



UNIVERSITI TUN HUSSEIN ONN MALAYSIA

**FINAL EXAMINATION
SEMESTER I
SESSION 2021/2022**

COURSE NAME : STRATEGIC MANAGEMENT
COURSE CODE : MPA10603
PROGRAMME CODE : MPA
EXAMINATION DATE : JANUARY / FEBRUARY 2022
DURATION : 3 HOURS
INSTRUCTION :
1. ANSWER ALL QUESTIONS
2. THIS FINAL EXAMINATION
IS AN ONLINE ASSESSMENT
AND CONDUCTED VIA
CLOSED BOOK

THIS QUESTION PAPER CONSISTS OF FOUR (4) PAGES

Q1 Tesla has 'significant first-mover advantage' in the electric vehicle space - but 3 smaller names are also poised to succeed as EV sales climb in 2021

CFRA says Tesla has a "first mover advantage" over many new entrants in the EV market.

But the firm also says Rivian, Lucid Motors, and Fisker will thrive as EV sales increase in the US.

Sign up here for our daily newsletter, 10 Things Before the Opening Bell.

Tesla has established a "significant first mover advantage" over new entrants in the ever-expanding electric vehicle market, but a few other smaller names stand out, according to CFRA's Garrett Nelson.

In a note published Wednesday the senior equity analyst said Amazon-backed Rivian, Lucid Motors, and Fisker will emerge as "success stories," as EV sales climb in 2021.

Nelson uses four categories to analyze emerging electric-vehicle manufacturers: 1) the specs (price, range, etc.) and overall attractiveness of their initial vehicle models; (2) financial considerations such as their funding sources, balance sheets, and liquidity; (3) the growth opportunity of their sub-industry; and (4) the experience and credibility of management.

He said all three names fare well in each category. Additionally, all three automakers will be among the first to bring electric vehicles to the road, with Rivian and Lucid expected to put models on the road this year and Fisker in late 2022.

Fisker debuted in public markets in October, while Lucid Motors announced a merger with SPAC Churchill Capital Corp. IV on Monday. Rivian is looking to go public as soon as September at a valuation of \$50 billion, Bloomberg reported earlier this month.

Nelson added that Tesla has an advantage over new entrants; citing how the company increased its US EV sales volume by over 50% last year.

"With all the talk of increased competition from new EV models in 2020, Tesla grew its market share from an estimated ~58% share in 2019, as models like the Audi e-Tron, Jaguar I-PACE, and Nissan LEAF largely disappointed from a sales perspective," Nelson added.

CFRA forecasts that US EV sales will grow by over 50% to exceed 500,000 units in 2021, especially if the Biden administration passes legislation that could benefit EVs. The research firm has a "strong buy" rating on Fisker, and a "hold" rating for Tesla.

(Source: Business Insider, 2021)

- (a) Justify the pros and cons of Tesla first-mover positioning. (10 marks)
- (b) Analyse the Tesla first-mover advantages from the strategies of technological changes. (20 marks)

- (c) Formulate the Tesla strategy for managing industry evolution in today's competitive market. (20 marks)

Q2 In this ever-globalizing world, though, strategic alliances are becoming more relevant to business owners of all sizes and all industries – what used to be limited to blue chip companies is now a commonplace consideration for many small business owners.

- (a) Differentiate **THREE (3)** benefits of trust during the strategic alliance. (15 marks)

- (b) Explain **TWO (2)** objectives of entering an alliance with examples. (10 marks)

Q3 Covid-19: impact on mergers and acquisitions (M&A) in Malaysia

In October 2019, research and consultancy firm Oxford Economics expected the number of mergers and acquisitions (M&A) transactions in Malaysia to increase up to 221 deals in 2020, from an expected 218 deals in 2019. It was also observed and anticipated that Malaysia may be a beneficiary of the change in supply chains arising from the trade tensions between the US and China due to Malaysia's open trading economy.

However, that was a few months ago before the outbreak of the coronavirus (COVID-19) around the world. Since then, analysts have forecasted a slowed growth for China due to the outbreak – 3.5% in the first quarter of 2020 as compared to 6% in the fourth quarter of 2019.

The present situation is uncharted waters, and the outbreak has resulted in economic disruption in Malaysia. Most businesses are suffering due to their inability to operate as usual and its overhead running. It is too early to tell whether the M&A outlook in Malaysia is still as bright as analysed before the outbreak. Around the world, there are deals that have been aborted due to the outbreak of COVID-19.

Outside of Malaysia, Xerox withdrew its \$34 billion hostile takeover bid for HP Inc. due to market unrest caused by the COVID-19 outbreak, Warner Music Group Inc. temporarily postponed its planned IPO due to the outbreak and several airlines in the US and the UK have collapsed due to travel restrictions as a result of the outbreak. In Malaysia, the airlines too are hit hard by the outbreak and it has been reported (in a local newspaper based on information provided by someone who asked not to be identified due to the confidentiality of this issue) that the government is considering encouraging mergers between some of the carriers. It has also been reported that talks between Axiata Group's biggest shareholder, Khazanah Nasional Berhad and Norwegian operator Telenor ASA that were re-opened earlier this year have come to a standstill due to many factors, with the outbreak reported to have added to the uncertainties around the deal.

In this unprecedented situation, there will be many entities that will not be able to meet their financial commitments, and if the aid from the government does not come on time, we may see the giants acquiring some smaller entities at a lower price. On the other hand, we may also see

some businesses which are riding high in this economic downturn being offered/acquired at a high price when this unrest is settled.

(Source: Legal 500, 2020)

- (a) Analyse **THREE (3)** synergy when M&A are undertaken by two companies. (15 marks)
- (b) Illustrate the M&A by using strategy diamond for the benefit of Malaysian companies. (10 marks)

- END OF QUESTIONS -