UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF MANAGEMENT SCIENCE & ENTREPRENUERSHIP

ACADEMIC YEAR: 2023/2024 SEMESTER: ONE

COURSE CODE: BPO3102, BBAM321

COURSE NAME: BUSINESS POLICY/STRATEGIC MANAGEMENT

BAM III AND BSC ACC & FIN III

DATE: Monday, 13th May 2024

Time allowed: 3 Hours (9:30am- 12:30pm)

INSTRUCTIONS:

Read the following before answering the examination questions

- Do not write anything on this question paper.
- Read the instructions on the cover of the answer book and the question paper.
- Attempt FOURquestions
- The number in brackets after each question, or part of a question, shows the marks allotted and candidates should apportion the time spent on each part accordingly.
- Silent, non-programmable calculators may be used in this examination. Whether you use it or not, you must show your calculations.
- Do not write on question paper
- Credit will be given for use of relevant examples and illustrations
- Mobile phone and Smart watches are not allowed

<u>Question One</u> – Compulsory

Read this extract below and answer the questions that follow:

J and B Ltd (JBL) was incorporated in Uganda in 2010 and deals in household and office furniture. Over time, JBL has expanded and started exporting its products to the rest of East African counties, South Sudan, Sudan and Libya in 2015. Despite the expansion, JBL has not made substantial returns on investment as had been projected. In January 2020, JBL's Top management contracted a consortium of consultants and tasked them to diagnose the company's value chain, market segments and the strategic plan and come up with workable proposals. In addition to the household and office furniture business, JBL leases natural and planted forests from National Forest Authority (NFA) and private foresters, respectively where JBL carries out lumbering. The company transports timber to rented warehouses, stores it for two years before delivering it to carpentry workshops. The consultants have estimated that on average the cost of storage and time value for money lost was Shs 10,000 per piece of timber. The process of buying planted forests, lumbering, handling and storage up to delivering seasoned timber to carpentry workshops was conservatively estimated to be Shs 30,000 per piece. The consultants further established that JBL's competitors were getting the same quality of timber ready for factory use at Shs 18,000 per piece. As a consequence, customers perceived JBL as an expensive market player and were slowly shifting their loyalty to other companies. The consultants recommended that the timber supply be fully outsourced to at least five just-intime quality suppliers. Outsourcing carpentry workshops would save JBL Shs 5 million annually. The consultants recommended that the process be outsourced. However, JBL's Top managers objected to the proposal for fear of leaking core competence processes to the public. There was also fear for compromising quality, total quality management (TQM), and timely response to customer needs. Outsourcing this process would virtually create a lean organization which would require a full organizational process re-engineering. JBL was not yet ready for a lean organization. The top managers observed that outsourcing needed to be undertaken gradually in a phased manner. JBL manages its sales and marketing (S & M) systems and makes sales worth Shs 50.6 billion annually. The company has stores and showrooms in the cities of the eight countries where it operates. The S & M costs incurred include transportation, breakage, marketing and sales labour costs, and sales returns. The consultants established that, JBL incurs S & M costs of Shs 8.6 billion annually while competitors incur 10 percent of sales or less as S & M costs. Whereas JBL top managers feared that their long-trusted S & M staff would lose jobs, it was convinced that outsourcing the function was a worthwhile undertaking. The one-off cost of restructuring S & M staff would be Shs 0.6 billion. The new outsourced partners would certainly retain some S & M staff after the takeover of the function / process. JBL operates in four market segments classified according to the market share study. JBL has a high market share in Mazimoto (comprising of South Sudan, The Sudan and Libya) and Munenemunene (comprising of Rwanda & Burundi) market segments. Its market share is low in Mazongoto (comprising of Uganda & Kenya) and Tindatiine (Tanzania) market segments. The Mazimoto and Tindatiine market segments are already mature while the rest are steadily growing. JBL had the potential of realizing its required rate of return from most market segments apart from Tindatiine segment which would perform below the 16% return on investment even if more resources were injected in it. However, JBL's success would depend on the strategies adopted to balance the market portfolio in which it operates. JBL has a strategic plan which guides its business. The vision is "Quality all through the value chain". The mission is "To become a leader in quality furniture through leasing mature planted forests, doing own lumbering and seasoning