No. of Printed Pages : **11** **MS-011**

MANAGEMENT PROGRAMME

Term-End Examination

June, 2018

MS-011 : STRATEGIC MANAGEMENT

Time : 3 hours *Maximum Marks : 100*
(Weightage 70%)

Note : (i) *There are two Sections : Section - A and Section - B.*
(ii) *Attempt any three questions from Section - A. All questions carry equal marks.*
(iii) *Section - B is compulsory.*

SECTION - A

1. Discuss different levels of strategy and explain the importance of strategy in making strategic decisions at different levels.

2. List and explain the different types of resources, which have been identified under Resource Based View (RBV) of the firm.

3. (a) What do you understand by cost of differentiations ? Explain with the help of examples.
   (b) Enlist and explain the advantages and disadvantages of differentiations.

4. Explain different types of strategic Alliances with the help of examples.

5. Write short notes on :
   (a) Porter's Perspective
   (b) Peters and Waterman's Perspective

SECTION - B

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

"A grown up Baby Bell" is how David Hamerly, Hoover's business analyst, describes Verizon. In the midst of a major slowdown in the now rapidly consolidating telecommunications industry, companies are merging, growing, and innovating new technologies and markets just to stay in the game. Verizon is leading the way. The foremost telecommunications provider in the United States, Verizon plans to acquire MCI this year. Verizon was in a fierce bidding war with another former Baby Bell, Qwest Communications, until Qwest withdrew in May 2005. Without a partner, Qwest is left "out in the cold" in today's industry of giants.

This is not an unusual scenario in today's telecommunications industry; consolidation is the norm. Those who fail to achieve a competitive advantage on the most important fronts - today, broadband and wireless communications; tomorrow, VoIP and FiOS - will become unmarketable to those firms trying to beef up their larger competitive strategy. Companies, like Qwest, will not be bought up unless they have something unique to offer. Fortunately for Verizon, CEO Ivan Seidenberg has made a valuable deal in the MCI acquisition - MCI, while suffering declining revenues and generally weakening financials, brings with it an established customer base in business and government clients.

History

Verizon Communications, Inc. was formed on June 30, 2000, by the merger of Bell Atlantic Corp. and GTE Corp. The latter two companies' roots share history in the telephone business dating to the late nineteenth century. GTE was one of the world's largest telecommunications companies. It served approximately 35 million telephone access lines through subsidiaries in the United States, Canada, and the Dominican Republic and through affiliates in Canada, Puerto Rico, and Venezuela. GTE was a leading wireless operator in the United States with more than 7.1 million wireless customers. Internationally, GTE served approximately 6.7 million customers for wireless networks through subsidiaries in Argentina, Canada, and the Dominican Republic and affiliates in Canada, Puerto Rico,Venezuela, and Taiwan. GTE also provided Internet-working services, ranging from dial-up services for residential and small business consumers to Web -based applications for Fortune 500 companies. It was the leader in directories and telecommunications-based information services and systems.

Bell Atlantic was also one of the largest telecommunications provider. Domestic Telecom served 43 million Bell Atlantic mobile customers in the United States and international wireless customers in Latin America, Europe, and the Pacific Rim. Bell Atlantic was the world's largest provider of directory information, with operations in the United States, China, the Czech Republic, Gibraltar, Greece, Poland, and Slovakia.

Valued at more than $52 billion, the merger was to create a combined company with the scale and scope to compete as one of the telecommunications industry's toptier companies. It would provide long-distance and data services nationwide as part of a full package of other communications services. This idea of "bundling" became common throughout the telecommunications industry, and it has been embraced even further today by Verizon. Verizon now offers wireline, wireless, and Internet communications services; information services; and HDTV satellite television options through Direct TV, through its various bundling options and all on one bill.

Verizon has been based in New York since it was incorporated in Delaware. The company's stock trades on the New York Stock Exchange under the symbol 'VZ'. "The symbol uses the two letters of the Verizon logo, which graphically portray speed and echo the company name : *veritas*, the Latin word connoting certainty and reliability, and horizon, signifying forward - looking and visionary.

