Final Year - First Semester Examination

EASTERN UNIVERSITY, SRI LANKA

Faculty of Commerce and Management

Special Repeat Examination in Bachelor of Business Administration - 2009/2010 (August 2011)

MGT 4114 Strategic Management

Answer all five (5) questions

Time: 03 hours

Q1) Read the following case and answer the questions that follows

Industry competition in the airline industry

Recently India has deregulated its airline industry. Since being deregulated, long established PSU airlines such as Indian Airline, Alliance and Air India have lost business to upstarts like Jet Airways and Air Sahara. It appeared that almost anyone could buy a few used planes to serve the smaller cities. Economy players like Air Deccan and King Fisher have also entered market. It has led to a major price war among the players also. Rail and bus transportation have started taking a back seat. The competitive pressure has also resulted in downsizing the HR in the PSUs and reduced costs by instituting a cap on travel agent commissions. Travel agencies were livid at this cut in their livelihood, but they needed the airlines' business in order to offer customers a total travel package.

Globally it seemed as though every nation had to have its own airline for national prestige. These state-owned airlines were expensive, but the governments subsidized them with money and supporting regulations. For example, a foreign airline was normally allowed to fly only into one of a country's airports, forcing travellers to switch to the national airline to go to other cities. During the 1980s and 1990s, however, many countries began privatizing their airlines as governments tried to improve their budgets. To be viable in an increasingly global industry, national or regional airlines were forced to form alliances and even purchase an airline in another country or region. For example, the Dutch KLM Airline acquired half interest in the U.S. destinations, but also Northwest's Asian travel routes, thus making it one of the few global airlines.

Costs were still relatively high for all of the world's major airlines because of the high cost of new airlines. Just one new jet plane costs anywhere from $25 million to $ 100 million. By 2004, only two airplane manufacturers provided almost all of the large commercial airlines: Boeing and Airbus. Major airlines were forced to purchase new planes because they were more fuel efficient, safer, and easier to maintain. Airlines that chose to stay with an older fleet of planes had to deal with higher fuel and maintenance costs – factors that often made it cheaper to buy new planes.

Questions:

(a) What are the forces driving industry competition in the airline industry?

(12 Marks)

(b) What are the alternative strategies that a winner can implement in a very highly competitive air industry to sustain its position?

(08 Marks)

(c) What are the alternative strategies that a loser of this air industry should implement?

(08Marks)

(Total 28 Marks)

Q2) a. Categorize the ***resources*** in an organization and briefly explain with a help of a diagram how these resources could be turn into ***strategic competitiveness.***

(06 Marks)

b. Briefly describe the strategic-management process with support of a ***Strategic Management Model***?

(06 Marks)

c. Distinguish between a ***vision statement*** and a ***mission statement*** and state why these two are important for an organization.

(06 Marks)

(Total 18 Marks)

Q3) a. How do the ***Value Chain*** and the ***Value System*** contributes in the search for ***strategic competitiveness***?

(06 Marks)

b. Make a distinction between a "***TOWS Matrix***" and "***BCG Matrix***".

(06 Marks)

c. What are the ***business level strategies*** available for an organization and briefly differentiate them?

(06 Marks)

(Total 18 Marks)

Q4) a. Describe the ***"Five-Step Feedback Model"*** and explain the three ***types of controls*** applied by organizations

(06 Marks)

b. Identify the major stakeholders and their claim for a commercial bank and plot them in the ***stakeholder mapping*** based on power and interest (The source of power should be clearly identified)

(06 Marks)

c. Distinguish among the three criterions ***Suitability, Feasibility and Acceptability*** that is used in evaluating the strategic options.

(06 Marks)

(Total 18 Marks)

Q5) a. Briefly explain the ***determinants of competitive advantage*** that was explained through ***Porter's Five Force Model.***

(06 Marks)

b. Identify strategies that fall into ***growth strategy, stability strategy and defensive strategy.***

(06 Marks)

c. What are the ***organizational structures*** that are available for an organization to execute the chosen strategy?

(06 Marks)

(Total 18 Marks)