

MANAGEMENT PROGRAMME

Term-End Examination

June, 2012

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. How is the choice of strategy made by a firm ? Explain with respect to objective factors giving examples. 20
2. 'The five forces framework developed by Michael Portor is the most widely known tool for analyzing the competitive environment.' Explain this framework in brief and discuss its relevance in the present context. 20
3. (a) Explain the concept of experience curve. 20
(b) What are the various causes due to which experience curve effect occurs ? Explain them in brief.
4. 'In the new economy, strategic alliances enable business to gain competitive advantage through access to a partner's resources'. Based on the statement discuss in brief the types and benefits of strategic alliances. 20
5. "Structure follows Strategy". Discuss the statement and give the various forms of Organisation Structure for Strategy Implementation. 20

SECTION-B

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

The *Dabbawalas*- Feeding Mumbai*

Hungry kya? What would you like: pizza from the local Domino's (30 minute delivery) or a fresh, hot meal from home? Most managers don't have a choice. It's either a packed lunch or junk food from a fast food outlet.

Unless you live in Mumbai, that is, where a small army of 'dabbawala's' picks up 175,000 lunches from homes and delivers them to harried students, managers and workers on every working day. At your desk, 12.30 pm on the dot. Served hot, of course. And now you can order even through the Internet.

The Mumbai Tiffin Box Suppliers Association (MTBSA) is a streamlined 120 year old organization with 4,500 semi literate members providing a quality door-to-door service to a large and loyal customer base.

How has MTBSA managed to survive through these tumultuous years? The answer lies in twin process that combines competitive collaboration between team members with a high level of technical efficiency in logistics management. It works like this.

After the customer leaves for work, her lunch is packed into tiffin provided by the *dabbawala*. A color-coded notation on the handle identifies its owner and destination. Once the *dabbawala* has picked up the tiffin, he moves fast using a combination of bicycles, trains and his two feet.

A BBC crew filming *dabbawalas* in action was amazed at their speed. "Following our *dabbawala* wasn't easy, our film crew quickly lost him in the congestion of the train station. At Victoria Terminus we found other fast moving *dabbawalas*, but not our subject... and at Mr Bapat's ayurvedic pharmacy, the lunch had arrived long before the film crew," the documentary noted wryly. So, how do they work so efficiently?

TEAM WORK AND TIMING

The entire system depends on team work and meticulous timing. Tiffins are collected from homes between 7.00 am and 9.00 am, and taken to the nearest railway station. At various intermediary stations, they are hauled onto platforms and sorted out for area-wise distribution, so that a single tiffin could change hands three to four times in the course of its daily journey.

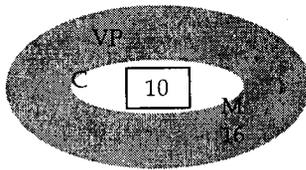
At Mumbai's downtown stations, the last link in the chain, a final relay of *dabbawalas* fan out to the tiffin's destined bellies. Lunch hour over, the whole process moves into reverse and the tiffins return to suburban homes by 6.00 p.m.

To better understand the complex sorting process let's take an example. At Vile Parle Station, there are four groups of *dabbawalas*, each has twenty members and each member services 40 customers. That makes 3,200 tiffins in all. These 3,200 tiffins have to be collected by 9.00 am, reached the station and sorted according to their destinations by 10.00 am when the 'Dabbawala Special' train arrives.

The railway provides sorting areas on platforms as well as special compartments on trains travelling south between 10.00 am and 11.30 am.

During the journey, these 80 *dabbawalas* regroup according to the number of tiffins to be delivered in a particular area, and not according to the groups they

Exhibit 1



Here, the marking for the collection point are :
VP for Vile Parle, C for Cooper Hospital.
Destination marking are 10 (Nariman Point),
9 is the dabbawala handling the destination area,
M is Mittal Tower and 16 refers to the 16th floor.

actually belong to. If 150 tiffins are to be delivered in the Grant Road Station area, then four people are assigned to that station, keeping in mind one person can carry no more than 35-40 tiffins.

