

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Final Year /First Semester Examination in Bachelor of Business Administration

Honours 2021/22 (February 2024)

Proper/Repeat

MGT 4113 Strategic Management

Answer all five (5) questions

Time: 03 hours

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

Questions are brewing at Starbucks

March 30, 2011, marked the fortieth anniversary of Starbucks's first store opening for business in Seattle, Washington. From its humble beginnings, Starbucks grew to become the largest coffeehouse company in the world while stressing the importance of both financial and social goals. As it created thousands of stores across dozens of countries, the company navigated many interesting periods. The last few years were a particularly fascinating era. In early 2007, Starbucks appeared to be very successful, and its stock was worth more than \$35 per share. By 2008, however, the economy was slowing, competition in the coffee business was heating up, and Starbucks's performance had become disappointing. In a stunning reversal of fortune, the firm's stock was worth less than \$10 per share by the end of the year. Anxious stockholders wondered whether Starbucks's decline would continue or whether the once highflying company would return to its winning ways. Riding to the rescue was Howard Schultz, the charismatic and visionary founder of Starbucks who had stepped down as chief executive officer eight years earlier. Schultz again took the helm and worked to turn the company around by emphasizing its mission statement: "to inspire and nurture the human spirit—one person, one cup and one neighbourhood at a time" (Starbucks). About a thousand under-performing stores were shut down permanently. Thousands of other stores closed for a few hours so that baristas could be retrained to make inspiring drinks. Food offerings were revamped to ensure that coffee—not breakfast sandwiches—were the primary aroma that tantalized customers within Starbucks's outlets. By the time Starbucks's fortieth anniversary arrived, Schultz had led his company to regain

excellence, and its stock price was back above \$35 per share. In March 2011, Schultz summarized the situation by noting that “over the last three years, we’ve completely transformed the company and the health of Starbucks is quite good. But I don’t think this is a time to celebrate or run a victory lap. We’ve got a lot of work to do” (Starbucks, 2011). Schultz retired a second time in 2017 and was replaced by the COO, Kevin Johnson. Starbucks has continued its dominance by opening its 30,000th store in March, 2019, in Shenzhen, China. During the COVID-19 pandemic of 2020, Starbucks and Johnson were praised on how the organization handled the crisis. Phase 1: Mitigate and Contain, was implemented, limiting access to only drive-thru and delivery. Employees were paid whether they worked or not. Then Phase 2: Monitor and Adapt, was implemented, with the gradual reopening of stores. The decision to open stores was made locally, not by corporate headquarters. Johnson emphasized the principles of prioritizing the health and well-being of its staff and customers and playing a positive and constructive role with communities and government officials where they serve.

Required:

- I. What type of planning do you think the founder of Starbucks engaged in? (04 Marks)
- II. What competitive advantages does Starbucks possess? (04 Marks)
- III. What are Starbucks’s key strengths, weaknesses, opportunities, and threats? (05 Marks)
- IV. How might the extensive coffee industry experience the Starbucks founder possess hinder their strategy formulation and ultimate success or failure? (05 Marks)

(Total 18 Marks)

- Q2)
- I. VRIO is a tool that can be used to determine what type of competitive advantage (4) resources or capabilities can offer for the firm. Describe this in relation with **competitive disadvantage, competitive parity, temporary competitive advantage and sustainable competitive advantage.** (06 Marks)
 - II. **Four corner’s analysis** is a useful tool for analysing competitors in the industry developed by Michael Porter. Identify the factors for four corners and explain how it helps in **competitor analysis.** (05 Marks)

III. **Parenting fit matrix** is used to develop a corporate parenting strategy. Justify your answer? **(05 Marks)**

IV. List out the **five forces** and **four forces** to determine the **competitive advantage** and **nations competitive advantage** respectively. **(04 Marks)**

(Total 20 Marks)

I. The **value chain** provides a useful tool for managers to examine systematically where value may be added to their organizations. Describe about this tool and identify other tools which can be used to identify the **status of internal environment**. **(06 Marks)**

II. It is important to define the strategic issue of an organization using the information and data from the external and internal analysis. What are the **matrices** that could be applied in order to make a **strategic choice**? **(06 Marks)**

III. Portfolio planning is a useful tool for analyzing a firm's various business units. How could a **GE Matrix** provide such facilities for a strategist to decide on the operations of their different SBUs? **(06 Marks)**

IV. Describe the **Strategic Evolution** based on Pre-Modern Era, 1970s-1980s and 1990s-2000s. **(04 Marks)**

(Total 22 Marks)

I. Business-level strategies examine how firms compete in a given industry. Firms derive such strategies by executives making decisions about whether their source of competitive advantage is based on price or differentiation and whether their scope of operations targets a broad or narrow market. Based on this principle identify five strategies that could be applied at the business level and state how many strategies are found in the strategic clock.

(06 Marks)

II. There are various ways that a firm can implement their corporate diversification strategy. Those are said to be: **Internal Development, Strategic Alliance, Joint Venture, and Acquisition**. What are the differences you find from these ways?

(06 M)

III. Distinguish between **Vision** and **Mission**, and between **Goals and Objectives**. Explain the importance of these components in an organization.

(06 M)

IV. What are the **four big questions** that has to be asked to understand Strategic Management and highlight the sections that falls into each questions.

(06 M)

(Total 22 M)

Q5) I. **Organizational control systems** are a vital aspect of executing strategy because they monitor performance and identify adjustments that need to be made describe the **three types of strategic controls** that are available for organization and bring out the elements that are concentrated on the **Balanced Score Card**.

(06 M)

II. What are the main difference you could find between a **Strategic planning** and **Strategic execution** and state how could a firm build a **capable organization** for a successful implementation?

(07 M)

III. What are the four levels of **business ethics** an organization can consider when determining the **strategic direction**?

(05 M)

(Total 18 M)