

MANAGEMENT PROGRAMME

Term-End Examination

June, 2016

02424

MS-11 : STRATEGIC MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- Note :**
- (i) *There are two Sections : Section-A and Section-B.*
 - (ii) *Answer any three questions from Section-A.*
 - (iii) *All questions in Section-A carry 20 marks each.*
 - (iv) *Section-B is compulsory and carries 40 marks.*
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SECTION - A

1. Describe three objective ways to make a choice of strategy. Support with the help of examples.

2.
 - (a) Explain how applicable is experience curve effect in the manufacturing sector.
 - (b) Describe with the help of examples, the three generic strategies.

3. Discuss various reasons for Mergers and Acquisitions. Support your answer with the help of examples.

4. What do you understand by the 'Value Chain Framework' ? Explain with the help of an example.
5. Write short notes on the following :
 - (a) Global Product Structure.
 - (b) Attributes of a successful leader.

SECTION - B

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

CASE STUDY : INNOVATIVE MARKETING STRATEGIES DELL INDIA LIMITED

Started on November 4 1984, Dell grew by the early 90's to become the largest seller of PCs and servers. Dell's presence in India is no surprise. India is one of the most important emerging markets in the world. For years, selling PCs in Asia largely meant China. However, PC makers have recognized the importance of the giant Indian market, its booming economy and annual growth at more than 9%. Dell entered the Indian market in 1992 through a tie-up with an Indian company named Pertech Computer Limited. After having terminated the partnership in 1996, its presence was limited only to sales and distribution. However, in 2001, it set up a wholly-owned Indian subsidiary Dell India. The company currently sells personal computers, servers, data storage devices, network switches, software, computer peripherals and televisions.

In the 1980s, Dell was a pioneer in the “configure to order” approach to manufacturing - delivering individual PCs configured to customer specifications. In contrast, most of the industry was delivering large orders to intermediaries on a quarterly basis.

To minimize the delay between purchase and delivery, Dell has a general policy of manufacturing its products close to its customers. This also allows for implementing a just-in-time (JIT) manufacturing approach, which minimizes inventory costs. Low inventory is another signature of the Dell business model - a critical consideration in an industry where components depreciate very rapidly.

Strategy for the First World Countries

Traditionally, Dell has sold all its products – whether to end-use consumers or to corporate customers – using a direct-sales model via the Internet and the Telephone-network. Dell maintains a negative Cash Conversion Cycle (CCC) through use of this model : in other words, Dell Inc. receives payment for the products before it has to pay for the materials. Dell also practises just-in-time (JIT) inventory-management, profiting from its attendant benefits. Dell’s JIT approach utilizes the “pull” system by building computers only after customers place orders and by requesting materials from suppliers as needed. In this way Dell mirrors Toyota by following Toyota Way Principle #3 (“Use ‘pull’ systems to avoid overproduction”). Since the days of the original dominance of Telephone-ordering,

the Internet has significantly enhanced Dell's business model, making it easier for customers and potential customers to contact Dell directly. This model also has enabled Dell to provide very customizable systems at an affordable rate, since Dell's manufacturing arm builds specifically for each customer. Other computer-manufacturers, including Gateway and Hewlett-Packard, have attempted to adapt similar business-models, but due to timing and/or retail-channel pressures they have not achieved the same results as Dell.

Analysts say : Dell has a negative 45 days CCC, which means that their sales are converted in hard cash 45 days BEFORE the sale. As Michael Dell said "The direct model has been a revolution, but it is not a religion", the direct model may not be a panacea for all regions in all times. The similar statement to reassess the conventional IT services could be the same case. Of course, it should be great to see Dell innovate another surprise in the near future."

Strategy for the Rest of the World

Dell was known as just a company who manufactures and sells hardwares. During 2007, when Dell lost its first position to HP for the first time in a decade, Michael S. Dell had to step back in as a CEO of the company by replacing Kevin Rollins. He took drastic measures inside and outside the company to increase profitability.

He masterminded the change in entire product range. He started changing the company's image from hardware manufacturer to a company which sells the entire IT solution.

Organizations were struggling with IT complexity. Dell forged a path to simplify IT, by building a low-touch uniform infrastructure spanning the desktop to the data center. By doing this customer got operational efficiency, manageability and flexibility to pinpoint ways to streamline how IT is acquired, maintained, and scaled. IT simplification helps reduce the cost and complexity of maintaining systems, enabling organizations to reclaim the time, money and personnel needed to drive true innovation into daily business processes. Best of all, IT simplification is a way to differentiate your offerings from your competitors, which leads to greater sales opportunities.

Dell also started CFI (Custom Factory Installation) which is not available with any other manufacturer. Under CFI, Dell custom installs software and hardware not generally available on the Dell's sales shelf. Dell also helps Large corporate by providing them the same standard of product worldwide and helps them pre-loading the entire image of the company during factory installation.

Dell not only changed its entire image but it also started having partnership with companies like Google. The contract which happened between Google and Dell maintained a partnership under which Dell would be sending Google's softwares pre-installed on the Dell system and Google will intern market Dell's products. Indian market relies a lot on solution rather than just a product. With the changing image of Dell its growth rate is worrying other competitors as their pie is going down in the market.

Questions :

- (a) Explain how the strategy of Dell, selling the products through direct-sales model helped in developing competitive advantage ?
 - (b) Do you think that the contract between Google and Dell is the only reason for Dell's growth ? Justify.
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