BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

Student ID (in Words) : ______________________________

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Subject Code & Name : **BBM3301 Corporate Strategy**
Semester & Year : January – April 2017
Lecturer/Examiner : Joseph Choe Kin Hwa
Duration : 3 Hours

<u>INSTRUCTIONS TO CANDIDATES</u>

1. **This question paper consists of 2 parts:**
   PART A (40 marks) : TWO (2) essay questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
   PART B (60 marks) : THREE (3) case study questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
2. **Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.**
3. **This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.**
4. **Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.**

WARNING: The University Examination Board (UEB) of BERJAYA University College of Hospitality regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College of Hospitality.

Total Number of pages = 5 (Including the cover page)

PART A : **ESSAY QUESTIONS (40 MARKS)**

INSTRUCTION(S) : **TWO (2)** essay questions. Answer **ALL** questions in the Answer Booklet(s) provided.

Question 1

Rational choice implies that managers should be able to weigh the benefits and cost of different strategic options on the basis of evidence that informs them of likely outcomes of decisions they make. This is the assumptions typically underpinning the design lens of strategy.

Explain the effect of viewing strategic management process on the basis of design lens in an organisation that intent to pursue for innovation.

(20 marks)

Question 2

Critically examine the use of Porter's value chain model in helping an organisation to gain competitive advantage.

(20 marks)

END OF PART A

PART B : **CASE STUDY QUESTIONS (60 MARKS)**

INSTRUCTION(S) : **THREE (3)** case study questions. Answer **ALL** questions in the Answer Booklet(s) provided.

REFOCUSING GE: A FUTURE OF CLEAN-TECH AND HEALTH CARE?

Originally incorporated in 1892, General Electric Company (GE) is one of the largest and most diversified industrials and financial services corporations in the world. The company currently serves customers in approximately 175 countries and employees approximately 305,000 people worldwide. GE Company's mission is to usher in the next industrial era and to "build, move, power, and cure the world." Its vision is to focus on businesses that connect to its core competencies and is a market leader in. GE's strategy is to reshape its portfolio from a broad conglomerate to a more focused industrial leader. The company also plans to exit those businesses that are deemed to be non-strategic or that are underperforming or does not have a dominant market share.

J. Effrey Immelt was appointed chairman and CEO of GE on September 7, 2001. Since then, the external environment has experienced continuous and dramatic change: first, the social and economic effects of the 9/11 terrorist attacks, followed later by the 2008–2009 global financial crisis. Although GE is a diversified conglomerate that spans many industries and markets, the recession in 2001 and the even deeper recession of 2008–2009 hit the company especially hard. One reason was the financial blow that GE Capital took, since more than half of GE's profits came from that unit. In a critical 17 months, GE's share price fell 84 percent, from $42.12 (on October 2, 2007) to $6.66 (on March 5, 2009), equating to a loss in shareholder value of $378 billion. To compound matters, GE also lost its AAA credit rating, and the company had to ask for a $15 billion liquidity injection from famed investor Warren Buffett. Between 2008 and 2013, GE significantly underperformed the Dow Jones Industrial Index.

In 2005, GE developed a campaign to encompass this shift and "Imagination at Work" became the new slogan. The slogan became a rallying cry for all businesses, helping to stimulate more creative and outside-the-box approaches to solving problems. The need for change was clear to Mr. Immelt. In 2009, GE's five business units (Technology Infrastructure, Energy Infrastructure, Capital Finance, Consumer and Industrial, and NBC Universal) brought in $157 billion in annual revenues. More than 50 percent of those revenues came from outside the United States. Mr. Immelt decided to refocus GE's portfolio of businesses to reduce its exposure to capital markets and to achieve reliable and sustainable future growth by leveraging its core competency in industrial engineering. GE sold NBC Universal to Comcast, the largest U.S. cable operator, and also put its century-old appliance unit up for sale. GE had identified the clean-technology sector and, more recently, health care as major future-growth industries. To capitalise on these opportunities, GE launched two strategic initiatives: *ecomagination* and *healthymagination.*

