P09/CP2001/EE/20121013

Time : Three Hours **Marks : 100**

Instructions to Candidates :

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2) Section I carries **60** marks and Section II carries **40** marks.
3) From Section I answer **any four** questions. Section II is **compulsory**.
4) The case study question in Section II is **compulsory**.
5) Figures to the right indicate full marks.
6) Answers to the two sections should be written in **one** and the **same** answer book.
7) Draw diagrams and sketches wherever necessary.

SECTION I

1. What do you understand by strategic management? Explain the different levels of strategy and illustrate with industry examples. **15**

2. What are the components of strategic management? Explain any five components of strategic management. **15**

3. What do you understand by differentiation? Explain any five forms of differentiations. **15**

4. What is the rationale behind mergers and acquisitions? Discuss. **15**

5. Discuss functional structure and matrix structure. **15**

6. What do you understand by technology? How can being a first mover be advantageous and disadvantageous? Explain. **15**

SECTION II

7. Read the following case and answer the questions given below :

INFOCORP LTD.

Glassy-eyed and confused, Shyamal Mashruwala, CEO of the Rs. 250 crore Infocorp Ltd. (ICL), sat in his teak-panelled corner room on the fourth floor staring at the steel girders of the bridge spanning the Sabarmati. Just five minutes ago, his secretary had handed him a bombshell. Now, the tersely-worded resignation letter from his Chief Operating Officer (COO), Bimal Gandhi, glared accusingly at him from the corner of his desk.

When the 36-year-old Mashruwala set up ICL nine years ago, the Ahmedabad-based company had started operations by trading in computer hardware like personal computers, dumb terminals, local area networking cards, cables, modems, uninterrupted power supplies, et al. Today, the company had 500 employees, and boasted of 15 branches across the country. While turnover had practically doubled every year, ICL's profitability had slowed, albeit marginally, only in the past year. But it was some time in early 1994 that Mashruwala began to question his company's ability to survive the future.

Lurking under the seemingly-idyllic conditions facing ICL, were the fiery forces of radical change, driven by liberalization, competition, and customer needs. Changes in the infotech industry were taking place at a rapid pace, with global majors – like Core Technologies, Maxacon, and World Computers – moving in to corner the Indian hardware and networking market. Moreover, backed by financial muscle, large Indian business houses – like Nascent Industries, Indian Pioneer and Shanti Systems – were muscling in on a market hitherto dominated by smaller, niche players.

THE COMPULSIONS

- Liberalization
- Global Competition
- Customer Needs
- Lack of Role Clarity
- Poor Employee Morale
- Inter-division Friction

ICL's customers were changing too : they were becoming increasingly solution-oriented, rejecting stand-alone products in favour of turnkey hardware networking solutions that would help them exchange data between their factories, branches, and head offices. But in its existing form, Mashruwala believed, ICL did not match up to the looming competition in providing turnkey solutions. To be sure, he had voiced his concern to key people within ICL. But he was always left with the feeling that his sense of urgency was not shared by his key employees.

And then there was the lanky and suave Gandhi, 44, who had been with ICL since its inception. An efficient administrator, the COO was respected by employees and had an impeccable reputation in the industry. Gandhi, however, was more focused on internal operations, and had a tendency to ridicule trends in the marketplace as fads. In March, 1994, Mashruwala asked his COO to drop in for a discussion. "Bimal, you know that I have been voicing my concerns to you and others in ICL about the dramatic changes in the industry. I feel that we need to meet – if not exceed – the pace of change if we are to survive. I need your help to crystallize a plan of action to take us from where we are to where we need to be," said Mashruwala.

Gandhi stared at his CEO incredulously, and said : "What's wrong with where we are? We have achieved dramatic growth, market leadership in our products, and significant appreciation of our share capital. We also have the widest distribution network amongst our competitiors, and a large field force. The competition cannot usurp our position, atleast not in the next three to five years. And our customers are not complaining, except occasionally, and that happens even to the best of organizations. I think you worry too much – and I also think you need a vacation."

