

**UNIVERSITY OF RUHUNA****FACULTY OF MANAGEMENT AND FINANCE****Bachelor of Business Administration Degree Programme 3000 Level Semester II****Examination (March 2021)****Academic Year 2020/2021****BBA 32013 – Strategic Management****Duration: Three hours****The Question Paper contains Six (06) questions.****Answer four questions including question number one****➤ Non-programmable calculators are permitted.****Question 01**

Read the case titled “Google Inc.” and answer the questions given below.

Google Inc.

In January 1996, Larry Page and Sergey Brin started Google as a research project for their PhD studies at Stanford University. At that time, conventional search engines ranked search results by counting the number of search terms on the web page. This research project became the foundation of Google Inc. By September 1998, Google was incorporated as a privately-held company. Google increased its revenues and profits such that Fortune magazine in 2019 rated Google as their fourth “Most Admired Company in the World” in terms of their management and performance.

In June 2000, Google was recognized as the world’s largest search engine. By 2002, Google earned several awards including Best Search Feature and Best Design awards. The company gained success by continuously enhancing its products and services. The company also launched a free email account, called Gmail. On August 19, 2004 the company has its initial public offering (IPO). The IPO earned Google USD \$1.67 billion, which gave the company a total market capitalization of USD \$23 billion. Google has achieved great success in growing its internet-related products and services. In line with this, it has acquired several small entrepreneurial ventures like Keyhole Inc,

YouTube, Double Click, Grand Central, Aardvark, and On2 Technologies. In recent years, Google has become a significant player in the telecom industry with its development of the Android mobile system. The company is also increasing its hardware business through its partnerships with major electronics manufacturers.

Google's corporate vision is *"to provide access to the world's information in one click"* and its corporate mission of *'to organize the world's information and make it universally accessible and useful.'* The company seeks to empower individuals by providing its customers with the right products and/or services at the right time and by encouraging its employees to be innovative and productive. Despite its success, one of leading researchers, Denning, criticizes Google's corporate mission. Denning contends that Google's mission does not truly reflect its core business. The company's mission statement, which focuses on organizing the world's information, describes the workings of a library instead of a web-based search engine. Denning cites the failures of Google Health and Google Power Meter, which were tools constructed from a library mindset and were designed to help people assemble information about their health and energy use respectively. However, supporters of Google believe that its mission statement has paved the way for the creation of innovative products and services.

Google is fundamentally built upon a culture of openness and sharing of ideas and opinions. This is primarily influenced by the company's beginnings as an internet startup company. In line with this principle, the company has encouraged its employees to ask questions directly to top executives about various company issues. Google is a dynamic company wherein everyone's ideas are respected and heard. The company also provides flexibility both in terms of working hours and work place in order to foster creativity and the flow of ideas. Google's organizational culture is built upon intrapreneurship. Employees are encouraged to be proactive, self-motivated and action-oriented, with the goal of developing new and innovative products or services. Google is also well-known for its attractive compensation packages, various on-the-job perks, and luxurious offices.

Google has thrived as a learning organization, which provides its employees with a work environment based on openness and creative thinking. As a learning organization, Google embraces the idea that the solutions to the challenges and ongoing business problems reside within its employees. Likewise, Google encourages its core engineers to spend 20% of their time pursuing new projects that interest them in the absence of any formal regular duties. This is referred to as 'Innovation Time Off'. This strategy proved to be very productive as more than half of new product launches originated from this scheme. Furthermore, in its efforts to boost learning and development,

Google adheres to a very flat organizational hierarchy, where employees do not obey managers just because of their titles without having them make a convincing case.

Google in 2009 began selling books online. This strategy led Google to digitize close to 10 million books by year's end. Google cofounder Sergey Brin recently said, "Call me weird, but I think there are a lot of advantages to reading books online. Today's monitors have great resolution and you don't have to wait on the book to arrive once ordered." Google does not charge people to use its search engine. Instead of charging what the market will bear as most firms do, Google charges as little as they can bear. Thus Google obtains networks of people, millions of people, which strengthens its competitive position.

Google stock in July 2019 rose above \$400 per share as the company prepares to launch its own operating system for computers, a direct assault on the business of software giant Microsoft. Google's strategic plan is to attack Microsoft in nearly all of its businesses, including browsers, where Google has 1.8 percent market share versus Microsoft's 66 percent, smartphone operating systems (Google 1.6% versus Microsoft 10%), office suites (Google 0.04% versus Microsoft 94%), and Web searches (Google 65% versus Microsoft 8%). Google's Chrome OS operating system will require users to be connected to the Internet, unlike Microsoft's operating systems. CEO Eric Schmidt at Google has been on a mission for the last several years, according to analysts, to capture Microsoft's market share. The Google strategy is accelerating a shift in the personal computer (PC) industry to become more like the cell phone industry whereby customers pay monthly service fees for use of hardware and software.

