

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER - 3 – EXAMINATION – WINTER 2015

Subject Code: 2830001

Date: 30/11/2015

Subject Name: Strategic Management

Time: 10.30 AM to 01.30 PM

Total Marks: 70

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

Q.1

06

(a)

1. _____ are returns in excess of what an investors expects to earn from other investments with a similar amount of risk.
 - A. Above-average returns
 - B. Risk
 - C. Average returns
 - D. Strategy
2. Which model checks an attractiveness of an industry?
 - A. I/O Model
 - B. Five Force Model
 - C. Resource Based Model
 - D. PESTEL Model
3. _____ allow the firm to exploit opportunities or neutralize threats in its external environment.
 - A. Non-substitutable capabilities
 - B. Rare Capabilities
 - C. Costly to imitate capabilities
 - D. Valuable Capabilities
4. _____ is a strategy through which two firms agree to integrate their operations on a relatively coequal basis.
 - A. Acquisition
 - B. Take over
 - C. Merger
 - D. Restructuring
5. The establishment of a new wholly owned subsidiary is referred to as a _____.
 - A. Joint Venture
 - B. Greenfield Venture
 - C. Franchising
 - D. Hostile Takeover
6. _____ is a strategy in which firms work together to achieve a shared objectives.
 - A. Corporate Strategy
 - B. Business Level Strategy
 - C. Cooperative Strategy
 - D. Internationalization Strategy

| | | |
|----------------|---|-----------|
| Q.1 | Explain the following terms: | 04 |
| (b) | <ol style="list-style-type: none"> 1. Tangible Resources 2. Low Cost Strategy 3. Global Strategy 4. Corporate Governance | |
| Q.1 (c) | Explain : Strategic Group Mapping | 04 |
| Q.2(a) | Explain in detail: Reasons for diversification | 07 |
| (b) | Discuss: Why and How an Indian IT firms or any other firms of any Industry has grown to be a world-class industry. | 07 |
| | OR | |
| (b) | What reasons account for firm's decisions to use acquisition strategies as a mean to achieve strategic competitiveness? | 07 |
| Q.3(a) | Explain SBU Structure and Network Structure | 07 |
| (b) | Describe the major concerns of financial, marketing, operations, personnel and information management plans and policies. Point out the significance of each functional area's plans and policies for strategy implementation. | 07 |
| | OR | |
| Q.3(a) | Explain Balance Score Card with suitable example. | 07 |
| (b) | Discuss the salient features of structures for the business strategies of cost leadership, differentiation, and focus. | 07 |
| | OR | |
| Q.4(a) | Explain the concept of Value Chain Analysis with suitable example. | 07 |
| (b) | Suppose there is an NGO that works in the tribal areas for spreading health awareness against indiscriminate use of tobacco and alcohol. Propose an effective system of strategic evaluation and control that could be used by such an NGO. | 07 |
| | OR | |
| Q.4(a) | Explain in brief: Strong Culture & Weak Culture | 07 |
| (b) | How can corporate governance foster ethical strategic decisions and behaviors on the part of managers? | 07 |
| Q.5 | <u>CASE: Vishala Printers – Challenges of Differentiation in Cluttered Markets:</u> | 14 |

THE FIRM:

Associated Business Corporation (ABC) is a diversified, multi-divisional company having business presence in capital-industrial products, consumer durables, and service industries. Through use of strategic planning tools, the company has successfully evolved a strategy of high-specialization and high –differentiation for its products. Combined with the company's philosophy of high –ethic practices, the firm has established for itself a reputation for high quality products in each of its three businesses. Customers perceive the firm and its products as extremely

reliable and give full value for money. As such they readily pay higher prices charged by the company for the superior products and services. All the three businesses have an equal prominence in the firm's business portfolio in terms of contribution to sales and net profits and each business unit has a healthy, though intense, rivalry with the other two for superior results each year.

THE PRINTING DIVISION:

Vishala Printers is a division of Associated Business Corporation, which specializes in publishing of scientific journals, annual reports, and business catalogues. The firm has a most modern laser printing and computer typesetting unit. It takes pride in the amount it invests (approximately 10 percent of its annual sales) in maintaining the technological leadership through continuous development of employees skills and purchase of latest computer hardware and software. The chief executive of this division, Vipul Mehta,³⁸ is a co-founder of ABC. He is professionally qualified engineer and an MBA from one of the premier management institutes of the country. He personally believes that each and every product that comes out from the Printing Division must be impeccable in quality. He started the venture in partnership with two others, after having worked for three years in multinational company in India. Over the past few years, the firm has shown consistent pattern and rate of growth and profitability. The market-to-book ratio has usually been above five for the previous three years.

