



Programme: PGDM (Ins. Business Mgmt.)

Batch: 2015-17

Trimester: 1st

PGDM (Insurance Business) - 2015-17

Sub: Business Environment

(INS-101)

Trimester – 1, End – Term Examination: September 2015

[Time Allowed: 2.30 Hours]

[Max Marks: 50]

Roll No: _____

Instruction: Students are required to write their Roll No. on the question paper. Writing anything other than the Roll No. will be treated as **unfair means**. For rough work, please use answer sheet.

Note: - Please be brief and relevant in your answers.
- Section C is compulsory.

Section-A

[There are 5 Questions in this section. Attempt any 3 Questions. Each Question carries 5 marks.]

[3x5=15 Marks]

[A1] Discuss the emergence of ethical consciousness in business with special reference to Indian business in recent times.

[A2] How does Real GDP differ from Nominal GDP and what is its utility?

[A3] How does "inflationary expectation" work in an economy?

[A4] Explain the TRIPS Agreement under WTO and its implications for India.

[A5] Distinguish among seed capital, angel funding and venture capital funding.

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Roll. No. _____

Section-B

[Note: Answer any 2 out of the 3 Questions given below. Each Question carries 10 marks]

[2x10=20 Marks]

[B1]

(a) Explain the “business cycle” phenomenon with special reference to its four main phases. [6]

(b) How does “business relying on consumer spending” differ from “cyclical businesses”.

Give examples. [4]

[B2]

(a) What are the major factors that determine the demand for insurance, with special reference to India? [6]

(b) What are the principal factors influencing the supply of health insurance in India? [4]

[B3]

(a) Explain the concept of “stages of growth” and in your view, at what stage is India currently in and why? [6]

(b) What would you consider as major determinants of “productivity” in an economy? [4]

Section-C

Case Study

[Marks - 15]

- ❖ This section is compulsory.
- ❖ Read the annexed case study and answer the questions given at the end.

Case Study: The Female Entrepreneur (Interview)

Background

The company, a digital data and network provider, distributes digital data online, anywhere in the world, with total security and management, and 24/7 support and resilience. It provides leading software and advanced network management solutions that substantially increase efficiency and reduce cost. The female managing director is married and 55 years old.

Her background

'I've got an engineering father and an artist of a mother. My inspiration has been my grandfather, who used to be managing director of Ford Motor Company. I chose a business studies degree, sponsored by the De La Rue Group, security printers. They expected me to work for them six months every year during my placement periods. After graduation I joined Crossfield Electronics, one of their companies in the printing/publishing division. I went round the world with them and came into contact with everyone in the company. I changed jobs every year and after ten years became a director. One of my strengths is marketing. I ran my own business unit and obtained experience of running my own team, sourcing and developing products and meeting sales and profit targets. All of this was supported by the plc.

I left them and worked as a director for Fuji responsible for technology product management and distributors worldwide. Opportunities to develop a distributive managed network for the printing industry culminated in a strategic alliance and joint venture with British Telecom and Cytex. With their financial backing I was offered a directorship and the opportunity to set up the business. It was exactly what I was looking for. They asked me to write a business plan, decide space, equipment and financial requirements, how many staff, the business objectives and determine the strategy. I'm used to managing my own domain, taking decisions and seeing the way that I'd like my company to go. I see myself as a leader—an inspirationalist.'

Product/market interface

'It's never easy to identify gaps in the marketplace. The hardest thing is being the leader because you spend substantial sums of money developing the marketplace only to find competitors entering the market and eroding your share and profitability. For three years we spent substantial sums building the marketplace. My experience is in the digital printing process market, from computer to plate—taking digital data and writing it immediately onto the printing plate. The

technology has been around for 15 years. It took ten years for the market to understand the benefits. In order to get ahead and stay ahead of the market you need to be a big company with deep pockets to get a huge return. If you are a small business with minimal backing it's a big risk. We were too advanced for the market and ran out of money before the market was ready to adopt the product. Customers were not ready for the new technology or concept. Sometimes it's better to be a follower rather than a leader. Perhaps it's better to go into an informed market so that you can differentiate what makes your product offering special. It's a huge effort to create, define, and establish market need.'

Change of direction—triggers for change: management buy out

'At this point the major investors decided not to invest any more money and withdrew all support. I decided to review my position and consider a management buyout using venture capital finance.'

