

PGDM, 2013-15
Strategic Management
DM-404

Trimester – IV, End-Term Examination: September 2014

Time allowed: 2 Hours-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 Discuss the concept of the long term in Strategic Management. What is the duration of the long term for different types of industries. Why is it important to accept the duration of the long term in its true dimensions? What would be the long term for the Personal Care industry?
5 Marks
- Q. 2 In the Dynamic Model of Environmental analysis a key term is “Managers” Mental Models” Explain what this term means with specific reference to the arguments that senior managers make to justify continuance with existing business models and driving technologies. Provide examples of famous companies who have lost their competitive way through these inappropriate mental models about their businesses and future prospects
5 Marks
- Q.3 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.4 Professor Michael Porter has opined that every firm has one of only two options for Pricing Strategy. What are these two options? Do you agree with the learned professor? If so elaborate your answer with suitable examples. If not explain your strategy and also elaborate with appropriate illustrations
5 Marks
- Q. 5 Discuss briefly the concept of Core Competence. Provide two examples of Companies that have successfully dominated their business environment through understanding and implementation of this Concept.
5 Marks

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

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

- Q.1 Analyse the Indian Telecom industry. In what sub sub space of the overall industry has the present Indian industry operated? Is there one company that can be identified as having done especially well. If so name the firm. On what three issues can this firm be judged to be outstanding. How do you rate the future prospects of the industry and the firm.
10 Marks
- Q.2 How do you rate the prospects of the nuclear power industry in India over the next 15 years. Are these prospects as good, better, or worse for another alternate energy sector which you need to identify and elaborate on. Which firms already in the industry have the best chances for profitable growth in the next 15 years? Can you name one firm presently not in this sector who could in your opinion do equally well and why?
10 Marks
- Q.3 Of the various countries who could be considered automobile powers, which one would you judge as having successfully read the Indian market and the Indian customer? In what ways have they been different in their approach to doing business in our country in this major growth industry? Can you identify the one reason more than others that the first entrants and obvious favourites have failed? Give one suggestion that will help them to improve their prospects in the Indian market and one that can help them globally through action in India.
10 Marks

Section C (15 marks)

Compulsory Case Study

Read the following Caselet and answer both the questions given below

- Q.1 Analyse the Indian Telecom industry. In what sub sub space of the overall industry has the present Indian industry operated? Is there one company that can be identified as having done especially well. If so name the firm. On what three issues can this firm be judged to be outstanding. How do you rate the future prospects of the industry and the firm.
10 Marks
- Q.2 How do you rate the prospects of the nuclear power industry in India over the next 15 years. Are these prospects as good, better, or worse for another alternate energy sector which you need to identify and elaborate on. Which firms already in the industry have the best chances for profitable growth in the next 15 years? Can you name one firm presently not in this sector who could in your opinion do equally well and why?
10 Marks
- Q.3 Of the various countries who could be considered automobile powers, which one would you judge as having successfully read the Indian market and the Indian customer? In what ways have they been different in their approach to doing business in our country in this major growth industry? Can you identify the one reason more than others that the first entrants and obvious favourites have failed? Give one suggestion that will help them to improve their prospects in the Indian market and one that can help them globally through action in India.
10 Marks

Section C: Compulsory Case Study (15 Marks) Answer both questions:

CHINA'S LUCKY MAN BAGS VOLVO

Li Shufu, the chairman of Zhejiang Geely Holding Group, China's biggest privately owned car firm, and from this week of Sweden's Volvo Cars, likes to describe himself as the Henry Ford of China. There are some similarities. Both men began life down on the farm and both quickly discovered that they were more interested in engineering and building businesses than ploughing fields.

Unlike Ford however, who grew cranky and anti Semitic as he aged, the 47 year old Mr. Li seems admirably grounded. Although one of China's richest men, he dresses inexpensively and lives in a modest Beijing apartment. In conversation, he smiles and chuckles frequently. His only known eccentricity is a weakness for writing verse. He has published more than 20 poems on his personal website and another is woven into the carpet in the reception area of Geely's Hangzhou base 100 miles southwest of Shanghai.

