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UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN
End Semester Examination –May, 2019

Name of the Program: MA Energy Economics **Semester – IV**
Subject Name: Advance Strategic Analysis **Max. Marks : 100**
Subject Code : MECE801 **Duration : 3 Hrs**

Section A (30 marks)

Choose the correct answer **(1.5*20 = 30 Marks)**
(Attempt all questions in this section, all carry equal marks) **(all are CO1)**

1. The primary purpose of strategy is:
a. Being better than rivals
b. Achieving success
c. Satisfying all stakeholders
d. Being an excellent “corporate citizen

2. For both individuals and businesses, successful strategies are characterized by:
a. Unrelenting commitment to ambitious goals
b. Clear goals, deep understanding the competitive environment, careful resource appraisal, and effective implementation
c. Meticulous planning
d. The possession of superior abilities and resources which are then deployed to build competitive advantage.

3. Every business enterprise has a distinct purpose, however, common to all businesses is the goal of:
a. Making customers satisfied and happy
b. Creating value
c. Satisfying as many stakeholders as possible
d. Maximizing dividend payments to shareholders over the long term.

4. There are two main concepts of profit:
a. The normal return to capital and the abnormal return of capital
b. Return on capital and return on sales
c. Accounting profit and the economic profit
d. Economic rent and the economic profit

5 The fundamental problem of any type of performance management system is:
a. The tendency for performance management systems to be based entirely on financial targets
b. A performance management systems needs short-term measures to assess performance, yet the ultimate goal is to enhance the long-term performance of the firm
c. Performance targets always lead to unintended consequences because individuals always "game the system"
d. Managerial, political and personal interests need to be taken into account

6. The core of a firm's business environment is determined by:
a. Its relationships with customers, competitors and suppliers
b. Its relationships with customers, competitors, government and suppliers
Its relationships with its major stakeholders
d. The social and economic systems with which the firm must coexist

7. The basic premise of industry analysis is that:
a. Perfect competition and monopoly are theoretical models, in practice most industries are oligopolies
b. The level of profitability within an industry is determined by the systematic influence of the industry structure which determines the intensity of competition in the industry
c. Firm strategies and their interactions are the key determinants of the industry environment
d. The basic forces of technology and consumer demand are the fundamental forces that shape industry structure

8. An industry's current profitability:
a. On its own tends to be a poor predictor of future profitability
b. Is an excellent predictor of its future profitability
c. Explains the past in that industry
d. Is determined by the forces of competition and so many other factors that gaining insights into its causes is almost impossible

9. Key success factors are:
a. Factors that lead rivals to undermine a firm's competitive advantage
b. Factors derived from the competitive environment that a firm's must satisfy if it is to succeed.
c. Factors in the internal environment that determine a firm's ability to survive and prosper
d. Factors in the five forces of competition that are critical for a firm's survival and prosperity

10 Porter's five forces model of competition is too simple as originally conceived because it overlooks phenomena such as:
a. The relationships of substitution between products or services within one segment of the market
b. Competitors' strategies may shape the industry structure, rather than structure shaping competition
c. The complexity and stability of the competitive world where rivals' strategies affect each other
d. The different levels of industry analysis that the five forces model can be applied to

11 To attempt to predict competitive behaviors, Porter suggests a four-step framework, where analysts must identify:
a. To analyse the rival's current strategy, its objectives, its assumptions about the industry and itself, and its available resources and capabilities
b. The rival's current strategy, its future strategy, its assumptions, and its vulnerabilities
c. The rival's assumptions about the industry, its available resources and competencies, its objectives, and its competitive advantage
d. The rival's available resources and competencies, its objectives, then its competitive advantage, and finally its performance

12. The difference between barriers to entry and barriers to mobility is…..
a. Barriers to entry target more specifically the entry by aggressive would-be incumbents
b. There is no real difference
c. Barriers to mobility protect a dynamic industry while barriers to entry protect a static industry
d. Barriers to entry protect the industry as a whole whereas barriers to mobility protect segments within the industry
13. One implication of the resource-based perspective is that:
a. Firms tend to adopt similar or close strategies
b. Firms focus on being different from their competitors
c. Firms focus on building a stronger portfolio of capabilities than their rivals
d. Firms focus on reducing their vulnerability by correcting their weaknesses

14. A well established brand can be a source of sustainable competitive advantage because:
a. Consumers will always pay a premium for a recognized brand
b. Brands can be protected by the law relating to trademarks
c. A brand protects a firm form competition from low-cost new entrants
d. Existing brands tend to lose value when transferred to another firm and new brands are slow and costly to build

15. The main changes in strategic planning systems over recent decades are:
a. Shorter time horizons, less emphasis on detailed planning, and more emphasis on overall direction and performance○
b. Greater formalization and centralization
c. Shorter time horizons and greater emphasis on economic and financial forecasting
d. A greater reliance on input from management consultants.

16. According to Henry Mintzberg, organizational structure can be defined as:
a. The ways in which labor is divided into distinct tasks, and coordination is achieved among these tasks
b. The ways in which tasks are divided among divisions, and managerial coordination achieved from the highest level of the organization
c. A set of resources and capabilities organized around divisions and departments
d. The achievement of coordination and cooperation between organizational tasks

17. Isolating mechanisms are:

a. Barriers to the erosion of interfirm profit differentials
b. Mechanisms that impede the equilibration of rents between industries
c. A synonym for “barriers to mobility”
d. Sources of disequilibrium that cause the profitability of different firms in an industry to diverge over time

18. In mature industries, the most important sources of cost advantage are:
a. Economies of scale and economies of learning
b. Low-cost inputs, low overheads, and economies of scale
c. Superior process technologies
d. Business model innovation
19. How does unpredictability in the environment influence the costs of organizing transactions within the form relative to transactions across markets?
a. It saturates the management of contracts activity and external relationships
b. It disrupts processes and procedures
c. It tends to increase administrative costs of vertical integration because of the need for flexibility and speed
d. It has no influence at all

20. Diversification decisions by firms involve the following key issues:
a. The attractiveness of the industry to be entered and the potential for competitive advantage
b. The potential for the diversification to increase growth and reduce risk
c. The opportunities for exploiting economies of scope in resources and capabilities
d. The benefits of synergy relative to the costs or coordination.

