman do interfere sometimes though, by ordering my staff about or bypassing me to get information from the staff.

Mr. Talukder (Facilities Manager, Imperial)

There is fair amount to do here with the hotel being a grade II listed building. This is a special occasion hotel and love the prewar feel to it. I have an excellent team of tradespeople under me who are all qualified. They take pride in their work but there isn't always to keep them occupied. Mr. Rahman is a good enough person but on occasion they are difficult to pin down. They do occasionally annoy me. They give their opinion on how one of my staff should carry out a repair. They order them about too, overriding my authority. One instance will suffice. Last month Mr. Rahman ordered a joiner to repair their office door when I'd told him to refit a bath room of room 22. This door not close. we had a particularly stropky customer who wanted a room change.

Mr. Zaman (Operations Manager, Imperial)

I look after the day to day operations of the hotel, booking, staffing etc. I only involve Rahman if there is a problem. We have our weekly managers meeting which is fairly easy going. Rahman is a good person to work for- they think big enough. They are always coming up with ideas for the hotel. They are also astonishing to watch with our regular customers. They adore Mr. Rahman.

Mr. Alamgir (Manager, Regent)

The acquisition was good news for us. The hotel needs some refurbishment – at the moment it has a little too much faded gentility, Rahman from the imperial seems an enthusiastic person. We have agreed that this hotel needs to be re-positioned. I have been here a year, and before I joined the hotel was losing its direction.

Mr. Nehal (Manager, Serpentine)

This is a good hotel with a good occupancy rate. Our clients are mostly business people. We also get tourists, which needs to encourage as our weekend occupancies improving. Mr. Rahman seems to be fairly open-minded in terms of ideas for the direction of the group. I will be interested in what they come up with.

Mr. Rahman

I am really excited about our future. The group now has different hotels. We now have different coverage geographically and in terms of markets we'll need to invest in refurbishing, though I have no problem with that. I fully understand and believe in the importance of the clients. You have to make each guest feel that they are the most important person in the hotel.

Requirements:

- a) An appropriate organization structure for the group together with reasons for your recommendation and the advantages your structure would bring. 6
- b) A Review of Rahman's management style and your reasoned suggestions for a new management structure, indication the advantages of the new structure. 5

5. Bangladesh Burger Company (BBC) is one of the biggest burger companies of Bangladesh. It was incorporated in 1995 and listed in the Dhaka Stock Exchange in 2005. The company is the largest food chain in Bangladesh and has 100 food restaurants and committed to open more 20 restaurants in each year in big cities. The company has benefitted from consumers wanting quick and filling food staff and has met this need with its style of products for both adult and children. The company has also had in many tie-in-arrangements with sports and film, to encourage consumers to buy its products. The range is very limited focusing on mainly on burger, fries, and soft drinks. There are occasional variations in some areas. This approach has proved popular with consumers who have conservative tastes and are happy to know the food will be consistent wherever it is sold.

The company operates mainly via a combination of owned and franchised restaurants. Franchises were signed in a 15 years deal in which they are given the right to use BBC's trademarks, restaurant décor design, formula and specifications of menu items, use of BBC's inventory systems, book keeping, accounting, marketing, and the right to occupy the restaurant premises.

In return the franchises agree to operate the business in accordance with BBC's standard of quality, service cleanliness, and value. The company is anxious to avoid any negative publicity, so it employs secret shoppers who randomly visit and assess restaurants on the above criteria. The company pays relatively low wages and has high staff turnover, this has prevented BBC being able to recruit high caliber staff, as the image of the jobs offered is poor.

Recent events

The company has had stagnant profits and sales growth in the last two years. The main reasons for this are increased health concerns in its major geographical markers. The company's products are high in both fat and carbohydrate content and stories in the media about preventable obesity, heart disease, diabetes and cancer have caused turnover to falter. Furthermore, new style diets, whilst promoting meat consumption, have discouraged many consumers from eating bread or fries due to their high carbohydrate content, initially BBC claimed that its products were nutritious and healthy, but this policy was deemed to be a failure as it did not reverse the stagnation of sales.

