

The Open University of Sri Lanka
Master of Business Administration in Human Resource Management
Final Examination 2017 [Semester- II]
Strategic Management MCP2255
Duration- THREE (3) Hours



Date: 25th June 2017

Time: 9.30 am to 12.30 pm

Instructions: Answer Question One (01) and Two (02) Questions from others.

Question One

Stuck in The Middle? Take the Flexible Approach

The “middle” seems to be what every executive wants to avoid these days. And perhaps for good reason. There is ample research on business strategy that suggests the middle is to be avoided for fear of being stuck in it. The conventional view is to see the “middle” as the problem. I see things slightly differently: the problem is not the middle; it is allowing your firm to get stuck at all. How you see the problem has big implications for taking action.

Michael Porter of Harvard Business School originally discussed the problem of “stuck in the middle.” He said that the profitability of a firm depends not only on the typical rates of return in an industry. It depends more importantly on the firm’s position and competitive advantage in that industry. And he argued that competitive advantage derives from one of two strategies: cost leadership or differentiation of products or services. Across most industries you can find firms and products that aim for advantage based on either cost leadership or differentiation. The middle between them is not a good place to become stuck, as American Airlines found when it had to file for bankruptcy, and Chrysler and GM found when they required a government bailout in 2009.

Being stuck in an unattractive business without a viable exit is one of the worst situations for a firm. Think of nuclear power and petrochemical plants, and many manufacturing operations whose owners face exit costs that can ruin the economics of

a business as it approaches its end. Another example is the minority investor who is stuck in an underperforming private firm—even if a minority investor wanted to exit, his or her investment could be stranded if the securities are illiquid. An airline can become stuck with an aging fleet of airplanes, uneconomic union contracts, or landing rights that don't fit the more profitable segments of demand. Retailers can become stuck because of stores planted in neighborhoods with the wrong demographic trends. A technology company can become stuck because of a commitment to obsolete technology. Many of these examples of “stuckness” arise because managers made an inflexible commitment to what they thought would always be an attractive business.

Irreversible market positions entail commitments that expose the firm to risks. In contrast, flexible positions can be altered as conditions change. You can think of flexibility as a call option on an alternative strategy—it is enabled, for instance, by holding excess manufacturing capacity, excess inventory, or excess cash.

The challenge for business leadership is not to avoid the middle, but rather, to develop flexibility—such as a sensible “Plan B” — if the dice turn against you. The middle is bad if you are stuck in some important way. The inability to respond flexibly and appropriately to new competitive conditions is the grave threat.

Source-Matt Symonds, FEB 24, 2012, Forbes

- a) Explain the concept of M. E. Potter's generic strategy highlighting the implications of “Stuck in the middle”. (16 Marks)
- b) “The challenge for business leadership is not to avoid the middle, but rather, to develop flexibility”. Critically evaluate this statement. (16 Marks)
- c) Explain how you can use “Blue Ocean/Red Ocean strategy” as substitute for M.E. Potter's generic strategy. (20 Marks)

[Total-52 Marks]

Question Two

Discuss the Ansoff product/market growth matrix. Using an organisation of your choice, critically analyse the benefits and constraints for each of the strategy directions proposed in the matrix. (24 Marks)

Question Three

The resource-based school has more fundamentally questioned the view that generic strategies cannot be the basis of competitive advantage and they suggest that organizations must develop unique firm-specific core competences that will allow them to outperform competitors by doing things differently and better. (Prahalad & Hamel, 1990)

- a) Explain the concept of “core competency” using an example from “healthcare” sector in Sri Lanka. (8 Marks)
- b) As a professional in Human Resource Management, explain the approaches that you would encourage to develop core competencies for an organization. (8 Marks)
- c) Critically analyze how the concept of “core competency” is important in carrying out an environmental analysis of an organization. (8 Marks)

[Total -24 Marks]

Question Four

Explain any Three (03) of the following related to Strategic Management. (8 Marks each)

- a) Balanced Score Card(BSC) and its application in strategy evaluation
- b) Corporate Governance and current trends
- c) Strategic Business Unit(SBU)s and resource allocation decisions
- d) The McKinsey 7-S model
- e) Value chain analysis and its application in improving Competitive Advantage

[Total -24 Marks]

(Copyrights Reserved)