SCHOOL OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT SCIENCE AND ENTREPRENEURSHIP

BBM 462: STRATEGIC MANAGEMENT **TIME: 3HOURS**

INSTRUCTIONS; Answer question 1 and any other 3 questions.

Q1) Analyze the following case and answer the questions given towards its end;

The Merger of British Airways and Iberia

After the markets closed on Thursday night, the British airways board marched into a meeting in its head office, close to Heathrow for what would prove to be a defining moment for the airline.

Earlier in the day, the board of Iberia had met in Madrid to agree the terms of a deal with the British carrir,16 months after the two sides had announced that they were in merger talks.BA chiefs executive Willie Walsh had previously suggested that corporate governance-the makeup of the board had been an sticking point in the discussions. But the talks accelerated after a change in management at Iberia over the summer. Antonio Vazquez, who took over the Spanish carrier, sold tobacco firm Altadis to Britain's imperial tobacco in 2008 and has a reputation as a deal maker.

It also seems likely that huge losses incurred by both airlines had sharpened the focus of the two companies on getting a deal done. After little more than an hour, the BA board emerged and the agreement was in place. An announcement was put out by 8.30pm that evening..

The two sides hope the deal will return the combined group to profitability, allowing them to slash costs and improve buying power on the likes of fuel and aircraft, generating savings of €400m(£375m)a year. It would also create potential for higher revenue by offering a far wide range of routes to passengers, combining BA's strength across the Atlantic with Iberia's network across South America. 'Consolidation is happening in our industry and it is critical that BA starts participating in that 'Walsh said on Friday.

That is if BA can sort out its pension deficit –thought to be about £2.6bn.its schemes are subject to a valuation later this year, after which pension trustees and BA management will need to negotiate how much cash the airline needs to pump in to keep them afloat. Even then, the agreement will need rubber stamping by the pensions regulator, which is not expected to make a ruling until next September, and the merger will not be completed until the issue is resolved. It has been a long courtship, and it will be a long engagement.

'It was a deal that was waiting to be done and that needed to be done, 'said one source close to the agreement. 'Europe will ultimately be divided up into three or four full service airlines and one or two low- cost carriers .Nine months ago, BA was talking about a merger with Qantas, a deal with Iberia and a transatlantic alliance with American. Qantas has fallen away .....and Willie needed to pull off at least one of the others.'

By Walsh's own admission, BA has been in a fight for survival for much of this year. Over the past decade, the airline industry has lurched from one crisis to another: the terrorist attacks of 2001, the threat of liquid bombs, Sars swine flu and a soaring oil price.BA itself also suffered the troubled opening of its new base at Heathrow ,Terminal Five, which most agree has now been turned into a success.

But it has been the global recession that has wrought the most damage: BA is losing £1.6m a day. Earlier this month, it reported half- year loses of £292m on top of record losses of £401m for the previous year. This will be the first time in the carrier's history that it has recorded two successive years in the red.

The deal with Iberia was broadly welcomed by the city .the new firm will generate annual revenues of £13.5bn-making it the third largest airline in the world-carry 61.5m passengers and fly to 205 airports. It will be headquartered in London, although domiciled in Madrid for tax purposes, with Walsh chief executive and Vazquez as chairman. Both brands will continue to exist.

John Strickland, an airline consultant, says BA had been 'feeling more and more left behind' as rivals Air France and KLM merged and Lufthansa absorbed Swiss international airlines in 2005 and subsequently Brussels airlines, Austrian airlines and the British carrier BMI.

'Air France- KLM is the shiny example of an airline merger, 'he says. 'It was a deal that wasn't blood laden foe staff.' Whether it was pragmatism or foresight, they kept two brands and two functioning head offices. They looked at cost savings but it wasn't brutal in human terms and customers have been kept happy. But there has been an enormous upturn in revenue. It really has been a case of one plus one equals there....it is a model that has worked and is something that BA and Iberia will have learned from.'

Walsh 48, who joined BA in 2005, made his mark at Aer Lingus, where he joined as a pilot and worked his way up to Chief Executive. He turned the business into an aggressive low cost operator and while he was there spent two years in Mallorca, where he ran Futura, a charter line owned by the Irish group. His Spanish, apparently, is not so bad.

It seems unlikely that Walsh will have much pause for breath after sealing the deal.BA cabin crew have threatened a strike over job losses and changes to their terms; the airlines already cutting 4.900 posts. The unions are also a potential obstacle in the Iberia deal, seeking assurances that there will be no further compulsory redundancies in return for lending support. And BA is still awaiting a verdict from Washington and Brussels on its alliance with American airlines.