Google's Chrome will be free to all computer makers such as Hewlett-Packard who historically have pre-installed Microsoft's operating system for a fee to consumers. Microsoft released its new Microsoft Windows 2010 in the fall 2009 and believes that the learning curve for any consumer to switch away to Google's operating system will not be worth the effort. Google.com is the most visited Web site in the world and even in 2009 offered its own online word processing, spreadsheet, and presentation programs free called Google Docs. The Google strategy is a huge bet that online programs can eventually overtake and crush desktop software.

Due to its dominance in the Internet search and advertising business, Google is coming under increasing scrutiny from the U.S. Justice Department regarding possible antitrust infringement. The pending Microsoft/ Yahoo merger may negate that Google vulnerability. Google obtains about 95 percent of its revenues from online advertising.

You are required to answer the following questions,

a) Critique the existing mission statement of Google Inc. and discuss the benefits for the Google Inc. having a clear mission statement.

(05 Marks)

b) Explain how Microsoft, and Apple can represent a major threat or opportunity for the Google Inc.

(05 Marks)

c) Define the organizational culture and evaluate the organizational culture of Google Inc.

(05 Marks)

d) Apply Porter's Five-Forces Model to Google Inc. and briefly describe the appropriate strategies to manage each forces.

(10 Marks)

[Total 25 Marks]

Question 02

"Managing strategically means formulating and implementing strategies that allow an organization to develop and maintain competitive advantage"

a) Define competitive advantage and explain its importance.

(04 Marks)

b) Describe the relationship between resources, capabilities, and core competencies.

(05 Marks)

c) How would the value chain approach to internal analysis be used? Explain your answer with examples.

(06 Marks)

[Total Marks 15]

Question 03

Macy's Inc. is a department stores specializing in brands include Macy's, Bloomingdales, and Bluemercury. Most stores are located in urban or suburban areas and include a mix of apparel, accessories, cosmetics, home furnishings, and various other consumer goods. Table 1 illustrates the strategic position of the Macy's Inc. Company and Table 2 presents the details of relative market share and market growth rate.

Table 1: Strategic position of the company

Internal Strategic Position	External Strategic Position
<p>Competitive Position (CP)</p> <p>-3 Market Share</p> <p>-3 Product Quality</p> <p>-3 Customer Loyalty</p> <p>-2 Variety of Products Offered</p> <p>-3 Control over Suppliers and Distributors</p>	<p>Industry Position (IP)</p> <p>+2 Growth potential</p> <p>+3 Financial Stability</p> <p>+2 Ease of Entry into Market</p> <p>+3 Resource Utilization</p> <p>+3 Profit Potential</p>
<p>Financial Position (FP)</p> <p>+5 Current Ratio</p> <p>+2 Debt to Equity</p> <p>+5 Net Income</p> <p>+3 Revenue</p> <p>+2 Inventory Turnover</p>	<p>Stability Position (SP)</p> <p>-3 Rate of Inflation</p> <p>-1 Technological Changes</p> <p>-2 Price Elasticity of Demand</p> <p>-7 Competitive Pressure</p> <p>-6 Barriers to Entry into Market</p>

Table 2: Relative Market Share and Market Growth Rate of Macy's Inc.

Division	Revenues	% of Corporate Revenues	Profits	% of Profits	Relative market share	Industry Growth rate
Brand A	Rs. 240,000	50%	Rs.40,000	59%	0.7	+15
Brand B	Rs. 160,000	33.33%	Rs.20,000	29%	0.3	+10
Brand C	Rs. 80,000	16.67%	Rs. 8,000	12%	0.1	-10

a) Construct and apply the Strategic Position and Action Evaluation (SPACE) Matrix for Macy's Inc. and select the appropriate strategies based on the position at SPACE matrix.

(07 Marks)

b) Draw the BCG Matrix for Macy's Inc. and make appropriate recommendations for the company based on its position of BCG Matrix.

(08 Marks)

[Total Marks 15]

Question 04

“Customer needs within a narrow competitive segment may become more similar to those of industry-wide customers as a whole”.

a) What is business level strategy and how does it important for an organization?
(07Marks)

b) Discuss the strategies that can be applied in the each quadrant of the Ansoff’s matrix with recent examples.
(08 Marks)

[Total Marks 15]

Question 05

“Strategy Implementation refers to the execution of the plans and strategies, so as to accomplish the long-term goals of the organization”.

a) Identify and discuss reasons why McKinsey’s 7-S Framework is important in strategy implementation.
(05 Marks)

b) What are the advantageous and disadvantageous of multi-divisional structure?
(05 Marks)

c) Briefly explain the strategies for employee empowerment with examples?
(05 Marks)

[Total Marks 15]

Question 06

Compare and contrast the following concepts.

a) Concentric Diversification vs. Conglomerate Diversification

b) Strategy Formulation vs. Strategy Implementation

c) Restructuring vs, Reengineering

(05 Marks per Each)

[Total 15 Marks]