Section B

Answer any two question in not more than 250 words (2*15=30 marks)

1. “All else equal, an incumbent would prefer blockaded entry to deterable entry.” Comment. (CO2)
2. “The only way to succeed in a market with homogeneous products is to produce more efficiently than most firms.” Comment. Does this imply that efficiency is less important in oligopoly and monopoly markets? (CO2)
3. Explain why prices are usually strategic complements and capacities are usually strategic substitutes. (CO2)
4. Comment on the following: All of Porter’s wisdom contained in the five-forces framework is reflected in the economic identity: Profit = (Price – Average Cost) x Quantity. (CO 2&3)
5. Analysts sometimes suggest that firms should outsource low value-added activities. Do you agree or disagree? Explain with the help of value chain analysis. (CO 2 &3)

Section-C

Read the case **“Power is Money”** and answer the following questions (40 Marks)

1. What is the status of rivalry among competitors in sporting apparel and footwear market? (CO 3)

2. What changes barrier to entry and threat of substitute has been seen in sporting apparel and footwear market? (CO 2 &3)
3. How bargaining power of buyers and suppliers has changed in sporting apparel and footwear market? (CO 3&4)
4. Explain the power relationship in thus supply chain (by using five forces model) and how they might predict the winners and losers in terms of ongoing profitability. (CO 4&5)

Power is money

In the 1960s, a change took place in the sporting apparel and footwear markets. Until then, by far the most important consumer had been the amateur and professional athlete who wore the shorts, tops, tracksuits, special shoes, and other paraphernalia necessary for his/her particular sport. Of this group, the largest segment comprised the millions of amateur sports enthusiasts throughout the world. Direct promotions to these consumers and promotion via endorsement by top athletes made a performance enhancing proposition (i.e. "wear our kit and be a winner"). Then, in the "swinging sixties", pop groups like The Rolling Stones began to wear "trainers" (i.e. running shoes) as a counter – cultural symbol of youthful rebellion. And so sports apparel by firms such as Reebok, Nike, and Adidas became fashion as well as sports brands.

The wholesale global sportswear industry is worth more than US$60bn per year and nearly US$150 bn at retail. The top three brand companies, Nike, Adidas and Reebok, share 40% of the branded market (29% of the total). While these firms retain the core competitive functions of marketing and design, manufacturing is outsourced to the lowest cost sources in a long global supply chain (figure 3-1.1).

For instance, Nike (market leader, with 20% of the branded market) has over 700 suppliers worldwide.

The targeted sportswear consumer, particularly the teenage and young adult segment, is fashion sensitive, is fashion sensitive and relatively price insensitive. Wearing what is "in" is more important than wearing what you have until it is worn out. High – profile sports teams are aware of this dynamic and regularly change the design of their (branded) playing shirts (their "strips") to profit from loyal fans who "must have" the latest shirt with the name and number of their favorite player added at extra cost. Sporting teams, however pale into retailing insignificance compared with giant consumer distributors like US-based Wal-Mart or France's Carrefour. While 80% of the athletic footwear sales and 75% of sportswear are sold under brands, retailers understand that even fashion-conscious, price insensitive customer will, if given the choice, pay the lower of two prices for their chosen brand items. So being able to offer that lower price is a key competitive weapon. As they thrust and parry with price reductions, the retailers constantly put pressure on their suppliers for compensating cost reduction so that retail margins are maintained.

While retailers set the customer price, the brand company infuses the product with its value. Creating image-based value means that marketing is the major cost as both saturation media coverage and celebrity endorsements are expensive. In making over US$1bn profit in 2004, Nike expensed nearly as much on marketing. Yet, while nothing is spared on value-creation in design and marketing, things are entirely different at the production end. Here the watchwords are "efficiency" and "cost reduction". These watchwords are passwords foe the agents, trading companies, and manufacturers seeking access to "manufacture and supply" orders.

Some of these intermediaries themselves are large multinationals but, like the myriad smaller companies and the even smaller subcontractors that supply them, are dependents for their corporate lives on winning the orders of Reebok, Adidas, etc. As well as pressure on product cost, this level of the supply chain must manage complex forecasting, inventory, and logistics algorithms as retailers respond to variable consumer demand by giving shorter lead times for more frequent but smaller orders. Hence, these suppliers bear most of the risk and costs of inventory management as well as the challenges of continuous cost reduction.

Flexible low-cost manufacturing in a labor-intensive product demands flexible, low-cost workers. Hence, the supply chain ends in countries like China, Cambodia, or Indonesia, the comparative advantage of which lies in an abundant supply of low-cost (I.e. poor) workers. On July 1, 2005 the official minimum wages for full-time worker in Shanghai, one of China's most dynamic and modern cities, rose for the thirteen time since 1993 to 690yuan (US$83) per month (*Shanghai Daily, June 4, 2005*)

Figure 3-1.1 The sports apparel Supply Chain