'BA's problems are serious but they are arguably no worse than anyone else's, 'says Strickland. 'And they are not paralyzed, or twiddling their thumbs; they are working in a wide range of fields to improve the situation......And in the main; the staff have bitten the bullet and seen the need for change. Willie Walsh is very well regarded by investors and the deal with Iberia is a key plank in moving forward. It is a feather in his cap.'

Questions

a. What is the business rational for a merger between British Airways and Iberia? **(10marks)**

b. The experience of past mergers in other industries, for instance DaimlerChrysler, suggests that the benefits to be derived are often exaggerated by board members. Identify the potential downsides with the British airways and Iberia merger. **(7marks)**

c. Porter contends that many mergers and acquisitions tend to destroy shareholder value because they are based on the CEO's ego rather than sound business logic. Discuss with reference to BA and Iberia. **(8marks)**

Q2a) Compare and contrast the strengths and weaknesses of the Boston Consulting Group matrix (BCG) and General Electric matrix (G.E) as portfolio planning tools. **(10 marks)**

b) Describe the advantages and risks of pursuing a joint venture versus a merger. **(5marks)**

Q3a) Does strategy determine structure, or does structure determine strategy? Discuss. **(8marks)**

b) Briefly explain how corporate culture reinforces strategy? **(7Marks)**

Q4a) Explain, basing on a named entity, the techniques of strategy evaluation and requirements for its effectiveness. **(9 marks)**

b) Define strategic control noting to explain the steps involved in strategic control process. **(6 marks)**

Q5) How do governmental policies act, timing and competitors' factors affect the strategic choices within an organization? **(15 marks)**

Q6 a) Compare and contrast re-engineering and restructuring. **(6 marks)**

b) State noting to critic characteristics of organizational environment? **(4 Marks)**

c) Explain the process of strategic intent noting to state its importance. **(5 Marks)**

DEC. 2023

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It also seems likely that huge losses incurred by both airlines had sharpened the focus of the two companies on getting a deal done. After little more than an hour, the BA board emerged and the agreement was in place. An announcement was put out by 8.30pm that evening.

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But it has been the global recession that has wrought the most damage: BA is losing £1.6m a day. Earlier this month, it reported half- year loses of £292m on top of record losses of £401m for the previous year. This will be the first time in the carrier's history that it has recorded two successive years in the red.

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Questions

a. i) What is the business rational for a merger between British Airways and Iberia? **(4 marks)**

ii). The experience of past mergers in other industries, for instance DaimlerChrysler, suggests that the benefits to be derived are often exaggerated by board members. Identify the potential downsides with the British airways and Iberia merger. **(8marks)**

iii). Porter contends that many mergers and acquisitions tend to destroy shareholder value because they are based on the CEO's ego rather than sound business logic. Discuss with reference to BA and Iberia. **(8marks)** i). What is the Business Rationale for a merger between British Airways . (4 mks)

ii) The experience of past mergers in other industries, For Instance Daimler Chrysler, suggests that the benefits to be derived are often exaggerated by Board Members. Identify the potential downsides with the British Airways and Iberia Merger (8 mks).

Iii). Porter contends that many mergers and acquisitions tend to destroy shareholder value because they are based on the CEO's ego rather than sound business logic. Discuss with reference to BA and Iberia. (8marks)

b). Compare and contrast the strengths and weaknesses of the Boston Consulting Group matrix (BCG) and General Electric matrix (G.E) as portfolio planning tools. (5 marks)

c) Define strategic control noting to explain the steps involved in strategic control process (5marks)

Q2). Define the Vision, mission, objectives and strategies of a named enterprise noting to draft a sample of each Intent and explaining how they relate to each other . (10Marks)

Q3) Discuss the contribution of Porter's Five Forces model in assessing the attractiveness of the industry in which Five Forces currently operates. (10 marks)

Q4) How do governmental policies and competitors' factors affect the strategic choices within an organization? (10 marks)

Q5) Using an example, explain the implication of diversification strategies (10 marks)

Q6 a) Compare and contrast re-engineering and restructuring. (5 marks)

b) Explain the process of strategic intent noting to state its importance. (5 Marks)

BBM 462; STRATEGIC MANAGEMENT TIME: 3HOURS **DEC. 2022**

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Question one

Q1) Analyze the following case and answer the questions given towards its end;

Sony Ericsson

Miles Flint of Sony Ericsson likens the mobile phone maker's lot to that of movie industry. 'You develop a product, you show it in focus group, or you show it in screenings, but it is only when the box office opens, or the product is is in the stores, that you really know how well it is going to do,' says the president of Sony Ericsson. Fortunately for Japan's Sony and Sweden's Ericsson , their Joint venture's camera and music phones are proving popular' particularly with the target audience: young affluent people.

