The Management University of Africa

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POSTGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF DOCTOR OF PHILOSOPHY IN MANAGEMENT AND LEADERSHIP

DML 903: ADVANCED STRATEGIC MANAGEMENT

DATE: ***30TH NOVEMBER 2019***

DURATION: 3 HOURS

MAXIMUM MARKS: 50

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

APPLE'S PROFITABLE BUT RISKY STRATEGY

Founded in 1976, Apple built its early reputation on innovative personal computers that were particularly easy for customers to use and as a result were priced higher than those of competitors. The inspiration for this strategy came from a visit by the founders of the company - Steven Jobs and Steven Wozniack - to the Palo Alto research laboratories of the Xerox company in 1979. They observed that Xerox had developed an early version of a computer interface screen with the drop-down menus that are widely used today on all personal computers. Most computers in the late 1970s still used complicated technical interfaces for even simple tasks like typing - still called 'word-processing' at the time. Jobs and Wozniack took the concept back to Apple and developed their own computer - the Apple Macintosh (Mac) - that used this consumer-friendly interface. The Macintosh was launched in 1984. However, Apple did not sell to, or share the software with, rival companies. Over the next few years, this non-co-operation strategy turned out to be a major weakness for Apple. Although the Mac had some initial success, its software was threatened by the introduction of Windows 1.0 from the rival company Microsoft, whose chief executive was the well-known Bill Gates. Microsoft's strategy was to make this software widely available to other computer manufacturers for a licence fee - quite unlike Apple. A legal dispute arose between Apple and Microsoft because Windows had many on-screen similarities to the Apple product. Eventually, Microsoft signed an agreement with Apple saying that it would not use Mac technology in Windows 1.0. Microsoft retained the right to develop its own interface software similar to the original Xerox concept. Coupled with Microsoft's willingness to distribute Windows freely to computer manufacturers, the legal agreement allowed Microsoft to develop alternative technology that had the same on-screen result. The result is history. By 1990, Microsoft had developed and distributed a version of Windows that would run on virtually all IBM-compatible personal computers - see Case 1.2. Apple's strategy of keeping its software exclusive was a major strategic mistake. The company was determined to avoid the same error when it came to the launch of the iPod and, in a more subtle way, with the later introduction of the iPhone. Unlike Microsoft with its focus on a software-only strategy, Apple remained a full-line computer manufacturer from that time, supplying both the hardware and the software. Apple continued to develop various innovative computers and related products. Early successes included the Mac2 and PowerBooks along with the world's first desktop publishing programme – PageMaker. This latter remains today the leading programme of its kind. It is widely used around the world in publishing and fashion houses. It remains exclusive to Apple and means that the company has a specialist market where it has real competitive advantage and can charge higher prices. Not all Apple's new products were successful – the Newton personal digital assistant did not sell well. Apple's high price policy for its products and difficulties in manufacturing also meant that innovative products like the iBook had trouble competing in the personal computer market place. Around the year 2000, Apple identified a new strategic management opportunity to exploit the growing worldwide market in personal electronic devices – CD players, MP3 music players, digital cameras, etc. It would launch its own Apple versions of these products to add high-value, user-friendly software. Resulting products included iMovie for digital cameras and iDVD for DVD-players. But the product that really took off was the iPod – the personal music player that stored hundreds of CDs. And unlike the launch of its first personal computer, Apple sought industry co-operation rather than keeping the product to itself. Launched in late 2001, the iPod was followed by the iTunes Music Store in 2003 in the USA and 2004 in Europe – the Music Store being a most important and innovatory development. iTunes was essentially an agreement with the world's five leading record companies to allow legal downloading of music tracks using the internet for 99 cents each. This was a major coup for Apple – it had persuaded the record companies to adopt a different approach to the problem of music piracy. At the time, this revolutionary agreement was unique to Apple and was due to the negotiating skills of Steve Jobs, the Apple chief executive, and his network of contacts in the industry. Figure 1.9 shows that Apple's new strategy was beginning to pay off. The iPod was the biggest single sales contributor in the Apple portfolio of products.

In 2007, Apple followed up the launch of the iPod with the iPhone, a mobile telephone that had the same user-friendly design characteristics as its music machine. To make the iPhone widely available and, at the same time, to keep control, Apple entered into an exclusive contract with only one national mobile telephone carrier in each major country - for example, AT&T in the USA and O_2 in the UK. Its mobile phone was premium priced - for example, US$599 in North America. However, in order to hit its volume targets, Apple later reduced its phone prices, though they still remained at the high end of the market. This was consistent with Apple's long-term, high-price, high-quality strategy. But the company was moving into the massive and still-expanding global mobile telephone market where competition had been fierce for many years. (Note that with regard to Figure 1.9, the new iPhone was too new to have made any impact on sales or profitability in 2007.) And the leader in mobile telephones - Finland's Nokia - was about to hit back at Apple, though with mixed results. But other companies, notably the Korean company Samsung and the Taiwanese company, HTC, were to have more success later.

Source:* *Global Strategy by Prof. Richard Lynch https://www.global-strategy.net/apples-profitable-but-risky-strategy/

Required:

a) You have been contracted by Apple company as a strategic management consultant to develop a strategic plan. Construct the following statements based on the case study **(6 Marks)**

(i) Vision

(ii) Mission

(iii) A strategic objective

b) Compare Strengths and Weaknesses between Nokia and Apple and explain which company is stronger in your view. **(8 marks)**

c) With reference to threat of new entrant and threat of substitution from Porter's five forces model, discuss at least five (5) Apple's competitive strategic reactions. **(10 marks)**

d) Advice Apple on any three (3) strategic control components **(6 marks)**

QUESTION TWO

(a) Principal-agency problems are common challenges in any corporate organization. Discuss at least five (5) strategic ways of reducing such problems **(5 marks)**

(b) Strategic decisions are often confused with survival tactics. Discuss at least five (5 marks) characteristics that distinguish strategic decisions **(5 marks)**

QUESTION THREE

(a) Vertical integration has its own strengths and weaknesses. Examine the two types of vertical integration, highlighting at least one strength and one weakness in each case. **(5 Marks)**

(b) Examine any five (5) reasons why external environmental analysis is paramount during strategy formulation process **(5 marks)**

QUESTION FOUR

a) Using BCG 4 cell matrix for portfolio analysis tool, compare at least two recommended strategies between the star and cash cow **(5 marks)**

b) Focused leadership is critical during strategy implementation. Assess any five (5) leadership qualities recommended during strategy implementation. **(5 marks)**