

PGDM (Insurance Business), 2013-2015

Strategic Management

INS-405

Trimester – IV, End-Term Examination: September 2014

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.

Note: There are 3 sections in this paper. Answer briefly and to the point.

Section A: Answer any 3 Questions (5 marks each)

- Q. 1 Explain the concept of the Long Term in terms of its minimum duration. Provide at least two examples which would illustrate your arguments. What is the underlying variable that contributes to this duration? Do you feel that most business organizations agree with and support this measure of duration? If not what are the reasons? **5 marks**
- Q. 2 You have been exposed to the model of the Universal Customer expectation. Can this model be used to develop Marketing Strategy for any and every industry? Where should a company start and how should it proceed to implement this model? Show how it has been successful for any two companies that you identify with this strategy. **5 marks**
- Q.3 Explain the role of technology in enabling and assisting companies to gain and sustain Competitive advantage in their respective industry environments. Define technology, describe the two types of technology and prescribe their respective roles during the evolution of the industry that they belong to. **5 marks**
- Q.4 Is there a rational consistent approach that can be taken on pricing strategy? What do you think of the fairly widespread view that there can be only two long term alternatives viz. premium pricing or Cost leadership pricing? Outline the universal approach (if you agree there is one), with a concrete example and discuss its logic and merits. **5 marks**
- Q.5. Review Porter's 5 forces model for Environmental Analysis. What broad conclusions can be drawn from an analysis using this model? What are its limitations? Give two examples to strengthen your submission either from the Indian Industry or global environment **5 marks**.

Section B: Answer any 2 Questions (10 marks each)

- Q.1 Discuss the growth experience and success of Toyota in the Automobile industry. What according to you would be the most impactful decision taken by this company that has led to its remarkable growth in the space/subspace of the industry. Discuss the role of technology in this Company's progress with at least two specific achievements in the Soft and Hard technology areas. **10 Marks**
- Q.2 Which according to you would be the most appropriate model to be used for Environmental Analysis. to perform a comprehensive assessment of the industry environment. What are the sub frameworks and the metrics that need to be used to ensure a best fit for a firm in both its internal and external environments? Specifically comment on Opportunities and threats with two examples. **10 Marks**
- Q.3 Make an assessment of the Indian Insurance Industry in Strategic terms. Do you think that if a decision is taken to permit majority share holding by foreign companies, the Industry will witness a change in fortunes? What in your view would be necessary to move the presently overcrowded and under performing industry **10 Marks**

Section C (15 marks)

Compulsory Case Study

Read the following Caselet and answer both the questions given below

GENERAL ELECTRIC - THE HARD WAY

If General Electric (GE) hoped to buy itself out of trouble, it may have to think again. On October 8, 2004 the huge conglomerate announced the final terms of its purchase of the American Entertainment assets of Vivendi, a French media firm. On October 9th, it completed the purchase of Instrumentarium, a Finnish medical equipment maker. With the announcement on October 10th of its purchase of Amersham, a British life sciences and medical diagnostics company, GE had in three days showcased bold supposedly business transforming deals worth over \$25 billion. As investors promptly cut their valuation of GE shares, however, it was not wholly clear whether Jeffrey Immelt the firm's boss was climbing out of a hole or digging himself deeper in.

Mr. Immelt has had a torrid time since taking over from Jack Welch GE's former boss. Waking from the dreamy 1990's, investors discovered that GE was not after all a smooth earnings machine that pumped out profit growth of 16-18% per year, but a collection of mature industrial assets bolted to a fast growing, opaque and highly leveraged finance business. Worse thanks to the effect on profits of a bubble in GE's power business and a seemingly over funded corporate pension fund, the firm's best days seemed to be well behind it. Last year GE failed to grow its profits at the promised double digit rate for the first time in ten years. Most likely it will fail to do so this year and the next.

Mr. Immelt has embarked on a campaign to persuade shareholders that GE with more than 200,000 employees and \$130 billion in sales- can still perform like a growth company. The aim is to get the share price which according to Mr. Immelt is currently under valued back up again. Mr. Immelt's key idea is to buy new "high margin", "high growth" businesses. According to his fans the new purchases all fit the bill.

The magic of Mr. Welch's sleight of hand (conjurer's tricks), was to create the appearance of a high growth firm with low risks: a triple -A- rated company which churned out a steady and predictable stream of fast growing earnings. Now investors find these vaunted qualities suspicious, forcing Mr. Immelt to reverse some of Mr. Welch's financial engineering tricks. GE no longer offers wonderfully precise predictions of what it will earn each year, for instance. Gone, too, is the spin about "long cycle" and "short cycle" businesses which, by offsetting their different ups and downs, were supposed to create all that wonderful smoothness. Biotechnology and media assets may indeed offer the potential for faster growth than power turbines and aircraft engines. But investors also fear that they will increase GE's risks. Amersham clearly spends more money thinking about risky futures markets than GE has traditionally done. Notwithstanding a PR campaign to convince financial scribes (journalists) that it is a research powerhouse, poised for growth, GE spends just 2% of its sales each year on R&D. Amersham spends 10%. The Vivendi assets fit well on paper with NBC < GE's existing network broadcaster. As temperamental, creative types however, Vivendi's media moguls may not succumb happily to an invasion of GE number crunchers. NBC certainly did not. While the Vivendi deal has been reasonably priced the Amersham shares are expensive, prompting worries that pressure to get the GE share price up is clouding GE's judgement. Because the company is so large, Mr. Immelt will have to make big divestitures too if he really wants to change the complexion of GE's business. Of the 36 odd deals that GE has disclosed so far this year, however there have been just 4 small divestitures.

Many argue that Mr. Immelt has got his strategy all wrong. By forcing the company's mature cash rich businesses to fork out large sums for purchase of perceived high return new businesses with high risk profiles the company is headed in the wrong direction. There are others obviously who think differently but the verdict of the share markets seem to favour the former.

- Q.1 list out the factors which are relevant to judging the growth and diversification decisions of GE both under Mr Welch and his successor. From what you have learned in Strategic Management what would be your judgement of the validity and prospects of these decisions? **8 marks**
- Q.2 If you were appointed as a Strategy consultant by GE (however unlikely that may be), what would be your advice to the company and in what time frame would you expect your advice to be considered for implementation? **7 marks**