

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS MANAGEMENT

STRATEGIC MANAGEMENT - CBU 4207

FINAL EXAMINATIONS – MAY 2011

TIME ALLOWED: 3 HOURS 15 MINUTES

INSTRUCTIONS TO CANDIDATES

Answer question One in Section A and any other Three questions from Section B.

INFORMATION TO CANDIDATES

- (i) Section A carries 40 marks
- (ii) Each question in Section B carries 20 marks.
- (iii) Questions may be answered in any order.
- (iv) Credit will be given **for the use of appropriate examples.**
- (v) This paper contains seven questions.

SECTION A

CASE STUDY

QUESTION 1

POWER AND POLITICS IN ACTION: Golden Triangle Corporation

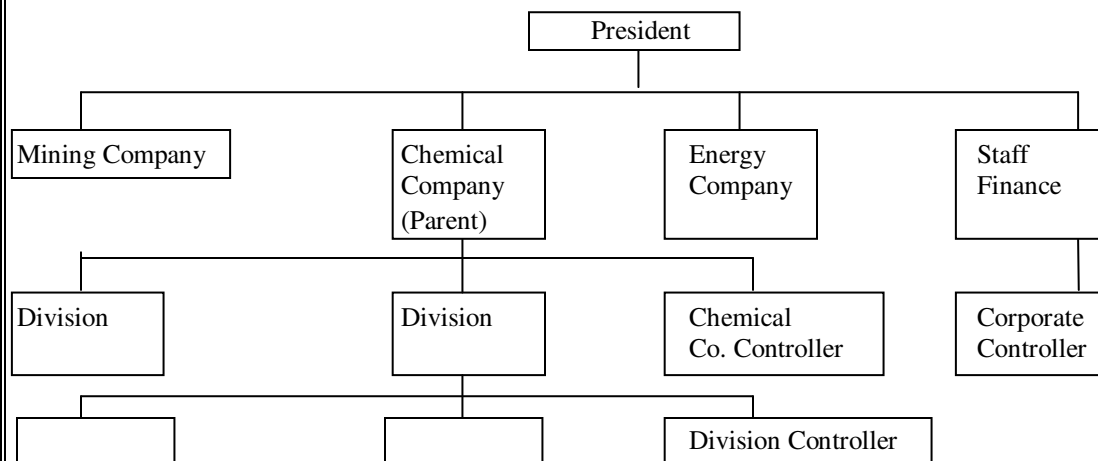
Golden Triangle Corporation (GTC) was formed in the late 1960s as the result of a merger between a large chemical company and an energy and mining company. After the merger several corporate staff groups were formed, including a financial group to oversee and

integrate the merged companies. Figure 12-13 shows the organisation chart following the merger . The new vice president of finance was drawn from the mining company, and the corporate controller came to headquarters from the chemical company.

In 1971, the corporate controller created a task force to design a single integrated accounting system for the corporation. The rationale for this change was that the different GTC companies used different systems for reporting, and it was difficult for the corporate finance staff to consolidate financial data for external reporting. While the energy company had a single, centrally run reporting system, the chemical company had seven different automated accounting systems and several manual systems in its many divisions. A new financial information system (FIS) was proposed by the task force to integrate the disparate reporting practices within the corporation.

The FIS task force, headed by a former employee of the mining company, excluded the divisional accountants. No discussions were held with the chemical company controllers until 1974, when it was time to set up the system's database. By then it was too late to change any FIS features that might have been unacceptable to the chemical company controller.

FIGURE 12-13 Golden Triangle Corporation Organisation Chart, 1968



Source: M. Lynne, *Systems in Organizations; Bugs & Features* (Marshfield, Mass: Pg 86)

By the end of 1975, all major divisions of GTC were using FIS. However, complaints about the system began immediately. Changes in account codes, problems in entering data, and unclear procedures for defining new accounts all proved difficult for the divisional accountants. But the most serious problems was a fundamental change in the way managerial accounting was done in GTC. Divisional accountants realized very quickly that FIS would increase the visibility of

their problems. A task force memo from 1972 revealed the intentions of the system to support centralized managerial planning:

The last item of deficiencies that we list is the inability to analyze results on a total variance basis by business unit or corporate –wide. By that , we mean a lack of sales information by principal product and the lack of product line profitability . What was the volume of a given product? What was its price for a given period? What did that product contribute at the gross profit level? To me , the guts of our operation is what we do on a product line basis. In addition, we do not report on a given plant profitability. We feel that all this type of information, as was indicated, should all be part of a Financial Information System and available to management when needed.

