

PGDM, 2014-16
Strategic Management
DM-403

Trimester – IV, End-Term Examination: September 2015

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 From the definition of Strategic Management, identify and describe the key components? Which in your view are the two key components? Where is it that many firms even today go wrong in developing the right strategy?
- Q.2 Technology has been identified as the main driver of competitive business and the key to understanding effective strategy. Present a brief on this concept. Describe the types technology and under what circumstances each type would be critical to obtaining Competitive Advantage.
- Q.3 Discuss the prospect of Disruptive Innovation. Do you feel that it is valid in the framework of strategy? What are the main implications of this, and do you agree with them? Justify your arguments with an example.
- Q.4 In what context were the two firms Bosch and De Beers discussed? Elaborate on the area of Strategy that the two firms were mentioned. What made them stand out from their competitors and provided them with truly sustainable advantage?
- Q.5 Which frameworks should be used in analyzing the external and internal environment of a firm? What are two key hypotheses that should be used in arriving at conclusions regarding these?

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

- Q.1 In the Dynamic model of Environmental Analysis there is a key variable namely Managers' mental models. Do you agree with the notion that Managers are justified in holding unique models to decide the strategy of their respective companies. Validate your views with examples from Industry.
- Q.2 There are arguments in favour of Organic and Inorganic growth for Companies who are attempting optimum Strategic paths towards maximization of long term profits. Taking the cases of Toyota motors and the Hero Group, where do you find similarities and differences in the growth path of these two companies? Mention one unique decision each taken by these two great companies that have enabled them to surpass their respective competitors.
- Q.3 Discuss the strategic process which leads to commoditization. What would be the ideal approach of a company to dominate a product or a category segment in its industry and to ensure that it makes an appropriate exit before commoditization occurs. What are some of the adverse consequences for firms who do not adhere to this logic?

Section C (15 marks)

Compulsory Case Study

Read the following Caselet and answer both the questions given below

INDIAN FOUNDRIES LTD

In February 2003, Samir Gupta, Director (Operations) of Indian Foundries Limited (IFL), was sitting in his office in Kanpur, India, going over a company progress report. This report detailed several instances of product defects and delays in export deliveries made by Indian Foundries Ltd. In the light of the growing competition from Chinese exporters, Gupta feared an erosion of his company's established customer base if he did not reverse the current trends.

IFL—a firm engaged in the foundry process—was founded in 1968 in Kanpur, a North Indian industrial city, by L.K. Gupta, an engineer who had experience of working in process industries. By 2002, IFL had come a long way. It steadily invested in various casting processes such as No-Bake, Shell and Repicast to cover a wide range of products in terms of size, shape, metallurgical composition and application.

A major milestone for the firm was entering the export market in the early eighties which came about as a result of conscious efforts made by the owner during his visits to the US. Under pressure from export customers to consistently deliver good quality products, IFL invested in modern/semi-automated process technologies. In 2002, IFL was a well established medium sized foundry with an annual turnover of Rs 300 million, employing four directors, fifty engineers and supervisors and 480 workers, with a good presence in both Indian and export markets. About 90 per cent of IFL's sales were for export to a variety of customers in the US and Europe.

IFL's main products were parts for valve and pump manufacturers, like pump casings, gate valves, ball valve bodies, butterfly valve bodies and impellers. Quality, timely delivery and cost played an important role in the export markets. Different types of products and customers emphasized various measures of quality like surface finish, hardness and brittleness with different priorities. The firm had consciously invested in modern technologies for the designing and casting processes, as well as testing. Its owner and directors kept themselves abreast of the latest developments in foundry technology from the internet and regular visits to national and international conferences. Investing in modern technologies helped IFL to offer high quality products to export customers and to impress new customers with its modern facilities.

Although IFL did not have a significant competitor in India for its export markets, its owner feared increasing competition from foundries in China which were capable of producing good quality castings at low cost.

China had both foundries with low technological capability catering to low end mass markets, and those with good capability competing in international markets. Its metal casting industry had witnessed phenomenal growth in export markets over the past two decades. China's growth in export markets had outpaced India's in terms of both total volume (tonnage) and variety of application. Unlike Chinese exporters who had a good presence in a wide range of medium end to high end products, Indian export growth had occurred primarily in high end cast products, higher technology and complicated shape castings, serving industries like auto components, valve and pump industry, mining, minerals and earthmoving machinery. IFL had modern testing equipment to check various quality aspects of castings. IFL did not have a system for monitoring and controlling process quality. Preventive maintenance was limited to periodic cleaning of key equipment like furnaces. No formal records of equipment performance were maintained. Although quality defects caught in-house were always corrected, records of their occurrence, diagnosis or rectification were not maintained.

The most important milestone of IT usage at IFL was the installation of ERP software in 1999 that was designed and marketed by its sister firm, E-Soft. IFL was using ERP for accounting, reporting and web-enabled customer transactions. A customer could place new orders, access quality inspection reports and status of dispatch of old orders through IFL's website. The MRP feature of ERP was not being used since IFL did not have a formal materials and production planning system in place.

In 2001, IFL started an internal discussion group on the intranet for facilitating exchange of technical ideas among its directors, engineers and supervisors. Most improvement initiatives at IFL were led by modern technologies.

Major investments in the eighties and nineties in semi-automated and automated equipment for moulding, testing, finishing and the latest software for designing reflected this strategy of the firm. However, certain softer initiatives towards improvement had not been sustained. The management had initiated Kaizen practices in 1999, but they died down within a few months. Workers' involvement in incremental and daily improvement activities could not be sustained. In 2002, the firm had in place a suggestion scheme in which the worker whose suggestion reaped maximum financial benefit to the firm received an award. The owner admitted that there was a large scope for further improvement in productivity, quality at stages before fettling*, lead time for fettling and cost and time of distribution. He acknowledged from his experience that performance of all process equipment that he had invested in had gradually deteriorated over time.

Samir Gupta realized that Indian Foundries' problems with delays and inefficiencies needed to be resolved quickly, otherwise its old customer base would be taken over by the Chinese exporters.

Q.1 Discuss the priorities that IFL decided on, in terms of the choice between hard technologies and soft technologies. Given the nature of the Foundry Industry was the choice correct? Substantiate your arguments with facts provided in the Case. **7 Marks**

Q.2 What are the strategic lessons to be learnt from the Chinese Competition? Have the Chinese read the status of the Foundry industry correctly? What is the proof of this? On the other hand do you think that the Chinese dominance can continue indefinitely? If yes why? If no, why not? **8 Marks**

*fettling is the initial process of removing excess, unnecessary material from foundry castings including flashings, and risers(spouts for pouring molten metal).