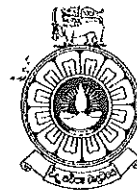


THE OPEN UNIVERSITY OF SRI LANKA  
FACULTY OF MANAGEMENT STUDIES  
MASTER OF BUSINESS ADMINISTRATION IN HUMAN RESOURCE  
MANAGEMENT PROGRAMME  
LEVEL 9  
OSP9336/ MSP9336 STRATEGIC MANAGEMENT  
FINAL EXAMINATION - 2022  
DURATION – THREE (03) HOURS



Date: 26<sup>th</sup> October 2022

Time: 9.30 am to 12.30 pm

**Note to the students:**

- Answer Question 1 AND ANY TWO (2) questions from others. Total marks 100.
- Answers should be focused and methodical.
- This question paper carries 4 Questions.

**Question 1.**

Read the following on Apple Incorporation and answer the questions given at the end.

**Apple Inc.**

The multinational company Apple Inc., headquartered in California, had the Apple 1 computer in 1976 as its first product. Since then, Apple has progressed in terms of its products and services. Apple Inc. was the pioneer to present highly innovative products, i.e., iPhones and iPads. The revenues of Apple are hugely based on the sales of iPads and iPhones. In 2020 Apple generated a revenue of \$365 billion and 52% of it was from iPhones. Overall, 194 million iPhones, 71 million iPads, and 20 million Mac and MacBooks were sold in 2020.

Apple has changed its corporate vision and mission statements over time to reflect changes in the company from the time of Steve Jobs to the current leadership of Tim Cook. The present mission statement of Apple Inc. is "Bringing the best user experience to its customers through innovative hardware, software and services."

One of the major strengths of Apple is its brand identity. Its products display striking design aesthetics, luxury, simplicity, originality, and creativity. They have used Apple as a lifestyle to market their products. With a market capitalization of 2.23 trillion USD as of April 2021, Apple Inc. is regarded as the world's biggest corporation in 2021.

Apple pays close attention to its product design. Continuous further research is carried out to understand the demands and needs of customers. Apple continuously go for good customer relations resulting in a good customer experience and satisfied customers.

The products of Apple comparatively have high prices. They are priced for middle-income and high-income customers.

Forbes has predicted that the sale of smart wearable products will double its sales by 2022 and will be a market of over US\$ 27 billion. Therefore, Apple also has the possibility to exploit this opportunity to improve the Apple Watches and AirPods into different wearable devices with wider market share.

There is an increasing demand for autonomous cars. Automobile developers have started using different platforms to offer different functions leading to developing self-driving software technology.

Apple has a high dependency on China to manufacture and distribute its products. The coronavirus has had a considerable impact in sales and productions in China and Coronavirus has adversely influenced its operations. There was a decrease in Apple's annual revenue in 2020 because of the uncertainty in certain supply chain processes.

Apple faces the issue of unauthorized products coming into the market using its brand image to sell fake products. These counterfeit products can represent a low-quality image of Apple to potential customers.

Apple faces intense threats from its rivals such as Samsung, Google, and Dell and from various products with limited market share.

Apple is rapidly growing into new services, for instance, video content streaming with Apple TV+, gaming, and simplified payment options with Apple Pay. It is competing directly with the already leading players like Netflix, Disney Plus, PayPal, etc.

Since its founding in 1976, Apple has enjoyed a lot of success in the technology marketplace as an industry leader and in 2018, Apple became the first US company to reach a market capitalization in the excess of one trillion US\$.

#### **Industry competition for Apple Inc.**

Organizations such as Samsung, Google Inc., Amazon Inc., among others, provide high competition for Apple in the technology industry. These companies are just as aggressive as Apple when it comes to innovation, development of new products and marketing, thus, providing Apple with a strong industry competitive force.

Additionally, with regard to product differentiation, Apple's competitors offer similar types of products that fulfil the same purpose for customers.

Low switching costs between products is also noted. It takes little investment from the customer to switch from an Apple product to another brand's product, usually due to the presence of similar products carrying out the same purposes, however Apples' operating systems (OS) is iOS and new users may find it difficult to switch into a new system at the beginning such as switching from PC and Android to Mac.

The presence of industry competitors provides an important consideration in Apple's strategic planning, a threat that has to manage by making their product unique. Further, rivalry within the industry is high, making this a strong force for Apple.

Apple has a diverse number of component suppliers to Apple globally and also can easily switch between component suppliers at a low cost with little or no obstacle.

