Q.P. Code : 61321

Third Semester M.B.A. (Day) Degree Examination, February/March 2020

(CBCS Scheme)

Management

Paper 3.1 – STRATEGIC MANAGEMENT AND CORPORATE GOVERNANCE

Time : 3 Hours] *[Max. Marks : 70*

SECTION – A

Answer any **FIVE** of the following questions : **(5 × 5 = 25)**

1. Distinguish between Objectives and Goals.

2. Explain the process of strategy formulation.

3. Explain the durability of competitive advantage.

4. Briefly explain any two important strategies for internet economy.

5. Explain the six principles of blue ocean strategy.

6. What is GE nine cell model? Explain with example.

7. Explain the significance of strategic evaluation and control.

SECTION – B

Answer any **THREE** of the following questions : **(3 × 10 = 30)**

8. Explain in details each of the following corporate level strategy with suitable example.
   (a) Stability
   (b) Growth
   (c) Retrenchment
   (d) Combination

9. What is the external environment analysis process? Why is this analysis important?

10. Discuss the role of Corporate Governance in Organizational accountability. Throw light on corporate governance in India by giving suitable example.

11. Close Up tooth paste used Glycerin instead of Calcium Carbonate as whitening agent and differentiated itself from all other tooth pastes. What according to you are the pre-requisites for differentiation strategy? What are the pitfalls of it?

SECTION – C

12. Case Study (**Compulsory**) : **(1 × 15 = 15)**

Southwest Airlines has long been one of the stand-out performers in the U.S. airline industry. It is famous for its low fares, which are often some 30% than lower those of its major rivals. These are balanced by an even lower cost structure, enabling it record superior profitability even in bad years as 2002, when the industry faced slumping in the wake of the September 11 terror-attacks. Indeed, from 2001 to 2005, quite possibly the worst four years in the history of the airline while every other major airline lost money, Southwest made money every year and earned an ROIC of 5.8 %. Even in 2008, an awful year for airlines, Southwest made a profit and earned ROIC of 4%.

Southwest operates somewhat differently from of its competitors. While operators like American Airlines and United Airlines route passengers' through hubs, Southwest Airlines flies point-to-point often through smaller airports. By competing in a way that other airlines do not, Southwest has found that it can capture enough demand to keep its planes full. Moreover, because it avoids many hubs, Southwest has experienced fewer delays. In the first eight months of 2008, Southwest planes arrived schedule 80% of the time, compared to 76% at United and 74% at Continental.

Southwest flies only one type of plane, the Boeing 737. This reduces training costs, maintenance costs, inventory costs while increasing efficiency in crew and flight scheduling. The operation is nearly with no seat assignments, which reduces cost and back-office accounting functions. There are no meals or movies in flight and the airline will not transfer baggage to other airlines, reducing the need for baggage handlers.

Southwest also has high employee productivity. One-way airlines measure employee productivity is by the ratio of employees to passengers carried.

According to figures from company 10-K statements, in 2008 Southwest had an employee-to- passenger of 1 to 2,400, the best in the industry. By comparison the ratio at United Airlines was 1 to 1,175, at Continental, it was 1 to 1,125.

Southwest devotes enormous attention to the people it hires. On average, the company hires only 3% of those interviewed in a year. When hiring, it emphasizes teamwork and a positive attitude.

Southwest rationalizes that skills can be taught, but a positive attitude and a willingness to pitch in cannot. Southwest also creates incentives for its employees to work hard. All employees are covered by a profit-sharing plan, and at least 25% of an employee's share of the profit-sharing plan has to be invested in Southwest Airlines stock. This gives rise to a simple formula: the harder employees work, the more profitable Southwest becomes, and the richer the employees get. The results are clear. At other airlines, one would never see a pilot helping to check passengers onto the plane. At Southwest, pilots and flight attendants have been known to help clean the aircraft and check in passengers at the gate. They do this to turn around an aircraft as quickly as possible and get it into the air again because an aircraft does not make money while it is on the ground. This flexible and motivated workforce leads to higher productivity and reduces the company's need for more employees.

Because Southwest flies point-to-point rather than through congested airport hubs, there is no need for dozens of gates and thousands of employees to handle banks of flights that come in and then disperse within a two-hour window, leaving the hub empty until the next flights a few hours later. The result: Southwest can operate with far fewer employees than airlines that fly through hubs.

Questions :

(a) How would you characterize the business model of Southwest Airlines? How does this differ from the business model used at many other airlines, such as United and American Airlines?

(b) Identify the resources, capabilities and distinctive competencies of South West Airlines.

(c) How do South West's resources, capabilities and distinctive competencies translate into superior financial performance?