

Eastern University, Sri Lanka
Faculty of Commerce and Management
Fourth Year Second Semester Examination in Bachelor of Commerce (Specialization
in Accounting and Finance) - 2016/2017 (March 2019)
(Proper/Repeat)
COC 4013 Business Strategic Planning

No. of questions: 07

No. of pages: 10

Answer Q1, Q2 and any other three questions

Time: 3.00 hours

01. Read the case study and answer the questions given below.

SWOT analysis in action at Apple Inc.

Apple is an innovative technology brand that enjoys very high level of popularity globally. It is a major player in the laptop as well as smartphone industry. While the laptop industry saw a slowdown in the recent years, the smartphone industry has kept growing faster. The newest release from Apple, iPhone X has also been highly popular and Apple is seeing higher sales and growth. The release of Macbook Pro has also brought laptop sales back on track. Even if it was not able to touch the level of laptop sales, it enjoyed once, the brand has been able to control some of the fall. However, HP and Dell are still ahead of Apple in terms of market share. Apple has seen several strategic changes happening since the departure of Steve Jobs. Under the leadership of Tim Cook, its performance has risen sharply in the global market. Apple is already known for a great marketing strategy and it is also a source of competitive advantage for the brand. Another is its unique technological capability. Sales of the brand have risen fast from 170 Billion dollars 2013 to 229 Billion dollars in 2017. Headquartered in Cupertino CA, the brand currently employs 123000 full time employees.

It is known as a reliable and smart brand that consumers trust and love. The reason is its focus on innovation and great consumer experience. Its consumer orientation is a factor that is never going to change about Apple because it has always remained at the brand's core. Being a customer centric organization, it has always brought products that customers can fall in love with. Apple products are popular in a very large part of the world and are well known in most corners of the globe. Apple manages its business segments on a geographical basis and each one separately. This is done in order to maintain a better alignment between customer demand and supply and to cater to the varying market

dynamics and demand patterns in each of the reportable segments. Apple features at the top of the list of Forbes' most valuable brands in the world. Its 2017 revenue reached 229 Billion dollars and it reached the highest in 2015 at 233 Billion dollars. Its market capitalization is at 940 Billion dollars roughly. Growth in the sales of iPhones and Macs has resulted in fast growth of the brand.

Further, on several of its products the profit margins can be higher than 60%. It achieved the sales of 216 million iPhones in 2017. Time Money noted in an article that an Apple iPhone that is sold for \$649 dollars is produced for a cost of only \$225. It shows that the MRP of an Apple product can be thrice its production costs. So, the conclusion is that if a brand enjoys such high margins then it is bound to enjoy very high profits on sales of its products. If Apple is a rich brand then apart from the high sales of Apple products, its high profit margins have also played a critical role in it.

The number of fans and customers that Apple has worldwide is very high. There is always a very high level of excitement and frenzy around every new released Apple product because each one of its products is a celebrity in its class. Moreover, most of its consumers are loyal consumers that buy more than one product by Apple like smartphone apart from laptop. However, such a high level of customer loyalty cannot be achieved without investing in customer engagement. It has engaged its customers very well and keeps releasing new products to keep them engaged. The unique and enriching experience that Apple provides is also a reason that Apple has kept growing popular around the world. Apple is a distinct brand that has set itself apart from the huge crowd of brands in the world. Its products can be easily distinguished from others and apart from aesthetic beauty they are known for their distinctly different technology. Since its inception Apple has remained synonymous with technological innovation. It is like a trend at Apple that it has always focused on bringing the best to the market. From iTunes to iPods and iPads as well as Macs what sets these products apart from the others is the level of technological innovation. Its products are known to provide a seamless experience and it is made possible through huge investment in research and development. Its 2017 expenditure on R&D equaled 11.6 Billion dollars and in 2016 it was a ten billion dollars which shows that its investment in R&D is rising fast every year. However, this is essential in this era of high competition. The brand has continued to invest in technological innovation to maintain its popularity globally and to remain competitive.

However, Apple's premium image is related to the enriching experience it provides but it also leads to higher pressure related to innovation in product design and quality. Customers always wish the brand to surpass its own standards and any minor deficiency leads to very high frustration among its customers and fans. High cost of products also means fall in market share. It leads to difficulties when the economic activity is low. Apple has limited portfolio when compared to most of its competitors. It has an ecosystem of intercompatible products but still the total number of products in its portfolio when compared with several of its competitors is low. The most popular products in Apple's portfolio include iPhone, iPad and Mac apart from which, the others enjoy low level of sales and popularity. Apple products are not fully compatible with those made by the other brands. It has created an ecosystem of interoperable and intercompatible products. Mac laptops and Operating systems as well as iPhones are designed in a manner that they do not have to depend on software or hardware made by the other brands. Apple brands have limited inter compatibility with the products made by Google or Microsoft and apart from that it is also trying to reduce the presence of these brands in its ecosystems.