Some high profile legal claims against the company from consumers claiming that BBC's product caused health problems have also had a negative impact on company's image.

The company has decided at board level to respond to this deterioration in this financial performance by introducing and promoting a healthier menu, with options that include burgers but no longer buns, chicken and fish based products, grilled rather than fried meats, salads, fruit and healthier drinks, as well as phasing out extra-large portions on its menu. The directors want to give more autonomy to individual restaurant managers to offer a wider range of products that will vary between different locations.

In addition, the board intent to change the company name to healthy food to move away from the association with burgers and fries. The cost of changing the company, logos, livery, advertising campaigns and cooking equipment is expected to be massive. Staff will also have to be trained to use the new equipment and promote healthy eating to customers. The company is uncertain how the public and franchises will respond to these changes in the business. Moreover, BBC is under pressure to deliver improved financial performance as its share price has underperformed that of the overall stock market by 20% in the last 18 months.

Requirements:

- a) Identify the type of changes that BBC is considering. 2
- b) Outline the potential barriers from: Franchises, restaurant staff, and customers. 6
- c) Prepare a draft blueprint for submission to the board of directors that details how the company will deal with the changes of menu and names. 3
- d) Suggest ways in which the company can communicate successfully the changes to customers, franchises, and shareholders. 3

6. a) Bangladesh Machine Tools Factory (BMTF) has been trading for many years making specialist glass products for military uses. It's main customers have been manufacturers in the defense sector which need glass that can withstand special conditions, such as windscreens in jet fighter aero planes. By 2018 annual sales had grown to Tk 2,200mn with net profits of around 9% after tax.

The current position

Over the past two years BMTF has found its customer base eroded by reductions in defense spending by national governments. Sales have fallen significantly in 2022 and, although some cost savings have been possible, the company lost Tk 50mn in 2023.

BMTF has the advantage of using very modern automated intelligence-controlled equipment which allows it great flexibility and enables the company to pursue new markets by applying expertise gained in the (now rapidly shrinking) defense sector. Staff and management have become very anxious but are loyal and keep to change the direction of the company. Managers see themselves as experienced, yet modern.

The industry environment

Customers are historically defense based but, as BMTF has realized, these are fewer in number. New customers would include private sector firms such as high street banks, which need security glass. Major customer potential exists overseas, but here the twin problems of bad debt risk and uncertain cash flow are key factors. Rivals are largely niche operators, except for a few big companies, but tend to be small because each customer has a unique problem to solve. Product quality and innovative design are crucial elements, but branding is not important.

Technology is continually evolving but pricing is not a major problem because customers value quality above all and are prepared to pay a premium for new technology that can (for example, with bomb proof glass) save them fortune. Suppliers are plentiful, except that key skilled staff are highly sought after. The increased threat of terrorism around the world means that many opportunities exist for BMTF globally.

The proposal

The Chief Executive Officer of BMTF has proposed to the board that a bold, global expansion program is implemented. They believe that BMTF has the skills to enter the global private sector for financial services and the diplomatic protection market. To fund the sales team and working capital, they proposed to use IDLC which should advance up to 80% of current receivables, yielding about TK 280mn, which will be adequate to fund growth. They also propose to change the company name to Security Glass Ltd.

The board's response

BMTF has a non-executive director who convinces the board that a proper business plan is needed. They argue that IDLC will only agree to the proposal if such a plan is produced. However, they are unsure how to go about this and advise that BMTF's accountants become involved.

Requirements:

As a member of staff of BMTF's accountants,

- i) Write a memorandum to the Chief Executive Officer which explains the steps required to create, implement and review a business plan. You need not specify detailed strategies but must identify the critical factors for successful implementation of the plan. 8
 - ii) What are the key Performance Indicators (KPIs) are essential for monitoring the progress and success of a business plan? 5
- b) How to take stock of how well a company's strategy is working? 3

---The End---