

INTERNATIONAL STRATEGIC MANAGEMENT (IB-403)
TRIMESTER – IV, END – TERM EXAMINATION : SEPTEMBER 2013

Time Allowed : 2 Hrs 30 Min

Max Marks : 50

Roll No.:

Instruction : Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as Unfair Means. In case of rough work please use answer sheet.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3X5= 15
B	2 out of 3 (Long Questions)	10 Marks each	2X10=20
C	Compulsory Case Study	15 Marks each	15
Total Marks			50

SECTION –A

- Q-1: Explain the origins of the word "Strategy".
- Q-2: What is the purpose / goal of SWOT Analysis and TOWS Analysis ?
- Q-3: How many perspectives are proposed in the "Balanced Scorecards" concept ? List them.
- Q-4: Explain the concept of the "BCG Matrix".
- Q-5: Explain the functions of "Vision" and "Mission", and their importance for Strategic Management.

SECTION –B

- Q-1: What are the generic Strategies proposed by Porter? Explain the key features of each generic Strategy.
- Q-2: Prepare a diagrammatic representation of the GE Matrix . List the factors to be used for evaluating "Industry Attractiveness" and Business/ Competitive Strength".
- Q-3: Explain how RATIO Analysis lead to the set of "Good Practices" for managing a Company . (A Diagram would help the explanation).

SECTION –C**TESCO PLOTS TO MAKE EVEN MORE MONEY**

Following an interview with Sir Terry Leahy , the Chief Executive of Tesco in September 2003, an article in the Financial Times explained how the company had managed to dominate grocery retailing in the UK and described what strategies such a successful organization could pursue in the future:

The figures speak for themselves. Last year Tesco sold 57,855 tonnes of its cheapest own- brand bread , 14 m toothbrushes and enough liquid soap to wash 26 m people from head to toe.

More than 1,600 trucks criss- cross the UK every day to supply its 800- plus stores , while 1,000 vans are delivering internet orders .

And its home market is just the start . Tesco has pushed into 10 other countries and next week Sir Terry Leahy, the group's chief executive, is off to China to see if he can find ways to make it number 11.

It has more than 307,00 staff worldwide , 227,000 of those in the UK , making it easily the country's biggest private sector employer .

As if all that was not enough , this week the group upped the ante. Sir Terry unveiled record half – yearly results that were well above the city's forecasts and left many seasoned Tesco observers gasping for superlatives. But then he said that was not good enough .

Instead of talking about Tesco as just a supermarket force , Sir Terry positioned the group as part of the wider general retail scene squaring up for a fight with anybody and everyday .

While the group has about 20 per cent of the grocery market, he said, it only had 5 per cent of non-food – and would be targeting its over-priced high street rivals. 'Our share of the total retail market is just 12.3 per cent and there is a lot left to go for,' said Tesco in its statement.

Sir Terry admits that he took a conscious decision to reposition the group. 'We used that measure in order to indicate that we see the opportunities in terms of broad retailing,' he said.

The lure of non-food is easy to understand. For a mature low-margin business like grocery, areas such as health and beauty, book and entertainment, electrical products and clothing offer untapped new markets with higher margins.

The group has already built scale in some mass markets. It sells more top 100 chart CDs than anybody else, with just over 16 per cent of the market. It sells more Harry Potter titles than anybody else.

But in spite of such obvious success, Sir Terry clearly feels there is a lot further to go. To understand why – and why capturing that growth is so important – you have to understand how Tesco got to its pre-eminent position.

The scale of Tesco's story is made more amazing by the transformation that the group has had to undergo. Started as a pile-it-high, sell-it-cheap grocery chain, Tesco has gradually reinvented itself. In the words of senior Tesco insiders, it is now a 'broad church' retailer, with more formats than others – from hypermarkets to convenience stores; and wider ranges – from cheap and cheerful value to its up-market finest selection.

The Journey has always been straight forward. There was a serious wobble 10 years ago when the group was suffering with falling underlying sales, slowing profits growth and investors worried about the depressed share price as a new breed of discount food retailers from continental Europe entered the UK.

