

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA SEMESTER- III - EXAMINATION-SUMMER-2024

Subject Code: 4539201

Date: 25/04/2024

Subject Name: Strategic Management

Time: 02:30 PM TO 05:30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Use of simple calculators and non-programmable scientific calculators are permitted.

Q.1 Define the following terms **14**

- (a) Conglomerate Discount
- (b) Triple Bottom Line
- (c) Distinctive Competence
- (d) Restructuring
- (e) Joint Venture
- (f) VUCA
- (g) SWOT Analysis

- Q.2** (a) How does Michael Porter's Five force model work? In what ways can a startup leverage the idea? **7**
- (b) What are the different types of strategic control techniques? How do you use the balance score card to track and manage an organization's strategy? **7**

OR

- (b) Explain the Strategic Management process in detail. Also explain the various level at which strategy operates in an organization. **7**

- Q.3** (a) What is Mission? Explain key elements in developing a mission statement. **7**
- (b) What are Competitive advantages? Discuss its building blocks. How long competitive advantages will last? What are the factors affecting durability of competitive advantages? **7**

OR

- Q.3** (a) Illustrate and explain the importance of McKinsey 7's framework in strategic management. **7**
- (b) What do you mean by CSR? Explain in detail the different categories of socially responsible business behavior. **7**

- Q.4 (a)** Discuss the concept of Strategic Leadership in strategic implementation with an example. What are the important characteristics of a strategic leader. 7
- (b)** Explain BCG growth share matrix and GE nine cell matrix for portfolio analysis of organization. Also explain the differences between them. 7

OR

- Q.4 (a)** What is Strategic Alliances? What are the reasons for a company to form a strategic alliance. 7
- (b)** Explain in detail Mc Donald's business level strategy and its implication on value chain. 7

Q.5 CASE STUDY:

In 2006, Starbucks, the ubiquitous coffee retailer, closed a decade of astounding financial performance. Sales had increased from \$697 million to \$7.8 billion, and net profits, from \$36 million to \$540 million. In 2006, Starbucks was earning a return on invested capital of 25.5%, which was impressive by any measure and the company was forecasted to continue growing earnings and maintain high profit through the end of the decade. How did this come about?

Thirty years ago, Starbucks was a single store in Seattle's Pike Place Market selling premium roasted coffee. Today, it is global roaster and retailer of coffee with more than 12,000 retail stores, some 3,000 of which are to be found in forty countries outside the United States. Starbucks Corporation set out on its current course in the 1980s when the company's director of marketing, Howard Schultz came back from a trip to Italy enchanted with the Italian coffeehouse experience. Schultz, who later became CEO, persuaded the company's owners to experiment with the coffeehouse format and the Starbucks experience was born.

Schultz's basic insight was that people lacked a "third place" between home and work where they could have their own personal time-out, meet with friends, relax and have a sense of gathering. The business model that evolved out of this was to sell the company's own premium roasted coffee, along with freshly brewed espresso style coffee beverages variety of pastries, coffee accessories, teas and other product, in a coffeehouse setting. The company devoted and continues to devote, considerable attention to design of its store to create a relaxed informal and comfortable atmosphere. Underlying this approach was a belief that Starbucks was selling far more than coffee—it was selling an experience. The premium price that Starbucks charged for its coffee reflected this fact.

From the outset, Schultz also focused on providing superior customer service in stores. Reasoning that motivated employees provide the best customer service, Starbucks executives developed employee hiring and training program that were the best in the restaurant industry. Today, all Starbucks employees are required to attend training classes that teach them not only how to make a good cup of coffee but also the service oriented values of the company. Beyond this, Starbucks provides progressive compensation policies that gave even part time employees stock option grants and medical benefits a very innovative approach in an industry where most employees are part time, earn minimum wage and have no benefits.

Unlike many restaurant chains, which expanded very rapidly through franchising arrangements once they established a basic formula that appears to work, Schultz believed that Starbucks needed to own its stores. Although it has experimented with franchising arrangements in some countries and in some situations in the United State such as at airport, the company still prefers to own its own stores whenever possible.

This formula met with spectacular success in the United States where Starbucks went from obscurity to one of the best known brands in the country in a decade. As it grew Starbucks found that it was generating an enormous volume of repeat business. Today the average customer comes into a Starbucks store around twenty times a month. The customers themselves are a fairly well heeled group their average income is about \$80,000.

As the company grew it started to develop a very sophisticated location strategy. Detailed demographic analysis was used to identify the best location for Starbucks stores. The company expanded rapidly to capture as many premium locations as possible before its imitators could. Astounding many observers, Starbucks would even sometimes locate stores on opposite corners of the same busy street so that it could capture traffic going in different directions down the street.

By 1995 with almost 700 stores across the United States, Starbucks began exploring foreign opportunities. The first stop was Japan, where Starbucks proved that the basic value proposition could be applied to a different cultural setting. Next Starbucks embarked on a rapid development strategy in Asia and Europe. By 2001, the magazine Brand Channel named Starbucks one of the ten most influential global brands a position it has held ever since. But this is only the beginning. In October, 2006 with 12,000 stores in operation the company announced that its long term goal was to have 40,000 stores worldwide. Looking forward, it expects 50% of all new store openings to be outside the United States.

- (a) Identify the resources, capabilities and distinctive competencies of Starbucks. 7
- (b) How do Starbucks's resources, capabilities and distinctive competencies translate into superior financial performance. 7

OR

- (a) How secure is Starbucks's competitive advantages? 7
- (b) What are the barriers to imitation? 7
