BERJAYA UNIVERSITY COLLEGE

FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures)	:	
Student ID (in Words)	:	

Course Code & Name	:	**MGT3114 Corporate Strategy**
Semester & Year	:	May – August 2020
Lecturer/Examiner	:	Joseph Choe Kin Hwa
Duration	:	3 Hours

INSTRUCTIONS TO CANDIDATES

1. **This question paper consists of 2 parts:**
   PART A (40 marks) : TWO (2) Case Study Questions. Answer ALL of the questions. Answers are to be written in the Answer Booklet provided.
   PART B (60 marks) : THREE (3) Structured-Type 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 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.

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

PART A : **CASE STUDY QUESTIONS (40 MARKS)**

INSTRUCTION(S) : Answer all **TWO (2)** questions. Write your answers in the Answer Booklet(s) provided.

IS THE EMIRATES AIRLINE GROWTH STORY AT AN END?

Based in Dubai, United Arab Emirates (UAE), Emirates Group (Emirates) includes (a) Emirates Airlines and (b) Dnata, a company specializing in aviation ground-handling services and operating at 20 airports. The largest airline in the Middle East, Emirates flies to more than 130 destinations in 70 countries on six continents and offers direct flights from Dubai to Washington, DC, San Francisco, Los Angeles, and Seattle. Emirates services the world from Beijing to San Francisco and more than 100 markets in between. More than 1,200 Emirates flights depart Dubai each week, accounting for about 40 percent of all air traffic out of Dubai International Airport.

Emirates carries 40 million passengers and 2.0 million tons of cargo annually, using a fleet of more than 170 aircraft. The company has another 230 aircraft on order (worth about $84 billion) and is the world's largest operator of both the Airbus 380 and Boeing 777. Using large planes such as the Airbus 380 and Boeing 777 provides extra space and luxury for wealthy and business passengers alike. Most of the company's planes even include spacious private suites, and some planes provide a spa with showers. Emirates is well known for providing excellent service for high-end passengers in first class, but it also provides excellent service in business class and economy class. Economy-class customers receive well-thought-out meals consisting of many courses, e-mail, SMS services, telephone, and personal TV monitors with more than 1,400 channel options. Singapore Air is considered the closest competitor based on overall business model of top service at a premium price and markets served.

Emirates has more than 67,000 employees and annual revenues of more than 73.1 billion Dirham (the United Arab Emirates currency). The Dirham is pegged to the U.S. dollar so currency fluctuations are not significant. Emirates is owned by the government of Dubai operating under the Investment Corporation of Dubai name, but the company and the government of Dubai are quick to point out the airline has grown in scale not by way of protectionism but through competition. The government of Dubai treats Emirates as a wholly independent business entity on its own and attributes this to the firm's success. Dubai has an open-skies policy and more than 60 percent of all flights in Dubai are by companies other than Emirates.

In August 2013, Emirates became the first airline in the Middle East to provide Google Now cards for their passengers who book via Emirates.com. A feature of the Google Search app, Google Now is available and fully integrated for Android (devices running Android 4.1 and above) and iOS (iPhones and iPads). This new product enables Emirates' customers to see and monitor their upcoming flight, providing flight times and departure terminal. Google Now gives passengers relevant information on their destination (for example weather conditions locally, currency, local landmarks, accommodations, and attractions).

The Emirates Group has two primary divisions, Emirates and Dnata. Emirates is the airline, whereas Dnata includes (a) cargo and ground handing, (b) travel services, (c) catering, and (d) freight forwarding. Passenger revenue is the largest overall revenue generator. Substantial revenue also is derived from cargo, which produces 15 percent of the segment's total revenue, whereas sale of goods produces 3 percent. All other sources contribute less than 1 percent of the segment's revenues. This segment includes several maritime and mercantile holdings, a 49 percent ownership in a wine and spirit business in Thailand, and hotels in UAE, Australia, and Seychelles.

After posting record results in year 2015, Emirates has suffered a sharp drop in profits in the first half of 2016 fiscal year and says the outlook is "bleak." The airline has reported an AED786 million ($214 million) profit for the six months to September 30, down 75% on the same period last year, and revenues also declined slightly to $11.4bn (down from $11.5bn). Group profits were $364m for the six-month period, a 64% fall on the same time last year, while revenues were up just 1% to $12.7bn. The management team blamed the impact of a strong dollar and the challenging operating environment for the slump in profits.

