

**UNIVERSITY COLLEGE TATI (UC TATI)****FINAL EXAMINATION QUESTION BOOKLET**

COURSE CODE	: BBM 3063
COURSE	: STRATEGIC MANAGEMENT
SEMESTER/SESSION	: 2-2024/2025
DURATION	: 3 HOURS

**Instructions:**

1. This booklet contains 4 questions. Answer **ALL** questions.
2. All answers should be written in answer booklet.
3. Write legibly and draw sketches wherever required.
4. If in doubt, raise your hands and ask the invigilator.

**DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO**

**THIS BOOKLET CONTAINS 7 PRINTED PAGES INCLUDING COVER PAGE**

**QUESTION 1**

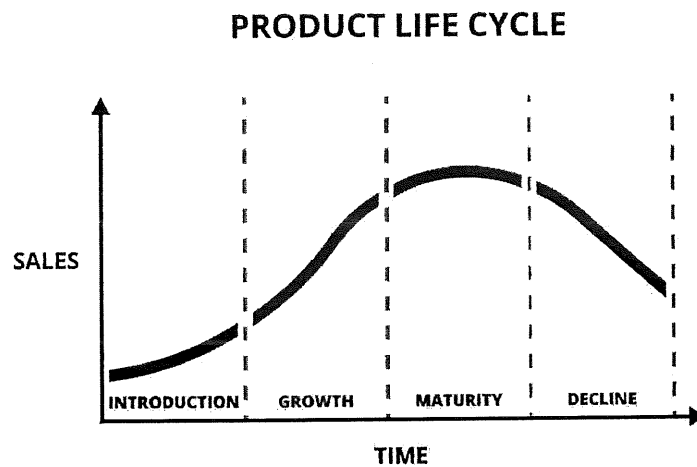
- a) List **SIX (6)** characteristics of strategic decisions. (6 marks)
- b) Compare **FIVE (5)** characteristics of strategic management and operational management. (10 marks)

**QUESTION 2**

The Red Ocean strategy emphasizes competition and gradual improvements while taking on established competitors in a well-known market. On the other hand, the Blue Ocean strategy stimulates businesses to venture into uncharted territory, establishing new markets through creative thinking and originality.

- a) Explain **FIVE (5)** characteristics of red ocean strategy. (10 marks)
- b) Grab started as a ride-hailing service in Malaysia, competing with traditional taxi services and other ride-hailing platforms.
  - i) Discuss **THREE (3)** blue ocean moves made by Grab. (6 marks)
  - ii) Illustrate **TWO (2)** impact of blue ocean strategy to Grab. (4 marks)

## QUESTION 3

*Figure 1*

Refer to Figure 1 above, answers all the questions.

- a) Identify a real-world product that is currently in the growth stage. (2 marks)
- b) Based on your answer on a), describe **TWO (2)** observable characteristics that support your identification. (4 marks)
- c) Describe what typically happens to the number of firms in the market during the growth stage of the product life cycle. (4 marks)
- d) During the maturity stage, a product's demand growth slows down. Justify **FIVE (5)** tactics a firm might adopt by utilizing the concept of the mature stage to sustain sales. (10 marks)

**QUESTION 4**

Based on the case of "Volkswagen: tough market on car sales growth in 2024." given, answer the following questions.

- a) Describe **SIX (6)** elements of PESTEL analysis for Volkswagen. (24marks)
- b) Analyze **FOUR (4)** Volkswagen's effective strategies in sustaining competitive advantage. (10 marks)
- c) Evaluate Volkswagen's strategic plan to increase the VW brand's return on sales from 3.6% to 6.5% by 2026. Propose **FIVE (5)** strategic initiatives VW should implement to achieve this target. Consider the concepts of differentiation, cost-cutting, and innovation in your answer. (10 marks)

-----End of question-----

**Case study: "Volkswagen: tough market on car sales growth in 2024."**

Volkswagen (VW), a global automotive giant, has faced significant strategic challenges in recent years, including the emissions scandal and shifts in consumer preferences towards electric vehicles.

In early 2000s, while most automobile companies talk about bankruptcy, merger, collapse, and liquidation, Volkswagen AG is posting solid earnings. Based in Wolfsburg, Germany, and Europe's biggest automaker by sales, Volkswagen (VW) managed the global economic recession well by focusing on emerging markets such as China and Brazil and continually reducing costs. VW is the leading auto firm in China, not Toyota or Nissan. VW's market share in Western Europe rose to 20 percent in 2009 from 17.9 percent a year ago. While shrinking demand for new cars in major markets and high raw-material costs, and unfavorable exchange rates have reduced earnings of most European automakers, VW anticipated these conditions through excellent strategic planning and continues to take market share from rival firms worldwide. The German truck maker and engineering company MAN AG is VW's largest single shareholder at 30 percent, and its business too has been good. MAN's third quarter of 2008 saw profit jump 34 percent, lifted by strong sales of trucks, diesel engines, and turbo machinery. VW is currently spending \$1 billion to build a new plant in Chattanooga, Tennessee, for the production of a midsize sedan in 2011 with initial capacity of 150,000 cars annually. VW's plans for 2018 include increasing its U.S. market share from 2 percent to 6 percent by selling 800,000 vehicles annually in the United States. By 2018, VW also plans to export 125,000 vehicles from North America to Europe. VW's plans include large expansions at its Puebla, Mexico, plant. While most auto companies are cutting expenses, VW is increasing its 2009 U.S. marketing budget by 15 percent in its Audi AG luxury division. The Audi ads even ran during the 2009 Super Bowl. For all of 2008, VW's net profit rose 15 percent to 4.75 billion euros and revenues rose 4.5 percent to 114 billion. VW expects flat or even slight declines

