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THE OPEN UNIVERSITY OF SRI LANKA
COMMONWEALTH EXECUTIVE MASTER OF BUSINESS/PUBLIC ADMINISTRATION
(CEMBA/CEMPA) PROGRAMME
LEVEL 9
OSPA453/MSPA453/MCP1653 – STRATEGIC MANAGEMENT
FINAL EXAMINATION – 2023
DURATION – THREE (03) HOURS

Date: 11th March 2023

Time: 9.30 am - 12.30 pm

Instructions:

- i. Answer PART A (Question 1 and Question 2) (Compulsory) and any 2 questions from the PART B.
- ii. Answers should be focused and methodical. Use suitable examples where applicable.
- iii. State your student registration number in every page of the answer scripts.
- iv. This paper has 5 pages. Maximum marks 100.

PART A (Compulsory questions)

Question 1

A Look at Michael E. Porter's Competitive Advantage if it were Written for 2023 and Beyond
Michael Gale

Contributor, *WSJ* bestseller, *A.I. influencer*, podcast host about the world in 2030.

Michael Porter is the father of the MBA and strategy design. He talked about in his text "Competitive Advantage, Creating and sustaining superior performance," and how nations can build and sustain competitive advantage.

His ideas are Newtonian in their importance and have stood the test of recessions, wars, Web 1.0, Web 2.0 and maybe Web 3.0. His simple pentagon of pressures or areas for competitive power, supplier power, buyer power, competitive power, the threat of substitution and the threat of a new entrant are the simplest exercise you can do as a trade-off exercise on a white board.

However, we have to ask if they are the right way to think about the underlying needs of strategy trade off in a digital world where the speed and dimensions of change are frenetic, sometimes irrational and can cause explosive upsides.

We live in extra-ordinary times that have to question the rhythmic simplicity of the trade-offs Porter's five competitive forces implies.

We know how Amazon has re shaped near everything. How Google has opened the door to near instant information and how Tesla has re written the rules for the automotive industry. However, it is not just the idea of doing this once from selling books online to now showing the national and international sports events for Amazon Prime video. Companies that can jump from one category to another, time and time again and be successful will be the winners.

We also know continued supply chain issues, inflation, labor shortages and a rapid reversal of unfettered global trade is going to be more pronounced in 2023. We cannot think the way we did in 2022 in the world of 2023 and expect different results.

In *The Digital Helix* (Wall Street Journal best seller on strategy) one very important DNA metric was an 87% predictor of extra-ordinary economic returns. The idea that those who adjust to the idea of living in a world of constant change are very capable and their results (OPEX changes, CAPEX reductions, margin growth revenue growth and capacity for innovations) are three times better than all the other companies, that index just 15% lower than they do on a constant change index.

It's now time to change that simple Porter pentagon and look at five new drivers of competitive management given below. One idea, the ability to handle constant change at the highest performing levels is the primary indicator of economic success in turbulent times. There are five underlying forces of that has to the ability to handle constant change which I call S.H.A.P.S.

*Force One : **Signal management drives pattern recognition***

Information is all around us (some real, some fake). Seeing through that noise to find signals is vital. Developing patterns for how to assess it is going to be an increasingly real strategic differentiator. Should Peloton have been tracking metrics on back to office and Covid infection rates versus pumping out more of their bikes? What signals did they miss? Should Zoom have found ways to measure the desire of their users to use more or different services from them during the transition from Covid as a crisis to Covid as a way of life? Is Facebook good or bad at signal management? Signal management really matters if you are open to finding new sources or ways to look at information. Pattern recognition is often seen as some sixth sense. It isn't if you learn how to hunt, aggregate, and draw patterns from them.

Managing signals at all levels of the organization from social through to influencer feedback inside large and complex purchases is the foundational force. It's questionable if you can stop a smarter competitor if they manage signals better than you.

*Force Two: **Agile decision making is iterative not definitive.***

There is no one right move. It isn't just supplier power or customer power in the old model. Imagine a world where the curve of time is long and moderately predictable, like a gentle wave. Now image a world with short waves, occasional Tsunami's, tidal bores and sudden Bermuda triangles can appear. Each of those need different types of decisions. The ability to be agile in how you make decisions is essential. It is not all or nothing, but maybe fast, slow and change direction. It is 100% impossible to predict the future, but it should not be 100% impossible to be able to navigate through it.

Iterative decision making should be driven by the idea of “in game decision making and choice,” not one definitive path with a binary set of choices. For force two to work, force one, signal management is a key,

Force Three: Customers permission elasticity matters

Brands are struggling to sustain historical strengths and dominance when there are so many choices for customers. Business customers and consumers are facing more ambiguity over choices than ever before. They are more open to looking at alternatives than ever before, not just companies but ways to solve challenges either not being solved or might need to be solved soon. If you do not know how strongly your customers are open to new relationships with you – I call this permission elasticity.

