

## MANAGEMENT PROGRAMME

### Term-End Examination

June, 2011

00853

### MS-91 : ADVANCED STRATEGIC MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

*Note :*

- (i) *There are two Sections : A and B.*
- (ii) *Attempt any three questions from Section-A which carry 20 marks each.*
- (iii) *Section-B is compulsory and carries 40 marks.*

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#### SECTION - A

1. (a) What could be the different approaches to corporate management ? Critically analyze them by pointing out their merits and demerits.  
(b) Discuss the components of corporate strategy. How could a company obtain the advantages of synergy ?
2. In relation to the role of Board of Directors in a company, there are two sets of expectations : Law-related expectations and Managerially-derived expectations. Discuss these two sets of expectations by citing examples.
3. What effects different phases of the Product Life Cycle have on the various dimensions relating to the product, viz., nature of the product itself, buyer behaviour, marketing, competition, margins and profits, etc ? Explain and offer your comments. In what ways do industry environments vary in their basic strategic implications ?
4. (a) Discuss the use of IT in strategy implementation, particularly in relation to competitive strategy, value chain and value system.  
(b) Discuss the knowledge management frame work as applicable to an organisation.
5. Briefly explain the following :
  - (a) Developing an effective R & D strategy
  - (b) Business importance of CSR

6. Read and analyze the case study hereinafter carefully and answer the questions given below :

**Questions :**

- (a) Describe ITC's e-Choupal initiative to engage the farmers to the next level. How is version 3.0 different from the earlier two versions ?
- (b) Analyze the proposed responses of the company to its competitors and offer your comments.
- (c) What stages of evolution e-Choupal experiment has gone through ? What do think is the main strength of the programme and what could be the benefits to the innumerable farmers ?
- (d) How can mass technology (e.g., mobile telephony) play a part in supporting the envisaged transformation of rural areas ?

**ITC's e-Choupal**

**1,2,3 of e-Choupal**

When you run Corporate India's largest, most ambitious and most celebrated rural initiative, you better know the following :

- That adversities could crop up unexpectedly.
- That some adversities can be turned into opportunities.
- And that every little opportunity has to be made most of.

It was so with ITC, the company behind the e-Choupal initiative that had reached four million farmers in six states in six years till 2006. At one point, the company was opening 5-6 e-Choupals a day and had a target of reaching 100 million farmers. That hit a roadblock of sorts in 2006-07. The very basis of the e-Choupal's core business – commodity sourcing from farmers directly – was endangered with the government clamping down on companies trading with farmers directly. The trigger for the government reaction was the spike in wholesale price inflation, which rose close to double-digit figures in case of some commodities in 2006-07. Though the impact varied from state to state, the larger foreboding was loud and clear : The acts of government taken in the national interest could hobble e-Choupal's anchor business, even if temporarily. What does the company do then ? Roll out plans for Version 3 of e-Choupal that will add atleast two more anchor businesses to start with and deepen the engagement with individual farmers way beyond what was being done in Version 1 and 2. "The idea is to discover new anchor businesses and try and insulate the e-Choupal model from the risks of reversal in government's agri reforms," says S. Sivakumar, Chief Executive, Agri-Business, ITC, and the man who scripted the e-Choupal model of business.

Many other Indian companies that had once entered rural markets, and had subsequently quit, are re-entering. Tata Chemicals, Mahindra & Mahindra are two such examples. How does ITC plan to respond to this competition? By making better use of its unique social capital—the Sanchalak and the Samyojak framework. In the Sanchalak, ITC has its own man in the 40,000 villages it operates in. These men can steer e-Choupal into areas and activities the competitors cannot. For instance, the Sanchalaks will be the key men in organising Choupal Haats.

**Opportunity :** Mandis have improved since e-Choupal initiative started

**Response :** Leverage the unique direct relationship with the farmers

When the e-Choupal initiative was started, the operations at mandis were non-transparent. From weighing of farmers' produce to its gradation—that impacted its pricing—most operations were arbitrary and based on archaic methods. Over the past couple of years, the mandis have modernised and become more transparent. Where does this leave e-Choupal, which reached out to the farmers on the plank of transparency and fair valuations for their crops?

