Name: Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2018

Course: Strategic Management — **Semester: III**
Programme: MBA BA/PSM — **Course Code:STGM 8001**
Time: 03 hrs. — **Max. Marks: 100**
Instructions: This question paper carries four sections. All sections are compulsory.

SECTION A

This section has 10 questions. There are multiple options given after each question. Write the correct option on the answer sheet. There is no negative marking for incorrect answers. All questions in this section are compulsory and carry equal marks.

S. No.		Marks	CO
Q 1	Short-termism is defined as: A. making assessments of the moral character of the company managers. B. the tendency for managers to focus excessive attention on short-term performance objectives at the expense of longer-term strategic objectives. C. assessing the costs and damage to the company's reputation as a result of ethical violations. D. weighing the short-term costs of regulatory compliance with the long-term costs of noncompliance. E. assessing the short-term costs of complying with government regulations.	2	CO 1
Q 2	The "triple bottom line" refers to what three performance metrics a company should simultaneously succeed in? A. Economic, social, and environmental. B. Pay, power, and performance. C. Planning, execution, and results. D. Legal, social, and economical. E. Legal, planning, and environmental.	2	CO 1
Q 3	Creating added value for shareholders via diversification requires building a multi-business company where the whole is greater than the sum of the parts—an outcome known as: A. computation effect. B. value generation. C. synergy outcome. D. value depth. E. definitive value.	2	CO 1

Q 4	The three tests for judging whether a particular diversification move can create value for shareholders are: A. the attractiveness test, the profitability test, and the shareholder value test. B. the strategic fit test, the competitive advantage test, and the return-on-investment test. C. the resource fit test, the profitability test, and the shareholder value test. D. the attractiveness test, the cost-of-entry test, and the better-off test. E. the shareholder value test, the cost-of-entry test, and the profitability test.	2	CO 1
Q 5	What does the scope of the firm refer to? A. The range of activities the firm performs externally and its social responsibility activities B. To gain competitive advantage based on where it locates its various value chain activities C. The firm's capability to employ vertical integration strategies D. The range of activities the firm performs internally and the breadth of its product offerings, the extent of its geographic market, and its mix of businesses E. To prevent foreign competition from affecting the market	2	CO 1
Q 6	Strategic alliances: A are the cheapest means of developing new technologies and getting new products to market quickly. B are collaborative formal arrangements where two or more companies join forces and agree to work cooperatively toward some strategically relevant objective. C are a proven means of reducing the costs of performing value chain activities. D are best used to insulate a company from the impact of the five competitive forces. E help insulate a firm from the adverse impacts of industry driving forces.	2	CO 2
Q 7	The major avenues for achieving a cost advantage over rivals include: A. performing value chain activities more cost-effectively than rivals or revamping the firm's overall value chain to eliminate or bypass some cost-producing activities. B. having a management team that is highly skilled in cutting costs. C. being a first-mover in adopting the latest state-of-the-art technologies, especially those relating to low-cost manufacture. D. outsourcing high-cost activities to cost-efficient vendors.	2	CO 2&3

Q 8	A focused low-cost strategy seeks to achieve competitive advantage by: A. outmatching competitors in offering niche members an absolute rock-bottom price. B. delivering more value for the money than other competitors. C. performing the primary value chain activities at a lower cost per unit than can the industry's low-cost leaders. D. dominating more market niches in the industry via a lower cost and a lower price than any other rival. E. serving buyers in a narrow piece of the total market (target market niche) at a lower cost and lower price than rivals.	2	CO 1&2
Q 9	SWOT analysis is a simple but powerful tool for: A. gauging whether a company has a cost-competitive value chain. B. sizing up a company's resources and capabilities, strengths and deficiencies, its market opportunities, and the external threats to its future well-being. C. evaluating whether a company is in the most appropriate strategic group. D. determining a company's competitive strength vis-à-vis close rivals. E. identifying the market segments in which a company is strongly positioned and weakly positioned.	2	CO 2
Q 10	A company's value chain identifies: A. the steps it goes through to convert its net income into value for shareholders. B. the primary activities and related support activities it performs in creating customer value. C. the series of steps it takes to get a product from the raw materials stage into the hands of end users. D. the activities it performs in transforming its competencies into distinctive competencies. E. the competencies and competitive capabilities that underpin its efforts to create value for customers and shareholders.	2	CO 2
SECTION B **This section has 11 questions. Answer any 8 questions out of these 11 questions. All questions in this section carry equal marks.**			
Q 11	Define Strategy.	2.5	CO 1
Q 12	What is the difference between Deliberate Strategy and Emergent Strategy?	2.5	CO 1
Q 13	What is meant by Business Model of a firm?	2.5	CO 2
Q 14	Explain Balanced Scorecard.	2.5	CO 3
Q 15	What is meant by Strategic Group?	2.5	CO 2