Apple's component parts suppliers also value their position as a supplier to a big customer like Apple and are not willing to lose their position since such component manufacturers are facing competition within their industry. Therefore, they always value the relationship with Apple when negotiating a contract as a supplier.

For Apple when an individual customer switches to a rival brand its impact on Apple's revenue loss is negligible, however, a mass switch of customers to a direct rival can have an adverse impact to Apple's revenue and market share. Since at present due to the availability of information about a variety of products' features, customer reviews, etc. on Apple's and competitor products and services mass shift can be a threat. To counter this possibility Apple always make constant investment in research and development, which has led to development of various products unique only to Apple, such as AirPods and the Apple watch, thus strengthening customer loyalty and attracting new customers.

The threat of substitutes for Apple products seems low due to the limited capabilities of available substitutes. When comparing owning a DSLR camera instead of an iPhone 11, iPhone can make much more than taking clear pictures, by the user. At present, there is no other technology available to substitute the applications and use of smartphones completely. Apple introduced iPhone 14 and its versions in mid-September, 2022 to the market.

Also, the Apple operating system (OS) places Apple products in a strong market position, as there is no near substitute for it. Therefore, the threat of substitution acts as a weak force for Apple.

Since Apple is a well-established brand, its large market share over the world and the high capital investment, new entrants will face a lot of competition and challenges in setting up a new company. However, organizations such as Google and Amazon, with large financial and investment power, can compete directly with Apple even as a new entry, thus bringing the threat of potential new entry to compete with Apple at a moderate level. This also make it necessary for Apple to make a sizable amount on investments in R&D, on new products and services to retain Apple's customer base and to maintain a competitive edge over other brands and potential new brands.

This imposes a moderate level of discouragement to new investors to make an investment due to the high costs of developing and setting up a new competitor brand, even though certain large companies such as Google have the capability of doing so.

[End of the article on Apple Incorporation]

#### Questions.

- a) Identify the potential key success factor of Apple Inc. (4 marks)
- b) Carry out an industry analysis comprising of a SWOT and an industry analysis for Apple Inc. (18 marks)
- c) Express your opinion on the competitive position of Apple Inc. What will be the position of the company if a global economic recession takes place over the world, triggered by post Covid 19 impacts on world economy? (10 marks)
- d) Google Incorporation has introduced its Android operating system platform, and their own smart phones to middle market. Tesla, technology-based multibillion innovator and upmarket electric vehicle manufacturer, also has started to develop their own operating systems at present and is planning to introduce its mobile phone in the near future as per the industry information. Give your detailed opinion on Apple Inc.'s strategies on its competitive environment with the new and competitive products are being introduced by Tesla and Google. (10 marks)

- e) Express your opinion on Apple Inc. to consider diversification strategies a in the present context.  
Give possible strategy direction and justification for such a move. (8 marks)

(Total marks 50)

[End of question 1]

Question 2.

'Core competencies can be nurtured and maintained for sustainable competitive advantage when an organization become a learning organization.'

- a) Describe the above statement and explain your opinion. Explain how and when core competency of an organization can become a competitive advantage for an organization. (15 marks)
- b) Explain how an organization can become a "Learning Organization". Describe how a learning organization can improve the core competencies of an organization. (10 marks)

(Total marks 25)

Question 3.

'At present organizations opt for outsourcing as an alternative to vertical integration strategies.'

- a) Describe any two types of integration strategies an organization may pursue and describe under which circumstances such strategies may be implemented. Give suitable examples from financing related industry in Sri Lanka. (10 marks)
- b) Explain how and why outsourcing can be more beneficial to organizations than opting for vertical integration strategies. As per the current economic and social environmental situation in Sri Lanka would you agree with the above statement on integration strategies? Explain. (15 marks)

(Total marks 25)

Question 4.

Attempt Part a) and any TWO (2) from the other options in the context of strategic management.

- a) The need for good corporate governance practices for an organization and its impact on economic efficiency and social wellbeing of a country. (9 marks)
- b) Competitive vs corporative strategies for growth and survival. (8 marks)
- c) International market entry concerns to Sri Lankan organizations under the conditions of post COVID-19. (8 marks)
- d) With suitable Sri Lankan examples, explain cost leadership and differentiation strategies for a fast-moving consumer good (FMCG). (8 marks)

(Total marks 25)

(Copyrights Reserved)