



PG – 782

IV Semester M.B.A. Degree Examination, July/August 2014  
(2007-08 Scheme)

MANAGEMENT

Paper – 4.1 : Strategic Management

Time : 3 Hours

Max. Marks : 75

SECTION – A

1. Answer **any six** questions. **Each** question carries **2** marks. (6×2=12)

- a) What is planning equilibrium ?
- b) What is corporate philosophy ?
- c) What is brand loyalty ?
- d) What is the difference between quality and innovation ?
- e) What is experience curve ?
- f) What is Bureaucratic control ?
- g) What is multidivisional structure ?
- h) What is vertical differentiation ?

SECTION – B

Answer **any three** of the following questions. **Each** question carries **8** marks. (3×8=24)

2. What are the strategies adopted at functional departments to achieve competitive advantage ? Discuss with value chain.
3. Many Indian companies are going global to achieve competitive advantage. Discuss with examples.
4. Write vision, mission, philosophy statements for the business school where you are studying ?
5. Discuss BCG matrix with a diagram.
6. "Tall structures increase Bureaucratic costs". Discuss with examples.

P.T.O.



## SECTION – C

Answer **any two** questions. Each question carries **12** marks.

(2×12=24)

7. What is strategic audit ? Conduct strategic audit of company, which you know, from vision statement to strategy implementation.
8. "Strategies of not-for-profit organisation are different from profit motto organisations". Briefly explain with examples.
9. Strategy, structure, costs are related to each other. Discuss with reference to TALL and FLAT structures.

## SECTION – D

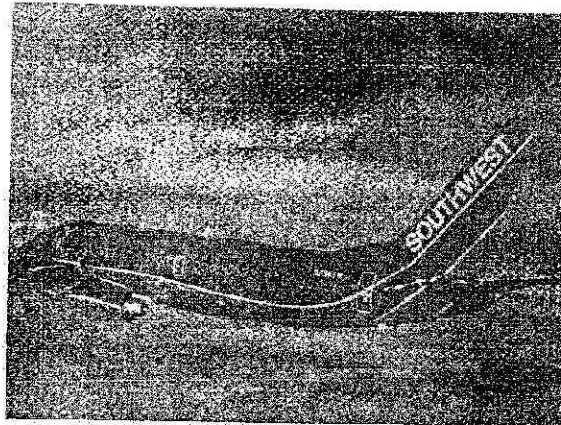
10. Case study (**Compulsory**) :

(1×15=15)

Analyse the case and answer the questions.

**Southwest Airlines: Excellence Through Integrated Cost Management**

According to many, Southwest Airlines is the best airline in the US and one among the best in the world. Analysts and even competitors attribute this to Southwest's low-cost strategy. But, closer analysis reveals that it is integrated cost management or leadership which gives the company its competitive position in the global airlines industry and also is the source of its profitable operations.



Six strategic factors contribute to Southwest's integrated cost management/ leadership. These are : very low ticket prices; limited passenger service (for example, no meals, no baggage transfers); lean and highly productive ground and gate crews; frequent, reliable departures; high aircraft utilization; and short-haul, point to point routes between mid-sized cities and secondary airports. These factors or activities are linked in sort of a value chain to lead to highly effective cost management. This also results in high profitability.



Many have asked the question: How does Southwest make high profits ? The answer is to be found, in addition to other factors, in price risk management or hedging of aviation fuel price. Southwest has concluded hedging agreements till 2009 with hedge price not exceeding \$35 per barrel for at least 25 per cent of its annual fuel requirements. It can also exercise 'option' for about 25 per cent of its fuel needs for \$26 per barrel. In a highly volatile crude oil/fuel oil market, price hedging gives very significant cost advantage to a company.

Due to its successful integrated cost management, Southwest has become highly competitive in the airline industry. Many 'full service' airlines have tried to adopt Southwest's cost strategy, but they have remained unsuccessful, primarily because they have not been able to properly emulate or integrate various cost management actions/functions. Kelly, Southwest's CEO, said: 'I feel very good about our competitive position as long as we continue to improve'. In Southwest Airlines, cost management, competitive action and growth are closely interlinked.

Integration of, and fit among, critical activities is key to sustainable competitive advantage of all companies including Southwest Airlines. Porter puts it like this :

'Strategic fit among many activities is fundamental not only to competitive advantage', but also the sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than merely to imitate a particular...approach.

**Questions :**

- 1) What are the strategies that Southwest Airlines adopted to achieve competitive advantage ?
- 2) Why competitions did not succeed through they followed cost-reduction strategies ?