During the earlier sorting process, each *dabbawala* would have concentrated on locating only those 40 tiffins under his charge, wherever they come from, and this specialization makes the entire system efficient and error-free.

Typically it takes about ten to fifteen minutes to search, assemble and arrange 40 tiffins onto a crate, and by 12.30 pm they are delivered to offices.

In a way, MTBSA's system is like the Internet. The Internet relies on a concept called packet switching. In packet switched networks, voice or data files are sliced into tiny sachets, each with its own coded address which directs its routing.

These packets are then ferried in bursts, independent of other packets and possibly taking different routes, across the country or the world, and re-assembled at their destination.

Packet switching maximizes network density, but there is a downside: your packets intermingle with other packets and if the network is overburdened, packets can collide with others, even get misdirected or lost in cyberspace, and almost certainly not arrive on time.

ELEGANT LOGISTICS

In the *dabbawalas'* elegant logistics system, using 25 kms of public transport, 10 km of footwork and involving multiple transfer points, mistakes rarely happen. According to a Forbes 1998 article, one mistake for every eight million deliveries is the norm. How do they achieve at virtual six sigma quality with zero documentation? For one, the system limits the routing and sorting to a few central points. Secondly, a simple color code determines not only packet routing but packet prioritizing as lunches transfer from train to bicycle to foot.

WHO ARE THE DABBAWALAS ?

Descendants of soldiers of the legendary Maharashtrian warrior-king Shivaji, *dabbawalas* belong to the Malva caste, and arrive in Mumbai from places like Rajgurunagar, Akola, Ambegaon, Junnar and Maashi. "We believe in employing people from our own community. So whenever there is a vacancy, elders recommend a relative from their village," says Madhba, a *dabbawala*.

"Farming earns a pittance, compelling us to move to the city. And the tiffin service is a business of repute since we are not working under anyone. It's our own business, we are partners, it confers a higher status in society", says Sambhaji, another *dabbawala*. "We earn more than many *padha-likha* graduates', adds Khengle smugly.

The proud owner of a BA(Hons) degree, Raghunath Meghe, president of MTBSA, is a rare graduate. He wanted to be a chartered accountant but couldn't complete the course because of family problems. Of his three children, his daughter is a graduate working at ICICI, one son is a *dabbawala* and the younger son is still studying.

Education till standard seven is a minimum pre-requisite. According to Meghe, "This system accommodates those who didn't or couldn't finish their studies. It's obvious that those who score good marks go for higher education and not to do this job, but we have people who have studied up to standard twelve who couldn't find respectable jobs". There are only two female *dabbawalas*.

Apart from commitment and dedication, each *dabbawala*, like any businessman, has to bring some capital with him. The minimum investment is two bicycles (approximately Rs. 4000), a wooden crate for the tiffins (Rs. 500), at least one white cotton *kurta-pyjama* (Rs. 600), and Rs. 20 for the trademark Gandhi topi.

COMPETITIVE COLLABORATION

MTBSA is a remarkably flat organization with just three tiers: the governing council (president, vice president, general secretary, treasurer and nine directors), the *mukadams* and the *dabbawalas*. Its first office was at Grant Road. Today it has offices near most railway stations. Nobody is an employer and none are employees. Each *dabbawala* considers himself a shareholder and entrepreneur.

Surprisingly, MTBSA is a fairly recent entity: the service is believed to have started in the 1880s but officially registered itself only in 1968. Growth in membership is organic and dependent on market conditions. This decentralized organization assumed its current form in 1970, the most recent date of restructuring. *Dabbawalas* are divided into sub-groups of 15 to 25, each supervised by four *mukadams*. Experienced old timers, the *mukadams*, are familiar with the colors and codings used in the complex logistics process. Their key responsibility is sorting tiffins but they play a critical role in resolving disputes; maintaining records of receipts and payments; acquiring new customers; and training junior *dabbawalas* on handling new customers on their first day.

