



**UNIVERSITI KUALA LUMPUR  
MALAYSIAN INSTITUTE OF INFORMATION TECHNOLOGY**

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**FINAL EXAMINATION  
JANUARY 2016 SEMESTER**

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**COURSE CODE** : IEB 31003  
**COURSE NAME** : STRATEGIC MANAGEMENT  
**PROGRAMME NAME** : BACHELOR OF BUSINESS TECHNOLOGY (HONS)  
(FOR MPU: PROGRAMME LEVEL) : COMPUTER ENTREPRENEURIAL MANAGEMENT  
**DATE** : 20 MAY 2016  
**TIME** : 3.00 pm – 5.30 pm  
**DURATION** : 2 ½ HOURS

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**INSTRUCTIONS TO CANDIDATES**

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1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **TWO (2)** sections; Section A and Section B.
4. Answer **ALL** questions in Section A. For Section B, answer **TWO (2)** questions.
5. Please write your answers on the answer booklet provided.
6. Answer all questions in English language **ONLY**.

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**THERE ARE 8 PAGES OF QUESTIONS, INCLUDING THIS PAGE.**

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## SECTION A (Total: 60 marks)

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided.**

**Question 1**

Strategic management processes consist of strategy formulation, implementation and evaluation. Briefly explain **SIX (6)** issues for strategy formulation.

(15 marks)

**Question 2**

*lululemon athletica's* in-depth knowledge of its target audience is an important, firm-asset asset. "Rooted in yoga but expanded into any sweaty pursuit you may have, *lululemon* creates technical fabrics that work with you instead of against you. Plus, they look cute!" explains Levisay.

"80 percent of our guests come to know *lululemon* through word-of-mouth. Guests are so pleased with the clothes we offer that they can't help but tell all their friends about it," explains Laci Levisay, a *lululemon* associate from a store in Austin, Texas. Levisay continues, "For the other 20 percent who walk into *lululemon* stores with no previous knowledge, store employees look to find out as much as possible about the guests' lifestyle and then educate them on what products would best suit their needs."

- (a) Analyse the given excerpt. Discuss **TWO (2)** non-financial benefits of strategic management that *lululemon* may have gained.

(10 marks)

- (b) Communication is a key to successful strategic management. How does enhanced communication of the firm's vision end in a result of having all managers and employees on a mission to help firm succeed? Use *lululemon's* case as an example.

(5 marks)

## Question 3

*Facebook* itself operates under a developer-centred culture where the focus is less on the flashy features of a new product and more on the logistics behind products. Yee Lee provides a very important message in his article, "How *Facebook* Ships Code."

Engineers [at *Facebook*] generally want to work on infrastructure, scalability, and "hard problems" – that's where all the prestige is. It can be hard to get engineers excited about working on front-end project and user interfaces. This is the opposite of what you find in some consumer businesses where everyone wants to work on stuff that customers touch so you can point to a particular user experience and say, "I built that." At *Facebook*, the back-end stuff like news feed algorithms, ad-targeting algorithms, memcache optimisations, etc. are the juicy projects that engineers want.

These developers are referred to as the "offensive line" as they are the backbone of the *Facebook* team. One of the key aspects that sets *Facebook* apart is its celebration of its "offensive line". It ensures that the difficult jobs, those whose effects are less noticeable for the end user, are the ones that people at *Facebook* are most excited about doing. These jobs are the most highly respected occupations at *Facebook* and because of this, *Facebook* has managed to create a culture that would be challenging to duplicate or imitate.

(Source: Cook, Hicks, Rodriguez & Rogers, 2013)

Prepare a culture assessment table for *Facebook*, based on the given excerpt. Rate the organisation on **FIVE (5)** culture criteria.