Apple's product portfolio is limited as compared to its competitors. So, the brand can introduce new products to increase the size of its product portfolio as well as market share and customer base. A lot is always going on behind the scenes at Apple and talks are always on regarding new products and exploring new possibilities in the realms of technology. There have been talks about the possibility of Apple making an iCar or introducing new autonomous technology. 21st century has seen technological innovation happening at a very fast rate and there are several areas open for investment including sustainability. Apple has made several acquisitions in its long journey including Beats, Siri and Shazam. The brand can make more similar acquisitions to expand its market and customer base and to strengthen its ecosystem. Sustainability is not just a trend and the way its importance has grown in this century is well known and in several areas the popularity of sustainable technology has grown from power to transport. Apple can also invest in these areas to find faster growth and to grow its popularity.

Competition in the laptop and smartphone industry has kept intensifying and Apple has retained its popularity despite the rising competition. However, despite the popularity it is not at the top in terms of PC sales. The competitive pressure from PC brands like HP, Dell, Asus and Lenovo has kept rising. HP's market share is largest of all the PC brands followed by Lenovo and Dell. Following the release of Mac Pro, the popularity of Apple laptops has increased again. However, still Apple is not seeing the kind of sales the other

top brands do. Prices can be the main factor affecting its sales. If Apple products were priced somewhat lower, the competitive challenge would have been smaller. However, its premium products have premium price tags and this is why its customer base is limited to the higher end mostly. The price factor therefore limits its customer base. There are some factors like technology, brand image and customer experience that have helped it moderate this problem but yet the level of competition is so intense and each player so aggressive that Apple has to focus extra efforts and resources to sustain its sales.

Economic fluctuations keep happening in the global industry and that can lead to losses for the international brands. Economic activity has returned in US and it has led to rising sales and profits there. However, several of the regions globally are still seeing economic fluctuations and this is affecting sales and profits. Worldwide the dollar has kept growing stronger and this has led to reduced profits for major international brands including Apple. Volatility in the currency exchange rates can also affect income and revenue worldwide and can impact brands' profitability. The legal and regulatory pressures in the technology industry have also kept rising in this century. From labor to product safety and data, in all these areas, there are several laws which can vary from region to region. Compliance costs are adding to the operational costs of brands and causing pressures and losses. Apple is also feeling the rising pressure of compliance. The US market has mostly been known to be more open than other markets globally. However, even in US the large technology brands are feeling the pinch of legal and regulatory pressures. It does not just limit their ability to compete but to expand internationally as well.

Source:

<http://www.apple.com/lae>

Questions

(I). Identify the strengths, weaknesses, opportunities and threats faced by Apple Inc.

(08 Marks)

(II). Using the above information, develop a TOWS matrix and develop SO, WO, ST and WT strategies for Apple Inc.

(08 Marks)

(III). Using the above information, develop a Strategic Factor Analysis Summary (SFAS) and interpret the results.

(08 Marks)

(IV). Identify and explain the corporate or business level strategies implemented by Apple Inc.

(06 Marks)

(Total: 30 Marks)

02. (I). Write the appropriate answer in your script for the following multiple-choice questions.

i. Which of the following statements is not true when describing a successful strategy?

- a) It provides some property that is unique or distinctive
- b) It provides the means for renewing competitive advantage
- c) It addresses changes in the external environment
- d) It guarantees long term survival

ii. An _____ is the strategy that an organization hopes to execute and an _____ is an unplanned strategy that arises in response to unexpected opportunities and challenges.

- a) Emergent, intended
- b) Realized, non-realized
- c) Intended, emergent
- d) Intended, deliberate

iii. The process of gathering information and comparing the information to predetermined standards is part of:

- a) Strategic planning
- b) Strategic controlling
- c) Organizational direction
- d) Strategy implementation

iv. A company's strategic vision concerns

- a) a colorful dream deeply embedded in the founder's mind
- b) why the company does certain things in trying to please its customers
- c) management's story line of how it intends to make a profit with the chosen strategy
- d) "who we are and what we do"

- v. Which of the following questions would be appropriate to ask in the "implement strategy" stage of the strategic framework model?
- a) Who constructs the strategic vision for the company?
 - b) Which variables in the internal environment critically affect strategy formulation?
 - c) Should the company follow a strategy of market penetration or market development?
 - d) How can managers overcome employee resistance to change?
- vi. In terms of the PESTLE analysis, the liberalizing of international trade and tariff regimes could go in which section or sections?
- a) Political
 - b) Legal
 - c) Political, economic and legal
 - d) Political and environmental
- vii. McDonalds is deciding whether to expand into manufacturing kitchen equipment in China. At what level is this decision likely to be made?
- a) Business
 - b) Functional
 - c) Corporate
 - d) International
- viii. _____ arises when one or more business units share common resources such as manufacturing facilities, distribution channels, advertising campaigns, R&D and so on
- a) Economy of scale
 - b) Diversification
 - c) Horizontal integration
 - d) Economy of scope
- ix. Balanced scorecard perspective focuses on all operations, and it leads to value creation process for customers, can be categorized as
- a) Learning perspective
 - b) Financial perspective
 - c) Internal business process perspective
 - d) Customer perspective

x. All of the following would be considered to be common barriers to successful implementation EXCEPT:

- a) unclear strategy or poor communication of strategy
- b) poor coordination across functions, business activities, or national boundaries
- c) argument within the managerial ranks about the vision of the CEO
- d) employee resistance to change or inadequate preparation for change

(10 x 1.5 = 15 Marks)

(II). Mark true (✓) or false (X) in your script for the following statements.