Each group is financially independent but coordinates with others for deliveries: the service could not exist otherwise. The process is competitive at the customers' end and united at the delivery end. The *mukadams* are also responsible for day-to-day functioning. And, more important, there is no organizational structure, managerial layers or explicit control mechanisms. The rationale behind the business model is to push internal competitiveness, which means that the four Vile Parle groups vie with each other to acquire new customers.

BUILDING A CLIENTELE

The range of customers includes students (both college and school), entrepreneurs of small businesses, managers, especially bank staff, and mill workers. They generally tend to be middle-class citizens who, for reasons of economy, hygiene, caste and dietary restrictions or simply because they prefer wholesome food from their kitchen, rely on the *dabbawala* to deliver a home cooked mid-day meal.

New customers are generally acquired through referrals. Some are solicited by *dabbawalas* on railway platforms. Address are passed on to the *dabbawala* operating in the specific area, who then visits the customer to finalize arrangements. Today customers can also log onto the website www.webrishi.com to access the service.

Service charges vary from Rs. 150 to Rs. 300 per tiffin per month, depending on location and collection time. Money is collected in the first week of every month and remitted to the *mukadam* on the first Sunday.

He then divides the money equally among members of that group. It is assumed that one *dabbawala* can handle not more than 30-35 customers given that each tiffin weighs around 2 kgs. And this is the benchmark that every group tries to achieve.

Typically, a twenty member group has 675 customers and earns Rs. 1,00,000 per month which is divided equally even if one *dabbawala* has 40 customers while another has 30.

Groups compete with each other, but members within a group do not. It's common sense, points out one *dabbawala*.

One *dabbawala* could collect 40 tiffins in the same time that it takes another to collect 30. From his earnings of between Rs. 5,000 to Rs. 6,000, every *dabbawala* contributes Rs. 15 per month to the association. The amount is utilized for the community's upliftment, loans and marriage halls at concessional rates. All problems are usually resolved by association officials whose rulings are binding.

Meetings are held officially on the 15th of every month at Dadar. During these meetings, particular emphasis is paid to customer service. If a tiffin is lost or stolen, a investigation is promptly instituted. Customers are allowed to deduct costs from any *dabbawala* found guilty of such a charge.

Exhibit 2 Financial profile

	Outflows (Rs.)	Inflows (Rs.)
Revenues per annum		72,000
Tiffin basket luggage pass @ Rs. 180 per month	2,160	
Parking charges	1,000	
Maintenance of bicycle	1,800	
Maintenance of wooden crates	150	
Fine to police and traffic police	100	
Association membership fee @ Rs. 15 per month	180	
<i>Satyanarayan puja</i>	50	
Miscellaneous expenditure	560	
Total outflows	6,000	
Earnings per annum		66,000
Estimated net earnings per month per <i>dabbawala</i>		5,500

If a customer complains of poor service, the association can shift the customer's account to another *dabbawala*. No *dabbawala* is allowed to undercut another. Before looking into internal disputes, the association charges a token Rs 100 to ensure that only genuinely aggrieved members interested in a solution come to it with their problems, and the officials' time is not wasted on petty bickering.

EARNINGS

Logistics is the new mantra for building competitive advantage, the world over. Mumbai's *dabbawalas* developed their home grown version long before the term was coined.

Their attitude of competitive collaboration is equally unusual, particularly in India. The operation process is competitive at the customers' end but united at the delivery end, ensuring their survival since a century and more. Is their business model worth replicating in the digital age is the big question.

Questions :

- (a) Discuss the objectives and strategies used to achieve the goals of the organisation.
 - (b) What role logistics play in creating Competitive Advantage? What are the critical success factors in such an organisation?
 - (c) What do you understand by Competitive Collaboration? Discuss its role in this case.
-