Business Structure

Verizon operates as four separate business units : (1) Domestic Telecom, (2) Domestic Wireless, (3) Information Services, and (4) International. According to Verizon's guide to investor relations, "the Board, and each committee of the Board, has complete access to management. In addition, the Board and each committee has access to independent advisors as each deems necessary or appropriate." Verizon currently has an 11 - member board and four committees : Audit & Finance, Human Resources, Corporate

Governance, and Public Policy. The role of the committees is to conduct oversight in the areas of business and management that fall into each of the four categorizations.

Domestic Telecom

Verizon's Domestic Telecom segment is the largest provider of wireline and voice communications in the United States. In 2004, this segment experienced a 2.7 percent decline from 2003 in consolidated revenues to $38.5 billion. This is largely attributable to the substitution of wireless subscriptions for wirelines among consumers. Exhibit 1 shows the financial and operational highlights from Verizon's 2003 and 2004 financial statements for its Domestic Telecom segment.

Domestic Wireless

Verizon's Domestic Wireless segment, with total revenues of almost $28 billion in 2004, is the second-largest division of the company. This segment experienced growth of 23 percent from 2003 to 2004. Vodafone Group is a leading international mobile telecommunications provider with operations in 28 countries across five continents servicing over 119 million customers. Vodafone's fiscal statements show a 31 percent increase in positive cash flow from the end of the first quarter 2004 to the same period in 2005. Vodafone is part of the Verizon Domestic Wireless Joint Venture. The Domestic Wireless division is led by President and CEO Dennis Strigl. The executive team is supported by region presidents. Exhibit 2 shows the financial and operational highlights for Verizon's Domestic Wireless segment. In addition, Exhibit 3 illustrates Verizon's domestic wireless presence.

Information Services

The Information Services division consists of the domestic and international publishing businesses, including print SuperPages and electronic SuperPages.com directories. Verizon has also recently introduced SuperPages On - The - Go for mobile phone clients. Information Services experienced a 5.6 percent loss in revenue from 2003 to 2004 to $3.6 billion.

Internal Issues

Acquisitions Strategy

CEO Ivan Seidenberg not only has led Verizon in making smart acquisitions but has relied on innovation in technologies to really drive the company's success not just as a telecom giant but also as a telecom leader. In 2004, Verizon introduced FiOS in 10 states. This fiber-optic Internet service utilizes high-capacity fiber lines to transmit voice and video data. Additionally, the fiber infrastructure will reduce operating costs while allowing new opportunities for revenue with video applications like HDTV. This is one way Verizon can grow wisely, taking advantage of the favorable regulatory climate that exists right now by investing in this fiber line network (and actually anticipating the company will be positioned to capitalize on its investment).

Code of Ethics

Through its published manual on the code of business conduct at Verizon, the company addresses individual responsibility, its values of integrity, respect, imagination, and passion, and its commitment to serving its customers. It also has several sections on ethics and how Verizon encourages employees to report explicit ethics violations or questionable ethics conduct and gives guidance on how to handle such situations. This manual also guides management on how to handle issues of discrimination, harassment, ethics violations reports, and so on.

Marketing

"Can you hear me now ? Good." Can you identify the company behind this marketing campaign ? If you said Verizon, you are absolutely correct. Marketing is particularly important today in the telecommunications industry, especially as consumers are becoming more sensitive to price. Sprint PCS used a man in a trench coat. Voicestream enlisted Jamie Lee Curtis. Verizon hired advertising agency Bozell to help it achieve a marketing campaign that would indicate to consumers that Verizon Wireless stood for something more. It was in search of higher ground. Aside from growing its customer base, Verizon Wireless also sought to position itself and its wireless network as reliable - the number-one reason people buy a cell phone, it thought, was so they could use them - "anytime, anyplace, anywhere."

Customers are bombarded daily with endless solicitations, and Verizon and its competitors are doing what they can to diversify their services, their products, and their names being remembered as the one customers turn to when they want to sign up for service or switch to a different provider. Many customers are finding out that Verizon's bundled services are often better across the board than its competitors' promotional services, which sometimes last for only one or two months, depending on the service.

