PGDM, 2018-20

Strategic Management

DM-402

Trimester – IV, End-Term Examination: September 2019

Time allowed: 2 Hours 30 minutes
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 2 sections in this paper. Answer briefly and to the point.

Section A: Answer any 3 Questions (10 marks each)

Q. A1 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? CILO1. Develop a view of Strategic Management as a long term process of creating sustained competitive advantage and to provide a career path for students utilizing the learned concepts

Q. A2 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.CILO1. Develop a view of Strategic Management as a long term process of creating sustained competitive advantage and to provide a career path for students utilizing the learned concepts

Q. B1 You have been given a detailed Strategic plan for a company Timex Watches. Trace the flow from Organisational vision through Environmental Analysis to development of goals, targets and action plans with the emphasis on Organisational values CILO 2 Establish the flow of strategy from organizational vision and core values through key focus areas, setting and achievement of targets post environmental analysis to ensure attainment of long-term strategic goals.

Q. B2 Discuss the Strategy of Toyota Motors in the extremely competitive Auto industry What were the key focus areas that enabled the company to become the industry leader? What was the major temptation that the company avoided in its growth plans? Name one outstanding achievement of this firm. CILO 2 Establish the flow of strategy from organizational vision and core values through Key focus areas, setting and achievement of targets post envioronment analysis to ensure attainment of long term strategic goals.

Q. C1 Explain the various stages of the Universal Growth model that has been posited in the Strategic Management Course. Is there really an Unrelated Diversification option that should be considered after the previous stages have been completed? Provide 2 examples of firms that have realized and decided on the logical opportunities at this stage of Growth. CILO 3. The need for continuous growth, providing a clear universal growth model that will fit every company in every industry while pointing flaws in the existing understanding and pursuit of growth by many corporates while highlighting the successful few.

Q.C.2 Evaluate the growth initiatives taken by the Tata group and one of its key companies Tata Motors. What should be group has a whole done over its 100 years plus existence? What in your view should it have done to achieve optimum growth? Apply the same question and the answer for Tata Motors. CILO 3. The need for continuous growth, providing a clear universal growth model that will fit every company in every industry while pointing flaws in the existing understanding and pursuit of growth by many corporates while highlighting the successful few.

Section B (20 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 stead and predictable stream of fast growing earnings. Now investors find these vaunted qualities suspicious, forcing Mr. Immelt to reverse some of 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 th 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? (10 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? (10 Marks)