The walkman music phones, launched last year, account for 25 percent of Sony Ericsson's sales. The group is hoping to replicate that success with the Cyber-shot camera phones launched in February. These phones play to the joint venture's strengths by combining some of Sony's most famous consumer electronics devices with Ericsson's expertise in wireless technology. Today, Sony Ericsson is celebrating its fifth anniversary by usurping LG Electronics as the world's fourth biggest mobile phone maker. It has been able to do so while also maintaining one of the highest average selling prices to the mobile network operators: Euro 145 in the second quarter of 2006. But it was not always like this.

Sony Ericsson's pre-tax profit of EURO 514 million for 2005 contrasts with a loss of Euro 291 million in 2002, the first full year of the joint venture. Things started off badly in 2001 because the mobile handset divisions of Sony and Ericsson were already struggling, and the joint venture was simply putting the Sony Ericsson logo on the partners' existing phones. The turning point came in 2003 when collaboration resulted in the T610, Sony Ericsson's first integrated camera phone. The black and silver phone developed a cult status, partly due to its 'stick' or rectangular shape. But challenges persisted because Sony Ericsson did not have a full range of phones to sell to the mobile network operators. It ramped up its research and development during 2004 and 2005, which led to the Walkman and cyber-shot phones.

Sony Ericsson now has a range of 35 phones, and Mr Flint says the joint venture's confidence is rooted in how 'the broad portfolio is generating margins across the piste'. Pre-tax margins were 9 percent in the second quarter of 2006, and Sony Ericsson is now seeking to raise its profile and boost sales through a new media campaign. The joint venture's research suggested that it and its peers' brands are regarded as lacking warmth and personality. So the Sony Ericsson logo, which combines an S and E in a green and silver ball, has replaced a verb in a series of statements in advertisements.

'I SE my long commutes 'is supposed to convey the message that people love travelling long distances to work because they enjoy listening to their Walkman phone. Mr Flint says Sony Ericsson aspires ' to be a cool brand'. This Month it will unveil a limited edition silver version of its Cyber-shot phone to mark its use by Daniel Craig in casino royale, the james Bond movie. In April it produced a Robbie Willimas version of the walkman phone in collaboration with the UK pop singer and T-mobile.

Sony Ericsson is considering increasing sales of handsets to network operators through exclusive deals on music content. In March it announced a partnership with orange to offer songs and videos by Christina Aguilera, a Sony VMG, artist.

Having integrated cameras and MP3 players into mobiles, what does Mr Flint think will the next big thing? He cautions about rapid take-up of mobile television, partly because of research suggesting people spend more time on internet than watching TV. Instead, he points to the mobile's increasing role in user generated content. Teenagers have flocked to social networking websites such as MySpace and Bebo that allow them to share messages, music, and pictures. Sony Ericsson is putting Google's Blogger facility on its cyber-shot phone, which enables people to create their own block and post photographs on it in just two or three keystrokes.

Mr Flint , 53, says the mobile is ' increasing becoming the depository of our life: we keep our pictures , we keep our music , we keep our email, and certainly when we look at younger people than I am there is a lot of sharing ideas , sharing of pictures , sharing music'.

Questions

a). Using Ansoff's growth Matrix, identify the growth strategy that Sony and Ericsson are pursuing with their joint venture. **(9marks)**

b). Evaluate the distinctive capabilities of Sony and Ericsson noting to explain the extent the said capabilities have been shared across the Sony Ericsson joint Venture? **(8marks)**

c). What reasons might either partner provide to terminate the joint venture? **(8marks)**

Question two

Q2a) Using an example, demonstrate how Leadership, Dominant stakeholder and ownership influence formulation of strategic Intent (Vision). **(10 marks)**

b) Describe the advantages and risks of pursuing Vertical Integration versus a merger. **(5 marks)**

