

Roll No: _____

PGDM 2017-2019
Strategic Management
DM-403

Trimester – IV, End-Term Examination: September 2018

Time allowed: 2 Hours 30 Min

Max Marks: 50

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**. All other instructions on the reverse of Admit Card should be followed meticulously. The question paper consists of 5 (five) pages in all.

Section A (3X5 = 15 Marks)

1. Explain the elements of the strategic management process. Support your answer by suitable examples.
2. Explain the terms Mergers, Acquisitions and take over citing examples from contemporary corporate world.
3. What are the basic constituents of Competitive Advantage? What are the requirements from these constituents that contribute to short term, medium term and long term advantage? Provide an example of each.
4. Explain the motives and benefits of pursuing international strategies by taking examples from contemporary global industry segments.
5. Explain the relationship between growth (including growth through international diversification) and innovation. What is the effect of such growth on a firm's returns?

Section B (2X10 = 20 Marks)

6. Analyze the FMCG industry using the framework of the Porter's five Forces model. What conclusion/s can be drawn from this analysis. If there are weaknesses in this model for environmental analysis point them out and briefly describe them.
7. Describe the major tasks that strategic leaders perform in organizations. How can the strategic leaders match their leadership style with to the requirements of the strategy being implemented?
8. Describe the concept of business definition. Why is this important to the prospects of the organization? What are the requirements of a good business definition?

Section C (5X3 = 15 Marks)

Read the following Case Study and answer the questions that follow

From Yoga Guru to FMCG Magnate, Ramdev: The Great Yoga Guru from India

In July, 2016, Ashok Kumar was wondering whether his favourite Yoga Guru Ramdev should have ventured into business of marketing fast moving consumer products (FMCG) on a very large scale. Ashok had attended two 7 days camps, one in his own city and another in Haridwar (U. P.). The second camp was residential and part of the 'International Conference on Yoga and Social Transformation' in January 2011. Ashok had watched Baba Ramdev on Astha TV channel owned by Ramdev. Each day, for 365 days, Ramdev conducts classes for two and half hours. Baba Ramdev, starting from 2002, must have given approximately 13000 hours lessons of Yoga on TV. Ashok, a teacher for more than 35 years, was highly impressed by Ramdev's capabilities, knowledge and communication skills.

Crossing his mind were the questions: should an outstanding yoga guru become a trader? Should he feel proud of becoming India's fastest growing swadeshi FMCG baron and sell shampoo, tooth paste, detergents and anti-ageing cream and many more? Ashok was concerned that the short term success should not make Ramdev arrogant and make boastful observations like: 'I will make the MNCs do Shirshana (headstand); 'Ab tak Colgate ka toh gate khul gaya. Nestle ka toh panchhi urne wala hai, Pantene ka toh pant gila hone wala hai: aur do saal mein Unilever ka lever kharab ho jayega.'(Colgate's gate has already opened. Nestle's bird is about to fly. Pantene's pant is about to become wet. And in two years, Unilever's lever will become bad.)

In 2006, the sale of Patanjali was around Rs.50 cr (US\$37.5 mn). But by 2016, it had reached sales of Rs. 5000 cr. (US\$770 mn.). The 100 times increase in 10 years had come through combination of superior quality products at 20 to 40% lower prices and rapid expansion of Patanjali product range. 'Soon I would dwarf the competitors like HUL and other MNCs' were his boastful observations from his Yoga camps and public speeches.

Who is Baba Ramdev (Ramkrishna Yadav - Name given by family)

Ramdev (born 1965 in Haryana, India), has been conducting Yoga classes since 1995 in Haridwar. He gets the credit of bringing Yoga to the masses. Since 2002, Astha TV channel started showing live camps of Yoga. Astha reaches 20 million households with a viewership of 100 million in 160 countries. Besides the general public, each Yoga camp would have high profile citizens like politicians, government officers, Defence Personnel: By early 2016, Ramdev claims to have taught Yoga to more than 200 mn.. By this time he has also trained half a million Yoga teachers in India.

Ramdev, with meagre resources has created two giant trusts - Divya Yog Mandir Trust and Patanjali Yogpeeth Trust. The website of Patanjali claims to be the most popular Yoga Institute in the world. The website states that the key objective of Patanjali Yogpeeth and Divya Yog Mandir Trust is to make a disease free world through scientific approach to Yoga and Ayurveda. His aspirations include creation of a new world Health Organization. To build Yog Mandir and Patanjali Yogpeeth, Ramdev claims to have raised the resources on his own by selling Ayurveda medicines, Yoga training camps at moderate prices and also through donations received from well-wishers and disciples.