CENTRAL INDIA MANUFACTURING CORPORATION (CIMC):

One of Vishala Printers' Major customers is Central India Manufacturing Corporation. CIMC is a high -profile public sector unit manufacturing strategic goods for the country. It is one of the few PSUs making consistent profits. The yearly volume of business that CIMC provides to Vishala Printers is roughly 20 percent of the latter's annual turnover. CIMC's top management regularly publishes performance reports, catalogues, brochures, periodicals, field survey reports etc. Some are sent at the highest levels of Government of India including the Prime Minister and the concerned Cabinet Minister.

Of late, some competitors of Vishala Printers who are in day-to-day printing jobs in which quality, requirements are not stringent, have been pressing the Finance and Accounts (F/A) people in CIMC 'to do something' so that they can also get a share in the seemingly high-margin quality jobs. These are the works which presently Vishala Printers undertakes for CIMC. The printers had also developed personal contacts with some influential persons in the organization. Some officers and staff from (F/A) and Stores offices has earlier visited Mr. Mehta and tried to negotiate with him an understanding so that the obligation could have become mutual. They have also dropped suitable arm-twisting hints that 'although we could have done so, but we have never delayed your payments or made any adverse comments on the bills presented for payments.' Mr. Mehta has clearly instructed his staff not to encourage such activities or dealings, and hence the F/A people were politely refused.

THE DECISION PROBLEM:

Recently the Stores Department of CIMC has taken a policy decision that all printing jobs will be awarded to one firm on a yearly contract basis. The acceptance of the tender and final award will be based purely on lowest rate offered. The rates, once accepted, will be valid for a period one year and would remain frozen till the end of the period. Mr. Mehta feels that this is a trick devised by some vested interests in the F/A and Stores sections in connivance with other printers to eliminate his organization from future contracts with the CIMC. It is universally known that the rates charged by Vishala Printers are as much as 40-50 percent higher than the other 'local' printers. Mr. Mehta justifies the difference by saying, "despite the apparently high differential in rates, the net margins for us are only about 15-18 percent on the quoted price. Our competitors in their ignorance do not realize the additional fixed and variable costs that we incur and also the extent of expertise involved". Mr. Mehta feels that his rates are extremely reasonable and fair and any downward price revision will not justify the amount of his personal and organizational expertise and investments made in executing a high-quality printing work.

With the consolidation of all printing work on an yearly basis, even the Director of CIMC would not be able to use his discretionary powers to award others to Vishala Printers as the value of one single contract will far exceed his authority. Till the new policy, the Director was using his discretionary authority to overrule the F/A office's recommendations on lowest quotations for the prestigious and time-bound works. Another usual practice has been to form job-committees for important jobs. The purchase committee chairman could place orders directly on the firm on the basis of recommendations of the individual job-committees. These committees took decisions taking into consideration several other factors such as the nature of job, its purpose, timeliness of delivery, quality of workmanship required which in turn depended upon the skills and other resources that the printer had, and past experience of the printer in undertaking similar jobs among others. The committee members even visited the printer's premises to make an on-the-spot assessment. Now this would also not be possible as under the new rules all printing orders were to be given only to the approved firms. According to Mr. Mehta, "the work involves lot of value-addition particularly in respect of intangibles, and these additions cannot be neatly quantified for the purpose of calculating and evaluating the rates offered by different competitors. The top management and scientists of CIMC know that nobody else can provide the kind of service we require-yet they cannot put this down on paper".

One senior executive of CIMC made this comment on the quality provided by Vishala Printers: "Previously, we had to run around the printers and chase them for getting the job done". The proofs usually got delayed and once they were received, carried many mistakes. The superscript and subscript notations and particularly mathematical equations used in our scientific papers were never done properly

even after we corrected the proofs. The aesthetic appeal of the catalogue or report would always give impressions of shoddiness and corner cutting. I cannot say exactly why the final product was never upto the mark, but the causes probably lay in a combination of factors such as: the quality of inks used, the layout perspective of the designers employed by the presses, the quality of skills of the machine-men operating the offsets, or God knows what! now since Vishala Printers started doing our prestigious jobs, all our seem to have been taken care of. It is they who chase us for expediting the proof reading and return. Their usual practice is to sit with us for about two hours and understand every detail of the job before commencing work on it. As customers, we were first uncomfortable with this attitude from a supplier but then understood that ultimately we were the beneficiaries in terms of a superior product, timely delivery, and sustained commitment-this keeps everybody on the toes. You know what, once they even refused to go ahead with our job because our man failed to deliver the proofs for two days, and were ready to bear as losses all the costs that they has incurred till then on the work. They often improve upon the grammar of the sentences. I am not a technical man but the scientist admits that errors of scientific and technical notations (otherwise hard to detect) which inadvertently creep in the original typed manuscript get corrected at Vishala. Probably, Mr. Mehta's engineering and management background is the reason behind this. We even got appreciation for improved quality and presentation of our reports from our top boss – the Secretary in the Ministry. With this new rule about annual rate contract being introduced, I do not know how we will tackle a new printer.”

