

MANAGEMENT PROGRAMME

Term-End Examination

11065

December, 2011

MS-11 : STRATEGIC MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

Note :

- (i) There are two sections : Section A and B.
- (ii) Attempt any three questions from section - A, carrying 20 marks each.
- (iii) Section - B is compulsory.
- (iv) All questions carry equal marks.

SECTION - A

1. Distinguish between 2x1 20
 - (a) Strategy v/s Policies
 - (b) Strategy v/s Tactics and explain giving examples.
2. How does the value chain framework work as a guide to any firm's strengths and weaknesses? Give examples in support of your answer. 20
3. (a) Discuss the cost of differentiation under following leads : 4x 5=20
 - (i) Training.
 - (ii) Promotion of a product.
 - (iii) Hiring skilled workforce.
 - (iv) Improving quality of the product.

(b) Discuss the Advantages and Disadvantages of Differentiation.
4. 'An organization can "go international" by crossing domestic borders as it employs various growth strategies'. Keeping the statement in mind explain various ways through which a firm can expand internationally. Give examples in support of your answer. 20
5. What are the different methods of control ? Discuss them in brief giving examples. 20

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

Abhinav Kumar never failed to enjoy his company's establishment-day jamboree. That was one time in the year when his company, Total Industries, really splurged on its employees. Assistant managers and about 122 of them would be flown into Mumbai from all the branch offices, and lodged in hotels for 2 days.

The get-together cost the company Rs. 50 lakhs, but Kumar knew it was a small price to pay for the credibility it generated. After all, Total was no longer the textile peddling, one-man outfit his grandfather had founded back in 1927. Rather, it was a Rs. 6,000 crores plus conglomerate with interest in consumer electronics, switchgears, batteries, soaps and oils.

Being a largely family managed company, Total is likely to be perceived as a benevolent employer. Today, watching its employees come together like a big family, Kumar felt proud about his grand-father and father. He turned his gaze to where his father was sitting, 2 tables away to his right, chatting animatedly with Srikant Suresh, President (Consumer Durables Division). In another 5 minutes, Kumar Senior would be up on the dais, making his annual address to the employees. Kumar knew what his father would be talking about. They had discussed it over dinner last night.

Ratika Sahai, the young President (Batteries), took the microphone as soon as the evening's last item, a dance recital, came to an end.

"Thank you Rachana for your wonderful performance. Ladies and Gentlemen, before we wrap up this evening. I would like to invite our Chairman to the dais for his customary address".

Amidst loud applause, Deepak made his way to the dais.

"I hope all of you had a good time over the last 2 days. Although this is only our fourth get-together in as many years, I feel a tremendous sense of belonging. I hope you feel the same because, as a company, we will prosper only when all of us contribute our best".

Total Vision 2010'

To become a market-leader in each of the four business segments by ensuring total quality, customer satisfaction, and continuous innovation.

"As I see it, " Deepak continued," the challenges before us are many. We need to become a more efficient company. We need to become more cost-competitive. Our products need to be of better quality, and we need to become more customer-friendly. The business environment today is vastly different from what it was when I joined Total. Unless we regularly re-vitalise the organization, change our mindsets, and revisit our basics, we cannot be competitive. What kind of company should Total be in another decade?"

For about half a minute nobody replied. Then, Manoj Kohli, the President of the switchgears division, stood up to answer the question. "Probably the largest company in the country", he said.

"Certainly the largest company, Manoj, but also the market-leader in all the segments we choose to be in", Deepak elaborated. "Do all of you feel that way?" he threw the question at the audience.

"Yes," pat came the chorus.

"Let's keep that in mind when we return to our jobs tomorrow morning, and work towards making it happen. Once again, thank you all for being here, and I hope it was worth your while," Deepak said concluding his address.

Kumar met up with his father near the exit, "Sir can you give me a ride back home," he asked. Kumar always "Sir-ed" his father in front of other executives.

"What happened to your car?"

"I have it but I want to talk to you".

Deepak gave him a quizzical look but did not say anything. After saying good bye to his departing colleagues, Abhinav joined his father who was already seated in the car.

"So, what do think dad? Did it go off well?"

"Of course, it did. Do you have any doubts?"

"Not about the party but something did strike me as odd."

"What?" Deepak asked, his curiosity piqued.

"Remember when you asked what kind of a company Total should be in another 10 years?"

"Yes, What about it?"

Didn't it strike you as odd that there was a long silence before Manoj replied?

"I think they were hesitant. It's not everyday that I ask them a question like that."

"They were hesitant, dad, but not because they were shy. Don't you realize they don't know what we want Total to be? They do not know what our vision for Total is."

"Bah ...don't give me your management jargon. I don't care if they don't know of our 'vision'. We have done perfectly well over the last 73 years without your 'vision' thing," Deepak scoffed.

"Those days, our executives just took orders from you and grandpa. But, today we are asking them to act like profit-centres: Don't you think having a common vision which everybody knows about will help?"

"Do you think Total got to where it is today without a vision?"

"No. But the vision is locked up inside the heads of people like you, me, and our top executives. We have not discussed its contours and documented a formal statement".

"I don't know' Abhi, I would still trust my gut feel than go by some fancy vision statement. It looks good hanging from your office wall".

"No, dad," Abhinav persisted. "It's just like you and I having our breakfast or dinner talks. Only, this time it will be communicated to all the employees in the company".

"I don't feel comfortable about your management mumbo-jumbo. But we will do it anyway".

The car pulled into the drive-way of their sprawling mansion.

"Thanks, dad. Eventually, you'll see that it works."

