Programme: - PGDM

Subject: - Strategic Management (DM-403)

Batch: - 2015-17

Trimester – IV, End – Term Examination: September 2016

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	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks each	15
		Total Marks	50

SECTION – A (5 marks)

Q-1: What do you understand by "the term Value Chain? Explain with the help of diagram.

Q-2: Explain the terms "Competitive Advantage" and "Core Competency".

Q-3. What are the generic strategies available to a business? Explain briefly.

Q-4. What is meant by "international / global business strategy"? Explain with the help of diagram.

Q-5. How does the cost structure differ for "conventional technology" vis-a-vis "new/emerging technology?

SECTION – B (10 marks)

Q-1. The auto industry has many firms, two of which are MARTY Zuzukey and CNX. Public data available about them shows the following:

S.N.	Item	MZ	CNX
1.	Market share	40%	5%
2.	Number of Models	10	3
3.	Average price/Models	Rs 5.0lacs	Rs 25.0lacs
4.	Number of plants	Two	one (Assembly only)
5.	Number of Showrooms	800 nos	72 nos
6.	Prpfit / Sale %	8%	15%

Based on these data, answer the following questions:

a. What generic strategy is being followed by both firms? Support your answer with data.

b. Is the strategy of each firm sustainable in the long-run? Support your answer with arguments.

c. You have just taken over as CEO of CNX and want to attack the market share of MZ, to increase your own. What steps will you take? Why? Will this be a wise idea strategically?

Q-2. What kind of structure, strategic control systems, and culture would you be likely to find in (a) a small manufacturing company, (b) a supermarket retail chain, (c) a high technology firm, and (d) a professional consulting firm.

Q-3. What is the relationship between profitability and the five forces of an industry? How does profitability behave vis-à-vis various forces and sub-forces? Explain with the help of a table.

SECTION – C (15 marks)

Q-1. The rapid pace at which the world is changing is forcing strategic managers at all kinds of companies to speed up their decision making; otherwise they get left behind by agile competitors who respond faster to changing customer fads and fashion. Nowhere is this truer than in the global toy industry, in which the doll business, worth more than $10billion a year in sales, vicious combat is raging. The largest global toy company, Mattel, has earned tens of billions of dollars from the world's best- selling doll, Barbie, since it introduced her almost 50 years ago. Mothers who played with the original dolls bought them for their daughters and granddaughters and Barbie became an American icon. However, Barbie's advantage as best selling global doll led Mattel's managers to make major strategic errors in the 2000s.

Barbie and all Barbie accessories accounted for almost 50% of Mattel's toy sales in 1990s, so protecting its star product was crucial. The Barbie doll was created in the 1960s when most women were home makers; her voluptuous shape was a response to a dated view of what the "ideal" woman should look like. Barbie continuing success, however, led Bob Eckert, Mattel's CEO, and his top managers to underestimate how much the world had altered. Changing cultural views about the role of girls, woman, sex, marriage and woman working in the last decades shifted the tastes of doll buyers. But Mattel's managers continued to bet on Barbie's eternal appeal and collectively bought into an "if it's not broken, don't fix it" approach. In fact, given that Barbie was the best-selling doll, they thought it might be very dangerous to make major change to her appearance; customers might not like the product development change and stop buying her. Mattel's top managers decided not to rock the boat; they left the brand and business model unchanged and focused their efforts on developing new digital kinds of toys.

As a result, Mattel was unprepared when a challenge came along in the form of a new kind of doll, the Bratz doll, introduced by MGA Entertainment. Many competitors to Barbie had emerged over the years, and the doll business is highly profitable, but no other doll had matched Barbie's appeal to young girls (or their mothers). The marketeer's and designers behind the Bratz line of dolls had spent a lot of time to discover what the new generation of girls, especially those aged 7-11, wanted from a doll, however, it turned out that the Bratz doll they designed met the desire of these girls. Bratz dolls have larger heads, oversized eyes, wear lots of makeup,short dresses, and are multicultural to give each doll "personality and attitude." The dolls were designed to appeal to a new generation of girls brought up in a fast-changing fashion, music, snd television market/ age. The Bratz dolls met the untapped needs of "tween" girls, and the new line took off. MGA quickly licensed the rights to make and sell the doll to toy companies overseas, and Bratz quickly became a serious competitor to Barbie.