Mashruwala answered wearily : "Bimal, competition and customers form only one aspect of the problem. Look at our internal operations. We are a highly centralized organization. I admit, I am responsible for that situation. Such a set-up may have worked in the middle and late 1980s, but today – and in the foreseeable future – it will not do. Today, the most important functions in ICL are accounts, administration and internal audit. But our customers don't care about how many forms or approvals we require internally. We have lost countless orders to our competitors simply because of internal controls that significantly increase our lead times to deliver products."

"Employee morale, motivation and productivity are very low, our sales incentives are never paid on time, and our salary structure is below the industry norm," he continued. "Moreover, employees are unclear about their roles and responsibilities, and I never seem to find any one person accountable for anything. Not only do we have 10 levels in ICL, there are also no performance appraisal systems to speak of, resulting in tremendous anomalies in our salary structures. Let's face it Bimal, we are a classic command-and-control company. More than 75 percent of our field force is not technically-qualified. How can we provide turnkey infotech solutions to our customers?"

Gandhi interjected : "But, Shyamal, do we need to provide solutions? Can't we continue selling stand-alone pieces? There is plenty of demand at the low end of the market."

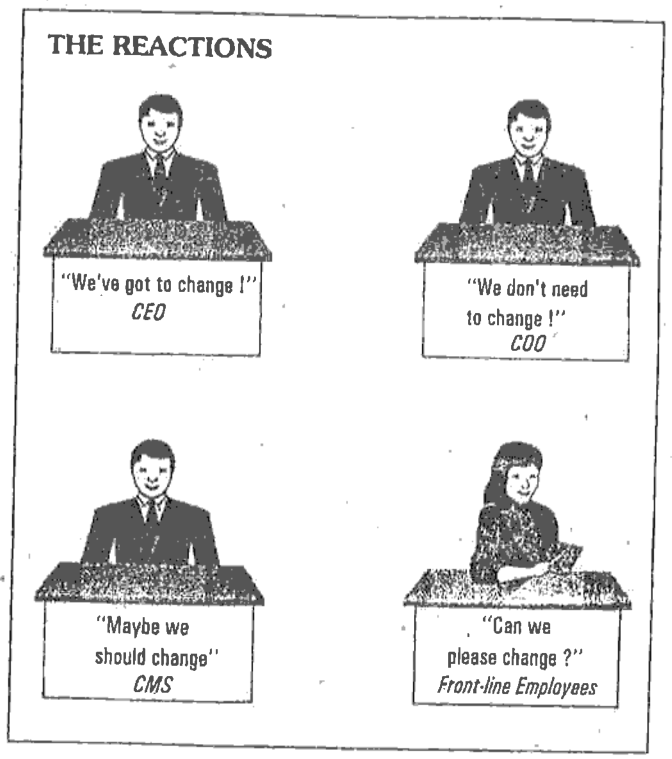
Mashruwala leaned forward and said : "There is plenty of demand, but the cost of providing stand-alone products is just too high. With the pressure on our margins increasing, do you really believe we can sustain a dedicated field force? All over the world, the trend has been for low-value products to move gradually to the dealer distribution network. And that is already happening in India. We need to train our field force to provide solutions, and gradually, move the lower-end stand-alone products to the dealers. The margins are in providing complete solutions, not individual components that the customer pieces together. That is where customers will see real value-addition. We want to be a solutions provider."

Gandhi looked thoughtfully at his CEO, and shrugged his shoulders : "I see your logic. But why go through all this turbulence?"

Notwithstanding his COO's lukewarm response, Mashruwala was convinced that it was time to swing into action. One warm evening in May 1994, Samir Purohit, ICL's energetic 40-year-old Chief of Management Services, strode into his cabin and said : "I have been thinking a lot about what you have been saying for the past few months. Although I was not convinced at first, I now believe you are absolutely right. We need to change just to survive. But I think we need some professional help, atleast to facilitate the process. I know a firm that speacializes in managing change, Transformation Consulting Group (TCG). Can we talk to them?"

