**INSTITUTE OF BANKERS IN MALAWI**

**ADVANCED DIPLOMA IN BANKING EXAMINATION**

**SUBJECT: STRATEGIC MANAGEMENT (IOBM-AD313) – MAY, 2012**

**------------------------------------------------------MODEL ANSWERS-------------------------------**

**PART A (60 MARKS)**

**QUESTION 1**

(a) Strategic planning is the formulation, evaluation and selection of strategies for preparing a long-term course of action to attain objectives; while strategic management covers the entire cycle of planning, control, analysis, implementation and review. (10 marks)

(b) Strategies are used to achieve objectives (5 marks)

(Total 15 marks)

**QUESTION 2**

(a) Because objectives are specific and they are used to address the organizational goals contained within the mission statement. Whereas, tactics are used to implement the organizational strategies.

(5 Marks)

(b) Realized strategies are not the original intended strategies because the realized strategies are usually a combination of the deliberate (intended) strategies and some new strategies that emerge on the road to implementation.

(5 Marks)

(c) **Acquisitions –** the buyer of existing businesses to become part of the portfolio business enterprise.

**Alliances –** means going into partnership arrangements between two or more existing businesses.

**Mergers –** means the joining together of two or more existing businesses to form one company also called takeovers.

(5 Marks)

**(Total 15 Marks)**

**QUESTION 3**

(a) During the strategy implementation stage, the allocation of resources to particular departments may not result into successful implementation of the strategies for the following reasons

1. Overprotection of resources
2. Lack of sufficient knowledge
3. Reluctance to take risks

*(10 marks)*

(b) Just-in-time strategies because parts and materials are delivered as they are needed rather than being stock piled. (3 Marks)

**(Total 15 Marks)**

**QUESTION 4**

1. Most of the Malawian firms are managed by owners and their descendants, but as they grow larger a shift to engage professional managers come in, with agency relationship challenges with it, that include:

i. Separation of ownership and managerial control

ii. Managerial self-interest

iii. Potential conflict

(8 marks)

(b) The profitability of any organization is measured by the net operating profit after tax (NOPAT). In strategic business management, this is increased by:

i. Reduced costs

ii. Increased volume

iii. Higher prices

(7 marks)

**(Total 15 marks)**

**SECTION B 40 MARKS**

**QUESTION 5**

Competitor analysis is good for, business survival, handling slow growth, cope with change, exploit opportunities, uncover key factors, reinforce intuition, improve quality of decisions, stay competitive, respond to competitive action and avoid surprise. As an example the National bank of Malawi would attain business survival through proper analysis of say, standard bank’s strategies or services and improve on them.

**(Total 20 Marks)**

**QUESTION 6**

Since VCA aims to identify low-cost points existing along the value chain, any example of a financial institution would focus on, VCA would help the firm to better identify its own strengths and weaknesses compared to its competitor’s VCA over time. **(Total 20 Marks)**

**QUESTION 7**

Strategy evaluation is important because organizations today face dynamic environments in which key external and internal factors change dramatically. The process allows organizations to take a proactive stance; because no organization should be complacent with success today because a firm has a duty to check its own progress towards achieving its objectives.

**(Total 20 Marks)**

**QUESTION 8**

Charles Handy redefined the term “conflict” to offer a useful way of thinking about destructive and constructive conflict and how it would be managed. Argument, means resolving differences by discussion by integrating a number of viewpoints into a better solution.

In case of change management within an organization, such arguments and competition may result in consensus agreement for improved organisational performance.

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