Through the Yoga camps, Ramdev is attempting for a massive social transformation of 1200 mn. Indians. In each camp, he promotes the products of Patanjali. Besides sharing the benefits, he also promotes the non-harmful aspects of Ayurvedic products made from natural herbs.

As per 'India Today' magazine, Ramdev today is the most televised Yoga Guru. Not only the website, but Ramdev's team is using all types of social media - Facebook, You tube, twitter and many more. Kaushik Dekka calls him as seamless blend of all three: Spiritualism, Business and Politics⁵.

Spreading the Swadeshi Wings at Breakneck Speed

Over a decade, Ramdev through his Yoga camps has been attacking MNCs like Colgate, HUL, Nestle and many more. He would blame them for exploiting the Indian consumers. Ridicule Cola drinks as good toilet cleaners!!

The Economic Times, a leading commercial newspaper of India carried a news on 9th March, 2016, Jamshedpur Edition: 'Patanjali goes Swadeshi with Retailers. Ramdev was motivating the retailers to fulfil the dreams of Mahatma Gandhi, the Father of the nation, to promote 'Swadeshi' (Indigenous - manufactured in one's own country). Ramdev expected retailers to store the products motivated by the feeling of nationalism, without any extra commission or additional incentives. The competitors of Patanjali felt that this strategy of adopting the formula 'be Indian and buy Indian' may not work in the long run. All retailers and distributors need additional financial motivation which Patanjali was not providing. But Ramdev felt that earnings of 8 to 10 times more than the competing brands could garner the support of retailers. High quality and low price were strong reasons to assure high earnings. By 2015, India had more than 8 to 10 million retail outlets in India. A leading consumer product company like Hindustan Unilever Ltd (HUL) was catering to nearly 6.4 million outlets in India. Nestle, a leading food company had around 3 lac retail outlets and Amul, with a turnover of US \$ 3.7 billion (Rs. 24,000 crore in fiscal 2015) had around 4 lac retail outlets in India. Would Ramdev be able to scale up retailing similar to his competitors in next 4 to 5 years? In 2005 Patanjali had only 100 retail outlets. But by 2015, there are 15,000 exclusive retail outlets and 0.1 mn. stores which stock Patanjali products. Ramdev claims to operate Swadeshi Kendra in 6000 villages of India. In 10 years, (2006 to 2016), the sales of Patanjali had a meteoric rise from Rs. 50 cr. (\$7.5 mn.) to Rs. 5000 cr. (\$770mn.)-a jump of 100 times.

In the early days, Ramdev was promoting few herbal preparations like eye drops, dental tooth powder, dental toothpaste, herbal juices (amla-Indian Gooseberry, aloe Vera) a few formulations of Ayurveda treatment from Divya Pharmacy, But by 2014 - 15, the product mix exploded to 500 products from Deshi Ghee (clarified butter), Atta Noodles to cornflakes to fruit juices and to many more.

Till end 2015, the marketing and advertising expenses were very low. Ramdev was relying on 200 million Indian followers who have learnt Yoga from him. 'Word of mouth' (WOM) was his major promotion vehicle. Millions of his followers had started using his products. But by mid-February, 2016, Ramdev and Patanjali brands started appearing very frequently on all popular print and T.V. channels throughout India. Some experts in the FMCG industry feel that soon his advertising to sales ratio (A/S) may exceed companies like HUL or ITC.

In order to cope up with the rising demand, Patanjali is planning to invest \$300 mn. in the Food Park. Earlier they had invested \$150 mn. Patanjali has 150 acres food Park in the foot hills of Himalayas. "Hamne ye kaam vyapaar ke liye nahin, upkaar ke liye kiya hai" [We haven't done this for business but for wellness of others]. It's not a business, he insists. "I am not doing this to amass personal wealth. I neither own a single share of Patanjali Ayurved, nor do I take a single penny to promote it." "We never had a business plan. We also don't know markets or marketing, But what we know is serving the people by providing them high-quality products at attractive price", says Acharya Balkrishna, the managing director of Patanjali Ayurved.

Ramdev claims that Patanjali's ayurvedic products are "thousand times better" than any global brand. "We have been in this (ayurvedic) sector and they are now entering it. So they are following us. In five years, I will take swadeshi products of Patanjali to such great heights that foreign companies will dwarf in front of us," declares Ramdev.

Creating a New Patanjali: Hiring professionals from FMCG companies

From a two men army, both Ramdev and Balkrishana; are making serious efforts to make Patanjali a bigger professional organization. By early 2016, Patanjali had three Vice Presidents, all reporting to Balkrishna, the M.D. It had 1500 employees. Within last 6 months, it had recruited around 250 executives.