Mattell was in trouble. Its strategic managers had to change its business model and strategies and bring Barbie up to date; Mattel's designers must have been wishing they had been adventurous and made more radical changes earlier when they did not need to change. However, they decided to change Barbie's "extreme" vital statistic; killed off her old time boyfriend Ken and replaced him with Blaine an Aussie surfer. They also recognized they had waited much too long to introduce new lines of dolls to meet the changed needs of tweenes and older girls in the 2000s. they rushed out the " My Scene" line of dolls in 2002, which were obvious imitations of Bratz dolls, this new line has not matched the popularity of Brstz dolls. Mattel also introduced a new line called Flava in 2003 to appeal to even younger girls, but this line flopped completely. At the same time, the decisions that they made to change Barbie and her figure, looks, clothing, and boyfriends came too late, and sales of Bsrbie dolls continued to fall.

By 2006, sales of the Barbie collection had dropped by 30%. This was serious because Mattel's profits and stock price hinged on Barbie's success and they both plunged. Analysts argue that Mattel had not paid enough attention to its customers' changing needs or moved quickly to introduce the new and improved products necessary to keep a company on top of its market. Mattel brought Ken back in 2006, but in recognition of its mounting problems in November 2006, Mattel's lawyers filed suit against MGA Entertainment. They argued that the Bratz dolls' copyright rightfully belonged to them. Mattel complained that the head designer of Bratz was a Mattel employee when he made the initial drawings for the dolls and that they had applied for copyright protection on a number of early Bratz drawing. In addition, they claim that MGA hired key Mattel employees away from the firm, and these employees "stole" sensitive sales information and transferred it to MGA. In 2008, a judge ruled in Mattel's favor and ordered MGA to stop using the Bratz name; the case was still under appeal in 2009.

CASE QUESTIONS

a. What business model and strategies made Mattel the industry leader?
b. What strategies have its rival, MGA, pursued that have threatened its competitive position?
c. What new strategies does Mattel need to pursue to regain its competitive advantage?
d. In ters of the industry life cycle, how will you describe the toy industry? What strategies are appropriate for the stage you have chosen?

P. T. O.

PGDM, 2015-17

Strategic Management

DM-403

Trimester – IV, End-Term Examination: September 2016

Time allowed: 2 Hours-30 min.
Max. Marks: 50

Roll No: ___________

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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 What should be understood by the term "Vision"? What are the key components of a firms vision? Explain the terms "too narrow focus" and too broad focus" with examples of companies who have not understood the real meaning of the term Vision.

Q.2 Elaborate on the concept of the Universal Customer Expectation with the three variables involved. What in your view should be the order of the components / elements in this framework? Illustrate the framework with an example that will confirm your understanding of the subject.

Q.3 Mention and describe the areas in which a firm can develop Competitive Advantage. What are the factors used to measure the extent of C.A? Which firms have developed truly long term C.A? Can these firms believe that their C.A. will persist indefinitely. If not why not?

Q.4 Discuss briefly the Porter's 5 Forces model as a valid comprehensive tool for Environmental Analysis what are the limitations of this model? Is there a replication factor inherent in this model, and if so what is it? What is the decisional outcome/outcomes from the model?

Q.5 Like many contemporary fads in Management, one is Cloud Computing? What are the virtues in your view of this phenomenon in Information Technology? Discuss pros and cons of this recent development. How can this initiative be broadbased and deliver the results it really could.

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

Q.1 Provide an overview of the Global Steel Industry. What have been the dominant paradigms(basic logic for growth in this industry? Which stakeholder group has been mainly responsible for sustaining this paradigm? Has there been an exception to the herd mentality that the industry can be accused of? Provide details of such a company and its competitive position in the industry.

Q.2 Discuss the issue of growth/expansion for Industries and for companies within them. Is there one universal growth path or could there be many depending on the Industry or individual company. Explain concept of Unrelated Diversification. After which stage of growth should it be contemplated? Give two examples of successful U.D. and one of unsuccessful U.D.

Q.3 In Management as it is taught in most countries including ours it is usual to provide exemplars from the U.S. or Japan? Do you think that there are enough examples of excellent Indian companies? If you hold this view, provide some relevant details of one World Class Indian company which has demonstrated its competitive capabilities in Strategic terms.

