THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES

BACHELOR OF MANAGEMENT STUDIES HONOURS

OSU6501 STRATEGIC MANAGEMENT
FINAL EXAMINATION – 2024 / 2025
DURATION – THREE (03) HOURS

DATE: 15th JUNE 2025 *TIME: 01.30 pm – 4.30 pm*

INSTRUCTIONS:

- **Answer FOUR (04) Questions, including question number ONE (01).**
- **Answers should be methodical and focused on the question.**
- **Illegible handwriting may cost marks.**

Question No 01 (Compulsory Question)

Read the following case study on Skype and attempt the questions given below.

Goodbye Skype: Microsoft Officially Shuts Down the App After 22 Years

Skype was founded by Estonian developers Zahti Heinla, Priit Kasesalu and Jaan Tallinn, Danish developer Janus Friis and Sweden's Niklas Zennstrom. This voice-over-IP service was launched in August 2003. The original Skype application permitted voice calls from PC to PC and little else. Skype's 0.90 Beta created the platform to permit calls to landlines from PCs on a fee schedule. After the original 0.90 Beta, Skype released several subsequent versions (0.97, 1.0, and 1.4 Beta). Version 2.0 Beta was released in 2005. This 2.0 Beta program first introduced video calling using a greatly simplified new design and a simplified interface. With the release of the Beta 2.0 version in 2005, Skype zoomed to new levels of popularity. This year, eBay acquired Skype in a landmark transaction for $2.5 billion.

A Pivotal Year for Skype

During eBay's ownership, Skype continued to make incremental advances. Frustration set in at eBay, which announced that it had overvalued Skype. The direction of Skype began to change with an emphasis on sociability. The result was that Skpecasts were introduced in May 2006. Skypecasts allowed users to utilize voice conversations with up to 100 participants. These communications resembled chat rooms that were directed by a host who determined who could speak next. Skype 3.1 transitioned users from a family and friend network to extended networks for businesses and organizations. The programs of Skypecasts remained active until September 2008. Meanwhile, eBay became increasingly disenchanted with its investment, losing millions of dollars every year. Finally, in September 2008, the company cited that the programme had failed to maintain the expected minimum quality standards.

Internal Tensions Rise in 2008

Tension between eBay and Skype management teams increased in early 2008. Continuing shifts in management personnel culminated in the departure of Friis and Zennstrom. Josh Silverman became CEO in February 2008 and immediately set about concentrating on video

calls. This shift eliminated previously popular programs like Skype Find and Skypecast. Version 4.0 promoted improved video calling with 720p HD. Skype 4.1 was launched in 2009. This version introduced the concept of screen sharing. Skype 4.1 also used Boingo to offer wireless internet access through access points.

Skype Goes Mobile

By 2010, Skype 4.1 was ingrained in Windows, Mac, and Linux. Skype set its sights on the mobile marketplace, such as Android, iPhone, and iPad. Early versions only permitted voice calls. In December 2010, Skype video calls became available to iPhone users. By June 2011, Androids enjoyed the same access. Skype continued to expand into new markets and achieved accessibility to such applications as Linux, smart TVs, Skype phones, and consoles. In May 2011, Microsoft acquired Skype for $8.5 billion. At this point, Version 5.3 reigned. Version 5.3 included Facebook integration and offered group video calls. In November 2012, Microsoft announced that Skype would become the main Microsoft messaging service, eliminating its proprietary Messenger service.

Redesign misstep

To attract younger users, Skype loaded its app with Snapchat-like stories and flashy emojis. The result featured a creep that buried Skype's core functionality. Users were furious. The app store ratings plummeted from 3.5 to 1.5 stars. Skype had to apologize publicly and roll back many changes. While Skype was busy adding "attractive" features to chase trends, it neglected reliability, undermining the very reason people used Skype.