That pain led to the three big developments which became the building blocks for the new Tesco – a redefined marketing focus, the Value range and the Club card loyalty scheme. Growth has been pretty consistent since, and in 1995 Tesco overtook Sainsbury to become market leader. It has never really looked back.

Today's strategy is clear, with growth pursued from four areas – the core UK grocery business, non-food, international expansion and retailing services such as financial services, the dotcom business and telecommunication packages. Basically, Tesco is using its strong and stable core to keep the business ticking over while it forges new riskier areas of growth. Pushing further into non-food is the next phase.

But that is really all about extending the time until the UK business hits real maturity – because Sir Terry hopes that by the international business will be so well established that it can take over as the main growth engine.

So who stands to lose out if Tesco, along with Asda, ends up becoming a general retailer? The obvious victims are small independents – corner shops and bookshops.

But fear about supermarket growth have hit the share prices of lots of the larger specialist – Dixons in electrical, Boots in health and beauty and HMV Media in entertainment, for example. According to the doom-mongers, all are facing long slow death, in spite of their claims that moving further up the quality chain would give them protection.

More general retailers are also suffering. Woolworths is losing market share in all sorts of categories. WH Smith is suffering as well. But not everyone agrees with the apocalyptic view of the effects of supermarket growth. From the other side of the Channel, where he has lived with hypermarkets for decades, the chief executive of Kesa Electricals, the business spun out of Kingfisher this year, dismissed British hysteria on the subject.

Jean-Neol Labroue says Britain is only worried about the threat to specialists because we have not lived with the phenomenon long enough to know that their market shares will naturally plateau after a few years. Leaving them pegged at the commodity end.' Nearly 40 years ago two retail concepts started to be born in France – Castorama and Darty,' he says, referring to the country's biggest hypermarket operator and the leading electrical chain that is part of his group. 'Now we are both still there and when you go to a shopping centre you will find that wherever there is a Carrefour there is usually a Darty as well. There is space for both.'

French hypermarkets have between 20 and 25 per cent of the market for electrical – a share they quickly built up but which has held steady for some time now.

And he has a warning for British supermarket, 'Food is what really drives their customer traffic', he says. 'if they start to forget what they are on earth for they will have real difficulties.'

So there was no change of strategy from Tesco this week. But there was a change of tone and the type of language used. And the timing of the move was fascinating, coming just ahead of the government's expected ruling on the Safeway bit battle, possibly due next week.

That is expected to give the green light to the bid from Wm Morrison supermarkets and in effect block the bigger rivals Tesco, Asda and Sainsbury.

Just a couple of months ago, when the outcome of the Safeway situation looked less certain, Tesco might not have been so triumphalist. It has been perceived wisdom in the world of supermarkets that short of some disastrous unforeseen own-goal – the only thing that could knock Tesco off-track was an Asda deal to buy Safeway. Asda is understood to have argued strongly in its case to the Competition Commission that it should be allowed to buy the Tesco giant. It appears, however, that this view has been dismissed by the commission, who were more worried about creating an all-powerful duopoly if it let Asda bid.

Many people feel that Wal-Mart's move into the UK was not just about securing European growth. It was as much an attempt to undermine Tesco in its home market so it would be less of a threat internationally.

So with record-breaking growth and the Asda threat pegged back, Tesco must be set fair. Sir Terry, for one, is not complacent. He knows that, in spite of its success, it would be every easy to stumble. 'There are all sorts of things that could knock us off course. Customer vote every day and you are punished very quickly in this market if you get it wrong. Size in no protection- and the past is not a useful guide to the future.'

Q-1: Using the TOWS framework identify the development directions available to Tesco. Assess the relative suitability of each of these options by ranking them. Display results in tabular form.

Q-2: For each of the top four development directions in your ranking compare the relative merits of each development method (internal, acquisition or strategic alliance).

Q-3: Complete your evaluation of the option that now appear most suitable by applying the criteria of acceptability and Feasibility.