



**PART A : SHORT ANSWER QUESTIONS (60 MARKS)**

**INSTRUCTION(S)** : Answer all questions in this section. Write your answers in the Answer Booklet(s) provided.

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1. Strategic Management consists of **FOUR (4)** elements:
  - I. Situation Analysis
  - II. Strategic Direction
  - III. Strategy Formulation
  - IV. Strategy Implementation
  - a. Discuss the effects of having to manage these **Situation Analysis and Strategic Direction** elements in an **international context** by using an International hotel chain (i.e. Hilton, Marriott) as an example. (10 marks)
  - b. Contrast the effects of having to manage these effects in an **international context** to having to use them in a **national context**. (5 marks)
2. To be successful over the longer term, companies need to pay attention to **FIVE (5)** Resource and Capability areas.
  - a. Identify and briefly discuss the **FIVE (5)** Resource and Capability areas. (15 marks)
  - b. Give an example of how **EACH** of the **FIVE (5)** Resource and Capability areas mentioned above could lead to a source of competitive advantage (5 marks)
3. Competitive Dynamics are reflected by **THREE (3)** types of strategies:
  - i. Offensive strategies
  - ii. Defensive strategies
  - iii. Avoidance strategies
  - a. Describe each of these **THREE (3)** types of strategies. (6 marks)
  - b. Describe the following strategies and identify whether they are offensive, defensive, or avoidance strategies:
    - i. First Move Advantage
    - ii. Collaboration
    - iii. Barriers to Imitation (9 marks)
4. There are different types of corporate strategy available such as Concentration and Diversification. Most hotel companies will either go for Concentration or Related Diversification. Some companies however have the hotel chain as part of a company that practices Unrelated Diversification.

Discuss the main benefits and drawbacks of going for either Concentration or Unrelated Diversification by using Hilton (Concentration) and the Berjaya Cooperation, i.e. Berjaya Hotels (Unrelated Diversification) as an example. (10 marks)

**END OF PART A**

**PART B** : **CASE STUDY (40 MARKS)**

**INSTRUCTION(S)** : Answer all questions in this section. Write your answers in the Answer Booklet(s) provided.

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### **Royal Palace Hotel**

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In the 1950's and 1960's the Royal Palace Hotel was a household name in Malaysia. The hotel, located in Kuala Lumpur's Golden Triangle, was normally mentioned on par with the Raffles Hotel in Singapore.

In the 1950's and 1960's the Royal Palace Hotel was **the** place to stay in Kuala Lumpur for foreign dignitaries, and local and foreign members of royal families. Its famous guests included Ernest Hemingway, Elvis Presley and members of at least 4 different royal families (the most infamous of whom was a member of the British Royal family who was rumoured to have had an affair with a chambermaid in the hotel).

The hotel in its heyday consisted of 45 suites with a living room, one or two bedrooms with an attached bathroom with shower and bathtub each as well as a separate guest toilet. The finishing was of the highest quality including Italian marble and hand-made glass chandeliers in all rooms. The hotel was an old colonial hospital that had been completely rebuilt and was set in 10 acres of luscious gardens with waterfalls, ponds and pergolas. It had ample parking and a separate building which housed a ballroom that could seat 200 guests and that had its own kitchen. The other facilities in the hotel were a fine-dining restaurant with a seating capacity for 50 people and a luxury bar. The restaurant and bar were famous in their own right and were the places to be seen by anybody who was anybody in those days. Prices were prohibitive (for the time) and were far out of the reach of the average Malaysian.

In the late 1960's the hotel lost its appeal to customers as it was not central enough (the Golden Triangle at that time was not considered central Kuala Lumpur) and it was taken over by a hotel company who tried to change and rebrand it into one of their mainstream 5-star hotels. The hotel suffered more damage to its reputation when employees came out saying the location was haunted. In 1975 the hotel company gave up its efforts after the hotel roof was damaged by strong winds which blew the roof of the ballroom in the garden killing 2 employees and a guest.

In 1978 after having been abandoned for 3 years and suffering the consequences, the hotel was bought for MYR 8 million by a property development company who was early to see the potential of the Golden Triangle. The property development company initially housed some of its employees in the old hotel (in order to ward off vandalism) and in 1989 allowed backpackers to run in the hotel. The backpackers converted the 15 suites in the East wing to rooms and dorms (by using plywood walls) whilst the West wing (which included 30 suites, the restaurant and the bar) was closed off completely and boarded up. The gardens were also closed by using wire fencing.

In 2005 the property development company decided that the time was right to develop the grounds, they were looking to destroy what was left of the hotel and build a 35 story high-end apartment complex including retail facilities on the ground floor. However, due to changing views in Malaysia with regards to heritage, the demolishing of the Royal Palace Hotel (one of the last surviving colonial buildings in Kuala Lumpur) became a rallying point for people looking to conserve Malaysia's heritage. They quickly garnered support locally and from abroad. When the Ministry of Tourism (MoTour) came in with their support for Royal Palace Hotel's heritage building, the Kuala Lumpur City Council (under pressure from the Federal Government and the Prime Minister himself) denied the property company building permission and declared the building a national heritage site.

The property development company then decided to look at the options for the grounds. As the rules clearly stated that the façade of the building had to remain and that the internal layout of the property could only be modified slightly, the most logical option was to look at returning the property to a hotel. The Kuala Lumpur City Council, in an attempt to sweeten the bitter blow to the property development company, allowed for some construction to take place in the grounds as long as it would be in-line with the heritage theme and at least 70% of the gardens would be kept.

The property development company has invited you to write a brief proposal with regards to the future hotel to be run on the site. A quick study by their own construction people has indicated that it would cost between MYR 12 million to MYR 15 million to turn the property into a 3-star, 90-room hotel and between MYR 18 million to MYR 25 million to turn it into a 5-star, 45-suite boutique hotel.

Your proposal needs to include the following:

- a. Create a SWOT analysis for Hotel Royal. (8 marks)
- b. Choose one of the options and evaluate your choice of option based on a strategic management view. Give at least **FOUR (4)** reasons for your choice. (12 marks)
- c. Suggest a minimum of **THREE (3)** facilities you would add-on to the former hotel facilities (based on either the 3-star concept or 5-star concept chosen in answer **b.**) in line with current trends in the hospitality industry and **why** you would choose those facilities. (6 marks)
- d. Write a **Mission Statement** for the hotel (based on either the 3-star concept or 5-star concept chosen in answer **b.**). In-line with current practices in the service industry the Mission Statement should be short. Discuss why you suggest this Mission Statement. (8 marks)
- e. Explain what the competitive advantage of the hotel (for your option) would be. (6 marks)

**END OF EXAM PAPER**