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Question three ✓

Q3) SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organizational resources and capabilities to the requirements of the environment in which the firm operates. A consistent study of the environment in which the firm operates helps in forecasting/predicting the changing trends and also helps in including them in the decision-making process of the organization. Using an example, demonstrate the usefulness of SWOT Analysis. **(15 Marks)**

Question four

Q4a) How can understating of the different stages of the industry life cycle help an organization formulate a coherent business strategy? **(7 marks)**

b) Define strategic control noting to name and briefly explain four types of Strategic control demonstrating their usefulness, **(8 marks)**

Question five

Q5) If an organization's portfolio of business comprises some dogs, what are the options open to it according to BCG matrix? State also the circumstances in which an organization might be prepared to tolerate dog business. **(15 marks)**

Question six

Q6 a) **Compare** and contrast strategic Alliance and Re-engineering. **(7 marks)**

b) A retrenchment strategy aims at the contraction of the organization's activities to improve performance. It is implemented to find out the problem areas and the steps to take to resolve them. This strategy is adopted when an organization suffers continuous loses. A no of supermarkets in Kenya have been placed under receivership despite their existence in a growing market. Using knowledge gained from the class, discuss the stated narrative. **(8 Marks)**

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losses

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Failed deal

'It was a deal that was waiting to be done and that needed to be done, 'said one source close to the agreement. 'Europe will ultimately be divided up into three or four full service airlines and one or two low- cost carriers .Nine months ago, BA was talking about a merger with Qantas, a deal with Iberia and a transatlantic alliance with American. Qantas has fallen away …..and Willie needed to pull off at least one of the others.'

competition

By Walsh's own admission, BA has been in a fight for survival for much of this year. Over the past decade, the airline industry has lurched from one crisis to another: the terrorist attacks of 2001, the

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But it has been the global recession that has wrought the most damage: BA is losing £1.6m a day. Earlier this month, it reported half- year loses of £292m on top of record losses of £401m for the previous year. This will be the first time in the carrier's history that it has recorded two successive years in the red.

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Questions

a. What is the business rational for a merger between British Airways and Iberia? **(10marks)**

- Buyer power
- Supplier pow
- Entrants
- Product substitute
- Competitive

b. The experience of past mergers in other industries, for instance DaimlerChrysler, suggests that the benefits to be derived are often exaggerated by board members. Identify the potential downsides with the British airways and Iberia merger. **(7marks)**

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MARCH2021 **APRIL 2021**

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QUESTION ONE

1. a) Read the following case carefully, analyze it and answer the questions given below;

TVS AND SUZUKI

The market for two wheelers industry in India seemed very small and the main leading players are Bajaj, Hero Honda and Suzuki. Most of the organizations in the two wheeler industry seem to be operating as joint venture with Japanese organizations. However, only some of the joint ventures proved to be successful. The case study will focus on TVS group and Suzuki who formed a joint venture called TVS Suzuki in 1982.The organization formed as a result of the joint venture was originally called Indian Motorcycles Private limited. In 1984, it launched a 100cc motorcycle which was received well by the Indian market. However, TVS- Suzuki was unable to gain the profits in the motorcycle segment because the automotive spare parts of the vehicle were imported. In addition, according to various analysts in the automobile industry, the products of the TVS Suzuki lacked performance and efficiency.TVS Suzuki failed to match the marketing strategies of the biggest competitors such as Hero Honda and Escorts.

TVS Suzuki faced loses for three years on a continuous basis. Therefore, in 1990-91, it had to close down for three months. Competitors of TVS Suzuki remarked it as a sick organization. In 1991-92, TVS Suzuki came out in the market with the turnaround strategy to become product led organization with a strong focus on research and development. It adopted the strategy of cost cutting through employee retrenchment programs and inventory control.

TVS Suzuki launched new products, such as Suzuki Shogun, Suzuki Max and Suzuki Samurai with the help of strong advertising programs. It formed various dealerships and offered customer retention programs to retain and target more and more customers. It tied up with the banks, such as SBI and Andhra bank to finance its projects. These strategies made the efforts of TVS Suzuki successful and the company recorded a turnover of approximately Rs 6 billion in 1995, thereby becoming the second largest two wheeler organization in India. It sold 0.27 million two wheelers in 1994 and earned a net profit of Rs 330 million. Continuing with the success, TVS Suzuki started a project, Neon, which introduced the four stroke scooter called spectra for the first time in India, priced at Rs 38,000. However, its competitor, Bajaj, introduced four stroke scooter priced at Rs 28000 making project neon failed drastically. However, in 2000, TVS Suzuki became the first Indian company to launch four stroke motorcycles called Suzuki Fiero.

