

**EASTERN UNIVERSITY, SRI LANKA**

**Faculty of Commerce and Management**

**Final Year /First Semester Examination in Bachelor of Business Administration**

**2016/17 (December 2018)**

**Proper/Repeat**

**MGT 4013 Strategic Management**

**Answer all five (5) questions**

**Time: 03 hours**

**Pages 1-5**

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**Q1) Read the following case and answer the questions given below.**

**Apple's Strategic Move**

Not long after Apple became the world's most valuable company, signs of trouble emerged. Although Apple enforced its intellectual property in a legal dispute with Samsung, it entered into a licensing agreement with HTC, a Taiwanese maker of mobile phones. Some argue that Apple under Steve Jobs' leadership would never have entered any agreements that would allow direct competitors to benefit from Apple's proprietary technology.

Despite Apple's courtroom victory against Samsung, Samsung sold more smartphones than Apple in 2012. With its Galaxy S3 model running on Google's Android system, sales prove that Samsung has a viable competitor against Apple's iPhone 5. In 2013, Samsung introduced the new Galaxy S4 model, further intensifying the head-on competition with Apple. Uncharacteristically, Apple botched the product launch for the iPhone 5. The embedded Apple map app was far inferior to Google maps, which was used in earlier versions of the iPhone. Subsequently, Apple's top management team also experienced sudden turnover, with some of its executives being forced out. In one instance, CEO Tim Cook asked Scott Forstall, vice president of iPhone and iOS Software and a Steve Jobs protégé, to leave after Forstall refused to sign an apology letter to customers for the shortcomings on the iPhone 5's mapping service.

The head of Apple's famed retail operations was also forced out after only six months on the job. After reaching \$658 billion in market valuation and becoming the world's most valuable company, by March 2013 Apple's share price had dropped more than 45 percent, wiping out close to \$290

billion in shareholder value. Clearly, while it is difficult to gain a competitive advantage in place, it is that much more difficult to sustain it.

**Questions:**

- I. Explain the strategic factors for Apple's success over the last decade. (05)
  - II. Is Apple's success attributable to industry effects or firm effects, or a combination of both? Explain. (04)
  - III. Which recommendations would you have for Apple to outperform its competitors in the future? (05)
  - IV. Why do you think it is so hard not only to gain but also to sustain a competitive advantage? (04)
- (Total 18)**

- Q2)**
- I. Take one of the strategic management models and explain the **process of strategic management**. (06)
  - II. A company's strategy is partly planned and partly reactive. Explain this by talking about the concepts of **unrealized strategy** and **emergent strategy**? (05)
  - III. Describe the important terms of **competitive advantage, sustainable competitive advantage, competitive disadvantage, and competitive parity**? (05)
  - IV. What is the difference between **vertical integration** and **horizontal integration**? (04)
- (Total-20)**

- Q3)**
- I. What are the major **three types of corporate strategies** the firm has to concentrate on? Briefly explain those in relation to their different scope? (06)

- II What are the **business-level strategies** available and describe the **overall cost leadership** in determining a firm's strategic position? (05 Marks)
- III What are the **main activities** that a firm has to put forward in **building a capable organization** for strategy implementation? (05 Marks)
- IV Differentiate between **mergers** and **acquisitions**, and further from **strategic alliances**. (04 Marks)
- (Total-20 Marks)

- Q4) I How can a **value chain analysis** be used to understand which of the firm's activities contribute for attaining cost or value driven in the process of transforming inputs into outputs (06 Marks)
- II In what way can a **balanced scorecard** be used to assess and evaluate the strategies for competitive advantage (06 Marks)
- III Five competitive forces in Porter's model affect the average profitability of the industry. In what way **bargaining power of suppliers and buyers** can increase/decrease the **industry profits**? (05 Marks)
- IV What is a **strategic group**? How can studying such groups be useful in industry analysis? (03 Marks)
- (Total-20 Marks)

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Note: Fill in the blanks with appropriate answers in this question paper and attach it with the answer script. All the blanks carry one mark each.

- 5) a) The strategic choice depends on the three criteria applied which could be **suitability**,..... and .....
- b) When the performance of a firm is disappointing, or when there is economic downturn or excessive debt the firms have to apply retrenchment strategies that includes **turn around**,.....**sell-out/divest**, and .....
- c) Top management face the **corporate governance problems** as **excessive salary**, ..... and .....
- d) The **ethical stance** can range from **short-term** , **shareholders interest** to .....
- e) There are many alternative **stability strategies** the firm can apply which can be **pause**, ....., proceed with caution, and .....
- f) Thinking Strategically deals with mainly four questions (**Big strategic questions**); (1) where are we now, (2)..... (3) how do we get there (4).....
- g) In the input stage at strategic choice you have to deal with **Internal Factor Evaluation Matrix (IFE)**, ..... and .....

- h) Under the **SPACE matrix** internal factors that are considered are financial strength ..... external factors as environmental stability .....
- i) The **internal analysis** starts with **Resources**, .....  
**competences** and .....
- j) Three **types of control** are considered for strategic evaluation those  
(1)..... (2).....  
(3).....
- k) **Grand Strategy Matrix** is developed based on two factors, which  
..... and .....

(22 Marks)