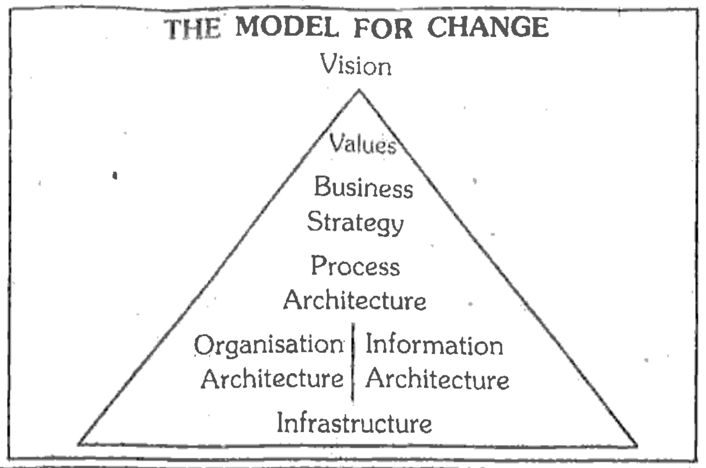
So, over the next few weeks, after numerous discussions with the top management at ICL, TCG developed a robust, time-tested business transformation methodology. Mashruwala was elated; he had found what he was looking for : the road map to where he wanted to be. But while Purohit took an active part in the discussions, Gandhi spoke up only when asked pointed questions. The discussions concluded with Gandhi only broadly agreeing with TCG's gameplan for ICL.

By early June, a 12-member – eight from ICL and four from TCG – business transformation team (BTT) was formed to initiate and drive the change process. Mashruwala sent a memo entitled *Why Change?* to all his employees, in which he wrote : "The rapidly changing business environment is ruthless in punishing failure. Even successful companies like ours cannot relax – or they will perish." By the middle of July, in response to a questionnaire, the BTT started receiving feedback from employees. Overall, the mood was upbeat. The bottomline was : Yes, we need to change. But we don't believe that the management has the will to do it. After much discussion and animated debate, a clear vision began to emerge. The values of the organization, describing the behaviour expected from employees, were inscribed on all identity cards.



By the middle of September, the BTT initiated a series of discussions with Gandhi, Purohit and Mashruwala. ICL had been a product-focused organization with five product divisions, each with its own field force. The field forces, being dedicated, were more or less ignorant of the product

ranges offered by other divisions. Often, one division booked orders for their products with a customer while a competitor booked orders for another product – also available with ICL – with the same customer. Mashruwala was disturbed by this trend, which had been recently increasing



THE VISION

To be the premier provider of information technology solutions that enable our customers to improve their competitiveness.

THE VALUES

- Nurture ongoing relationships with our customers
- Heed the voice of our customers and our employees
- Motivate and develop employees by sharing knowledge and profits
- Empower our people so that they can exceed customer expectations
- Work together as a team for the benefit of all our stakeholders

After lengthy discussions, it was decided to merge the field forces of each product division into a common field force, that would over time, be trained to handle all the product-cum-solutions that ICL's customers required. The product divisions, which were rationalized to three, would be primarily responsible for product management, training and supporting the front-line field force. Wherever the potential existed, each branch would be supported by representatives of the product divisions. But Gandhi was unhappy, and wondered whether he was being sidelined.

He finally spoke to Mashruwala : "I am the COO because I control the two largest product divisions. But now, I am reduced to an operations man with very little control over the products, marketing strategies, and advertisements." Mashruwala was surprised : "Don't you realize that our entire field force – 400 people – is now under your control? You are running the company. If, however, you are unhappy with this increased responsibility, I'll be happy to consider you as one of the chiefs of our product divisions." Gandhi said nothing.

Mashruwala continued : "You must realize that this change is imperative and I cannot do it without your support." Mashruwala pushed ahead with the exercise. The corporate structure was designed around horizontal business processes as opposed to the traditional functional structure. Each of the business processes had only one owner, who was responsible and accountable for the results. The other objective was to increase the speed of decision-making by flattening the hierarchy and empowering the front-line.

Initially, even Purohit was a bit hesitant about flattening the hierarchy. But following lengthy discussions with the BTT, he became convinced that physical delayering was, infact, a necessity. The regional and zonal layers – that acted as middlemen between the head office and the branches – were eliminated. It was also decided that the 15 branches would be converted into profit centers, each responsible for their individual bottomlines. This would grant the branch chiefs complete autonomy, which

meant that all incentives and branch expenses would now be cleared by the branches themselves, rather than at the head office – which never seemed to happen on time.