- i. Analyzing the relationships among the firm's key internal and external strategic factors is an example of quantitative criteria in strategy evaluation ____.
- ii. Criteria of feasibility assess the practical implementation and working of a strategy ____.
- iii. The main objective of BCG matrix is to help top management to identify the cash flow requirements of different businesses in their portfolio. ____.
- iv. In Parenting-fit matrix, businesses in Alien Territory have more opportunities for growth ____.
- v. Focus strategy is pursued to serve the needs of a limited customer groups or segment ____.
- vi. Unrelated diversification is the development of products or services with the current capabilities and value network ____.
- vii. The SFAS matrix incorporates the important factors gathered from external environment and industry environment in order to provide necessary information for strategy formulation ____.
- viii. Monitor is an example of an information role of strategic manager ____.

ix. Internal Factor Analysis Summary is a tool for organizing the internal factors into strengths, weaknesses, opportunities and threats of any given company and how the given company responds to these factors in the light of perceived importance to the company. _____.

x. Realized strategies are a product of a firm's intended strategy, the firm's deliberate strategy and its emergent strategy _____.

(10 x 01 = 10 Marks)

(Total: 25 Marks)

03. (I). Define the term 'strategic management' and briefly explain the process of strategic management. **(06 Marks)**

(II). The vision and mission statements of Dialog Axiata PLC are as follows. Evaluate the vision and mission statements on the basis whether it satisfies all the characteristics of good vision and mission statement and propose an alternative vision and mission statements if needed.

Vision Statement

To be the undisputed leader in the provision of multi-sensory connectivity resulting always, in the empowerment and enrichment of Sri Lankan lives and enterprises.

Mission Statement

To lead in the provision of technology enabled connectivity touching multiple human senses and faculties, through committed adherence to customer-driven, responsive and flexible business processes, and through the delivery of quality service and leading edge technology unparalleled by any other, spurred by an empowered set of dedicated individuals who are driven by an irrepressible desire to work as one towards a common goal in the truest sense of team spirit.

(05 Marks)

(III). Explain the four parts of external environment analysis.

(04 Marks)

(Total: 15 Marks)

04. (I). Discuss the relevance of value chain analysis and its application to strategy formulation.

(05 Marks)

(II). Listed below are some alternative corporate strategies and their definitions. Match the definitions with suitable strategies.

i. Adding new but related products or services	
ii. Gaining ownership or increased control over distributors or retailers	
iii. Introducing present products or services into new geographic area	
iv. Regrouping through cost and asset reduction to reverse declining sales and profit	
v. Seeking increased market share for present products or services in present markets through greater marketing efforts	
vi. Seeking increased sales by improving present products or services or developing new ones	
vii. Seeking ownership or increased control of a firm's suppliers	
viii. Seeking ownership or increased control over competitors	
ix. Selling a division or part of an organization	
x. Selling all of a company's assets, in parts, for their tangible worth	

- A. Backward Integration
- B. Divestiture
- C. Forward Integration
- D. Horizontal Integration
- E. Liquidation
- F. Market Development
- G. Market Penetration
- H. Product Development
- I. Related Diversification
- J. Retrenchment

(05 Marks)

(III). Given the information in the table below, develop a BCG Matrix and an IE Matrix and comment on it.

Divisions	A	B	C
Profits in Rs.	10	15	25
Sales in Rs.	100	50	100
Relative Market Share	23%	52%	73%
Industry Growth Rate	25%	15%	10%
IFE total weighted success	2.0	3.1	1.2
EFE total weighted success	2.5	3.4	1.8

(05 Marks)

(Total: 15 Marks)

05. (I). Explain the advantages and disadvantages of cost leadership strategy. **(04 Marks)**
- (II). Explain and discuss the Balanced Scorecard **(04 Marks)**
- (III). McKinsey has diagrammed seven elements which is called McKinsey 7-S framework. Briefly explain the purpose of this framework and those elements of it. **(07 Marks)**
- (Total: 15 Marks)**
06. (I). Do you feel strategic management should be more a top-down or bottom-up process in a firm? Explain. **(03 Marks)**
- (II). Explain the criteria for evaluating strategic alternatives. **(03 Marks)**
- (III). Explain three main strategy development tools and how they are used in business nowadays. **(04 Marks)**
- (IV). Illustrate with an example how the investment decision with respect to business strategy will be influenced by the stages of life cycle of a business. **(05 Marks)**
- (Total: 15 Marks)**
07. (I). Develop a Balanced Scorecard for a local fast-food restaurant. **(04 Marks)**
- (II). Identify an organization of your choice and do an extensive analysis on the strategies used by that organization in order to prosper or survive in the market. **(05 Marks)**
- (III). As owner of a local, independent supermarket, explain how you would evaluate the firm's strategy? **(06 Marks)**
- (Total: 15 Marks)**