Q 16	List any five indicators that reflect that a firm's present strategy is working?	2.5	CO 1&2
Q 17	What is a Resource Bundle?	2.5	CO 5
Q 18	What is meant by Dynamic Capability?	2.5	CO 2
Q 19	What is the difference between a Merger and an Acquisition?	2.5	CO 2
Q 20	Explain any three reasons that persuade companies to enter foreign markets.	2.5	CO 1,2&3
Q 21	What is a Greenfield Venture? List two advantages and two disadvantages of a Greenfield Venture.	2.5	CO 3
SECTION-C **This section has 6 questions. Answer any 4 questions out of these 6 questions. All questions in this section carry equal marks.**			
Q 22	Describe the Strategy-Making, Strategy-Execution process in detail.	7.5	CO 1
Q 23	Describe Porter's Five Forces Model in detail.	7.5	CO 2
Q 24	Explain the five generic competitive strategies in detail.	7.5	CO 2&3
Q 25	Explain: (i) Vertical Integration (ii) Forward Integration (iii) Backward Integration (iv) Partial Integration (v) Tapered Integration	7.5	CO 1,2
Q 26	Explain any two advantages and any two disadvantages of: (i) Export Strategies (ii) Licensing and Franchising Strategies (iii) Foreign Subsidiary Strategies	7.5	CO 2
Q 27	Explain "Strategic Fit", "Economies of Scope", and "Competitive Advantage". How can a firm use economies of scope to convert strategic fit into competitive advantage?	7.5	CO 1, CO 4
SECTION-D **Read the Case below and answer the questions that follow. All questions in this section are compulsory and carry equal marks.**			
Walmart's Low-Cost Strategy			

Walmart has achieved a very substantial cost and pricing advantage over rival supermarket chains both by revamping portions of the grocery retailing value chain and by out-managing its rivals in efficiently performing various value chain activities. Its cost advantage stems from a series of initiatives and practices:

- Instituting extensive information sharing with vendors via online systems that relay sales at its checkout counters directly to suppliers of the items, thereby providing suppliers with real-time information on customer demand and preferences (creating an estimated 6 percent cost advantage). It is standard practice at Walmart to collaborate extensively with vendors on all aspects of the purchasing and store delivery process to squeeze out mutually beneficial cost savings. Procter & Gamble, Walmart's biggest supplier, went so far as to integrate its enterprise resource planning (ERP) system with Walmart's.
- Pursuing global procurement of some items and centralizing most purchasing activities so as to leverage the company's buying power (creating an estimated 2.5 percent cost advantage).
- Investing in state-of-the-art automation at its distribution centers, efficiently operating a truck fleet that makes daily deliveries to Walmart stores and putting other assorted cost-saving practices into place at its headquarters, distribution centers, and stores (resulting in an estimated 4 percent cost advantage).
- Striving to optimize the product mix and achieve greater sales turnover (resulting in about a 2 percent cost advantage).
- Installing security systems and store operating procedures that lower shrinkage rates (producing a cost advantage of about 0.5 percent).
- Negotiating preferred real estate rental and leasing rates with real estate developers and owners of its store sites (yielding a cost advantage of 2 percent).
- Managing and compensating its workforce in a manner that produces lower labor costs (yielding an estimated 5 percent cost advantage).

Altogether, these value chain initiatives give Walmart an approximately 22 percent cost advantage over Kroger, Safeway, and other leading supermarket chains. With such a sizable cost advantage, Walmart has been able to underprice its rivals and rapidly become the world's leading supermarket retailer.