"I hope so, Good night, son". Next morning, Abhinav asked his four presidents-Srikant Suresh of Durables, Manoj Kohli of Switchgears, Guneen Roy of soaps and oils, and Ratika Sahai of Batteries-to join him in the conference room. Without much ado, he got to the point as soon as the meeting began.

"Tell me something frankly. Do you think Total has a vision where it wants to go?"

His audience of 4 was momentarily taken aback by the question. They looked at each other, before Guneen replied : "Of course, aren't all of us committed to making Total the best company in the industry?"

There are two things involved here, Guneen. One, only you and I seem to know where Total is headed. And two, even we see the final goal differently. We have been so caught up with our day-to-day operations that we haven't articulated the big picture".

"You are right, "Kohli said.

"But how do you develop a vision, for a company that is as diversified as ours ?" Questioned Ratika. "Should we find a common thread that runs across all our businesses and build the vision around it, or develop separate vision statement for each of them?"

"I think the unit-specific vision would make sense provided we were to spin off our divisions into separate companies, "Guneen said... "Given our current position, we should identify the unique set of skills that straddles the 4 divisions".

"In fact, I do see some common characteristics," said Kumar "One, our businesses are volume-driven. Two, the sales are largely dealer-led. Three, our products cater to the mass market, and they are sold on the economy plank. So, what is the core proposition that binds them all ? Obviously, it is value-for-money. So, should our vision be built around this proposition ?"

It's my sense that we should," Kohli said "Look at our market shares. In refrigerators, we have 1/5 of the market; it's 23 percent in switchgears, and 17 percent in CTVs. Our market share in batteries is modest because it's a relatively new business for us. Of course, soaps and oils is a legacy business, which Guneen is trying hard to turn around".

I feel that connected to the issue of vision is also the question of strategy," Ratika noted. "It must make a fit with the vision."

"I think this is what we should do", Kumar opined. "As a first step, do an in-house vision poll to find out what our people feel about it. We'll work on the strategy thereafter."

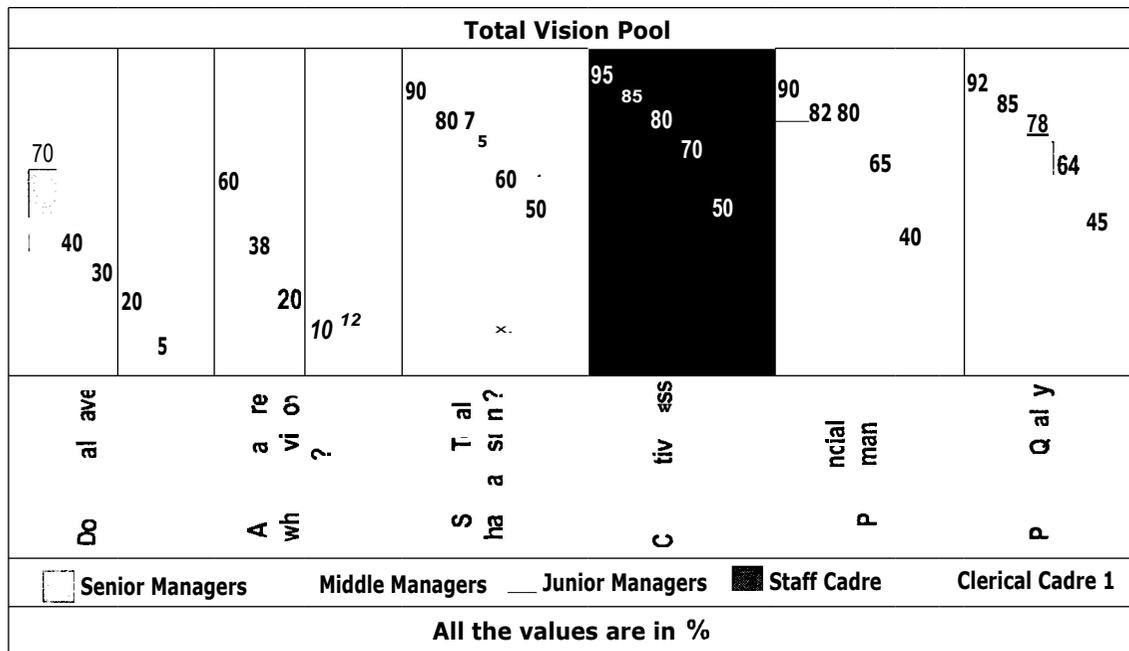
It took Total about 2 months to finish the in-house poll. The results were revealing. There was a stark absence of vision awareness below the middle-management level. In fact, the clerical cadre was not even sure that Total had a vision.

"This is scary, dad," Kumar had told his father the evening the poll results came in.

"But do you think all our employees are capable of understanding the complexities of the business?" his father had asked.

"May be not, but they'll appreciate transparency. And if we keep our vision simple-not simplistic, though I don't see why they won't buy it".

"I have my reservations, Abhi. Can we develop a meaningful, shareable vision for all our businesses? How should the vision be put across, and how should we manage the mechanics of developing this vision without trivialising what we have toiled to build over the years, or scaring our employees away with too high a vision?"



QUESTIONS :

- (a) What should be the basis of the vision statement of Total Industries: Value for money or anything else ? Explain clearly.
 - (b) How can Total Industries develop a meaningful shareable vision for all its businesses ?
 - (c) Is it possible for Total Industries to develop the vision statement through active employee involvement and participation ? If yes, outline the steps in a sequential way.
 - (d) What are the dangers of building a vision statement through a bottom-up process ?
-