The time is 8:55 in the morning. Mr. Mehta has called a meeting of his senior managers at 10:00 a.m. to discuss the situation. By 2:00 p.m. the firm has to submit its bid in a sealed envelope. All the quotations received till the deadline will be opened in front of those present at 3:00 p.m.

As he sits in his car, Mr. Mehta is not panicky, but in a reflective mood.

Questions:

1. As a strategic manager for the firm, what will you do or suggest to the Chief Executive to do in the given situation?
2. Given the nature of competition, VP's overall business strategy, and the fact that much business is lost because of the values it holds, should (n't) the firm change its norms of ethical practices? Will the current values be sustainable in the long-run?

OR

CASE: Misplace Leadership Lessons

14

Mumbai residents were enjoying their early morning tea on August 2 when local TV channels started flashing screen-blasting “Breaking News”: 489 management

students held for 'rave party' and "Police bust friendship day booze party". The night of August 1-2 was a nightmarish experience for the MBA students of Atheros Institute of Management Studies (AIMS-One of the premier management institutes in India). They were celebrating their "Fresher's and friendship day" party at a farmhouse "Badhu" at Theur, a temple village located about 27 K.M away from Mumbai. Students had excitedly arrived at the farmhouse in 10 buses around 8:30 PM.

It was raining heavily on the night of August 1 at the green, beautiful village. The day too had a profound religious significance and sentiments leading to huge rush of devotees coming to visit the famous temple. It was around 11 pm when local police station received complaints from nearby villagers that some students were creating a nuisance and playing loud music. According to police "the organizers claimed to have permission from the excise customs department, but when we cross-checked, it was found that no permission was taken. We saw bottles of alcohol, lying around and some of the students were heavily drunk. We detained them along with eight more students which included Amar and Asish Kar who had organized the party. There were 235 girls among 489 students, 302 bottles of liquor and beer were recovered from the spot. The medical tests of 235 girls at the venue were done by 7 am on August 2, after which they were released.

Rural Police Chief Pradeep Mashelkar said permission was not taken to serve alcohol. He said that "the raid was carried out because of complaints from the villagers about loud music, road blockage and other public nuisance. It is illegal to give any premises for 'bar activity' without permission". Some students were unaware of the fact that they had to take permission for liquor. According to some of the girl students they had paid Rs.300 each and that the seniors had forced them to attend the party at farm house. The Atheros School's management arranged the money for the students' bail admitting that, "Students cannot be left on their own, so we have arranged the bail money".

School's Version:

Dr. Mahima Lonavala, director of the institute said she was worried when students did not return by 12:30 a, next morning- the time limit permitted by the institute to the students for a late out. The students had sought permission of hostel authorities for only a late out. On that day and not for organizing and attending the party. The director claimed ignorance of the party saying that "usually students go for late evening movies or dinners and come back by permitted timings". According to her, the institute cannot hold responsible for what the students did outside campus. She added an inquiry panel had been set up since the students violated hostel rules. We have now formed a committee under the chairmanship of the vice chancellor and other teachers who will decide upon the further course of action. Atheros International is a private college and has the privilege of Deemed University status. It has a comprehensive code of conduct which prescribes the duties and responsibilities of the students. It also prescribes the punishments in case of misconduct of other violation of the code.

School Administration's Action:

After a detailed enquiry, examining the reports, documents and evidence and recoding relevant statements, the committee found that the code had been violated and deliberated on various punishments mentioned in the code, including the rustication of the students. There was, however, a consensus that such action would be unduly harsh and could jeopardize the careers of students. It was noted that the police had already initiated proceedings and that the law would take its own course. Since this was their first deviation from the university norms, the committee recommended a corrective and reformative approach without compromising on the punitive aspect.

On the recommendation of the six member committee constituted by AIM authorities, five organizers of the party (all students) were suspended for 15 days and also had to undertake community service. Rest of the students were also asked to do community service at a local NGO, supervised by the director herself. All the participating students had their late nights and night out curtailed for the three months and return to hostel in the evening had been advanced by an hour. Counseling sessions were organized for the students to create awareness of legal norms and the health risks of alcohol consumption, substance abuse and partying.