The Opportunities for Patanjali Products: The FMCG Space of India

Indian markets would remain huge for both urban and rural markets. India is likely to become \$5 trillion economy by 2020. Food processing industry which is currently an underperformer in India needs to be toned up. Patanjali's investment in Food Park is likely to pay rich dividends. All put together, by diversifying into food and grocery, (non Ayurvedic products) Patanjali has made smart move to manage its future.

By 2015 the FMCG market of Rs. 2.5 lac cr. (approximately \$400 bn.) offered massive scope for expansion. Three major categories of Patanjali are Food & Grocery, Personal Care and Home Products. Presently Patanjali has 500 products and 1500 SKUs²⁷.

The Formidable Competitors: Ramdev's Battlefield

By entering into such a variety of all kinds of products from staple food like Atta to breakfast cereals like cornflakes, biscuits to health supplements like Chyawanprash, Honey to personal care products like bath soaps, shampoos and facial creams to ayurvedic medicinal supplements and many more, Ramdev is likely to face very formidable competition from old and deeply entrenched players both from India and abroad. The list is long. It is not confined to just a few like Hindustan Lever HUL or Kellogg's or ITC or Dabur or Nestle.

Baba Going Against the Mantra of Focus

World is full of examples where companies with over diversified product mix and brands were focused to cut down the number and consolidate. In India, HUL at one point of time had more than 140 brand. It finally reduced to 7 to 8 power brands. Could Baba defy the conventional wisdom?

Cavin Kare, a very successful brand in introducing the shampoo in sachet at 50 p (half a rupee) is an outstanding story from India. It forced the giant HUL - a major player in shampoo for long in India to follow it. After achieving a reasonable success and size, it thought of growing further through food products, personal care products. For 5 years it struggled and is now back to the Shampoo business.²⁷

Parle Biscuits - a company which began in 1939, and has the largest selling biscuit brand in 'Parle G' of the world. Till late, i.e. even after more than 75 years, it could not muster up courage to expand its range of biscuits.

Nestle, a very well respected food company of the world, with very strong R & D bases and plants all over the world, have confined itself to 'noodles' - the 2 minute Maggie noodles in India.

Ramdev plans to have more than 10,000 centres selling his products. He also has got shelf spaces in major retail outlets like Reliance Fresh, Big Bazaar, Spencer and many more. But the point is that can 'shelf space' alone would create customer pull? Attractive prices yes, but the biggest challenge would be management of supply chains and production units. Amul faced several challenges for maintaining its items as minus 30 degree centigrade (Ice-cream) zero degree - butter and milk normal room temperatures like milk powders. Contrast to Amul, Patanjali is still a two men army of Ramdev and Balkrishna. Further, Amul is focused on only milk and milk products. On the other hand, Baba with 500 products and 1500 SKU's is marching in all directions. After few failures, can it force Baba to say, 'We ran everywhere without reaching anywhere'?

The Larger Purpose of Ramdev's Life

In his short span of professional life of 21 years, (1995 - 2016), Ramdev's achievements are legendary. Like Mahatma Gandhi, Ramdev seems to be born with a larger purpose of transforming India. Compared to business, the social, political and economic issues of a country like India are very complex and large. Over the years, he has demonstrated his capabilities to connect with masses and galvanize the whole country. Contrast to this, business or commerce can be performed by many. Ramdev does not have to worry to checkmate the MNCs. Many others could do it. Further, his hating the MNCs is contradictory to promoting love and harmony through his Yoga classes. Like many wise

people, he too must be aware that anything built on 'hate' cannot last long. But collaboration with MNCs can help in serving the million in India.

Admirers of Ramdev like Ashok wonder, whether they can convince Ramdev that India needs him in his original avatar of Yoga Guru and not the avatar of a trader, and become India's Swadeshi FMCG baron. There is still a long way for him to achieve the mission of 'a disease free world through Yoga and Ayurveda' leveraging his core-competencies - 'Deliver Health and Happiness', and establish a new World Health Organization.

Questions:

1. Should Ramdev re-define purpose of his life or go back to his original mission of health and happiness to all through Yoga and Ayurveda. In other words what would help India more: Baba Ramdev or Ramdev a trader?
2. Is it advisable for Ramdev to enter in so many businesses? Would going against the mantra of 'Focus' help Ramdev?
3. What would an objective Environmental analysis based on the SWOT framework reveal about this company and what would be necessary to ensure long term Competitive success?