A unique advantage ITC still has over mandis is its direct and continual relationship with the farmers in its network. With rising awareness and concerns about food safety, this direct relationship is extremely valuable for partners who either source products directly from the e-Choupals or use ITC's farm products generated through the e-Choupals. For instance, an importer of processed foods in Europe can trace ITC food products all the way to the farm it came from to satisfy itself of the food safety standards.

By making these and a few other mid-course corrections, ITC is hoping to morph e-Choupal into an all-weather venture—relatively de-risked from regulatory flip-flops and even market swings. But the success of this restructuring will critically depend on how much further it can deepen its existing relationship with four million farmers so that it can extract more value out of this network than it has been able to do till now—value for itself, for the farmer and all the current and future network partners.

Sivakumar has interesting calculations to share. By personalising its relationship under e-Choupal's Version 3, ITC can increase its reach from the existing 4 million farmers to 16 million—without even adding any village to its network. How? Once personalised, each farmer's family (assuming a wife and two kids) will come into the e-Choupal network as either a consumer or a contributor of some sort. That will give an additional reach of 12 million! Of course, all these will not happen in one go and overnight. Some of the modifications mentioned—like setting up of rural employment exchanges—have already been implemented. Some are going to be added soon. The first Choupal Haat will be organised in November. The two-way mobile application and its full operationalisation will take some more time. But given the blueprint and flexibility demonstrated so far, ITC should be able to achieve much of what it plans to. And in doing so, the company will continue to be a leading and unique example of Corporate India's engagement with rural India.

## >>VERSION 1.0

### The Start

**IDEA** : To give power of scale to small farmers by aggregating them as sellers (of produce) and as buyers (of farm inputs)

**FARMERS' GAIN** : They get bargain and choice - the two key virtues of competition

**ITC'S GAIN** : Access to inputs for its agri business; offer the use of network to other companies

## >>VERSION 2.0

### The Scale - Up

**REACH** : By 2006, 40,000 villages covering 4 million farmers

**OFFERING** : Network now offered five services :

- **Information** : Weather, price, etc.
- **Knowledge** : Farming methods, soil testing, etc.
- **Purchase** : Seed, fertiliser... to insurance
- **Sales** : Farmers sell crops to ITC centres
- **Other** : Cattle care, water harvesting, women employment etc

## >>VERSION 3.0

### The Deepening

**NEW BUSINESSES** : Add two new anchor businesses :

- (1) Rural jobs and employability and
- (2) Personalised agri services. Plus strengthen existing commodity sourcing

**MORE INTERACTION** : Through Choupal Saagars and Haats and via mobile phones

**NEW TECHNOLOGY** : Use of especially enabled mobile phones, in addition to PCs, for two - way interaction with farmers; use of analytics; new partners

Technologically, it would mean adding mobile phones to the existing channels of Net-based computers and Choupal Saagars, the one-stop shops catering to all the needs of the rural community. As the company scoped around for new opportunities, it found many – some emerging from the adversities that have got it rethinking. These opportunities not only make transition to Version 3 possible, but also help modify the existing strengths of Version 1 and 2 (*see box above*). It's spotting of these opportunities and turning them into current and future businesses that has become a case study in persevering with rural India.

**Opportunity :** Farmers willing to invest more

**Response :** Offer them services they really need, and are willing to pay for

Though the average farm productivity is still low in India, the last 10 years have seen an unprecedented rise in farmers' income. This has been driven by a record increase in the price of agricultural produce (government's minimum support prices for food grains alone have risen by 30-90 per cent in two years) and a good run with monsoons – this year's deficiency notwithstanding.

Higher income means farmers are ready and willing to invest more – and one of their critical investment needs is in getting agriculture services. So far, agri services like helping farmers improve crop techniques and advice on ways to improve farm productivity have mostly been provided by the government and for free. But the quality of service has been poor, rendering them useless. In e-Choupal's Version 2, services like weather, agri inputs and pricing were provided through Sanchalaks (e-Choupal coordinators) through multimedia presentations made on village computers, but these services were customised only for crops and regions. Besides, no money was charged for these services. Under Version 3, the plan is to deliver personalised agri services to individual farmers via mobile phones.