Section C (Compulsory Case Study, 15 marks)

Read the following Caselet and answer both the questions given below

Hero Motors (India) Ltd.: A Strategic transition

Hero Honda Rides Splendor to Become World's No. 1

India has finally got a world leader in manufacturing with "no problem." Hero Honda Motors Ltd. (HHM) has attained the distinction of being the largest two-wheeler company in the world in volume terms. With a new factory on the anvil, it is gearing itself for Operation One Billion, targeting $1 billion revenues in 2002-03. "Next year, we will enter the (dollar) billionaire's club (in revenues). After Operation Million for volumes in 2001-02, our slogan for the next year is Operation One Billion," said Mr. Pawan Munjal, Director & CEO, HHM.

The distinction of being the largest two-wheeler company in the world came in calendar 2001, with sales rocketing past the one million mark in the first nine months of the current fiscal year. This performance was in conjunction with Splendor, launched in 1995, becoming the world's largest-selling bike.

Things could not have possibly looked any better for Mr. Brijmohan Lal Munjal, the Chairman and Managing Director of Hero Honda Motors (HHM). Quarter after quarter, and year over year, HHM had continued to grow, delivering superb performance in India's two-wheeler marketplace. The company had come from nowhere to whiz past Bajaj Auto Ltd., the traditional leader of the pack in two wheelers.

Mr. Munjal had not only earned the crowning title of heading the largest two-wheeler company in the world, but also the personal glory of having presided over one of the most successful joint ventures in the country. Having built a storied legacy, he could rest easy. Or could he?

The spectacular track record of the company was being threatened by predatory moves made by its Japanese partner, Honda Motor Company. The first dark clouds appeared on the horizon in August 1999. Honda Motor Company Ltd. (HMC), HHM's joint venture partner, announced that it would be setting up a 100% subsidiary, Honda Motorcycle & Scooter India (HMSI) to initially make scooters and later, motorcycles as well.

India has the largest population of two wheelers in the world(currently estimated at 80mn vehicles and accounting for 80% of the Automobile population. The birth of the Indian two-wheeler industry can be traced to the small beginnings that it made in the early 1950s when Automobile Products of India (API) started manufacturing scooters in the country. Although API initially dominated the scooter market with its *Lambrettas*, Bajaj Auto Ltd., a company that later became a legend in the global scooter industry, overtook it fairly quickly. Although a number of government and private enterprises also entered the scooter segment, almost all of them had disappeared from the market by the turn of the century. Baja Auto Ltd. stood the test of time perhaps due to its initial association with Piaggio of Italy (manufacturer of *Vespa*) that provided the technological know-how for the venture.

The motorcycle segment was no different; with only three manufacturers—Royal Enfield, Ideal Jawa, and Escorts—there was hardly any significant competition for the customer. While this segment was dominated by Enfield's 350cc *Bullet*, the only motorcycle with a four-stroke engine at the time, Jawa and Escorts also had a fair share of the middle and lower end of the market.

The winds of change began to take hold in the mid-'80s with four Indo-Japanese joint ventures; namely, Hero Honda, TVS Suzuki, Bajaj Kawasaki, and Kinetic Honda all lining up to target the Indian consumer market for motorcycles. The old-guard companies soon found themselves under pressure to improve their offerings and bring their products on par with their global counterparts. The Indian customer on the other hand was exposed to a wealth of superior quality product offerings and responded in good measure. The annual growth in sales of two wheelers shot up with emphasis on motor bikes and a serious decline in Scooter share of the market which had earlier been over 90%.

The Hero Group

The Munjals, owners of the Hero Group and promoters of HHM, had made a modest beginning as suppliers of bicycle components in the early '40s. Currently, the group's bicycle company, Hero Cycles, manufactured over 16,000 bicycles a day and had sold over 86 million bicycles in aggregate as of 2002.

It had been acknowledged as the world's largest bicycle manufacturer in 1986 when it overtook the U.S. manufacturer, Huffy. Despite the lack of significant process automation, the company had been able to achieve among the highest levels of employee productivity and efficiency on a global basis. Although a publicly traded company, the family was extensively involved in day-to-day management of operations, as well as setting strategic direction. Much of the company's strategy was anchored to the fundamental principle of providing products of superior value at reasonable prices to the consumer. The company truly believed in its mission of bringing transportation to the masses.