In 2009 but some of its competitors are incurring billion-dollar losses. VW has cars named for climate patterns, insects, and small mammals. Along with the New Beetle, VW's annual production of 6 million cars, trucks, and vans includes such models such as Passat (trade wind), Jetta (jet stream), Rabbit, and Fox. VW also owns several luxury carmakers, including AUDI, Lamborghini, Bentley, and Bugatti. Other VW makes include SEAT (family cars, Spain) and SKODA (family cars, the Czech Republic). VW operates plants in Africa, the Americas, Asia/Pacific, and Europe. VW holds 68 percent of the voting rights in Swedish truck maker Scania and about 30 percent of MAN AG. VW also offers consumer financing. VW is acquiring Porsche Automobile Holding SE and merging their auto brands into VW. Based in Stuttgart, Germany, Porsche already owns 51 percent of VW but has weakened in 2009 after taking on \$12 billion in new debt. VW is in talks with China's BYD Co. to build hybrid and electric vehicles powered by lithium batteries. Based in Shenzhen, BYD will

supply VW with the battery technology. This will be the first automotive partner for BYD, which is one of the world's largest suppliers of cell phone batteries. VW is building a new assembly plant in Indonesia for \$47 million about 1 hour east of Jakarta, the capital. This plant will assemble the Touran and employ about 3,000 persons. Toyota already has a manufacturing plant in Indonesia and dominates that market. Currently many VW vehicles are imported into Indonesia, thus being subject to a 200 percent tariff. VW reported 2nd quarter 2009 earnings of \$397 million; the Audi division was the biggest contributor to the gains.

In 2024, with the raised of Electric Car, VW shows slowdown in sales if compared to years before. Volkswagen's original brand is "no longer competitive," the company's brand chief warned Monday, owing to high costs and low productivity.

"With many of our pre-existing structures, processes and high costs, we are no longer competitive as the Volkswagen brand," Thomas Schaefer told staff during a meeting at the German carmaker's headquarters in Wolfsburg, Germany, according to a post on the company's intranet site.

The company has been working to improve the financial performance its globally popular namesake car brand, a company spokesperson said. The process is especially important as the VW Group, the parent company, shifts to production of more electric cars. In keeping with its mission statement, "Mobility for generations to come", the Volkswagen Group is developing mobility solutions for the future, taking into account global trends and changes in customer needs. The Group plans to bring together all of its brands' mobility services on one mobility platform over the coming years. Autonomous driving combined with new mobility solutions is expected to mark Volkswagen's transformation into a leading provider of sustainable mobility. A vehicle fleet covering all of the many services, from vehicle rental to car subscription and ride pooling, will ensure high availability, usage and profitability.

Volkswagen Group owns several brands including Porsche, Audi and its original brand Volkswagen, founded in 1937. Among VW Group's mass-market brands, including Škoda, based in the Czech Republic and Seat, based in Spain, the VW brand had the highest sales volumes, by far, but the lowest operating profit margins during the first three months of this year, according to a corporate presentation.

VW Group hopes to increase the VW brand's return on sales from 3.6% last year to 6.5% by 2026, according to an investor presentation. In public presentations, VW has said it is trying to improve the performance of all its mainstream brands with, among other things, better differentiation among them as well as cutting wasteful spending. "We need to finally be brave and honest enough to throw things overboard that are being duplicated within the company or are simply ballast we don't need for good results," Kilian said.

The company, one of the world's biggest carmakers, is in the midst of negotiations with its works council over a cost-cutting scheme at the VW brand, the first step in a group-wide drive to boost efficiency in the transition to electric cars. The company had previously said it planned to take advantage of the "demographic curve" to reduce its workforce. Human resources board member Gunnar Kilian said this would be achieved through agreements on partial or early retirement.

However, the group financial performance will eventually increase with the launch of the electric cars. The company, which recently launched the electric ID.7 and plans a record 30 more new models during 2024, said it had "started the new year with a clearly positive trend" compared with the start of last year. When asked about demand for EVs, Volkswagen CEO Oliver Blume said they were "the future, period", but added: "we're flexible enough to adapt to changes in different markets".

*Source: Based By Miranda Murray and Nick Carey "Volkswagen says tough market to weight on car sales growth in 2024," (March 14, 2024); Christoph Rauwald, "VW Earnings Buck AutoIndustry Trend," Wall Street Journal (October 31, 2008): B3; Christoph Rauwald, "Volkswagen to Raise Output by 2018," Wall Street Journal (April 28, 2009): B3.*

