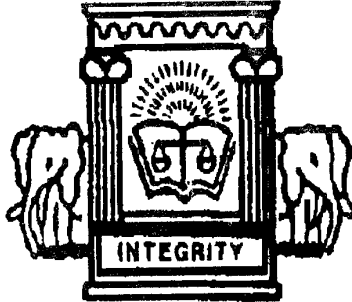


**THE INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)**



**NOVEMBER 2006 EXAMINATIONS
(PROFESSIONAL)**

PART 2

**STRATEGIC MANAGEMENT
(Paper 2.7)**

**Attempt question one (1) and any
other three (3) from Section B**

TIME ALLOWED: 3 HOURS

SECTION A

CASE STUDY

QUESTION 1

Read the following case carefully and answer ALL the questions that follow:

Quality Foundry Company (QFC) was founded in the mid-1970s at Suame Magazine in Kumasi. They are located in a 3,000-square-foot building with nine people as a small family business to produce castings.

In the 1980s, as business grew, the company expanded its facilities and its capabilities to develop its own tooling patterns, eventually moving into a 40,000 square-foot building. Over this time period, the foundry industry consolidated considerably leading to reduction in the number of industry participants.

With such a shrinking market, QFC began to listen more to its customers. They discovered that customers were not happy with the quality of the products they had been receiving. In 1990, QFC made a commitment to quality by hiring a quality assurance manager, Ransford Owusu. Owusu felt that upper management was not committed to quality and saw an opportunity to change the company's culture.

He also firmly believed in Deming's philosophy. One of the first things he did was to work with upper management in developing a mission statement:

“Our mission at QFC is to improve the return on investment. We can accomplish this by changing attitudes and incorporating a quality/team environment. This will improve the quality of our products, enhance our productivity (which in turn will allow us to quote competitive prices) and evaluate our service and response level to our customers. There are several factors which make positive change imperative. The standards for competitive levels of quality and service are becoming more demanding. The emergence of the World Market has brought on new challenges. We are in a low-growth, mature market. In order for QFC to improve return on investment, we must develop a strategy to improve quality and responsiveness in all areas of the company. We need to have all employees recognize the importance of product quality and service and move toward more favourable pricing. We need to change thinking throughout the organization to get employees involved, to encourage teamwork, to develop a more flexible workforce and the product. We believe that we can best achieve the desired future state by study of and adherence to the teachings of W. Edwards Deming.”

Under Owusu's direction, QFC made some substantial improvement in the quality of castings, particularly reducing scrap and reject rates. He worked closely with the factory workers directly responsible for the products, asking them what they needed to get the job done and ensuring management commitment to provide the necessary resources. For example, QFC invested in a new controller for the furnaces that provided a digital readout of temperatures. With this technology, workers were able to categorize the metal temperatures for each casting type and were able to adjust the process as needed. The success of this project led the company to empower employees to control many other aspects of the system.

Three years later, the president and CEO retired. The new CEO, who had been a vice president of a major manufacturing company, did not feel that the mission statement provided a clear and vivid direction. Consequently, he set up a planning retreat for senior management (including Owusu) to develop a new strategic direction.

Required:

- (a) i. Define **mission, vision** and **values** of corporate entities. **(6 marks)**
- ii. List four characteristics of a good mission statement. **(4 Marks)**
- (b) In the light of a. (ii) above, analyse the current mission statement of QFC by:
- i. Indicating four (4) inherent weaknesses **(8 Marks)**
- ii. Determining whether it provides the strategic direction necessary for this company. **(4 Marks)**
- (c) Suggest a better statement of:
- i. Mission **(8 Marks)**
- ii. Vision **(4 Marks)**
- iii. Four (4) guiding principles **(6 Marks)**
- (Total: 40 Marks)**

SECTION B

Answer three (3) questions from this section

QUESTION 2

As the corporate planner of ABC Ltd. you have been requested by your Human Resource Director to make a 30-minute presentation to a group of newly recruited managers on the following:

- i. Meaning of strategic management. **(6 marks)**
- ii. Phases of strategic management. **(8 Marks)**
- iii. Benefits of strategic management. **(6 Marks)**

Prepare your notes for the presentation.

(Total: 20 Marks)

QUESTION 3

- (a) Using a diagram or otherwise explain in detail the forces driving industry competition.

(10 Marks)

- (b) Giving one example in each case, mention and explain five (5) factors that make a buyer or a group of buyers powerful.

(10 Marks)

(Total: 20 marks)

QUESTION 4

- (a) Explain the concept of corporate strategy in detail.

(6 Marks)

- (b) Explain your understanding of directional strategy and indicate three (3) constituents of this strategy.

(6 marks)

- (c) Mention and explain the two (2) basic forms of growth strategy.

(8 Marks)

(Total: 20 Marks)

QUESTION 5

- (a) Identify and explain the five (5) key steps involved in performance evaluation and control process in strategic management.

(15 Marks)

- (b) Mention and discuss two (2) of the primary measures of corporate performance.

(5 Marks)

(Total: 20 Marks)