PG – 1083

III Semester M.B.A. Degree Examination, February 2016
(CBCS) (2014 – 15 & Onwards)
Management
Paper – 3.1 : STRATEGIC MANAGEMENT AND CORPORATE GOVERNANCE

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** of the following questions. **Each** question carries **five** marks. **(5×5=25)**

1. What are the various levels of strategy ? Are there any interrelation between them ? Explain.
2. Explain the generic competitive strategies.
3. Explain GE Nine Cell Planning Grid.
4. Discuss Porters five force model.
5. Discuss the strategies required for Internet Economy.
6. Define Corporate Governance. Discuss its relationship with Internal and external stake holders.
7. Distinguish between vision and mission.

SECTION – B

Answer **any three** of the following questions. **Each** question carries **ten** marks. **(3×10=30)**

8. What is Blue Ocean Strategy ? Explain with suitable Indian example.
9. Discuss the role of organizational design in strategic implementation. Discuss five critical factors leader should manage for strategic implementation.

P.T.O.

10. Write short note on :

    1) Value chain Analysis

    2) SWOT Analysis.

11. What is Balanced Score Card ? Explain with suitable examples.

SECTION – C

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

In 2006, Starbucks, the ubiquitous coffee retailer, closed a decade of astounding financial performance. Sales had increased from $697 million to $7.8 billion, and net profits, from $36 million to $540 million. In 2006, Starbucks was earning a return on invested capital of 25.5%, which was impressive by any measure and the company was forecasted to continue growing earnings and maintain high profits through the end of the decade. How did this come about ?

Thirty years ago, Starbucks was a single store in Seattle's Pike Place Market selling premium roasted coffee. Today, it is a global roaster and retailer of coffee with more than 12,000 retail stores, some 3,000 of which are to be found in forty countries outside the United States. Starbucks Corporation set out on its current course in the 1980s when the company's director of marketing, Howard Schultz, came back from a trip to Italy enchanted with the Italian coffeehouse experience. Schultz, who later became CEO, persuaded the company's owners to experiment with the coffeehouse format- and the Starbucks experience was born.

Schultz's basic insight was that people lacked a "third place" between home and work where they could have their own personal time-out, meet with friends, relax and have a sense of gathering. The business model that evolved out of this was to sell the company's own premium roasted coffee, along with freshly brewed espressostyle coffee beverages, a variety of pastries, coffee accessories, teas and other products, in a coffeehouse setting. The company devoted and continues to devote, considerable attention to the design of its stores to create a relaxed, informal and comfortable atmosphere. Underlying this approach was a belief that Starbucks was selling far more than coffee- it was selling an experience. The premium price that Starbucks charged for its coffee reflected this fact.

From the outset, Schultz also focused on providing superior customer service in stores. Reasoning that motivated employees provide the best customer service, Starbucks executives developed employee hiring and training programs that were the best in the restaurant industry. Today, all Starbucks employees are required to attend training classes that teach them not only how to make a good cup of coffee but also the service-oriented values of the company. Beyond this, Starbucks provides progressive compensation policies that gave even part-time employees stock option grants and medical benefits-a very innovative approach in an industry where most employees are part-time, earn minimum wage and have no benefits.

Unlike many restaurant chains, which expanded very rapidly through franchising arrangements once they established a basic formula that appears to work, Schultz believed that Starbucks needed to own its stores. Although it has experimented with franchising arrangements in some countries and in some situations in the United States such as at airports, the company still prefers to own its own stores whenever possible.

This formula met with spectacular success in the United States, where Starbucks went from obscurity to one of the best-known brands in the country in a decade. As it grew, Starbucks found that it was generating an enormous volume of repeat business. Today, the average customer comes into a Starbucks store around twenty times a month. The customers themselves are a fairly well-heeled group-their average income is about $80,000.

As the company grew, it started to develop a very sophisticated location strategy. Detail demographic analysis was used to identify the best locations for Starbucks stores. The company expanded rapidly to capture as many premium locations as possible before its imitators could. Astounding many observers, Starbucks would even sometimes locate stores on opposite corners of the same busy street-so that it could capture traffic going in different directions down the street.

By 1995, with almost 700 stores across the United States, Starbucks began exploring foreign opportunities. The first stop was Japan, where Starbucks proved that the basic value proposition could be applied to a different cultural setting (there are now 600 stores in Japan). Next, Starbucks embarked on a rapid development strategy in Asia and Europe. By 2001, the magazine Brandchannel named Starbucks one of the ten most influential global brands, a position it has held ever since. But this is only the beginning. In October 2006, with 12,000 stores in operation, the company announced that its long term goal was to have 40,000 stores worldwide. Looking forward, it expects 50% of all new store openings to be outside the United States.

Questions :

1) Identify the resources, capabilities and distinctive competencies of Starbucks.

2) How do Starbucks's resources, capabilities and distinctive competencies translate into superior financial performance ?

3) How secure is Starbucks's competitive advantage ? What are the barriers to imitation ?
