

**III Semester M.B.A. (Day) V Sem. M.B.A. (Evening) Degree
Examination, January 2008
(Semester Updated Scheme)
BUSINESS ADMINISTRATION
3.1 : Strategic Management**

Time : 3 Hours

Max. Marks : 75

SECTION – A

(6×2=12)

1. Answer **any six** of the following sub-questions. **Each** sub-question carries **two** marks.
- Define strategy.
 - Distinguish between mission and vision.
 - What is SWOT analysis ?
 - Define competitive advantage.
 - State the components of value chain process.
 - Distinguish between vertical integration and horizontal integration.
 - What are strategic alliances ?
 - What is Turn around strategy ?
 - Define strategic audit.

SECTION – B

(4×5=20)

Note : 1) Answer **any four** of the following questions.

2) **Each** question carries **five** marks.

- Explain the nature of strategic management.
- Explain the relevance of environmental scanning for formulating a business strategy.
- What are the uses of a value chain analysis to a strategic ?
- Explain the objectives of mergers and acquisitions.
- What is a change management ? What are its challenges ?
- Explain the impact of technological change on strategy formulation.

P.T.O.

To protect its image, Liz Claiborne sold her clothing through established retailers, like Macy's, Bloomingdale's, and Dillard's. Retailers were required to buy at least \$50,000 worth of her collection, and the company controlled the way its suits and dresses were sold in each store – for example, the way clothes were hung and displayed. This attention to detail was part of her strategy of focusing on the upscale professional clothing niche. To promote its growth, the company then started to find new outlets for its clothes and opened a chain of Liz Claiborne boutiques and factory outlet stores. The Liz Claiborne team also used its design skills to produce a line of men's sportswear clothing and to develop new products like perfume, shoes, and accessories. By 1988 the Liz Claiborne name had become famous.

However, by 1990 that the company's growth had slowed. The company was in trouble. Competitors, recognizing the niche pioneered by Liz Claiborne had begun to offer their own lines of professional women's clothing. Expensive designers like Ann Klein and Donna Karan had new lines of cheaper clothing, priced to compete directly with Liz Claiborne. In addition, low-cost manufacturers had begun to produce clothing lines that undercut her prices, often using Liz Claiborne look-alike designs. This competition from both the top and the bottom end of the market took sales away from the company.

Another problem for Liz Claiborne came from the retail end. Many of the company's best customers, retailers like Macy's, were in deep financial difficulty and were cutting back on purchases to reduce their debt. At the same time, cost-conscious consumers were buying more and more clothing from stores like Casual Corner and JC Penney, and even discount stores like Kmart and Wal-Mart, which do not sell the Liz Claiborne line but the low-priced lines of competitors. As customers switched both to cheaper stores and to cheaper lines, Liz Claiborne's sales suffered.

Given this deteriorating situation, the company moved quickly to change its strategy. Jerry Chazen, who replaced Liz Claiborne as CEO of the company on her retirement, decided to broaden the company's product line and produce low-cost lines of clothing. To do so and at the same time protect the Liz Claiborne brand name, he bought Russ Togs, a clothing maker which produces three brands of women's clothing: Crazy Horse, The Villager and Red Horse. As part of the company's new strategy, each of these clothing makers' lines will be redesigned and targeted at a different price range in the women's clothing market. For example,

Russ Togs, a sportswear line, is to be upgraded and will sell a new line of clothing for 20 to 30 percent less than the Liz Claiborne line. Moreover, this clothing will be sold through discount merchandisers like Wal-Mart and in low-priced department stores like Sears and JC Penney. In this way, the Liz Claiborne company will begin to serve the general women's clothing market, and not just the professional women's clothing niche.

Top management hopes that this new strategy will bolster the company's sagging sales and lead to a new period of growth and expansion. They believe that there is wide scope for the company to take its existing design skills and capabilities and to apply these in new market segments. However, the company will now be going head-to-head with low-cost producers and will have to find new ways to reduce its costs in order to be able to compete. In 1993 its stock fell to \$18, an all-time low, and analysts are uncertain about the company's future in an industry that is well known for the speed at which companies rise and fall.

Discussion Questions.

- 1) What factors led to Liz Claibornes' success ?
- 2) What changes has the company recently made in its strategy ? Why ?