Clearly Emirates is finding the current climate hard going. Dubai is a safe haven but it is surrounded by instability, with wars in Yemen, Iraq, Syria and Libya, and low oil prices are damaging the economies of many of its neighbours. The airline also faces ever-fiercer competition from the likes of Qatar Airways and Abu Dhabi-based Etihad, which are expanding their fleets and route networks and developing impressive new airport terminals. Weak economic growth in some other parts of the world has also kept prices under pressure and demand for travel relatively low.

If Emirates is suffering then many of its rivals are probably hurting too. However, the most recent results from Etihad and Qatar Airways showed healthy growth in revenues and profits. Etihad reported a 41% rise in profits to $103m for 2015 and a 19% increase in revenues to $9bn, while Qatar Airways posted a 334% leap in profits to QR1.6bn ($450m) and a 4% rise in revenues to QR35.6bn. The next sets of figures from these carriers will be examined closely to see if Emirates is suffering unduly in the current market.

John Strickland, an aviation industry consultant at JLS Consulting, says the industry as a whole is facing problems around over-capacity, price pressures, exchange volatility, security threats and political uncertainties and "Emirates is not immune from the challenges. It has been particularly affected by lower demand in key oil markets, historically a source of strong premium traffic."

These factors have contributed to a sharp drop in Emirates Group's cash position this year, from $6.4bn in March to $4.1bn in September. The airline has been spending heavily on expanding its fleet and on related infrastructure projects. It also repaid $1.1bn of debt. In the six months covered by the latest results, Emirates Airline received 16 wide-body aircraft, consisting of eight Airbus A380s and eight Boeing 777s, and 20 more new aircraft are scheduled to be delivered before the end of March 2017. It plans to retire 27 older aircraft from its fleet over the financial year.

Filling the new, larger aircraft now looks to be a harder task and the airline, which is owned by the Dubai government, appears keen to keep expectations in check. When announcing the latest results, Sheikh Ahmed bin Saeed Al Maktoum, chairman of the airline, said "The bleak global economic outlook appears to be the new norm, with no immediate resolution in sight… We know we have to work even harder for every customer, and make every dollar spent go even further."

What it can do to reverse the decline remains to be seen, but Strickland says it is looking at strengthening its business through digital innovation, adding ancillary revenue streams and possibly the introduction of a premium economy class – something that the Gulf airlines have resisted until now.

Adopted from David, F.R. & David F.R. (2017), Strategic Management concepts and cases, 16th Edition, Pearson, Harlow. Pp. 472 & 476.

Question 1

Examine any **FIVE (5)** macro environmental factors that affect Emirates in the year 2016.

(20 marks)

Question 2

As a consultant, propose to Sheikh Ahmed bin Saeed Al Maktoum **FIVE (5)** ways to overcome Emirates current performance.

(20 marks)

END OF PART A

PART B : **STRUCTURED-TYPE QUESTIONS (60 MARKS)**

INSTRUCTION(S) **:** Answer all **THREE (3)** questions. Write your answers in the Answer Booklet(s) provided.

Question 1

A comprehensive assessment of an organisation's strategy needs more than one perspective. Examine the **FOUR (4)** lenses in organisations that look at strategy issues differently when generating business insights.

(20 marks)

Question 2

You have just been appointed as the corporate planning executive of an automotive manufacturing company. At your first briefing with the Director of Corporate Planning, she makes the comment that the Balanced Scorecard is an over-simplification of the most important tool for strategic management. She asks you to prepare a report on the application of balanced scorecard in strategy mapping.

Write that report using appropriate illustrations to answer your Director's comment.

(20 marks)

Question 3

You have given a webinar presentation to the Small and Medium Enterprises (SMEs) in your country on how to manage corporate planning in the context of the entrepreneurial firm. The audience of a firm expressed serious doubts and pose some tough and searching questions on how they can manage growth in the SME's context.

Prepare a detailed response addressing their concerns by evaluating the Ansoff's Growth Vector Matrix as a framework for identifying alternative strategic directions for growth.

(20 marks)

END OF QUESTION PAPER