

**PGDM – International Business: 2018-20**  
**International Strategic Management: IB- 401**  
**Trimester – IV, End-Term Examination: September 2019**

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**. All other instructions on the reverse of Admit Card should be followed meticulously.

**SECTION – A**

(Attempt all three question, each question carries 10 marks.)

1. An established manufacturer and marketer of apparel and equipment for competitive sports is fast losing market share to companies that not only offer similar products, but also are upgrading their research and development capabilities to produce better products. List a few general actions and approaches that would help the established company revive its position. (CILO 1)

OR

A well-established brewery offers lower-priced beer to powerful supermarket buyers at widespread locations and has loyal distributors that supply mass goods to supermarket retailers. With fewer ways to achieve differentiation in the market, most new microbrewery entrants offer similar products but lack sufficient funding to compete against the well-established brewery. Which strategy could new microbrewers employ? Explain your answer. (CILO 1)

2. Using value chain analysis, which primary and secondary activities would you consider to be most and least valuable for a company like Facebook? (CILO 2)

OR

Explain why a weighted competitive strength assessment is important and useful to strategic managers. (CILO 2)

3. What are the distinctive features of a focused low-cost strategy? How does it differ from a low-cost leadership strategy? (CILO 2)

OR

What strategy would you recommend for a small-sized company entering a highly segmented market, each segment with a complex set of needs and spending power? (CILO 2)

SECTION – B

(Case is compulsory, it carries 20 marks.) (CILO 3 and 4)

CASE – STRATEGY AND THE STRATEGIST

Read the case carefully and debate following issues.

- I How do strategy and strategist relate to? Why does it matter whether CEO is involved in strategy development? Can strategy be developed by a consultant, by a consulting firm or by a Board?
- II Why do managers tend to develop strategy in line with their background, experience, and success? What are the implications for the company and for the managers?



ERIC VAN DEN STEEN

## Strategy and the Strategist

### Great Strategies or Strong Leaders?

Many companies held up as an example of having a great strategy, also had a founder or early leader with clear beliefs and values. Well-known examples include Michael O'Leary at Ryanair, Marvin Bower at McKinsey, John Connelly at Crown Cork & Seal, John Bachmann at Edward Jones, John C. Bogle at Vanguard, Ingvar Kamprad at IKEA, or Sam Walton at Wal-Mart.<sup>1</sup>

### Crane at NRG versus Rowe at Exelon<sup>2</sup>

David Crane, CEO of NRG Energy Group, the US' fastest-growing power generator and utility company, had in 2009 a very clear belief about the future and about the place for his company in it: climate change and sustainability issues would dramatically alter the energy generation and distribution landscape; the industry was at a true turning point and his company was going to take advantage of that. When the Fukushima nuclear accident put its nuclear energy projects on hold, NRG focused its investments on solar energy.<sup>3</sup>

John Rowe, CEO of Exelon, the US' largest power generator, had a very different view on the energy business in 2009. According to Rowe, "there are always places where the great visionary wins" but the power generation business was not one of them.<sup>4</sup> For him, "[t]his is fundamentally a value industry, and neither our investors nor NRG investors will wait a long time to see a return. They don't see this as a place where somebody's inventing the next chip, [...], or something exotic. This is a business where it's all about how much you can make out of assets."<sup>5</sup>

### Motorola and JCPenney

Robert Galvin turned Motorola into a leading cell phone maker (in part) through his strong beliefs that cell phones would become a big business, against the view of many others.<sup>6</sup> His subsequent belief in a truly global phone led Motorola to support the Iridium project. Despite the misgivings of observers and pundits, Galvin again stayed the course and invested more than \$5 billion to launch a network of geo-stationary satellites and develop the phones that could make calls over these satellites.<sup>7</sup> Iridium's phone service went into service in November 1998. Iridium went into bankruptcy less than a year later, as demand was lower than expected. The company's assets were resold in 2001 for \$25 million.<sup>8</sup>

When Ron Johnson became CEO of JCPenney in 2011, after having made Apple's retail stores a success story, he had a clear and strong idea where he was going to take JCPenney: transforming it

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Professor Eric Van den Steen prepared this case. This case was developed from published sources. Funding for the development of this case was provided by Harvard Business School. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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from discount-driven to a specialty department store with everyday value pricing and stores within stores.<sup>9</sup> As he started implementing the new vision, sales dropped by 20%.<sup>10</sup> Observers called him the “wrong man, wrong job” and wrote headlines about how he was destroying JCPenney.<sup>11</sup> Ron Johnson stayed the course. He was fired in April 2013 and replaced with his predecessor.<sup>12</sup>

## Whirlpool, HP, and Yahoo!

David Whitwam, who had been promoted from Chief Marketing Officer to CEO of Whirlpool after a long career in sales and marketing, tried to shift Whirlpool repeatedly from a company built around its production and engineering capabilities to a company built around customers and brands.<sup>13</sup>