By late 2010, Skype was perceived as less stable – dropped calls, lag, and bloated memory usage became common complaints, while Zoom earned a reputation for smooth, stable video meetings. In short, Skype's inability to modernize its tech stack quickly, it directly impacted user satisfaction and opened the door for leaner rivals. As a result, Skype was losing its video conference crown to Zoom even before the COVID-19 pandemic.

Missed moment and Pandemic decline

The COVID-19 pandemic forced the world to video conference from home, seemingly a scenario tailor-made for Skype's dominance. Indeed, in early 2020, Skype still had a strong user base – 100 million people used it at least monthly, and 40 million each day in March 2020. Skype held the largest share of the market, but those users quickly flocked elsewhere. Zoom and Google Meet exploded, eating into Skype's share (Zoom grew by 22% and Google Meet by over 20% that year). A survey in April 2020 showed 27% of businesses primarily using Zoom vs. 15% using Skype. By early 2021, Zoom commanded around half the market, leaving Skype with just 6.6%. Skype's failure to capitalize on the lockdowns was striking: what should have been "Skype's big moment" became Zoom's moment instead. Skype's daily user count actually fell during the pandemic from 40 million to 36 million by 2023. Suddenly, no one said "Skype me" anymore. It was all "Zoom me."

In February 2025, Microsoft finally announced it would shut down Skype on May 5, 2025, officially retiring it in favor of Microsoft Teams. After over 21 years, the Skype era had officially come to an end.

Source: https://www.eleken.co/blog-posts/why-did-skype-fail

a) Explain the different strategic alternatives implementable at the corporate, business, and functional levels of strategy. Support your explanation with specific examples from the case study.

b) Discuss the major reasons for the failure of large companies, citing examples from Skype.

c) Explain the VUCA elements of the external environment, citing insights from the case study.

d) Using the BCG Matrix framework, analyze the market position of Skype and Zoom during the year 2020. Identify which quadrant each service provider falls in the BCG matrix and justify your reasoning.

(10 Marks each)

(Total 40 Marks)

Question No 02

a) 'Strategy has a direct link with the performance of an organization.' Explain what a strategy is in the context of the contemporary business world. Enrich your answer with real-world examples.

(10 Marks)

b) 'Vision sets the road map for setting Mission, Goals, and Objectives. These four aspects jointly reflect the future direction of an organization.' As a person who learned strategic management, describe and differentiate the above **Four (04)** aspects with suitable examples.

(10 Marks)

(Total 20 Marks)

Question No 03

a) Assume that you are going to open a retail supermarket in your hometown. Before opening the supermarket, you want to analyze the attractiveness and competitiveness of the industry. With a suitable illustration, explain the M.E Porter's Five Forces industry analysis model. Analyze the industry, and briefly discuss the strength and nature of each of the forces.

(10 Marks)

b) Explain the concept of cost leadership strategy. How can a company use Value Chain analysis to become the lowest-cost producer in the market and gain a competitive advantage?

(10 Marks)

(Total 20 Marks)

Question No 04

a) 'A well-structured strategy evaluation and selection process enables an organization to implement the most viable and suitable strategic options.' Explain the SAF model and explain **Three (03)** tools that can be used to assess the suitability of the proposed strategies.

(10 Marks)

b) Explain what benchmarking is, and describe two types of benchmarking with real-world examples.

(10 Marks)

(Total 20 Marks)

Question No 05

Critically comment on the following statements. Select **ONLY FOUR (04)** statements from the given list.

a) 'Strategy formulation is an intellectual process, whereas strategy implementation is an operational process.'

b) 'Porter's Generic Strategies are built upon competitive advantage and competitive scope.'

c) 'The behavior of various stakeholders influences the strategic decisions made by the organization.'

d) 'A good strategy should incorporate a degree of creativity, uniqueness, and distinctiveness.'

e) 'A market penetration strategy typically requires extensive advertising and promotional efforts to effectively establish the presence in the market.'

f) 'Intensive strategies focus on identification of further opportunities to achieve growth within the company's current business.'

(05 Marks each)

(Total 20 Marks)

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