Mr. Li's career began with a school-graduation prize that he used to buy a bicycle and an old camera to take snapshots of tourists visiting local beauty spots. By the late 1980s, with a master's degree in engineering under his belt, he had moved on to making refrigerator parts. In 1994, he started making motorcycles, transforming a bankrupt state-owned manufacturer into one of China's biggest private firms. In 1997, Mr. Li's thoughts turned to making cars. He says that he saw China "entering into a historic period" of growth and opportunity in which the demand for affordable transport would soar. After a slow start, Geely, which means "lucky" in Mandarin, has the potential to compete with the joint ventures between Chinese and Western firms that dominate what is now the world's biggest vehicle market. Only a handful of homegrown firms can say as much. Mr Li is hugely ambitious. Geely often takes the biggest stands at Chinese motor shows, filling them with its prosaic current offerings and brash prototypes. The Shanghai Englon GE, a shameless knockoff of a Rolls Royce Phantom has a single throne like seat at the rear. Over the next year or so Mr Li is promising a range of 25 cars spread out over five platforms and three brands. This year sales of Geely's range of still mainly cheap compact cars should reach 400,000 of which about 5% will be exported to countries with undemanding safety and emission standards. In Cuba the Geely CK is now the car of choice for the police. By 2015 Mr Li aims to be producing 2mm vehicles, half for export.

This week Mr Li realized another long standing ambition: a deal he struck several months ago with Ford Motor Company to buy its Volvo subsidiary for \$ 1.25 billion finally closed. It reminded investors just how bold and opportunistic Mr Li can be. A cash strapped Ford had already sold its other European premium brands, and was determined to offload Volvo. But last year was hugely stressful for big car firms. Their survival was uncertain. Few were in the mood for making risky acquisitions. The lack of credible rival purchasers offered Mr Li his chance. Typically he grabbed it.

Acquiring Volvo gives Geely an international profile and a degree of credibility it never could have achieved on its own. But it is a huge gamble. Although Volvo is currently close to breaking even, (Ford says it is operating at "sustainable levels", last year it lost \$1.3 bn and sold only 335,000 cars. (At its peak in 2007, it sold 458,000). Yet Volvo's revenues are five times greater than Geely's.

Mr Li knows that owning a sophisticated Western brand such as Volvo is a big step up for Geely. He says "Volvo is Volvo and Geely is Geely. Volvo is premium, tasteful and low profile. Whereas Geely is a volume brand. We don't want to put the two together. We will give Volvo independence and autonomy. By setting it free, we will help Volvo return to its glories in the 1960s and 1970s." This week Stefan Jacoby a Volkswagen executive who has been running the German group's operation in America, was appointed as Volvo's new boss. Volvo will continue to be headquartered in Gothenburg and a strong-looking board will set the firm's strategy.

Armed with \$ 900 mm of working capital from Geely and a commitment to build a Volvo factory in China, Mr Li's target of driving sales to 600,000 by 2015 depends on the Swedish firm competing more

strongly than in the past with the German premium brands such as Audi and BMW especially in China. Some Swedes worry that if things do not go well, Mr Li may cut costs by moving more production to China. (This happened with the London taxis made by Manganese Bronze, which Geely part-owns.) Some also fear that he will ransack Volvo's intellectual property to boost Geely's less sophisticated cars.

Mr Li insists that he will support Volvo's management. He hopes that Geely will learn from Volvo's global experience and from its ability to innovate, particularly in the area of safety. Ford's negotiators believe he will honour his promises. Despite a reputation for ruthlessness, the Ford team found him to be "very straightforward—once we had agreed something, we never had to revisit it."

A Ford executive says of Mr Li "He's a very ambitious individual, but he understands that he has a lot to learn about doing business in the West. He will give Volvo autonomy because he knows it's the only way to make it work. He's more interested in growing businesses, than in the details— he is very trustful of the people who work for him."

Q.1 How would you evaluate Geely's growth strategy under Mr. Li? Has the company followed the model that has been discussed as appropriate for all firms in every industry? Do you think that the right mix of risk and return has been achieved by Geely in its move to acquire Volvo? What would have been the case if Volvo whose turnover is 5 times Geely decided to takeover the Chinese Company (assuming that there were no regulatory issues involved in China)?

8 marks

Q.2 We have discussed at length the long term prospects for the Tata acquisition of Jaguar. Geely's acquisition of Volvo can be taken as a parallel. If you had to make predictions about which of these acquisitions is more likely to succeed what would these be? Provide suitable arguments to support your choice from the data given in the case and what has been provided on the Tata acquisitions through various articles that you have read and inputs provided in the strategic management class

7 marks