Upon being hired from NCR to become CEO of HP in 2005, Mark Hurd focused on what made him successful at NCR, drastically reducing costs.<sup>14</sup> Shortly after taking charge, he laid off 10% of HP’s workforce, imposed a wage cut between 2.5% and 15%, and eliminated benefits.<sup>15</sup> This represented quite a change for HP, the company known for its “HP way,” its strong culture of caring for employees.<sup>16</sup> After Hurd left HP in 2010, the board hired Leo Apotheker. Apotheker came from SAP, an enterprise software company.<sup>17</sup> He started focusing HP on enterprise, commercial, and government markets.<sup>18</sup> As part of that, he effectively exited the smartphone and tablet business by closing down HP’s WebOS business that it had acquired under Hurd, announced plans to spin off the PC division, and acquired Autonomy, an enterprise software company.<sup>19</sup> Apotheker had barely left when HP backtracked on his plan to spin off the PC division and started considering another push into smartphones and tablets.<sup>20</sup>

When Marissa Mayer—with her Google background in technology and products—was hired as CEO of Yahoo!, rather than interim-CEO Ross Levinsohn who had a media background and had pushed Yahoo! towards a more content- and media-focused strategy, pundits interpreted this as a clear signal that the board wanted a product- rather than content-focused strategy.<sup>21</sup> Commented one observer “It’s a huge statement on the part of the board that they want the company to be product-led. [ . . . ] I think it was a strategy decision [ . . . ]”<sup>22</sup> In its next annual report, Yahoo! changed its business description from “digital media company” to “technology company”.<sup>23</sup> When Mayer made some high-profile media deals, some observers questioned this based on her background.<sup>24</sup>

## Larry Ellison versus Sir Jonathan Ive

Larry Ellison stressed the importance of being different: “You can’t conform in business, . . . . If you adhere to conventional wisdom, if you do everything everyone else does, you’re going to lose. The only way to get ahead, to really get ahead, is to be different.”<sup>25</sup> But Ellison also noted the challenges that come with that: “When you’re the first person whose beliefs are different from what everyone else believes, you’re basically saying, “I’m right, and everyone else is wrong.” That’s a very unpleasant position to be in.”<sup>26</sup>

Sir Jonathan Ive, the chief designer of Apple known for the iconic designs of the iPhone and other Apple products, questioned the drive to be different. When asked why Apple’s rivals struggled to come up with good design he responded “Most of our competitors are interested in doing something different, or want to appear new—I think these are completely the wrong goals. A product has to be genuinely better. [ . . . ] Committees just don’t work, and it’s not about price, schedule, or a bizarre marketing goal to appear different—they are corporate goals with scant regard for people who use the product.”<sup>27</sup>

## Endnotes

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<sup>2</sup> Unless otherwise noted, this section is based on Yale Environment 360, "A Power Company President Ties His Future to Green Energy," Yale Environment 360, November 9, 2011, [http://e360.yale.edu/feature/solar\\_power\\_nrg\\_president\\_crane\\_ties\\_future\\_to\\_renewable\\_energy/2462/](http://e360.yale.edu/feature/solar_power_nrg_president_crane_ties_future_to_renewable_energy/2462/), accessed May 27, 2013 and David Whitford, "When a takeover battle goes nuclear," *Fortune*, July 6, 2009, [http://money.cnn.com/2009/07/06/news/companies/exelon\\_nrg\\_electric\\_utilities.fortune/](http://money.cnn.com/2009/07/06/news/companies/exelon_nrg_electric_utilities.fortune/), accessed May 27, 2013.

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<sup>7</sup> Barnaby Feder, "Lacking Buyer, Iridium Is Set To Shut Down," *The New York Times*, March 18, 2000, <http://www.nytimes.com/2000/03/18/business/lacking-buyer-iridium-is-set-to-shut-down.html>, accessed May 27, 2013.

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<sup>14</sup> Benjamin Pimentel, "HP's strategy to include major layoffs," *SFGate*, June 5, 2005, <http://www.sfgate.com/business/article/HP-s-strategy-to-include-major-layoffs-New-2665276.php>, accessed May 27, 2013.

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<sup>18</sup> David Goldman, "HP kills TouchPad, looks to exit PC business," *CNNMoney*, August 18, 2011, [http://money.cnn.com/2011/08/18/technology/hp\\_pc\\_spinoff/index.htm](http://money.cnn.com/2011/08/18/technology/hp_pc_spinoff/index.htm), accessed May 27, 2013; *Wall Street Journal*, "Live Blog: H-P on PC Spinoff (Oh, and Earnings Too)," *Wall Street Journal*, August 18, 2011, <http://blogs.wsj.com/digits/2011/08/18/live-blog-h-p-on-pc-spinoff-oh-and-earnings-too/>, accessed May 27, 2013.

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<sup>20</sup> Steven Musil, "HP reconsidering PC unit spinoff, report says," CNet, October 11, 2011, [http://news.cnet.com/8301-1001\\_3-20118919-92/hp-reconsidering-pc-unit-spinoff-report-says/](http://news.cnet.com/8301-1001_3-20118919-92/hp-reconsidering-pc-unit-spinoff-report-says/), accessed May 27, 2013; Darrell Etherington, "HP Reportedly Working On Android Smartphones And Tablets, Despite webOS Failures," TechCrunch, February 13, 2013, <http://techcrunch.com/2013/02/13/hp-reportedly-working-on-android-smartphones-and-tablets-despite-webos-failures/>, accessed May 27, 2013.

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