Finance

In 2004, Verizon eliminated almost 9.5 percent of its long-term debt - down to a total long-term debt of under $35.7 billion - and more than doubled its net income. In 2003, Verizon had taken a loss of almost 25 percent of its net income to $3.1 billion. In 2004, that figure reached $7.83 billion. Verizon has not been in such a strong financial position since its inception. The company's leadership is aligning its priorities with its strongest segments and its most promising technologies : broadband, FiOS, VoIP - and (eventually) installing a national fiber - optic network. Exhibits 6 and 7 presents the company's income statement and balance sheet, respectively.

Verizon also has a strong community presence. Not only does the company employ more than 210,000 workers, but it also has maintained a reputation for making contributions in areas, such as education and healthcare, in local communities.

Competitors

Current and potential competitors in telecommunications services include long-distance companies, other local telephone companies, cable companies, wireless service providers, foreign telecommunications providers, electric utilities, Internet service providers, and other companies that offer network services. Several of these companies have a strong market presence, brand recognition, and existing customer relationships, all of which contribute to intensifying competition in the industry. Many of the companies, however, do not have all of these attributes together, and they are the competitors that are suffering the most right now in this highly competitive climate.

Verizon's wireline competitors include Vonage, Alltel Corporation, BellSouth Corporation, SBC Communications, and Sprint. Verizon also competes against several national wireless service providers : Cingular Wireless, Nextel Communications, and T-Mobile (formerly VoiceStream). In addition, the company competes against several regional wireless companies in markets where it provides service.

Government Regulation

The government has played a looming role in the telecommunications industry since its heavy regulation beginning in the late twentieth century. Today, the government could lift the biggest regulatory threat to telecommunications if it (the government) were to agree that the industry was sufficiently competitive. The implications of lifting regulations too late would be that the companies would not reap the benefits of being able to fully embrace the new, more competitive environment. MIT Professor Charles H. Fine and Princeton Research Fellow John M. de Figueiredo have conducted a study on deregulation and are recommending, based on their findings, that the telecommunications industry is indeed sufficiently competitive for regulations to be lifted on the industry. Another area where legislators are focusing is the use of cell phones. Many states are considering legislations to ban the use of cell phones while driving.

Industry Outlook

Restructuring within the industry took place throughout 2004 and will continue through 2005 in accord with increased mobility in communications options as well as increased availability of high-speed broadband connectivity. Americans are becoming more connected - nearly two-thirds of U.S. homes subscribe to both wireless and wireline services. The switch from analog to digital networks has allowed rapid advancement of wireless technologies and options available to the consumer. Wireless calls now outnumber wireline calls. A full 70 percent of U.S. households have access to the Internet; one-third of those are broadband connections.

Increased connectivity has brought the emergence of a new generation of digital devices manufactured with embedded wireless or broadband wireline communication connectivity. These will include home appliances, personal devices, and mobile devices for vehicles.

As mergers continue, some of the smaller firms offering several services but not focusing well on any particular one will become obsolete as the larger companies out-compete. Regionally, each of the large telecom firms now has a solid base in several parts of the country with wireline services, and the large companies all have a strong national wireless presence, especially through the advent of purchasing the use of one another's networks and towers in rural areas or new service areas. This has strengthened the viability of these larger companies, including Verizon, and contributed to an atmosphere of intense competition among providers for consumer, business, and government deals.

The Future

Growth will come from traditional voice services and text messaging, mobile picture services, broadband Internet services, and Internet-ready appliances. All industries face the possibility of new competitors entering their markets.

Questions :

(a) Are firms like Vonage a serious threat to Verizon's competitive advantage ? Discuss.

(b) Do you think customers will better inform themselves about service contracts and other services offered per bill ? Justify.

(c) Has the acquisition strategy helped Verizon in achieving a sustained growth ? Discuss.

(d) List out the most important elements of leading the new telecommunications market in the industry.