Knowing what that is will be vital to how you work out your opportunities for new services, products or even conversations. If you are not constantly talking with customers about their challenges and possibilities somebody else will be. Signal management, agile decision making and recognizing that the world of constant change is all around your customers too, changes how they think about what is possible for them too.

Customer’s elasticity of permission is a vital force that you should be applying. If you don’t others will open the window of opportunities with them.

Force 4: Supply does not mean a chain any more

We get products delivered right to our door within minutes. Instant is going to be the new imperative and that means supply chains need to be so compressed to the point where they almost do not exist. The next few years and the last two years have and will illustrate how painful chains are, so the chains need to be broken.

This idea relates as much to people as it does to product and service delivery. It’s a primary reason why software centered companies that are in constant connection with their product and their customers in a virtuous circle (like a three circles Venn diagram) can adjust the potential economic returns almost based on force one, signal management, force two, agile decision making, force three, accessing customer permission. Ideas like intelligent systems and big concepts like the machine economy and edge compute center around the idea of constantly connected, learning systems that adjust to reduce the chains elements of supply to near zero.

Force Five: Strategy is only one step ahead

In a digital world most of the signals are absolutely in front of us, the pressure is to investigate and shop for them. The ability to build an organization capable of living like this is a new cadence and pressure. Understanding how to iteratively build and adjust strategy in near real time is the same skill so brilliantly shown by Super Bowl winning coaches. This requires a constant challenging mindset – growth mindset in its purest format.

The fifth force is about building an organization capable of handling strategy as a constant examination and not just through the bi-annual management retreat. Strategy, as a fifth force is fed by exceptional signal management.

If you want to thrive and deliver repeatable strategy you need to score your whole organization against these S.H.A.P.S. variables, signal management, agile decision making, customer permission, supply without the chain and an idea that strategy cannot be more than one step ahead. Every successful company over the next twenty or maybe thirty years will need to solve these combined five forces on an ongoing basis. Strategy in an intelligent, digital first world is a constant, not just an annual retreat.

The power of systems that bring that intelligence into play on an ongoing basis will separate winners from losers in the next digital ages. The five combined forces of S.H.A.P.S. should be the new strategy imperative.

(Source: Extracted from Forbes, Michael Gale, 11th October 2022)

Read the above article on “A Look at Michael E. Porter’s Competitive Advantage if it were Written for 2023 and Beyond” and answer the following.

- a) Describe the competitive advantage over other competitors for an organization. What measures can be adopted to earn a competitive advantage for a service organization. (12 marks)
- b) As per the article above, what challenges do you suggest for the service-based organizations? How can an organization in service sector earn competitive advantage in digital age? Explain. (12 marks)
- c) Describe Michael Porter’s 5 forces industry analysis model. Explain under what conditions organization can be viewed as having a strong competitive position. What measures can be taken by such a firm to strengthen or improve its competitive position? (12 marks)
- d) Analyze the five S.H.A.P.S. forces described in this article which are applicable for organizations you are employed at present. Give your opinion. (12 marks)

Total: 40 Marks

Question 2

Do you agree with the following statements? With your opinion briefly explain the answers to following statements. (3 marks each)

- a) “Mission statement of an organization cannot be changed over time.” (03 marks)
- b) “Strategy implementation is comparatively easier than strategy formulation.” (03 marks)
- c) “Outsourcing is a cheaper option to vertical integration strategies.” (03 marks)
- d) “In an organization, SBUs falling into the category of ‘stars’ will always advance to ‘cash cows’ of the BCG matrix, eventually.” (03 marks)

Total: 12 Marks

(End of Part A)

PART B (Answer any two questions from the following.)

Question 3

To remain competitive, organizations need to learn faster, need to work more effectively, and need to develop a customer responsive culture.

- a) Describe the characteristics of a learning organization. Explain how a learning organization can contribute the organization to be competitive. (12 marks)
- b) With details explain the challenges to the learning organization in the context of COVID-19 pandemic uncertainty (08 marks)

Total: 20 Marks

Question 4

Ansoff Matrix, presented by Igor Ansoff, is a strategic planning tool that provides a framework to devise strategies for future growth of an organization.

- a) With suitable examples from the Sri Lankan business environment describe Ansoff matrix model for strategic planning. (10 marks)
- b) How can Ansoff Matrix be used as a guide for making decisions in managing future and present products/services with different risk levels. Explain. (10 marks)

Total: 20 Marks

Question 5

The process of strategy evaluation and control helps strategist to determine the effectiveness of a given strategy in achieving the organizational objectives.

- a) Describe the need for internal and external information sources for proper strategic control measures highlighting the benefits of strategy evaluation and control task. (10 marks)
- b) Explain how organizations can use applications of Strategic Control Systems, accounting information, benchmarking, Balanced Scorecard(BSC), etc., in strategy evaluation and control tasks. (10 marks)

Total: 20 Marks

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