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**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**

**End Semester Examination, December 2018**

**Program: MBA (General)**

**Subject (Course): Strategic Management**

**Course Code : STGM 8001**

**Semester : III**

**Max. Marks: 100**

**Duration : 3 Hrs**

**No. of page/s:26**

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Structure of the question paper and allocation of marks are given below.

Note: All sections are compulsory.

Section – A (30 Marks)

(Attempt all questions in this section, all carry equal marks)

(All are CO 1 & 2)

1. Ambidexterity:

a. refers to managers' ability to manage existing core businesses and to pursue new opportunities simultaneously.

b. means that constant improvements naturally leads a business to long-term performance maximization.

c. means that existing core businesses are the focus of senior leaders.

d. does not play any role in industries that operate in a largely stable environment.

e. refers to enforce existing structures, power constellations, and identities.

2. Strategy execution matters for:

a. startups.

- b. established companies.
- c. nonprofit organizations.
- d. All of the answers are correct.

3. Strategy execution relies on:

- a. structure and processes.
- b. talent.
- c. culture.
- d. All of the answers are correct.

4. What assumption underlies the existence of dynamic capabilities?

- a. A relatively stable environment
- b. Imitation of competitors
- c. The ability to reconfigure organizational resources
- d. A focus on customer service

5. Which of the following four elements are core to execution in the congruence model?

- a. Skills, competences, culture, organization
- b. Competences, culture, leadership, skills
- c. Skills and competences, critical tasks, culture, formal organization
- d. Skills and competences, culture, formal organization, leadership

6. The formal organization includes all of the following EXCEPT:

- a. organizational structure.
- b. reward and incentive systems.
- c. culture.
- d. performance measures.

7. For an emerging business, metrics should, first and foremost, do which of the following?

- a. Measure success in cost minimization

b. Track progress in developing the value proposition

c. Track profitability closely

d. Measure unit volume, revenues, and earnings relative to profit and loss plans

8. Value capture refers to

A) Making the economic pie bigger

B) Making sure the divisions of the economic pie offers a fair share or more than a fair share to a firm (increasing the amount of economic pie a firm takes)

C) Providing a scarce product or service value

a. A only

b. B only

c. C only

d. Only A and B

e. Only B and C

9. In 2014, Samsung acquired SmartThings and Google acquired Nest. Both SmartThings and Nest create products for the “smart home.” Samsung also partners with Google through a cross-license patent agreement and the Android software for the Galaxy mobile phones. Therefore, the most accurate description of the working relationship between Samsung and Google is that...

a. they generate value creation.

b. they create value capture.

c. they are complementors.

d. they engage in co-opetition.

e. they have a competitive interaction relationship.

10. In game theory, once players reach a solution that shows the best possible choice given the choices of the other player, the players have reached:

a. A dominant strategy

b. A Judo strategy

c. A Nash equilibrium

- d. A tit-for-tat strategy
- e. A prisoner's dilemma

11. According to the Core Reading, which of the following is NOT a benefit of well-crafted organizational aspirations?

- a. Motivation
- b. Coordination
- c. Communication to stakeholders
- d. Competitive advantage
- e. Provision of a stable purpose to guide the organization through changing times

12. Which of the following is NOT a component of a strategy statement as defined by Collis and Rukstad?

- a. The objective of the business
- b. The scope of the business
- c. The customer value proposition
- d. The mission of the business

13. The mission and a mission statement should be

- a. strategic.
- b. motivating.
- c. based on shared values.
- d. All of the answers are correct.

14. A company that has a strong competitive advantage has a value proposition that shows that it

- a. excels across all of the attributes.
- b. has similar ratings on attributes with the industry leader.
- c. values all customer segments.
- d. has made an intentional decision to be poor on some attributes.
- e. None of the answers is correct.

15. Achieving competitive advantage requires firms to consider all of their activities and

- a. plan incremental changes to build up their competitiveness.
- b. change a small number of activities at a time to build their competitive position carefully.
- c. ensure that activity choices are internally consistent and well integrated.
- d. None of the answers is correct.
- e. All of the answers are correct.

16. An effective value chain cost analysis typically focuses on

- a. a subset of a firm's activities.
- b. primary activities.
- c. differences that are large enough to influence the overall cost position significantly.
- d. a subset of a firm's activities and also on differences that are large enough to influence the overall cost position significantly.
- e. primary activities and also on differences that are large enough to influence the overall cost position significantly.

17. McDonald's conducts a value chain analysis of Burger King and discovers that Burger King's logistics and procurement of inputs are less costly than its own, which allows Burger King to achieve a higher profit margin. This is an example of

- a. analyzing primary activities.
- b. analyzing support activities.
- c. identifying the cost drivers for each activity.
- d. analyzing competitors' pricing.
- e. assessing willingness to pay.

18. A firm can develop a competitive advantage by

- a. raising willingness to pay a great deal with only slight increases in costs.
- b. developing large cost savings with only slight decreases in customer willingness to pay.
- c. producing superior products at lower costs.
- d. None of the answers is correct.

e. All of the answers are correct.

19. Competitive advantage

a. refers to intra-industry competition.

b. refers to how a firm does something unique to create added value.

c. occurs when a firm's range of activities (i.e., production, finance, marketing, logistics, etc.) act in harmony as a set of integrated choices.

d. All of the answers are correct.