Ecomagination is GE's clean-tech strategic initiative, launched in 2005 and renewed in 2010 by adding another $10 billion in investments. As Mr. Immelt explains, its strategic intent is "to focus our unique energy, technology, manufacturing, and infrastructure capabilities to develop tomorrow's solutions such as solar energy, hybrid locomotives, fuel cells, lower-emission aircraft engines, lighter and stronger materials, efficient lighting, and water purification technology." The *ecomagination* initiative generates roughly $25 billion in annual revenues for GE.

Healthymagination, launched in 2009, is GE's newest strategic initiative. Its goal is to increase the quality of, and access to, health care while lowering its cost. Investing $6 billion by 2015, GE's strategic intent is to reduce the cost of health care by 15 percent, increase access to essential health care services worldwide by 15 percent, reach a minimum of 100 million people a year, and improve health care quality by 15 percent by streamlining health care procedures, processes, and standards. These two strategic initiatives are tools with which GE's top executives are attempting to drive change within their large multinational corporation. In particular, Mr. Immelt hopes that the two new strategic initiatives not only position GE to take advantage of opportunities in future industries, but also facilitate more lateral cooperation between the disparate GE strategic business units to share R&D, technology, management processes, and talent.

GE's focus on clean-tech seems to be bearing some fruit, with the industrial sector experiencing double-digit earnings growth in the last few years. The GE Energy division grew to almost $50 billion in annual revenues, partly through acquisitions, making up roughly one-third of GE's total revenues. Because GE management believes the energy business has become too big to be managed effectively, it continued its corporate restructuring and split the energy business into three standalone strategic business units in 2012: Power and Water; Oil and Gas; and Energy Management. This move comes in response to external trends as well as internal needs. Externally, it is GE's response to the shale gas revolution that is reshaping America's energy industry. For example, lower gas prices drive up demand for GE's gas turbines as more and more power providers retire coal-fired plants and replace them with gas-fired power plants. Internally, this restructuring was motivated to create three more CEO positions for the new SBUs for training a potential successor for Jeffrey Immelt. After running GE for more than a decade, Mr. Immelt needs to begin grooming a number of potential successors since the company tends to recruit its CEOs internally.

GE has also been increasing its global footprint. International sales have soared from 19 percent of sales in 1980, to 34 percent in 2000, to over 52 percent in 2012. Immelt believes that tackling big problems on a global scale is strength of conglomerates such as GE. An example of a large-scale problem is the fact that according to the United Nations, nearly one-fourth of the world's population lives without access to reliable power. In India, one of the fastest-growing economies in the world, the electrical coverage rate is about 65 percent. India has set a goal to provide electricity to all its citizens using a combination of national-scale power systems for the major cities and smaller "micro grids" for rural areas. India and other rapidly developing nations are seeking to replicate a "leap frog" approach in energy similar to that used in telecommunications. Instead of investing in vast quantities of landline communications wires, India built extensive mobile capabilities for communication needs. In energy, this means using software-enabled “smart grid” electrical systems and smaller-scale but numerous renewable generation (such as wind, solar, and biomass) locations across the country. The Indian government is also encouraging smaller investments in order to improve the efficiency of existing fossil-fuel–based generators. When completed, this energy infrastructure is likely to be more economical and robust than most systems in the “more developed” Western economies.

Source: Rothaermel, F.T. *(2015)*, Strategic Management, 2nd Edition, McGraw-Hill Education, New York. Pp. 267-268

Question 1

Explain General Electric’s external environment during the period 2005 to 2012.

(20 marks)

Question 2

Critically examine the strategic capabilities of General Electric under Mr. Immelt leadership.

(20 marks)

Question 3

Using the Ansoff’s matrix, evaluate General Electric’s diversification strategy.

(20 marks)

END OF QUESTION PAPER