(15 marks)

## Question 4

With over 6,000 employees, 1,400 franchises, and 9 production facilities, *Harley-Davidson* has managed to survive the economic downturn and was in full force in late 2007 and the next few years; but the firm is not free from challenges yet. In fact, *Harley* is struggling with 3 pivotal issues: the first is that the firm's products are viewed as leisure item; the other 2 issues are similar in terms of challenges in managing the firm's target market, as demand for its products is changing. Individually and collectively these issues pose a real challenge to the company's long-term success. Without addressing these issues, *Harley* may lose its ability to create value for customers and serve stakeholder's needs as a result.

The first pivotal issue means that in many consumers' eyes, purchasing motorcycles, performance parts, and high-dollar apparel is a luxury rather than a necessity. Because of this, *Harley's* products must compete for funds from what at least sometimes can be volatile discretionary budgets for consumers. When economic conditions are challenging, the motorcycle market tends to experience difficulties in terms of generating adequate sales. While *Harley-Davidson's* revenue streams originate from several sources, very few of them appeal to a cost-sensitive consumer base.

Second, *Harley-Davidson* is challenged to effectively specify its target market as a first step to appropriately serving that market's needs. Historically, the firm's target market has been males between the age of 29 and 55. However, in the last decade, *Harley* has pursued younger riders and women as a means of expanding its target customer segments. But expanding the segments is not a risk-free decision or choice for the firm to make, in that serving others might cause the firm to lose its ability to effectively serve the specific needs of the 29- to 55-year-old male.

Third, demands and cost drivers for the motorcycle market are ever changing. Overseas competitors have shifted their focus from being the least expensive to being affordable and providing a wider variety of motorcycles to customers as options to purchase. This competitive shift has put pressure on *Harley's* key markets and has forced the firm to respond. With over 12% and 55% of the European and US heavyweight motorcycle market respectively, *Harley-Davidson* has a substantial territory to defend.

- (a) Analyse the excerpt. Briefly explain **THREE (3)** external forces for *Harley-Davidson*.  
(12 marks)
- (b) In your opinion, can technological force be considered as an external force for *Harley-Davidson*? Justify your answer.  
(3 marks)

## SECTION B (Total: 40 marks)

**INSTRUCTION: Answer only TWO questions ONLY.**

**Please use the answer booklet provided.**

## Question 5

Logitech's Competitors

As a specialised company, *Logitech* is exclusively in the industry of personal peripherals, which it sells to retailers as well as major computer manufacturers. The demand of such an industry often depends strongly on the economic stability and income of its consumers, as well as the profitability of its business customers. This is because technology products like the ones offered by *Logitech* are often expensive, and individuals and companies are reluctant to buy them unless they have the income to do so. Within this industry, there are a number of factors that affect *Logitech's* competitiveness and price structure. With respect to market competition, *Logitech* has three major competitors: *Creative Technology Ltd*, *Microsoft Corporation*, and *Royal Philips Electronics N.V.*

*Creative Technology Ltd* is one of the worldwide leaders in digital entertainment products for the personal computer (PC) and the Internet. *Creative Technology* was founded in Singapore in 1981, with the vision that multimedia would revolutionise the way people interact with their PCs. The *Creative Technology* product line includes MP3 players, portable media centres, multimedia speakers and headphones, digital and web cameras, graphics solutions, revolutionary music keyboards, and PC peripherals. Creative had a net profit margin of -29.58% in financial year 2009 and -32.82% in the first quarter of 2010.

*Microsoft Corporation* provides software/hardware products and solutions worldwide. Founded in 1975 by Bill Gates and Paul Allen, *Microsoft's* core business is to create operating systems and computer software applications. *Microsoft* has since expanded into markets such as mice, keyboards, videogame consoles, customer relationship management applications, server and storage software, and digital music players. In financial year 2009, *Microsoft Corporation* had annual sales of USD58.4 billion and a net income of USD14.5 billion.

*Royal Philips Electronics* is a Netherlands-based company that focuses on improving people's lives through innovation. *Philips* is a well-diversified company with products in many different industries. Products offered by *Philips* include consumer electronics, televisions, VCRs, DVD players and fax machines, as well as light bulbs, electric shavers and other

personal care appliances, medical systems, and silicon systems solutions. With this diversified portfolio of products, *Royal Philips* had financial year 2009 revenues of USD30.76 billion and a gross profit of USD11.59 billion.

