

MANAGEMENT PROGRAMME

Term-End Examination

June, 2013

09801

MS-91 : ADVANCED STRATEGIC MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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- 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) Briefly discuss the approaches to corporate management. Which one, you think, can be regarded as more appropriate to Indian environment and why ?
(b) what is corporate policy and what is its significance" ? How could management formulate effective corporate policy ?
2. (a) "Effective corporate governance is the new **mantra** of corporate management today." Why is it necessary for corporate business to have good governance ? Discuss.
(b) Several companies have the position of Chairman of the Board of Directors and the CEO merged into one. Discuss the merits and demerits of this kind of arrangement.
3. (a) What could be the various modes of entry into global markets ? Discuss their merits and demerits.
(b) What are the various pricing strategies available to a firm ? Discuss each one of them with reference to different market structures.
4. (a) "R&D strategy can enhance the competitiveness of a firm." Explain , how ?
(b) Discuss some of the problems or challenges in the effective implementation of a knowledge management system.
5. (a) Why is it important for corporate business to conduct itself in a socially responsible manner ? Explain with examples.
(b) Differentiate between Partial Social Audit and Comprehensive Audit.

SECTION-B

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

✉ *Internal memo*

From: Minoor Batliwala, chairman

To: Rakesh Mohan, managing director

Date: May 7

Dear Rakesh,

I've just received a copy of Shringar Auto's preliminary audited results for 1994-95, which will be reviewed by the board on May 25. I think this is an opportune moment to share with you some of my concerns about our future before we're drowned in the celebrations of a successful year.

I must admit that the numbers look great. Few of us expected profits to jump by 110 per cent to Rs 310 crore considering that turnover rose by 36 per cent to Rs 2,290 crore. We continue to maintain our leadership position on the homefront with a 52 per cent marketshare in the two-wheeler market: 72 per cent in scooters and 31 per cent in motor-cycles. Our margins are higher than those of any of our domestic rivals. And the stock price of Rs 700 proves that investors are happy. Most people think we're doing everything right.

To be honest, I do not. I don't believe that our figures are telling us the truth. Which is that Shringar may not continue to perform as well. Last fortnight, a consultant suggested as much to me privately. And the signs that he pointed to are real, very real. Let's face it, a 72 per cent share of the scooters market today means that we've dropped four percentage points in two years. In motorcycles too, we've dropped four percentage points. Which means that our competitors are growing faster than we are. Now more competitors are coming in-including foreign companies.

When I look around me, I see not just a successful recovery from a recession, but also overconfidence and complacency. Don't misunderstand me. In the three decades since I started Shringar, there are many people who have stood by the company through good and bad times. But they're all convinced that the way we've been doing business all these years has proved so efficient that there's no need to change it. How can I tell such self-assured and confident people that we're headed down a one-way street unless we're prepared to change the very basic of our success? Do you have any answers?

Regards.

■ *Internal memo*

From: Rakesh Mohan, managing director

To: Minoo Batliwala, chairman

c.c. : Hemanth Desai, executive director

Date: May 9

Dear Mr. Batliwala.

Thanks for your note. You have articulated a problem I have often faced over the years: you can't argue with success. Of course when the circumstances are abnormal, you can push through change. People rise to the occasion either because they see a challenge or because, quite simple, they are scared.

I needn't remind you how we rode the automobile recession in 1990-91. Our sales had plunged by 50 per cent, production had to be slashed by 30 per cent, and profits fell by a fifth. We cut costs just by looking around. We improved quality by disbanding the quality assurance department and assigning the responsibility to the shopfloor staff. We flattened the management hierarchy from 11 layers to six. We raised R&D allocations on projects aimed at improving fuel efficiency and niche products.

We did all this for two years-and we not only survived, but prospered. In 1990, a single shift used to produce 128 scooters per assembly line: today, the same line produces 410 per shift with the same number of people. An improvement of that magnitude would not have come about if we did not have a crisis. I agree with you that we need the same sense of urgency even today.

Here's my suggestion: why don't we build some crisis scenarios so that the company can react the same way as it did when the recession hit us ?

Regards.

■ *Internal memo*

From: Mino0 Batliwala, Chairman

To: Rakesh Mohan, managing director

Date: May 15

Dear Rakesh,

I am glad you agree with me that a fat, happy, and profitable organisation like ours needs to create crisis. What worries me, though, is whether we will barter away our present-day success in the process. Reacting to a recession is one thing: you weren't doing well anyway and neither were our competitors. So, you didn't have to worry about not letting success slip by while you fought fires.

Can we cope with the confusion that unleashing a crisis will lead to? How will our people react to this sudden spectre thrust upon them? How will we make the crisis credible? Please don't think I'm playing the devil's advocate: I genuinely feel that we need to light fires. But how can we convince people there's one when there's no smoke? Regards.