Standards within and education of the market is crucial

'Standards and quality are essential within this environment. We have built our product into an industry standard called job definition format—an open interface that can interchange with 72 other vendor products. I chair one of the industry standards committees.

We have customized our software to enable our customers to put their own branding on it. With customized fields we can manage their processes effectively and independently, process more data from all of our customers and allow the customer to track and effect changes to design and content of their material. The printing and publishing industry is focused on speed, costs out, and quality. Removing manual processes and errors is crucial. That's what we do.

Our entry into the market was four years later than our major competitor. We ran a system with central managed servers rather than putting distributed servers on every customer's site. This reduced costs. Central databases are at the heart of our processes. We are now quicker on upgrades, managing our customer solutions, and open to new ideas. Our speed of response gives us competitive edge.'

Barriers to success

'As a woman, you are going to hit a lot of walls. You just have to work around them and prove that you are good. It's very challenging in a technology world. They think you are

a secretary and you don't know a lot. That kind of attitude makes me so driven that I almost over-prove nearly everything I do. You just carry on doing your job, you do it well and you don't make a big thing of being a woman. You just say I'm a business person, and I'm good. Macho doesn't work. Show vulnerability. Play to your strengths –women's skills, use charm. I've had endless help throughout my career and I still get it. Women aren't scared to ask for help so they get people to help them. I've built up a huge support network.'

Running the business

'Really believe in what you do. You have to have a passion to do it because it's hard work. You will hit lots of highs and lows. There's a lot of unpredictability in setting up your business. You should surround yourself with good people. Get a good core team in place. People are crucial. It's all to do with reputation and networking. All the staff have a passion for the business and an understanding of the market. They have contacts which enable us to recruit new staff and reach new customers.

When you are running a small business everyone has to be prepared to do everything. We were looking for staff that has core skills. The operations team require technical competence. Our development team is based in Israel and we have sales teams in the USA, Paris, and London. We are looking for people who'll get on in the team and who believe in what they are doing and are hard working. We often have to ask people to go home because we all work round the clock. For the first three years I worked 20-hour days, six days a week. You can't walk out on it—its part of you. The management team set the standards, build the culture and set the field for the business. New people either fit in or they don't. If they don't they go.

A successful business is one where you have the right product in the right market delivered at the right time. It has to have unique selling points. There has to be a significant potential market opportunity. The quality of the staff is important. This company only develops because of the people in it. Ensure you have the right people, the right quality of service and the right product.'

Monitoring and control

'We always track the following week by week. Our sales forecast, the costs within the business, and cash flow. We are always on target with our costs. Because customers are unpredictable sales are more difficult—we have a hard and soft sales forecast pipeline. Hard forecasts are customers who

have actual proposals where we are 50% certain of closure. We have a weighted forecast to account for unpredictability. We always assume that some customers will have a 40% chance of closure in this month whereas others might be a 100% chance. The weighted average reflects this and revenue is made up from hard and soft forecasts. From this we set revenue and cost targets. Keep an eye on your cash! Look after it. Get a good accountant or accounting system. If you are not collecting your money in, you're likely to get bad debts.'

Venture capitalist's expectations

'A venture capitalist is the majority shareholder, but they have left the management team with a sizeable stake of the business so that we are motivated to run it. Don't ever expect money for nothing. You have to put your life on the line; you have to indemnify the business. You have to put your own money in, whether that's mortgaging your house or your car. They expect a commitment that proves you believe in that business as much as you say you do.

Venture capitalists always discuss their exit. Before they put their money in they want to know how they will get their money back. They will ask you for the names of your competitors. Would they be interested in buying you out? Are there any other industry players that would be interested in buying your type of technology to complement their own solutions? They are always looking for potential buyers who might have an interest in your type of business. They look at the return on their investment because if they can get a good return going forward they'll keep investing, particularly if they can see significant growth potential. Our venture capitalist was very interested that our technology is transferable—possible to get a quicker return on their money if the core investment was transferable to other sectors.'

The future

'In five years time we will be in more countries and moving into other sectors. There's always that sense of adventure and the challenge of making it happen.'

Questions

1. What kind of entrepreneur ^{she} is ^{about} talking and what qualities does she have? 5
2. What skill development has taken place during the growth of the business? 5
3. How has the business chosen to compete and what is its competitive edge? 5