ITC has recently signed a memorandum with Nokia for this. The company already powers some of Nokia's "Life Tools" meant for farmers. Right now the information dissemination is limited and one-way-from company to the farmer. ITC plans to make the information flow two-way. A farmer will be able to provide information on, say, the type of soil, the date of sowing and the kind of crop to the company. The company can then process these inputs and give him very specific advice.

Imagine getting such inputs from millions of farmers across the country. Apart from creating economic value by offering personalised services to farmers, the data thus generated could be of immense value to companies selling farm inputs (e.g. seeds, fertilisers, pesticides), financial firms and government planners. In sum, personalised agri services will add a second anchor business to e-Choupal – keeping its core philosophy of complementing the farmer's good with the company's good intact.

**Opportunity :** Villages closer to towns moving away from agriculture

**Response :** Provide job information and skill development services in villages

With rural youth, especially in villages closer to towns, shunning agriculture and farm labour, ITC sees vast opportunities in using e-Choupals as centres for information on job vacancies and – eventually – providing skills that help increase the employability of rural youth.

So, e-Choupals are also being geared as rural employment exchanges, which will connect the rural youth with jobs. This will be a new anchor business with a clear revenue model. Already, on August 11, 2009, e-Choupal in alliance with Monster India, the leading online career and recruitment resource, has launched Rozgarduniya.com, a website to enable job seekers in rural India to access and apply for jobs through e-Choupals. In less than a month of the service, over 1,200 job openings from 52 companies were made available through this channel.

ITC is also working on the skills training business, which will be rolled out over the next few months. "Rural India has a huge untapped talent pool and Rozgarduniya.com will provide a platform to bridge the demand and supply gap. Job opportunities available to the rural population through this initiative will help improve employment in addition to facilitating corporate expansion plans in the rural market," says Sanjay Modi, Managing Director, Monster.com (India, Middle East and Southeast Asia).

**Opportunity :** Faster diversification by farmers into horticulture

**Response :** Increased push to retail of fruits and vegetables

Sourcing farm produce is e-Choupal's key and original anchor business. But instead of purely trading in commodities, the sourced produce was used as inputs for ITC's food business. So, for instance, wheat procured through farmers finds its way into Aashirwad atta. With farmers around e-Choupals diversifying their produce, ITC got the opportunity to plan forward integration in more ways than one. "We moved into Choupal Fresh through forward integration with the horticulture farmers," says Sivakumar. Choupal Fresh (it is still in a pilot phase with six outlets in Hyderabad) is more "fresh" than other chains since vegetables and fruits make up 80 per cent of products sold through its outlets, compared to 20 per cent in most other "fresh" chains. The forward integration is also evident in the export of processed foods and fruits (mango and other fruit pulps).

"Many of our products and businesses have backward integration with the e-Choupals. Bingo, for instance, is made from potato sourced entirely through the e-Choupals. Similarly, the export of processed foods and fruits is dependent on the e-Choupals now," says Sivakumar.

Also, starting mid-2008 ITC has entered personal care products in a big way. The e-Choupal network is a platform to take these products to consumers in the countryside.

These branded products will also be introduced at the Choupal Haats (these are temporary rural gatherings meant for interaction and product and service experience as against a Choupal Saagar, which is a permanent and multiple rural services facility that includes an agri produce warehouse, retail hypermarket and a fuel station), which are going to be launched over the next couple of months. Among the things planned to be introduced through the Haats are branded personal care products like shampoos.

**Opportunity :** Improved rural roads, courtesy Bharat Nirman project

**Response :** Increase the coverage area of each e-Choupal

The e-Choupals, right from Version 1, worked in a hub and spoke model. Each e-Choupal and its Sanchalak catered to several villages nearby. The average number of villages catered by an e-Choupal so far were six. With massive government investments in rural roads, connectivity between villages has improved. This allows ITC to potentially add more spokes to each of its hubs. Network reach can be easily expanded without making much fresh investments into it.