

April, 2018

COURSE NAME: Strategic Management

MAX. Marks: 25

COURSE CODE: 11B1WPD832

Max. TIME: 1.5 Hrs.

(Answer Q1 and Q2 on the basis of the following caselet. All questions carry equal marks)

The international hotel chain, Novotel, is an example of a firm that found itself in a competency trap. Novotel was founded by two French entrepreneurs in 1967. Its steady expansion during the 1970s and 1980s owed much to distinctive capabilities in reliability. It developed a standard format for hotel room designs, for furnishing, and for standards of service that enabled it to offer business travelers, in particular, a uniform standard of comfort throughout Europe and, later, the world. This capability was backed up with competencies in control that enabled the firm to make sure standards were maintained.

In 1987, Novotel began to extend the use of this competence in control. It developed a rigid set of rules and procedures, the "95 bolts" that governed every aspect of the operation of their hotels in minute detail. For example, the words used to greet guests were standardized worldwide.

Even though it made the guests' experience even more reliably uniform, this strategy was not a success. The new systems made it difficult for staff to show personal warmth towards their guests and react spontaneously to their requirement, making Novotel seem less hospitable. New competitors appeared, but Novotel's procedures prevented managers from matching their prices or from offering priority to regular guests. The hotels started losing business, and Novotel recorded a sharp decline in profits.

By basing its entire strategy around its competence in control, Novotel transformed that core competence into a core rigidity. In 1992, and after widespread consultation within Novotel, a new management team scrapped the "95 Bolts" system and adopted a new strategy, which improved hotel occupancy rates and financial results.

Hotel general managers were given greater autonomy to respond to guests' needs and competitors' moves. New systems and structures were put in place to help hotel managers to learn from one another – for example, an interest group was set up where managers of all airport hotels could share their experiences.

Q1. Explain Novotel's internal strengths and weaknesses using the resource based view.

Q2. How did focus on its core competence lead to problems for Novotel?

Q3. How does the concept of Economic Value Added (EVA) help an organization take better strategic decisions? How does the Balanced Scorecard compare with EVA as a performance measure?

Q4. Describe the value chain of any organization you are familiar with and indicate the strengths or weaknesses emerging from this value chain.

Q5. Write short notes on : a) SWOT analysis

b) Emergent strategy