Q 28	What is a Value Chain? Which parts of the Value Chain does Walmart target in order to achieve a low-cost advantage? Explain in detail.	3+7= 10	CO 4, CO 5
Q 29	What is *low-cost strategy*? List any four situations where a *low-cost strategy* works well. Describe any four actions that Walmart has taken to attain low-costs?	2+4+4 =10	CO 1, CO 2, CO 3, CO 4
Q 30	What is a "Cost Driver"? Describe any four Cost Drivers that a firm can potentially use to drive down the costs. From the given case, identify four cost drivers of Walmart.	2+4= 10	CO 2, CO 4

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SECTION A

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S. No.		**Marks**	**CO**
Q 1	Business ethics concerns: A. developing a consensus among companies worldwide as to what ethical principles businesses should be expected to observe in the course of conducting their operations. B. what ethical behaviors should be expected of company personnel in the course of doing their jobs. C. the application of general ethical principles to the actions and decisions of companies and the conduct of their personnel. D. developing a special set of ethical standards for businesses to observe in conducting their affairs. E. picking and choosing among the consensus ethical standards of society to arrive at a set of ethical standards that apply directly to operating a business.	2	CO 2
Q 2	To test whether a particular diversification move has good prospects for creating added shareholder value, corporate strategists should use: A. the profit test, the competitive strength test, the industry attractiveness test, and the capital gains test. B. the better-off test, the competitive advantage test, the profit expectations test, and the shareholder value test. C. the barrier-to-entry test, the competitive advantage test, the growth test, and the stock price effect test. D. the strategic fit test, the industry attractiveness test, the growth test, the dividend effect test, and the capital gains test. E. the attractiveness test, the cost-of-entry test, and the better-off test.	2	CO 1&2
Q 3	The industry attractiveness test for evaluating whether diversification into a particular industry is likely to build shareholder value involves determining whether:	2	CO 1&2

	A. conditions in the target industry are sufficiently attractive to permit earning consistently good or better profits and returns on investment than that of the company's present business(es). B. the potential diversification move will boost the company's competitive advantage in its existing business. C. shareholders will view the contemplated diversification move as attractive. D. key success factors in the target industry are attractive. E. there are attractive strategic fits between the value chains of the company's present businesses and the value chain of the new business it is considering entering.		
Q 4	An acquisition premium is the amount by which the price offered for an existing business exceeds: A. the pre-acquisition market value of the target company. B. the fair market value of similar companies in the same geographic locale. C. the comparable value of similar companies within the same market. D. the amount paid as a down payment to be held in escrow until closing. E. the difference between the amount that was offered and the amount that is escrowed.	2	CO 1&2
Q 5	Businesses are said to be "related" when: A. they have several key suppliers and several key customers in common. B. their value chains have the same number of primary activities. C. their products are both sold through retailers. D. their value chains possess competitively valuable cross-business relationships that present opportunities to transfer resources from one business to another, combine similar activities and reduce costs, share use of a well-known brand name, and/or create mutually useful resource strengths and capabilities. E. many consumers buy the products/services of both businesses.	2	CO 1&2
Q 6	The most powerful and widely used tool for diagnosing the principle competitive pressures in a market is the: A. Five Forces Model. B. SWOT. C. Competition Intensity Model. D. Dynamic Simulation Model. E. Competitor Profiling.	2	CO 2
Q 7	A strategic group: A. consists of those industry members that are growing at about the same rate and have similar product line breadth. B. includes all rival firms having comparable profitability.	2	CO 1

	C. is a cluster of industry members with similar competitive approaches and market positions in the market. D. consists of those firms whose market shares are about the same size. E. is made up of those firms having comparable profit margins.		
Q 8	What is it called when a diversified company can add value by shifting capital from business units generating free cash flow to those needing additional capital to expand and realize their growth potential? A. Internal capital market. B. Cash cow benefits. C. Economic value added. D. Shareholder value added. E. Derived valuation.	2	CO 1&2
Q 9	Profit sanctuaries are country markets or geographic regions where: A. a company can rank the competitive advantage opportunities in each industry. B. a company possesses good strategic fit with other businesses and identifies the value chain where this fit occurs. C. a company derives substantial profits because of its protected market position or unassailable competitive advantage. D. a company creates substantial investment strategies because it is losing competitive advantage over competitors. E. a company invests its dividends in expanding its foreign market presence.	2	CO 1
Q 10	The range of product and service segments that the firm serves within its market is known as the firm's: A. horizontal scope. B. vertical integration. C. vertical scope. D. product outsourcing. E. joint venture partnership.	2	CO 1&2
SECTION B **This section has 11 questions. Answer any 8 questions out of these 11 questions. All questions in this section carry equal marks.**			
Q 11	What is meant by Competitive Advantage and Sustainable Competitive Advantage?	2.5	CO 2
Q 12	List different levels of the Strategy-Making Pyramid.	2.5	CO 1
Q 13	What are the features of Well-Stated Objectives?	2.5	CO 1
Q 14	List the steps involved in Driving Forces Analysis.	2.5	CO 3
Q 15	What is meant by an Industry’s Key Success Factors?	2.5	CO 1&2

