LOYOLA COLLEGE (AUTONOMOUS) CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **HONOURS**

SIXTH SEMESTER – **APRIL 2025**

UBH 6501 – ADVANCED PERFORMANCE MANAGEMENT

Date: 23-04-2025 Dept. No. Max. : 100 Marks

Time: 09:00 AM - 12:00 PM

SECTION A

BOTH questions are compulsory and MUST be attempted. **(2X25=50 MARKS)**

1. GreenTech Solutions is a renewable energy company specializing in solar panels and wind turbines. Over the past five years, the company has expanded its market share, but competition from new entrants and fluctuating government policies have created challenges. The company's leadership team is now reviewing its strategic position and evaluating new performance management approaches to ensure sustainable growth.

To stay competitive, GreenTech Solutions is considering the following strategic options:

- Expanding into international markets.
- Investing in new technology to improve efficiency.
- Developing strategic partnerships with suppliers and distributors.
- Shifting from a cost-leadership strategy to a differentiation strategy.

As a strategic professional, you are required to answer the following questions-

a. Analyze how GreenTech Solutions can use strategic models (such as SWOT, PESTEL, or Porter's Five Forces) to assess its external and internal environment. **[6 marks]**

b. Evaluate the advantages and disadvantages of shifting from a cost- leadership strategy to a differentiation strategy for GreenTech Solutions. **[4 marks]**

c. Discuss the role of key performance indicators (KPIs) and balanced scorecard in measuring GreenTech Solutions' strategic performance. **[5 marks]**

d. Explain how strategic risk management can help GreenTech Solutions mitigate risks associated with international expansion. **[3 marks]**

e. Assess how stakeholder expectations (including investors, customers, and government regulators) influence GreenTech Solutions' strategic decision- making process. **[7 marks]**

2. PharmaMed Solutions (PharmaMed) is a large national pharmaceutical manufacturing company based in Medora, a country transitioning from a heavily state-controlled economy to a market-driven system. Under the previous regime, pharmaceutical

production was focused on meeting government-set production and employment targets, with little attention to profitability, efficiency, or innovation. Now, PharmaMed's management is determined to modernize operations and improve the company's competitive position.

PharmaMed has a strong market presence in Medora, which has a population of 150 million and represents its primary market. The company has also established significant market share in four neighboring countries with close cultural and economic ties to Medora. All these markets are experiencing rising demand for high-quality pharmaceutical products due to increasing healthcare awareness and investment. Additionally, Medora's new government is liberalizing trade and allowing greater competition from international pharmaceutical companies.

Quality management PharmaMed's management acknowledges the need for fundamental changes in its production and quality management systems to compete effectively with international pharmaceutical firms. The company's products have often been criticized for inconsistent quality, inadequate packaging, and slow innovation compared to imported alternatives. Management plans to address these issues by implementing advanced quality management techniques and improving financial performance through Kaizen costing and just-in-time (JIT) purchasing and production. PharmaMed currently uses standard costing and budgetary variance analysis to monitor and control production activities.

The Chief Financial Officer (CFO) of PharmaMed has expressed confusion about the terminology and application of quality management costs and seeks clarity on their impact on the current costing systems. The CFO also wants to understand the implications of adopting Kaizen costing and JIT production on PharmaMed's traditional performance measurement approaches.

Required: Write to the CFO to:

(a) Discuss the impact of collection and use of quality costs on the current costing systems at PharmaMed. **(7 marks)**

(b) Discuss and evaluate the impact of the Kaizen costing approach on the costing systems and employee management at PharmaMed**.** **(10 marks)**

(c) Briefly evaluate the effect of moving to just-in-time purchasing and production, noting the impact on performance measures at PharmaMed. **(8 marks)**

SECTION B

BOTH questions are compulsory and MUST be attempted. (2X25=50 MARKS)

3. Stellar Manufacturing Ltd. is a mid-sized company producing high-quality home appliances. The company follows an annual budgeting process, but recent market fluctuations, rising raw material costs, and increased competition have caused budgeting variances that impact profitability. The finance team has been struggling with inaccurate sales forecasts, inflexible budgets, and unexpected cost overruns.