■ *Internal memo*

From: Hemanth Desai, executive director

To: Mr. Rakesh Mohan, managing director

Date: May 16

Dear Mr. Mohan,

Following up on your suggestion, here are my candidates for a crises. The two-wheeler market in the country is growing at about 20 per cent per annum, and the newly-emerging replacement segment is creating its own opportunities for growth. Given the unassailable dominance of Shringar, it will be difficult to market the idea of an impending crisis unless it is linked to some straightforward and honest evidence. We can examine the crises scenario from three different perspectives:

THE INDUSTRY: Shringar has retained its rank as the world's third-largest producer in the two-wheeler league this year. Honda tops the list with 35 per cent of global production, followed by Yamaha with 22 per cent, Shringar with nine per cent, Suzuki with eight per cent, and Piaggio with six per cent. While the gap between Shringar and Yamaha is wide, both Suzuki and Piaggio are snapping at our heels.

We have no choice but to surpass our production levels every year in order just to remain where we are. And even to be the second-best in the world, we must chase the numbers far more aggressively than we are doing at present. Nearer home, our marketshare will no longer be unquestionably supreme as it has been for years now. As you will recall, the report by Crosby points out how new entrants will gain at our expense. This could be crisis No.1.

THE ORGANISATION: Shringar is a 30-year-old company. Over 30 per cent of the existing workforce have been with the company since the beginning. A lot of fat has been accumulating at various levels. We have to run Shringar like a small business: fast-moving, people-driven, and innovative. The alternative is a tired, old company which will gradually lose its edge in the marketplace. This could be crises No.2.

THE MARKET: Almost from the beginning we have had no need to market our products. Jumping places on the waiting list meant having to pay a premium. But now, there's a strong undercurrent of customer dissatisfaction. I don't know how this fact can be communicated, but I am sure it will make people at Shringar feel that they have to change in order to survive in the new competitive environment. This could be crisis No.3.

Regards.

■ *Internal memo*

From: Rakesh Mohan, managing director

To: Mino Batliwala, chairman

Date: May 17

Dear Mr Batliwala

I am enclosing a note prepared by Hement Desai on the possible areas which could qualify for a crisis. I have convened a meeting of the management committee on May 25, before the board meets, to discuss the preliminary audit report. We could discuss the issue further at the meeting and examine ways in which plausible crises for any or all of these could be communicated to the workforce. Many of them think that our company is great the way it is and are bound to ask: why should we change ? We can later work on a formal plan of action.

Regards.

■ Internal memo

From: Mino0 Batliwala, chairman

To: Rakesh Mohan, managing director

May 18

Dear Rakesh,

I must confess to being deeply disturbed. I have been thinking about the efficacy and dangers of creating a crisis, and I'm battered by doubts. Do we have to go on creating a crisis every time we need to change gears? How can the company live in a perpetual state of tension? Isn't there something more positive, such as vision. To set our sights on the future ? There, too, I have my doubts. A vision statement, as it is usually presented, is top-driven, unidimensional, static, and overgeneralised.

I think we need to pursue what I may call bifocal vision-something that helps people in the organisation meet today's business needs even as it prepares them for tomorrow. Bear with the jargon, please. A bifocal vision simultaneously paints a picture of the opportunities available today and the best possible tomorrow. It demands that a company improve and perfect today's products and services to please current customers while developing new products and services to delight tomorrow's customers and investors.

THE SWOT	
<p>STRENGTHS</p> <ul style="list-style-type: none">■ Formidable marketshare, far ahead of competitors■ Huge manufacturing capacities, ensuring economics of scale■ A complete range of all two-wheeler products■ Majority promoter ownership, ensuring management stability	<p>WEAKNESSES</p> <ul style="list-style-type: none">■ Lack of experience in a competitive environment■ Obsolescence of basic product engineering designs■ Inability to attract new technology from foreign partners■ Accumulation of fat in workforce and management
<p>OPPORTUNITIES</p> <ul style="list-style-type: none">■ Expansion of first-purchase and replacement markets■ Increasing buying power of consumers in rural India■ Global markets with growing demand for cheap two-wheelers■ Possibility of leveraging exports to cut costs	<p>THREATS</p> <ul style="list-style-type: none">■ Development of niche markets in two-wheelers■ Continuing entrance of new and foreign players■ Emergence of new technology and design elements■ Erosion of traditional features, like durability, as USPs

Granted, creating bifocal vision will not be simple. We must perpetually work towards making our current processes obsolete before our competitors do it for us. We must assume that all processes, products, and services are experimental by nature. That way, when a process is seen as an experiment, it becomes temporary and thus, amenable to change.

The second thing is that every meeting, agenda, memo, report, and discussion must have this bifocal dimension. Every decision must consider the impact on both today's customers and markets and tomorrow's. When that happens, we will have people who act like owners in the interest of the company—not managers who prefer to safeguard their individual turfs. Perhaps we would not then need an artificial crisis to charge us up.

What do you think ?

Regards.

Questions :

- (i) Analytically diagnose the problem the Chairman of the company is faced with. What led to his feeling of insecurity ?
- (ii) Should the chairman recreate the sense of doom that led to the company's successful emergence from the recession ?
- (iii) Which strategy could succeed in motivating the employees into overcoming the challenge an (artificial) crisis or a new vision for the company, including aspiring targets ? Give your response by clearly analyzing the merits and demerits of each approach.
- (iv) What other steps as part of the long term strategy would you suggest for the company ? What must Shringar do to maintain its market leadership ?
