THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES

BMS HONOURS IN HUMAN RESOURCE MANAGEMENT DEGREE PROGRAMME
BMS HONOURS IN MARKETING MANAGEMENT DEGREE PROGRAMME
BMS HONOURS IN ACCOUNTING AND FINANCE DEGREE PROGRAMME

OSU6401 STRATEGIC MANAGEMENT
FINAL EXAMINATION – 2025 / 2026
DURATION – THREE (03) HOURS AND FIFTEEN (15) MINUTES

*DATE: 13th JUNE 2026* *TIME: 01.30 pm – 4.45 pm*

INSTRUCTIONS:
- **Answer FOUR (04) Questions, including question number ONE (01).**
- **Answers should be methodical and focused on the question.**
- **You are responsible for legible and clear handwriting.**
- **An additional fifteen (15) minutes is allocated to read the case study.**

**Question No 01 (Compulsory Question)**

**Read the following case study and answer the questions given below.**

**Starbucks: A Coffee Brand that Created a Worldwide Coffee Culture**

The story of Starbucks began in 1971 in Seattle's historic Pike Place Market, eventually growing into a worldwide symbol of coffee culture. The store primarily sold fresh-roasted coffee beans, tea, and spices. The company was founded by three friends who attended the University of San Francisco: Gerald Baldwin, Gordon Bowker, and Zev Siegl.

**Strategic Shift and Ownership Transition**

In 1984, Starbucks's director of operations, Howard Schultz, took a trip to Italy and was inspired by the country's coffee culture. Upon his return, he proposed that Starbucks should introduce espresso-based beverages to its customers. The founders believed this idea shifted away from Starbucks's primary business goal. In 1985, Schultz left Starbucks to start his own coffee venture and called it Il Giornale. Even after leaving Starbucks, Schultz maintained a strong connection with Starbucks. Starbucks was Il Giornale's first investor and provided the new company with coffee beans for its drinks. At the start of 1987, co-founder Siegel had left Starbucks. Struggling to agree where the company was headed, the remaining founders, Bowker and Baldwin, decided to sell the company's assets, including the Starbucks name, roasting plant, and six Seattle locations. The buyer was Schultz. Il Giornale acquired Starbucks assets and adopted the name, merging the two companies. Later, Starbucks soon expanded its global presence to Chicago and Vancouver, Canada, and then on to California, Washington, D.C., New York, Japan, Europe, and China.

**Strategic Positioning and Competitive Advantage of Starbucks**

Prior to Starbucks's takeover, other coffee chains in the United States were primarily focused on providing customers with low-cost products and quick service without much attention to

quality or experience. With an emphasis on the quality of ingredients, various brewing methods, and unique flavor profiles, Starbucks transformed the public's perception of coffee from a basic commodity to a high-quality product that could be enjoyed by everyone. Starbucks believed coffee shops should be more than a place to get a cup of joe. Their store designs are intended to invite customers in and provide them with a place where they can relax, meet people, and even work remotely. Comfortable seating, calming music, complimentary Wi-Fi, and a welcoming atmosphere are common characteristics of Starbucks locations.

**Expansion of Offerings**

Coffee was typically offered in standard sizes and with limited options, leaving very little room for customized orders. Starbucks empowered customers to customize their orders in numerous ways, such as the type of milk used, sweetness levels, flavors, toppings, and more. Traditionally, coffee offerings were limited, consisting of basic options. Starbucks has shifted the coffee industry by continuously experimenting with new products and flavors. Through development and testing, the company has expanded its menu to include a wide variety of selections outside of premium coffee, including Starbucks VIA Instant sweetened iced coffee, Blended strawberry lemonade, etc. Starbucks also introduced baked goods, sandwiches, and salads, turning the brand into a full-service cafe, not just a typical coffee shop.

**Red Cup Contest**

In 2014 and 2015, Starbucks released its annual red cups with a holiday contest on social media. Consumers were encouraged to take pictures of their red Starbucks cups and share them with the #redcupcontest hashtag to enter to win a prize. The buzz surrounding the contest was tremendous, as the Starbucks logo flooded social media platforms, making the marketing campaign widely successful. The key to the campaign was the amount of user-generated content it created. Consumers showing off their red cups increased customer engagement and brand identity, which further established Starbucks as a trusted brand.