Q 16	What is the difference between “Resource” and “Capability” of a firm?	2.5	CO 1
Q 17	Explain VRIN tests.	2.5	CO 1&2
Q 18	Explain Blue-ocean strategy.	2.5	CO 2
Q 19	What is the difference between a Joint Venture and a Strategic Alliance?	2.5	CO 2
Q 20	What is the difference between Political Risk and Economic Risk?	2.5	CO 3
Q 21	Describe the three tests that are used to evaluate whether diversification will add long-term value for shareholders.	2.5	CO 1&2
SECTION-C **This section has 6 questions. Answer any 4 questions out of these 6 questions. All questions in this section carry equal marks.**			
Q 22	Describe PESTEL Analysis in detail.	7.5	CO 1, CO 3
Q 23	Explain Porter’s Diamond of National Advantage in detail.	7.5	CO 1, CO 3
Q 24	Explain SWOT analysis in detail.	7.5	CO 2,3
Q 25	What is a Joint Venture? In what situations, a Joint Venture is a good option? What are drawbacks of a Joint Venture?	7.5	CO 4, CO 3
Q 26	Explain Outsourcing. What are the factors that a firm should consider while deciding whether to outsource an activity or not? What are the risks involved in outsourcing?	7.5	CO 4
Q 27	Explain Global Strategy, Multi-domestic Strategy, and Transnational Strategy. Give two advantages and two disadvantages of each of these strategies.	7.5	CO 2

SECTION-D

Read the Case below and answer the questions that follow. All questions in this section are compulsory and carry equal marks.

Toyota’s Best-Cost Provider Strategy for its Lexus Line

Toyota Motor Company is widely regarded as a low-cost producer among the world's motor vehicle manufacturers. Despite its emphasis on product quality, Toyota has achieved low-cost leadership because it has developed considerable skills in efficient supply chain management and low-cost assembly capabilities, and because its models are positioned in the low-to-medium end of the price spectrum, where high production volumes are conducive to low unit costs. But when Toyota decided to introduce its new Lexus models to compete in the luxury-car market, it employed a classic best-cost provider strategy. Toyota took the following four steps in crafting and implementing its Lexus strategy:

- Designing an array of high-performance characteristics and upscale features into the Lexus models so as to make them comparable in performance and luxury to other high-end models and attractive to Mercedes, BMW, Audi, Jaguar, Cadillac, and Lincoln buyers.
- Transferring its capabilities in making high-quality Toyota models at low cost to making premium quality Lexus models at costs below other luxury-car makers. Toyota's supply chain capabilities and low-cost

assembly know-how allowed it to incorporate high-tech performance features and upscale quality into Lexus models at substantially less cost than comparable Mercedes and BMW models.

- Using its relatively lower manufacturing costs to underprice comparable Mercedes and BMW models. With its cost advantage, Toyota could price attractively equipped Lexus cars low enough to draw price-conscious buyers away from comparable high-end brands. Toyota's pricing policy also allowed it to induce Honda, Ford, or GM owners desiring more luxury to switch to a Lexus. Lexus's pricing advantage over Mercedes and BMW was sometimes quite significant. For example, in 2012 the Lexus RX 350, a mid-sized SUV, carried a sticker price in the $39,000-$54,000 range (depending on how it was equipped), whereas variously equipped Mercedes ML 350 SUVs had price tags from $48,000 to over $98,000 and a BMW X5 SUV could range anywhere from $46,000 to $94,000, depending on the optional equipment chosen.
- Establishing a new network of Lexus dealers, separate from Toyota dealers, dedicated to providing a level of personalized, attentive customer service unmatched in the industry.

Toyota's best-cost strategy for its Lexus line succeeded in making Lexus the best-selling luxury car brand worldwide from 1999 through 2010.

Q 28	What is *Best-Cost strategy*? Who are strategic targets of a best-cost strategy? From the given case, identify the target segment of Toyota Lexus.	2+4+4 =10	CO 1, CO 2
Q 29	From the given case, identify the steps that Toyota has taken to maintain its best-cost strategy.	10	CO 2, CO 3, CO 4, CO 5
Q 30	Describe any three situations where a best-cost provider strategy is a good option. Which of these situations are applicable to Toyota Lexus?	3+7= 10	CO 2, CO 3, CO 5