

EASTERN UNIVERSITY, SRI LANKA  
FACULTY OF COMMERCE AND MANAGEMENT  
FOURTH YEAR/ FIRST SEMESTER EXAMINATION IN BUSINESS  
ADMINISTRATION -2003/2004  
MGT 4014 STRATEGIC MANAGEMENT



Answer all the questions

Time: 3 hours

01. Read the case and answer the questions

**EASYJET ORDERS UP TO 30 BOEINGS**

**Low-cost airline plans to increase fleet fivefold in attempt to obstruct competitors**

EasyJet, the UK-based low-cost carrier, is to increase the size of its Boeing fleet fivefold in an attempt to pre-empt competition from rivals such as Ryanair and Go, the British Airways offshoot.

EasyJet will announce today that it has placed firm orders for 15 new generations Boeing 737-700s and has taken out options on a further 15. The orders are in addition to 12 older generations Boeing 737-300s that EasyJet ordered last year. The airline also plans to start using a further Boeing leased by a Swiss company in which it has taken a stake. This will increase its fleet from seven aircraft to 35 over the next five years.

EasyJet's latest order for up to 30 aircraft has a list price of about \$1.2bn (£720m) although the airline will have a discount on that. The privately-owned company is understood to have financed the deposits on the aircraft from cash flow. Full payment on the first orders will be financed by bank loans. In the longer term, EasyJet may issue enhanced equipment trust certificates - bonds secured by the aircraft. EasyJet has no immediate plans for a flotation.

Stelios Haji-Ioannou, the heir to a Greek shipping fortune, founded EasyJet in 1995 to take advantage of the liberalization of the European Union aviation market,

completed last year. Based at London's Luton airport, EasyJet began flying to Scotland before extending its network to continental Europe including Amsterdam, Barcelona, Nice and Athens. It has since established a second hub at Liverpool airport, with flights to Amsterdam and Nice.

EasyJet is expected to use the new aircraft to start services to Spain, France, the Netherlands, Switzerland or Greece. Mr Haji-Ioannou is understood to be keen to pre-empt Ryanair and Go by flying to routes they do not serve. The three airlines have largely avoided direct competition with one another.

EasyJet has made proposals to Geneva airport to establish a third hub. It has acquired a 40 per cent stake in TEA Switzerland, a charter carrier, which it wants to use to set up a Geneva-based low-cost affiliate. EasyJet can acquire the remainder of TEA if Switzerland concludes an "open skies" agreement with the EU.

TEA has five leased Boeing 737s. EasyJet is using one and plans to take on a second. It will return the other three to International Lease Finance Corporation of Los Angeles.

Mr Haji-Ioannou is involved in two legal battles. In the UK, he won the right this year to challenge BA's support for Go, although he failed to win an injunction to prevent Go from operating. In Greece, Mr Haji-Ioannou is being sued by travel agents objecting to his refusal to use their services.

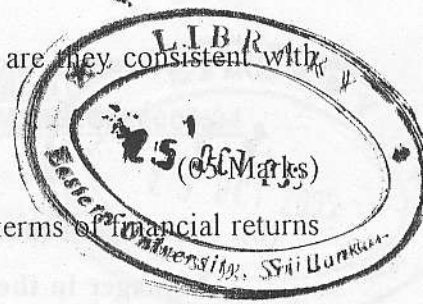
01. (a) Comment upon the suitability of the strategy outlined by the company using relevant tools and techniques

(06 Marks)

(b) Has the company got the resources and capabilities to deliver the strategy? If so describe them. If not, what is missing?

(04 Marks)

(c) What are the expected outcomes of the strategy and are they consistent with stakeholder expectations?



(d) Why does or does not the strategy look attractive in terms of financial returns and the timescale required for delivery?

(06 Marks)

(e) What are the risks involved in following this strategy and comment on their significance.

(07 Marks)

02. (a) What would you regard as most important elements for enhancing the **competencies and capabilities** of an organization? Discuss how these factors apply to a firm that you are familiar with.

(07 Marks)

(b) Explain how the **life cycle/portfolio matrix** might assist an organization of your choice in mapping out its preferred strategic direction for the 3 to 5 years?

(06 Marks)

(c) Explain the relevance of the **7-S model** in the strategy implementation process.

(05 Marks)

03. (a) What does "**Organizational Culture**" mean? What is the role that is played by "**Cultural Web**" in order to describe the organizational culture?

(05 Marks)

(b) Briefly explain some **Strategy Development methods** with their merits and demerits.

(07 Marks)

(c) Explain the role of "**Strategic Group Analysis**" in analyzing the competition in the industry.

(06 Marks)

04. (a) "Companies should always behave in an **ethical manner**, whatever the economic cost". Discuss this statement with a suitable example. (05 Marks)

(b) "Change Management is the principal challenge facing the **Leader-Manager in the 21<sup>st</sup> century**." Critically evaluate the statement relating your answer to the nature and attributes of the leader-manager, and outline the technique for implementing change management in business organization. (08 Marks)

(c) According to Porter, what factors determines the **level of rivalry** among competitors? Briefly describe those factors. (05 Marks)

05. (a) The focus of **business-level strategy** is how to compete effectively in a market. Describe any two models or tools available to the strategist to help determine an appropriate competitive strategy. (07 Marks)

(b) Why is **strategy implementation** often considered the most difficult stage in the strategic management process? (07 Marks)

(c) Compare and contrast **vision statements** with **mission statements** and state what are the components that should be included when writing a mission statement. (04 Marks)

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