**Strategic Partnerships**

Starbucks and PepsiCo formed a strategic partnership in 1994. The partnership made PepsiCo the distributor of Starbucks's ready-to-drink coffee products, making them available outside of Starbucks locations, such as grocery stores and convenience outlets. Starbucks has also partnered with Apple for several initiatives, including integrating Apple Pay into its mobile app and payment system. Customers can make purchases in the app using Apple Pay.

At Starbucks, employees are considered partners rather than just workers. In 2014, Starbucks introduced the Starbucks College Achievement Plan in partnership with Arizona State University to support employee education and career development. Employees who work an average of 20 or more hours per week are eligible to receive full tuition support for online degree programs. The program also provides support services such as career guidance, tutoring, and academic assistance.

**Market Overview**

The U.S.-branded coffee shop market was valued at approximately $54 billion in 2024 and is projected to reach $72 billion by 2028, at a growing rate. During this period, the market was growing at a compound annual growth rate of approximately 6.9% between 2020 and 2025, reflecting strong consumer demand for coffee shop experiences. Within this maturing market,

Starbucks remains the dominant player, operating nearly 17,000 U.S. stores in 2024; more than the combined store count of Dunkin' and Dutch Bros. Starbucks holds approximately 40% market share in U.S. coffee shops, followed by Dunkin' at 26% and Dutch Bros at 3%. Source: Starbucks website (2026); MarcomCentreal (2026); World Coffee Portal (2025).

a) Explain the corporate-level, business-level, and functional-level strategies related to business organizations. Provide suitable examples from the "Starbucks" case study for each strategic level. (10 Marks)

b) Assume that a Sri Lankan investor is planning to obtain a franchise from Starbucks to establish Starbucks coffee outlets in major cities in Sri Lanka. Using the PESTEL Framework, evaluate the Sri Lankan environment and assess the feasibility of opening Starbucks coffee shops in Sri Lanka. (12 Marks)

c) Using the U.S coffee shop market information presented in the case study, identify the appropriate BCG matrix quadrant for Starbucks in 2024. Justify your answer. (10 Marks)

d) Based on the case study, identify four factors that contributed to the success of Starbucks. Support your answer with examples from the case study. (8 Marks)

**(Total 40 Marks)**

**Question No 02**

a) Explain what " Strategic Management " is and explain the three dimensions of strategic Management. (10 Marks)

b) "The major weapon to beat the challengers in the dynamic business world is organizational adaptation".
Explain what organizational adaptation is with a real-world example. Explain what are the important aspects needed for a proper organizational adaptation. (10 Marks)

**(Total 20 Marks)**

**Question No 03**

a) "According to the Resource-Based View, organizational resources are the primary determinants of the competitive advantage."
With reference to the above statement, explain how organizations can achieve a competitive advantage through the application of the VRIO framework. (10 Marks)

b) Pearl Island Pvt Ltd. is a beverage manufacturing company in Sri Lanka, and is planning to expand its operations by establishing a new production facility in a different district of the country. The expansion project is expected to create new growth opportunities and improve the company's market position. However, the management anticipates different reactions and levels of involvement from parties connected to the project.

Identify the key stakeholders involved in this initiative. Classify and position these stakeholders using Mendelow's Matrix. (10 Marks)

**(Total 20 Marks)**

**Question No 04**

a) "Although organizations may develop unique strategies, they often face difficulties during implementation. Discuss the possible issues that arise during the strategy implementation stage. (10 Marks)

b) "Many managers believe that the strategic management process ends once strategies are implemented."
Do you agree with this statement? Explain your answer. (10 Marks)

**(Total 20 Marks)**

**Question No 05**

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

a) "Corporate governance is the invisible hand governing the organization to cultivate transparency."

b) "Corporate Social Responsibility is the concept that businesses should not only focus on profit but also consider their impact on society."

c) "Distinctive resources and capabilities are the prime determinants of the competitive advantage."

d) "Porter's Five Forces model for industry analysis is a comprehensive tool to evaluate the competition and attractiveness of the industry environment."

e) "Strategic decisions should be rare, directive, and consequential in nature."

(05 Marks each)

**(Total 20 Marks)**

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