Honda Motor Company of Japan

Honda Motor Company had surprisingly similar origins like its counterpart in India. Founded in 1946 as the Honda Technical Institute by Mr. Soichiro Honda, the company produced its first bicycle engine a year later. There had been no looking back from that time on as the company grew to dominate the global automotive market, with over 100 plants in 33 countries selling 11 million product units as of 2002. The engine was the centerpiece of Honda's global expansion. It had parlayed this expertise into a wide range of products such as lawnmowers, generators, scooters, motorcycles, and cars. Given the impending liberalization of India's markets, H However, Mr. Munjal was boxed in by the relationship with HMC. His dependence on Honda for all product innovation inputs hobbled HHM's ability to respond to emerging changes in the market.MC had come looking for suitors. HMC came to the Hero group as the last choice for its motorcycle venture after exploring tie ups with the leaders in India's two wheeler industry Bajaj Auto and Firodias (the Kinetic brand owners).

The Golden Union: It was indeed a golden opportunity for Mr. Brijmohan Lal Munjal to achieve the distinction of "*beating Bajaj,*" a seldom-vocalized desire that he had harbored. The negotiations culminated in an agreement that was signed in June 1984 creating a joint venture firm called Hero Honda Motors Ltd. Honda agreed to provide technical know-how to HHM and assist in setting up manufacturing facilities. This included providing the design specifications and responsibility for future R&D efforts relating to the product lines that the company would offer. For these services, HHM agreed to pay Honda a lump-sum fee of $500,000 and a 4% royalty on the net ex-factory sale price of the product.

Both partners held 26% of the equity with another 26% sold to the public and the rest held by financial institutions. HHM became a public company listed on the Bombay Stock Exchange (BSE).[2] The manufacturing plant which was established in Dharuhera in the state of Haryana started manufacturing the CD-100 model motorcycle in 1985. The CD-100 was powered by India's first four-stroke engine, the unique selling point that put Hero Honda in the driver's seat in the marketplace. Interestingly the decision to go for a 100 C.C. motorcycle was B.M. Munjal's who persuaded Honda against their choice of a 70C.C. offering which given Indian roads and Customer loads would not have worked. Under the stewardship of Mr. Munjal, HHM had grown consistently, earning the title of the world's largest motorcycle manufacturer after having churned out 1.3 million vehicles in 2001. Its motorcycle volumes nearly quadrupled during the period 1997-2001, a feat unparalleled in the Indian two-wheeler industry. While the motorcycle market grew at an average 21.74% per annum between 1997 and 2001, Hero Honda averaged a growth rate of 35.46% a year. In 2001-02, it again doubled volumes from 0.76 million in 1999-2000 to 1.3 million.

However, Mr. Munjal was boxed in by the relationship with HMC. His dependence on Honda for all product innovation inputs hobbled HHM's ability to respond to emerging changes in the market. HHM managed to dampen some of the negative impact of these years through astute marketing and by leveraging its knowledge of customers and markets. It had built an expansive network of dealers who were extremely loyal to the company. As of 2000, the company had close to 400 dealers across the country. The dealers were strongly supported through major advertising campaigns. HHM retained the best advertising agencies to execute its campaigns. Its "*fill it, shut it, forget it*" campaign promoting the maintenance-free nature of its motorcycles was a major hit with the indian public. The mantra of fuel economy formed the core of all HHM's product launches. On a single platform (CD-100 series), it devised three models catering to different market segments. The CD-100 bike was an excellent pick for the rural and semi-urban customer for whom cost was critical consideration. The CD-100 SS was a basic model for the urban market. *Splendor* catered to the middle-class, office-going segment.

The influence of the Hero group was quite visible in the way the supply chain was organized at HHM. The company had built an extensive network of primary and secondary suppliers for components and subassemblies. Since the Indian government had stipulated that the joint venture must indigenize production within a fairly short period of time, developing the supplier network was deemed crucial. By 1996, over 95% of the motorcycle was manufactured from locally procured parts, The preferred provider network of suppliers was filled with either Hero family companies or firms that were run by promoters who were closely aligned with Munjal family interests, and this posed a potential conflict of interest. The flip side of this sourcing approach was the reliability of the network and its ability to respond quickly to environmental change. There was very little inventory in process or waste due to supply chain bottlenecks, which resulted in better margins. Of course, this also ensured that many among the Munjal family were gainfully engaged.

Q.1. Evaluate the strategic growth decision of Hero Motors. Would you describe the move to Powered two wheelers as related or unrelated diversification. What were the major Functional decisions in Marketing and Sales that convey excellence in Strategic Management. **8 Marks**

Q.2. Comment on the decision to engage most vendors through family or associated concerns Give arguments for and against the approach. Ultimately in your view, what would be the primary performance variable in evaluating this approach?

7 Marks