Legal Action:

After hearing the students and the lawyer, the Judicial Magistrate released 81 students on cash surety of Rs.2000 each. The seven organizers of the party were taken to the court and released on cash surety of Rs.10,000 each. All the 88 students had been booked under sections 66(1) (B), 65 (K) (D) (E), 86 of the Bombay Prohibition act an 110, 112 and 117 of the Bombay Police Act.

The farm house owner who had rented the premises out and the person who provided the music for the party were also prosecuted. According to the law in India, One must be 21 years or over to get a drinking permit. If liquor to be served, permission under the Bombay Prohibition Act is required. If Public music is to be played, permission under Bombay Police Act is required. Regarding loud music (loud speaker etc.) Supreme Court's strict guideline is that no loud music can be played between 10 P.M. to 6. P.M.

Stakeholder's Reactions:

This incident and punishments led to divergent views among various sections of society including common citizens, intellectuals, academicians, students' parents, student community, and lawyers. Some opined that the police action was justified and needed to improve the wellness of the society.

Students: As expected, students severely criticized the police action. They said they were all adults and had the right to party. According to them, the party was at a private bungalow and the students were not doing anything illegal like taking drugs. Gaurav Laskar, a second year student at Atheros Law School, said, “All the students attending the party were above 18 and they knew what they were doing. They also had the permission from the college to stay out late. So, why did the police make such a big issue of the whole incident?” Vidya, a student of Atheros Junior Management College, accused the police of over-reaction saying “the students were all adults”.

Academicians: Educationist Devika Nadig too blamed the police, “There was nothing vulgar happening. I felt very bad seeing the pictures of the young girls in the newspaper in the new papers. You can’t do this to young adults.” Vasant Wagh, former principle of Fergusson College said, “the police had merely done their job and it is important for college students not to cross the limits.”

Former University Grant Commission chairman and city’s leading citizen, Dr. Arun Nigvekar said, “Students want to enjoy and there is nothing wrong with that. Institutes must create a platform where parties can be held in healthy manner. This party was held in a public place and the local residents may have complained,” he said.

Mr. Sureshchandra Bhosale, Dean of Law Faculty, felt that, “the police should have issued a warning instead of detaining the students. The party was at a private place. The police should also have waited for the report of the chemical analysis before charging them. The image of students has been needlessly tarnished – they’ll have a jail record because of the extreme action of the police.”

Civil Society: One of the local industrialists wondered, “it’s legitimate event, especially in the life of youth. I think the students have a right to party. It’s really unfair of them (the police) to say that the girls wore skimpy clothes. The girls were wearing skirts, which is a respectable garment across the world. And none of them were doing drugs.” Lawyer Amitabh Mehta said that such parties were not uncommon and the police saw these as soft targets. “The provisions of Bombay Prohibition Act 1949 that calls for a person consuming liquor to hold a liquor permit is unrealistic,” he said.

Former Mumbai Police Commissioner Julio Ribeiro said, “Of course, one can’t help it if the police go by the book and insist on a permit to serve liquor. But I feel the police should not take an extreme view in such matters. They could have given the students a warning and let them off. After all, there was no drug involved.”

Police and State: The rural police chief, however, justified the police action and said, “we medically examined the students. Those who had consumed liquor without permits were prosecuted according to the law.” One of the elderly citizens

of The State, Mr. Mohan Dharia (a former minister in the central government) conducted with the view of the chief and said he did not think that police over reacted. Ayub Pathan Legal Advisor to the State CID, The State, said, "If liquor is to be served and music is to be played, then a permission under the Bombay Prohibition Act and Bombay Police Act is required".

College Board Public Apology: Mr. Banerjee, Founder Director AIM, and member of Atheros Governing Society, expressed regret over the incident, "I am repentant over what happened and I express my regrets to the people of Mumbai. After the party there was a hue and cry that such parties were an attack on the city's culture. But I want to assure people that the city's culture is not so fragile that it will be destroyed by such incidents."

Parents of some of the students caught in the muddle explained that "last year too, they had attended a Fresher-cum-Friendship Day Party in Badhu, but there were no problems then. The party was thrown by the second year MBA students as a welcome to the freshers." If we parents have no objection, why do the police have any??

Questions:

1. Is this a case of much a do about nothing? What are the major emerging issues?
2. Was there any better way to avoid and handle such incidents?
3. Seeing that students did not indulge in any criminal act, were the punitive actions taken by AIM administration justifiable?
4. What would you have done/say had you been in the role of"
 - Student
 - School Management
 - Citizen
 - Police
 - Villager living in vicinity of disturbed village