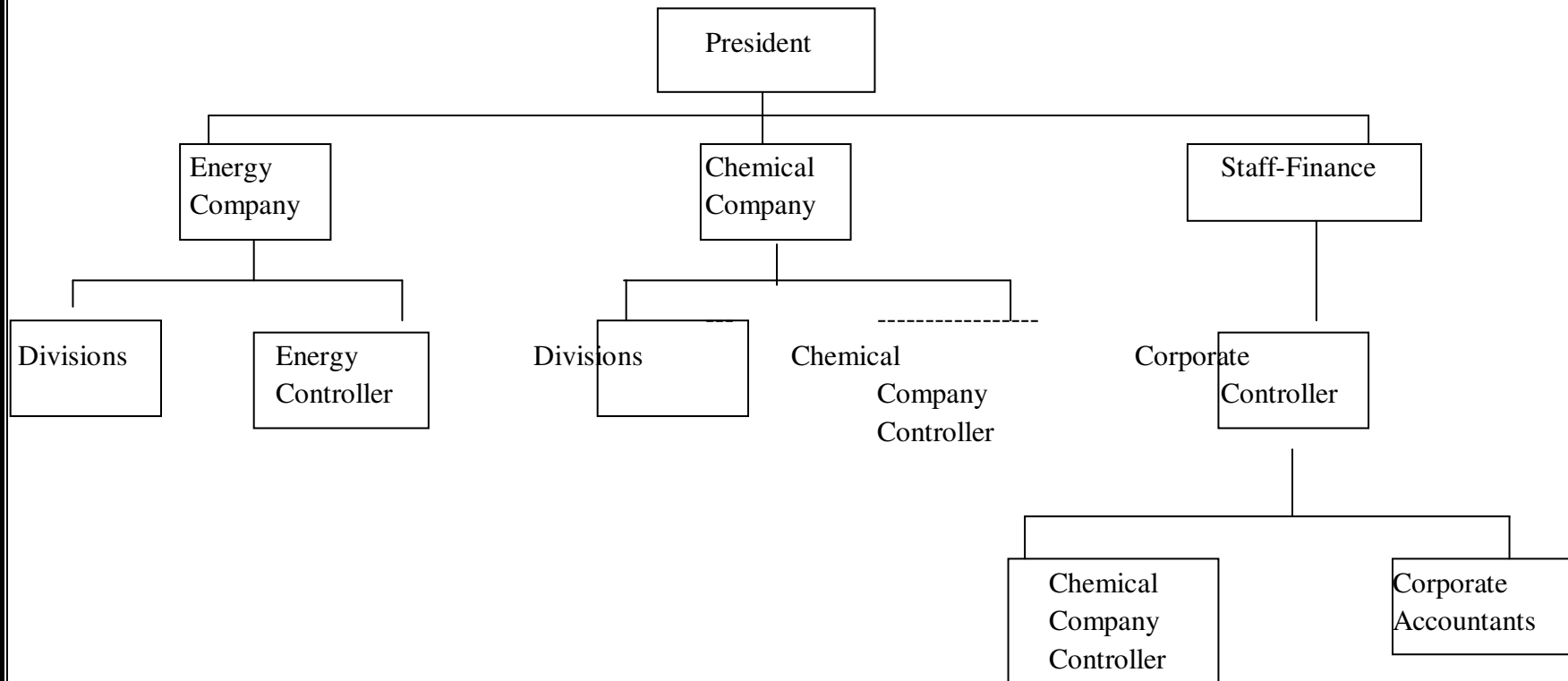
This need for corporate –level profit planning for specific products was met in FIS by a *central database*, under the control of the corporate accountants. Divisions were no longer responsible for completing their own financial reports, except to the extent of entering data into FIS. Furthermore, the reporting relationship for some divisional accountants changed with the implementation of FIS. Essentially, this meant that the division controllers now reported to the corporate controller, who ran the centralized accounting system for all of GTC. This is shown in Figure 12-14.

While divisional accountants continued to complain about FIS (and had some of its technical problems remedied) they had no choice but to use the system, which exposed the profitability of their various product lines. In the chemical company especially, this was regarded as a serious intrusion into its affairs. As one observer put it:

FIS was definitely established for political reasons. Corporate people wanted to take over the whole world. But the Chemical Company was making all the money at he time, and they were not about to let anyone take over. Therein started the wars between the Chemical Company and Corporate.

Adapted from: M. Lynne Markus, Systems in Organizations: Bugs and Features (Marshfield, Mass Pitman Publishing, 1984)

FIGURE 12-14 GOLDEN TRIANGLE CORPORATION ORGANISATION CHART



SOURCE: M. Lynne Markus, Systems in Organizations; Bugs and Features (Marshfield, Mass: Pitman Publishing, 1984), p87

Questions

- a) In what sense is accounting information a source of power within Golden Triangle Corporation? [10 Marks]
- b) What other sources of power are relevant in GTC? [10 Marks]
- c) (i) What are the rational motives behind the development of FIS? [6 Marks]
- (ii) What is its political significance? [4 Marks]
- d) If you were a manager in the chemical company, what would you do then to balance the power struggles in the company? [10 Marks]

SECTION B

QUESTION 2

- a) What kind of structure best describes the way your university operates? [8 Marks]
- b) Given your analysis, what kind of integration or integration mechanism does your university use and why? [12 Marks]

QUESTION 3

Discuss any **five** motivational techniques which can be used in strategy execution. [20 Marks]

QUESTION 4

If a related company begins to buy unrelated businesses, in what ways should it change its structure or control systems to manage the acquisitions. [20 Marks]

QUESTION 5

Discuss the components for the action agenda for executing strategy. [20 Marks]

QUESTION 6

Specify the issues that make executing strategy a tougher job than formulating strategy. [20 Marks]

QUESTION 7

a) Discuss the argument that strong cultures lead to greater organizational effectiveness. [10 Marks]

b) What principles apply to the management of culture and what are their limitations? [10 Marks]

END OF EXAMINATION