MANAGEMENT PROGRAMME

Term-End Examination

December, 2017 03248

MS-091 : ADVANCED STRATEGIC MANAGEMENT

Time : 3 hours *Maximum Marks : 100*

(Weightage 70%)

Note : (i) *There are two Sections A and B.*

(ii) *Attempt any three questions from Section A, which carries 20 marks each.*

(iii) *Section B is compulsory and carries 40 marks.*

SECTION - A

1. What are the major components of corporate strategy ? Discuss in detail different levels of strategy and the interrelationship between them.

2. Why is it necessary for business houses to have good corporate Governance ? Discuss with examples.

3. How is stable environment different from dynamic environment ? What are the suitable strategies for industries to follow while operating in a stable environment ?

4. Explain the importance of R & D strategy to the competitiveness of a firm and discuss the steps involved in developing R & D strategies.

5. Write short notes on **any four** of the following :

(a) Approaches to Corporate Management

(b) The Role of CEO

(c) Dynamic Environment

(d) Web-based Business Models

(e) Corporate Philanthropy

SECTION - B

6. Read the following case and answer the questions given at the end :

In 1993, Jerry Yang and David Filo were two graduate engineering students at Stanford University. Instead of writing their dissertations (which they probably should have been), the two were spending a lot of time surfing the Web and building lists of their favorite sites, On a whim, they decided to post their list on the Web, which they dubbed "Jerry's Guide to the World Wide Web." Almost by accident, they had created one of the first web directories and in the process had solved a pressing need : how to find things on the Web. In 1994, they changed the name of the directory to Yahoo (**http://www.yahoo.com**), which is supposed to stand for "Yet Another Hierarchical Officious Oracle," although Filo and Yang insist they selected the name because they considered themselves yahoos.

By late 1994, Yahoo was drawing over 100,000 people a day. The directory had outgrown the limited capacity of the Stanford site, and Yahoo was borrowing server space from nearby Netscape. Yang and Filo had decided to put their graduate studies on hold while they turned their attention to building Yahoo into a business. One of their first employees, Srinija Srinivasan, or "ontological yahoo" as she became known within the company, refined and developed the classification scheme that has become the hallmark of Yahoo's web directory. Yang and Filo's business model was to derive revenues from renting advertising space on the pages of the fast-growing directory.

To develop the business, they needed capital to fund investments in servers, software development, and classification personnel. A solution came in the form of an investment from Sequoia Capital, a Silicon Valley venture capital firm. As part of the investment package, Sequoia required Yang and Filo to hire an experienced CEO. The man chosen for the job was Andrew Koogle, a forty-five-year-old engineer with fifteen years of experience in the management of high-technology firms, including a stint as president of InterMec, a Settle-based manufacturer of bar code scanning equipment.

By mid-1996, Koogle was heading a publicly traded company that listed 200,000 web sites under 20,000 different categories and was being used by 800,000 people daily. This was just the beginning. In conjunction with Yang, Filo, and another "gray-haired" hire, chief operating officer Jeffrey Mallett, Koogle crafted a vision of Yahoo as a global media company whose principal asset would be a major Internet gateway, or portal, that would enable any one to connect with anything or anybody. Koogle's ambition was to transform Yahoo's simple directory service into a conduit for bringing together buyers and sellers, thereby facilitating commercial transactions over the Web (e-commerce). In this vision, Yahoo would continue to generate revenues from the sale of advertising space on its directory pages, and it would also garner significant revenues from e-commerce transactions by taking a small slice of each transaction executed over its service. The service, Yahoo! Store (**http://store.yahoo.com**), enables businesses to quickly create, publish, and manage secure online stores to market and sell goods and services. After launching their store, merchants are included in searches on Yahoo! Shopping (**http://shopping.yahoo.com**), Yahoo's Internet shopping service.

To make this vision a reality, Yahoo had to become one of the most useful and well-known locations on the Web-in short, it had to become a mega-brand. A directory alone would not suffice, no matter how useful. In order to increase traffic, Yahoo began to add features that increased its appeal to users. One was to supplement the directory with compelling content. Another was to allow registered users to customize Yahoo pages to match their needs. For example, registered Yahoo users can customize a page in Yahoo's financial area so that they can track the value of their personal stock portfolio. The page provides links to message boards, where individual investors can discuss a company's prospects. Other links connect investors to valuable content pertaining to the companies in their stock portfolio, including news reports and commentary, research reports, detailed financial data, and each company's web site.

To build brand awareness, Yahoo spent heavily on advertising, using radio and television ads targeted at mainstream America. To expand the reach of the service, Yahoo embarked on a strategy of opening up Yahoo services around the world. It also began to work with content providers and merchants to build their online presence and, by extension, to increase the value of Yahoo's site to users who could access the content and merchants through Yahoo. Yahoo increased its value to advertisers by enabling them to target their advertising message to certain demographics better. For example, the online broker E*Trade advertises heavily on Yahoo's financial pages. Such targeted advertising increases the conversion rate or yield associated with advertisements.

By many measures, the results of this strategy were spectacular. In 2000, the company generated revenues of almost $900 million. By September 2001, Yahoo had more than 210 million unique users worldwide, up from 166 million in September 2000 and just 50 million in 1998. Traffic increased to a record 1.25 billion page views per day on average during September 2001, up from 167 million page views per day in December 1998. According to Nielsen//Net Ratings, worldwide consumers spent an average of 147 minutes on the Yahoo network, up from 119 minutes in the previous quarter. Some 80 million active registered users logged onto one or more personalized Yahoo services during September 2001, up from 55 million in September 2000.

However, in the first nine months of 2001, sales slumped by 34 percent and the company registered a loss of $84 million versus a profit of $169 million in the previous period. The revenue and profit declines reflected slumping advertising revenues, which accounted for close to 80 percent of Yahoo's revenues in 2000. The problem, in the wake of a slowdown in business activity in the United States, had resulted in declining advertising revenues across the board. Moreover, many of the best advertisers on Yahoo had been other dot-com companies, and a large number of these had gone bankrupt in 2001.

In the wake of slumping revenues, CEO Koogle resigned and was replaced by Terry Semel, a former Warner Brothers executive. Semel's strategic goal for Yahoo was twofold : to reduce the company's dependence on advertising revenues and to increase the quality of advertising revenues by targeting well-established companies as opposed to dot-com enterprises. Semel's strategy for boosting nonadvertising revenues was to introduce a range of subscription-based value-added or premium services, such as online music that would be broadcast by the Net to a subscriber's computer or digital device. In addition, Semel wanted the company to push more aggressively into the co-marketing business, helping established companies to sell their merchandise on the Web, and taking a cut of their revenues.

(a) To what extent was the evolution of strategy at Yahoo planned ? To what extent was it an emergent response to unforeseen events ?

(b) Could Yahoo have done a better job of anticipating the slowdown in advertising revenue that occurred in 2000-2001 and positioning itself for that slowdown ? How ? What might it have done differently from a strategic planning perspective ?

(c) Does Yahoo have a source of potential long-term competitive advantage ? Where does this come from ?

(d) What does Koogle's resignation in May 2001 tell you about the role of a CEO in a public company ?