In 2001, TVS and Suzuki started facing the gaps. Suzuki's demands started increasing. It restricted the usage of local components and made the imports of all the equipments compulsory from Suzuki. It made restrictions on exports by TVS as well. According to Venu Srinivasan, Managing Director, TVS, "It will not only cause huge loss of foreign exchange to the country but also jeopardize the ability of TVS to develop an Indian brand nationally-a skill assiduously developed by the Indian management." Indian government also decided not to interfere in this

issue .Suzuki denied further investment in TVs. The royalty payment to Suzuki by TVs also declined, which showed more signs of frictions in the partnership. Suzuki started showing signals to exit from the joint venture with TVS.
The episode of differences between TVS and Suzuki came out in public galore when TVS and Suzuki bid separately to acquire Scooter India limited. In 2001, Suzuki entered into an agreement with the Kasawaki, which was taken as a conflict of interest by TVS. The two options available to Suzuki were either to separate and move out to explore new options, or to remain in the joint venture as a passive partner. A split up was decided in which Suzuki sold 25.97% of its TVs holding At Rs 15 per share.TVS Suzuki was renamed a TVS motor company limited.

TVS survived with the profitability of two- stroke scooter. However, TVS was fighting the lost battle. It came out with the reviving plan to invest into research and development to sustain in the two wheeler market. The results achieved were good as it secured 30,000 bookings for its two wheel model, Victor.TVS mastered in the four stroke technology through effecting R & D programs. It further planned to launch new motorcycles, scooters, and mopeds. In addition, TVS formed international strategies aimed at expanding its business to countries such as Indonesia, Malaysia and Philippines, by the end of 2005.Its market capitalization increased from Rs 18 billion to 57 billion.tvs also forayed into the three wheeler market, giving competition to the market leader, Bajaj.

In view of the foregoing, it can be said that the overwhelming performance of the Victor model helped TVS to survive after breaking the joint venture with Suzuki. However, it struggled a lot to regain its position in the market.TVS may be called as a small player in the Indian two wheeler market; still it did not accept failure in the critical phase of break up with Suzuki.
According to various analysts, if TVS continuously brings improvements in its business models with the focus on the development of new models, it would be able to expand successfully.

Questions

1. What were the major strategies adopted by TVS Suzuki to gain the market share? Were those strategies successful? **(5marks)**
2. What led Suzuki to adopt a turn around strategy? What steps did it take in this strategy? **(5marks)**
3. What were the reasons for the breakup of joint ventures between TVS and Suzuki? **(5marks)**
4. Were the strategies adopted by TVS after break up from Suzuki satisfactory? If not, please suggest more strategies that could have been used by TVS.. **(4marks)**

b) Read the following case carefully and answer the questions given below.
A vision statement is a mental perception of the kind of an environment an individual or an organization aspires to create with a broad time horizon while **Mission statement** states the reason for the existence of an organization and defines the path to achieve the vision.

Critic the Vision and Mission Statements of Apple Company noting to highlight the features and weaknesses.

Vision Statement: ".To make the best products on earth, and to leave the world better than we found it." **(3 marks)**

Mission Statement "To bring the best user experience to its customers through its innovative hardware, software, and services" **(3marks)**

QUESTION TWO

Using Boston consulting Group (BCG) Matrix, analyze dynamics in terms of the market share and market growth in Kenya Communication sector. For each of the four matrix, evaluate strategic positions of any four entities stating relevance of the tool in assessing firm competitiveness. **(15marks)**

QUESTION THREE

a) How do governmental policies and timing and competitive factors affect the strategic choices within an organization? **(9 marks)**

b) Successful strategy implementation can be initiated by following a three stage process involving varied activities. Discuss. **(6marks)**

QUESTION FOUR

a) Structure follows strategy or strategy follows structure. Debate noting to critic your assertions. **(9 marks)**

b) Explain in detail the process of setting mission statement in an organization. **(6 marks)**

QUESTION FIVE

Explain the generic Business Level Strategies proposed by Michael Porter and discuss their use in different stages of industry life cycle. **(15marks)**

QUESTION SIX

Explain circumstances when the undernoted strategic Choices are suitable for an Enterprise:

a) Divestment. **(3marks)**
b) Acquisition. **(3marks)**
c) Concentration. **(3marks)**
d) Reengineering. **(3marks)**
e) Joint ventures. **(3marks)**

END