

# POKHARA UNIVERSITY

Level: Bachelor  
Semester: Fall  
Programme: BBA/BI/BCIS/BHCM/BHM/TT  
Course: Strategic Management

Year: 2021  
Full Marks: 100  
Pass Marks: 45  
Time: 3 hrs.

*Candidates are required to answer in their own words as far as practicable. Figures in the margin indicate full marks.*

## Section "A"

### Very Short Answer Questions

Attempt all the questions. [10×2]

1. What is strategic surveillance control?
2. Define formality in Strategic Management.
3. Differentiate between mission and vision.
4. What is strategic group mapping? List down its process.
5. Define turn-around strategy.
6. Mention any two roles of leadership in strategy implementation.
7. Define strategic control.
8. Briefly define distinctive competency.
9. Define operationalization of strategy.
10. Give two reasons for R&D in the organizations.

## Section "B"

### Descriptive Answer Questions

Attempt any six questions. [6×10]

11. How does porter's value chain facilitate the working of the resource-based-view in achieving competitive advantage?
12. Explain the concept of BCG matrix. How is the concept of BCG matrix helpful to manage the portfolio?
13. Write down the suitable marketing and financial functional strategies for a noodle factory operating in Nepalese business environment.
14. What do you mean by strategic control? How does it differ from operational control? Explain with illustration.
15. Define strategic management. Explain, why it is important in the liberalized economy like Nepal using the support of its process?
16. What are the steps that needs to be considered in strategy implementation? And explain the importance of the role of leader in strategy implementation.
17. Give an example of a business organization that uses all functional plannings and explain how they operate strategically.

Section "C"  
Case Analysis

18. Read the case situation given below and answer the questions that follow:  
[20]

In 2006, Starbucks, the ubiquitous coffee retailer, closed a decade of outstanding financial performance. Sales had increased from \$697 million to \$7.8 billion, and net profits, from \$36 million to \$540 million. In 2006, Starbucks was earning a return on invested capital of 25.5%, which was impressive by any measure, and the company was forecasted to continue growing earnings and maintain high profits through the end of the decade. How did this come about? Thirty years ago, Starbucks was a single store in Seattle's Pike Place Market selling premium roasted coffee. Today, it is a global roaster and retailer of coffee with more than 12,000 retail stores, some 3,000 of which are to be found in forty countries outside the United States. Starbucks Corporation set out on its current course in the 1980s when the company's director of marketing, Howard Schultz, came back from a trip to Italy enchanted with the Italian coffeehouse experience. Schultz, who later became CEO, persuaded the company's owners to experiment with the coffeehouse format and the Starbucks experience was born. Schultz's basic insight was that people lacked a "third place" between home and work where they could have their own personal time-out, meet with friends, relax, and have a sense of gathering. The business model that evolved out of this was to sell the company's own premium roasted coffee, along with freshly brewed espresso-style coffee beverages, a variety of pastries, coffee accessories, teas, and other products, in a coffeehouse setting. The company devoted, and continues to devote, considerable attention to the design of its stores to create a relaxed, informal, and comfortable atmosphere. Underlying this approach was a belief that Starbucks was selling far more than coffee it was selling an experience. The premium price that Starbucks charged for its coffee reflected this fact. From the outset, Schultz also focused on providing superior customer service in stores. Reasoning that motivated employees provide the best customer service, Starbucks executives developed employee hiring and training programs that were the best in the restaurant industry. Today, all Starbucks employees are required to attend training classes that teach them not only how to make a good cup of coffee but also the service-oriented values of the company. Beyond this, Starbucks provides progressive compensation policies that gave even part-time employees stock option grants and medical benefits a very innovative approach in an industry where most employees are part-time, earn minimum wage, and have no benefits. Unlike many restaurant chains, which expanded very rapidly through franchising arrangements once they established a basic formula that appears to work,



Schultz believed that Starbucks needed to own its stores. Although it had experimented with franchising arrangements in some countries and in some situations in the United States such as at airports, the company still preferred to own its own stores whenever possible. This formula met with spectacular success in the United States, where Starbucks went from obscurity to one of the best-known brands in the country in a decade. As it grew, Starbucks found that it was generating an enormous volume of repeat business.

Today, the average customer comes into a Starbucks store around twenty times a month. The customers themselves are a fairly well-heeled group their average income is about \$80,000. As the company grew, it started to develop a very sophisticated location strategy. Detailed demographic analysis was used to identify the best locations for Starbucks stores. The company expanded rapidly to capture as many premium locations as possible before its imitators could. Astounding many observers, Starbucks would even sometimes locate stores on opposite corners of the same busy street so that it could capture traffic going in different directions down the street. By 1995, with almost 700 stores across the United States, Starbucks began exploring foreign opportunities. The first stop was Japan, where Starbucks proved that the basic value proposition could be applied to a different cultural setting (there are now 600 stores in Japan). Next, Starbucks embarked on a rapid development strategy in Asia and Europe. By 2001, the magazine Brand channel named Starbucks one of the ten most influential global brands, a position it has held ever since. But this is only the beginning. In October 2006, with 12,000 stores in operation, the company announced that its long term goal was to have 40,000 stores worldwide. Looking forward, it expects 50% of all new store openings to be outside the United States.

### Questions:

- a) Identify the resources, capabilities, and distinctive competencies of Starbucks. And explain the barriers to imitation of Starbucks's competitive advantage.
- b) How secure is Starbucks's competitive advantage? Relate it with Porter's five forces model?