To improve its budgeting process, Stellar Manufacturing is considering:

- Shifting from a traditional annual budgeting approach to a rolling budget.
- Implementing activity-based budgeting (ABB) instead of incremental budgeting.
- Enhancing the use of data analytics for better cost control.
- Increasing department-level accountability for budget adherence.

In this context, you are required to answer the following questions: -

a. Stellar Manufacturing Ltd. currently follows a traditional annual budgeting process. If the company switches to a rolling budget, how might this impact financial planning and decision-making? **[5 marks]**

b. The company has observed frequent budget variances due to inaccurate sales forecasts. What forecasting techniques could be used to improve budget accuracy, and how should they be integrated into the budgeting process**?** **[6marks]**

c. Assume that Stellar Manufacturing implements activity-based budgeting (ABB). How would this change the way costs are allocated, and what impact could it have on cost efficiency? **[4 marks]**

d. During the last financial year, the company exceeded its budget for raw material procurement by 15%. What steps should management take to monitor and control such cost overruns in future budgets? **[5 marks]**

e. Different department heads at Stellar Manufacturing are often reluctant to adhere to budget constraints. What strategies can the company adopt to ensure better budget accountability and alignment with corporate objectives**?** **[5marks]**

4. Riverside Hotels is a privately-owned hotel chain known for its boutique-style properties offering personalized customer service and unique local experiences. The company's mission is 'to provide guests with memorable stays by offering exceptional service and a distinct sense of place.' Over the past decade, Riverside has grown steadily, developing a loyal customer base by catering to travelers looking for charm, comfort, and attention to detail.

Twelve months ago, Riverside was acquired through a successful but hostile takeover by Horizon Stays, a large publicly-listed international hotel group. Horizon's mission is 'to deliver consistent value to our shareholders by expanding our global footprint and offering the best value-for-money accommodation to our guests.' Horizon's motivation for the acquisition was to strengthen its market position in the boutique hotel segment and diversify its portfolio. The company also anticipates consolidation in the hospitality industry and wanted to act preemptively.

Current Situation Horizon's leadership decided to standardize the amenities and services offered across all Riverside and Horizon properties. This decision has been met with resistance from Riverside's hotel managers, who value the individuality and specialized service approach that defined their brand. Several managers have resigned in frustration.

To streamline the integration, Horizon placed at least one of its own staff members in each Riverside hotel. Riverside's staff have complained that Horizon employees prioritize efficiency and cost-saving over guest experience, and they often lack the local knowledge and personal touch Riverside's customers expect.

Horizon has retained most of Riverside's senior management, but these directors have found it difficult to adapt to Horizon's relentless focus on occupancy rates and revenue per available room (RevPAR). One director commented, 'Every report we get is about increasing occupancy and cutting costs. It's like guest satisfaction isn't even on their radar.'

The CEO of Horizon was recently advised by a management consultant to consider using the McKinsey 7S model to guide the integration process. The consultant recommended focusing on the model's four soft elements to address the cultural and operational alignment issues.

Implementation of a Centralized Management System Riverside and Horizon currently use different property management and reservation systems, leading to delays and data discrepancies. Horizon's board has complained that performance reports from Riverside properties often arrive too late to make timely business decisions. For example, the operations director reported not seeing inventory and maintenance data from Riverside hotels until months after the end of the quarter. Similarly, the sales director stated that Riverside's revenue reports are weeks behind, making it impossible to adjust pricing strategies effectively.

Horizon employees believe Riverside's systems are outdated and underutilized. It's common practice for Riverside staff to take room bookings over the phone and only enter them into the system later, leading to overbooking and customer dissatisfaction.

To address these issues, Horizon's board is considering implementing a centralized hotel management system (HMS) across all properties. A Horizon director noted, 'A unified system will ensure complete operational integration and provide real-time data access. Riverside's employees will surely appreciate having a modern, streamlined system.'

Required: As of 1 September 20X5

(a) Using the soft elements of the McKinsey 7S model, evaluate whether Horizon is properly aligned with Riverside. **(15 marks)**

(b) Evaluate the introduction of a centralized hotel management system (HMS) into Horizon's overall business, including Riverside**.** **(10 marks)**

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