*Logitech* is the only company of this group exclusively focused on personal peripheral products, whereas all of its competitors have products and resources invested in a wide variety of other industries.

(Source: Hoffman, 2011)

- (a) Choose **ONE (1)** of the following tools to analyse the given case. Develop the chosen matrix tool with the information from the excerpt:
- External Factor Evaluation (EFE) Matrix
  - Competitive Profile Matrix (CPM)
  - Strengths-Weaknesses-Opportunities-Threats (SWOT) Matrix
  - Strategic Position and Action Evaluation (SPACE) Matrix
- (16 marks)
- (b) Based on your analysis, recommend **TWO (2)** specific strategies.
- (4 marks)

**Question 6**

Answer the following questions with strong support of examples:

- (a) Explain how to use the Internal-External (IE) Matrix.
- (10 marks)
- (b) Develop an IE Matrix with the information given in the following table.

Division	Sales (RM)	Sales (%)	Profits (RM)	Profits (%)	IFE Scores	EFE Scores
1	100	25.0	10	50	3.6	3.2
2	200	50.0	5	25	2.1	3.5
3	50	12.5	4	20	3.1	2.1
4	50	12.5	1	5	1.8	2.5
Total	400	100.0	20	100		

(10 marks)

## Question 7

"When most firms were struggling in 2008, *Apple* increased its revenues from USD24.0 billion in 2007 to USD32.4 billion in 2008. *Apple's* net income was USD4.4 billion in 2008, up from USD3.5 billion the prior year—wonderfully impressive in a global slump. Fortune magazine in 2009 rated *Apple* as their number-one 'Most Admired Company in the World' in terms of their management and performance. That's right, number one out of millions of companies around the world.

In the global recession, technology purchases were deemed disposable or discretionary for most businesses and individuals. New orders for both business and consumer tech products plummeted, and technology firms shed workers rapidly. This led to massive layoffs in the computer industry and related industries. The meltdown permeated all the way down the supply chain to chip makers, hard drive makers, peripheral makers, software vendors, and other segments. *Hewlett-Packard* recently cut 24,600 employees and *Dell* laid off 8,900. *Microsoft* recently cut its travel budget 20% and laid off 5,000 employees.

Amid recession and faltering rivals, *Apple* is doing great. Brisk sales of iPods, iPhones, and laptops are yielding higher and higher revenues and profits every quarter. Legendary CEO Steve Jobs and his colleagues are implementing a great strategic plan. *Apple* has no manufacturing plants but does have retail stores. *Apple* continues to amaze the world with its new, innovative products, being one of the best examples of a 'first mover' firm in developing new products. *Apple* has very loyal customers and has about USD25.6 billion in cash on their balance sheet to go along with zero long-term debt.

Based in Cupertino, California, *Apple* has not cut prices of computers much at all during the recession, even as competitors have slashed prices dramatically. On June 9, 2009, *Apple* did however lower the price of its entry-level iPhone by 50% to USD99 and rolled out a next-generation model named iPhone 3GS which is faster than existing models and can capture videos. *Apple* by mid-2009 had sold over 20 million iPhones and reported in July 2009 that the company was unable to supply enough iPhones and Macintosh computers to meet demand. *Apple* sold 5.2 million iPhones in the quarter ending that month, more than 7 times what it sold the same quarter the prior year. Shipments of Macintosh computers that quarter were up 4% to 2.6 million. For the first 7 months of 2009, *Apple's* stock rose 80 percent compared to the Nasdaq Composite being up 25%."

(Source: Acohido & Krantz, 2009; Colvin, 2009)

- (a) Analyse the given case using **ONE (1)** tool from the Matching Stage of the Formulation Framework. (12 marks)
- (b) Based on your analysis, propose **TWO (2)** strategies for Apple. (8 marks)

END OF EXAMINATION PAPER

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