20. According to the Core Reading, quality provides a greater barrier to entry as a fixed cost for newspapers than it does for restaurants. Which of the following is the best explanation for this situation?

a. Quality is not an important differentiator in the restaurant industry.

b. Achieving superior quality is very expensive in the restaurant industry.

c. The marginal cost of producing one more newspaper is small.

d. The costs of quality in the newspaper industry do not vary with the volume of newspapers produced.

e. Quality in the restaurant industry depends principally on the quality of the chef.

21. Under which of the following circumstances are economies of scale most likely to provide a sustainable competitive advantage?

a. Most costs are variable.

b. The total market size is large relative to minimum efficient scale.

c. Most costs are fixed.

d. Quality is not differentiated.

e. Retail outlets are close to distribution centers.

22. A firm's minimum efficient scale is the smallest volume at which it can minimize its average total cost (ATC). Average total cost is defined as  $(\text{total fixed cost} + \text{total variable cost}) / (\text{quantity produced})$ . Fixed costs are costs that do not change directly with the quantity produced (for example, the cook's salary in a restaurant). Variable costs vary directly with the quantity produced (for example, the cost of ingredients used in a restaurant). Total variable costs are the variable cost per unit multiplied by the number of units produced. Consider a fast-food restaurant

with variable costs of \$1 a meal. A cook's salary is \$1,000 per week, and one cook can cook up to 100 meals per week. If more than 100 meals a week (but no more than 200 meals a week) are needed, the restaurant must hire one additional cook, and so on. That is, for 0 to 100 meals a week, the weekly fixed costs are \$1,000; for 101 to 200 meals a week, the weekly fixed costs are \$2,000; for 201 to 300 meals a week, the weekly fixed costs are \$3,000; and so on. What is the restaurant's minimum efficient scale (in meals per week)?

- a. 400
- b. 500
- c. 200
- d. 100
- e. It is not possible to answer the question from the data given.

23. Which of the following statements about learning as a source of sustainable competitive advantage is correct?

- A) The learning curve asserts that the cost per unit diminishes as the cumulative volume of production increases
- B) The benefits of learning accrue automatically
- C) Under some circumstances, cost per unit may increase, even at high levels of cumulative output.

- a. A
- b. B
- c. C
- d. A and B
- e. A and C

24. Why might fashion exhibit network effects?

- A) People who do not wear the dominant fashion are perceived as unfashionable.
- B) Fashion is highly visible, so others can see what you choose to wear, and you can see what others choose to wear.
- C) Clothing designers use celebrity endorsements to promote their clothes.

- a. A
- b. B
- c. C
- d. A and B
- e. A, B, and C

25. Which of these firms is the most likely to be able to sustain competitive advantage through taste-based loyalty?

- a. The first mover into a new consumer product category
- b. The firm that achieves minimum efficient scale
- c. The firm that establishes ownership of intellectual property
- d. The firm that adapts most quickly to changing tastes
- e. The firm with specific and valuable complementary assets

26. Global value creation depends on:

- a. reducing the gap between the price customers are willing to pay for a product and the cost an organization incurs to produce it.
- b. reducing the gap between the price competitors charge for a product and the cost an organization incurs to produce it.
- c. growing the wedge, relative to competitors, between the price customers are willing to pay for a product and the cost an organization incurs to produce it.
- d. increasing the gap between the price charged to customers by the organization and the price competitors charge to customers.

27. The situation in which organizations with the greatest advantage at home are often also those most likely to fail when expanding abroad is known as:

- a. the liability of being a foreigner.
- b. the curse of the pioneer.
- c. the paradox of being consistent.
- d. the downside of globalization.



28. To create and capture value from global expansion, an organization needs a global strategy that:

- a. leverages or builds on the organization's home-market competitive advantage in new countries or geographic regions.
- b. minimizes costs across the countries or economic regions that it competes in.
- c. ignores differences across geographic markets.
- d. involves entry only into geographic markets that are the same as the organization's home-market.

29. \_\_\_\_\_ strategy aggregates demand across multiple country markets and is most common in high-end and luxury consumer goods.

- a. Development
- b. Deepening
- c. Diversifying
- d. Deployment

30. What is the most common deepening strategy that turns on reducing costs?

- a. Locating production, research and development, or advertising activities within each host country market
- b. Flexing market power
- c. Moving activities to low-cost, offshore locations
- d. Adapting the product to local tastes

### **Section – B (70 Marks)**

Read the case "*Air Asia India: Clash for Indian Skies.*" and answer the following questions.

1. What is the market structure prevalent in the Indian aviation sector? The number of airline players in Indian aviation declined by nearly half between 2005 and 2014. Can this statement be taken to safely conclude that the degree of market power within Indian aviation increased/doubled during the period? (CO1, 2) (10 marks)

2. What are the barriers to entry faced by new entrants, such as AirAsia India, in the Indian aviation market? (CO1,2) (10 marks)

3. Can the Indian aviation market be termed a contestable market (i.e entry is free and exit is costless)? (10 marks)

4. Analyze the demand-supply dynamics within the Indian aviation market. How do these dynamics impact AirAsia India? (CO 2,3,4) (20 marks)

5. How will an assessment of rival firm reactions shape AirAsia India's pricing strategies?  
( CO 2,3,4) (10 marks)

6. What strategies should AirAsia India follow to survive and grow in the Indian aviation market?  
( CO 3,4,5) (10 marks)

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