Apurva Patel, 35, ICL's chief financial officer, confided to Purohit : "I fear that our branches will abuse the power given to them. You know, that's exactly what happened in the late 1980s, which is the very reason we centralized control." Purohit nodded in agreement, but said : "Apurva, believe me, given proper guidance and motivation, our branches can play a responsible role. Some fraud may occur, but the cost of that will be far lower than the benefits obtained by focusing on delighting our customers."

The new organization structure was announced in November, 1994. April 1, 1995, was fixed as the Transition-Day to ensure that adequate time was available for transition. To ensure buy-ins from his operating managers. Mashruwala asked each of them to prepare their own organization structures, with clear job-definitions for each position. Each operating manager then announced this structure in a formal presentation to his team. In the meantime, the BTT had started focusing on redesigning operations. A three-pronged approach was used to redesign branch operations.

PROCESS ARCHITECTURE : The BTT redesigned four critical customer processes to reduce cycle time and cost in conjunction with the owners of those processes. By eliminating all those activities that did not add value, reducing checks and controls, and minimizing hand-offs, they were able to reduce the order fulfilment cycle-time for deliveries from 10 days to three days.

ORGANIZATION ARCHITECTURE : ICL was a highly individualistic organization, with a rift across product divisions and between sales and service personnel. Service personnel, although more technically-qualified, were actually less-paid. It was decided that the sales and service departments should be merged together as customer care teams, with complete responsibility for customers in their area. The potential of the area dictated the number of teams and the composition of sales and service personnel in each team.

In addition, a three-way performance appraisal system was jointly developed by the BTT and Nandini Parikh, the HRD manager. Evaluations would now be 360^0 : upwards, downwards, and sideways between peers. Mashruwala led the way by requesting all his operating managers to evaluate his performance for the past year. There was initially some hesitation, but, gradually, they gave him quality feedback. A high-intensity, need based training programme was also established, tightly coupled with the performance appraisal process.

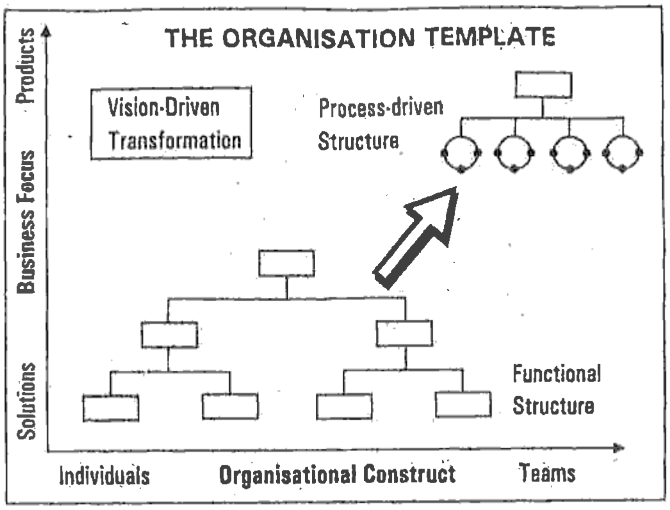
INFORMATION ARCHITECTURE : An enterprise-wide information systems strategy was developed jointly by the BTT and the electronic data processing department. The strategy outlined the phased installation of hardware and software across the company over two years. Each customer care team was provided with a modem-equipped notebook computer to check stock status on-line, and place orders directly from customer sites. Team members were also provided with alphanumeric pagers for quick response to customers.

At a management meeting, Gandhi voiced his concerns again : "Why do we need to move to a team-based structure? You know, we Indians cannot work as teams. These concepts are all right in a developed country, but here? Let us simply decentralize authority to the branches, but retain the traditional, functional structure we have. After all, it has been a solid survivor for the last 200 years." But Patel interjected : "Gandhi, surely that would be like shutting our eyes to reality. Team-based structures are springing up everywhere, with tremendous gains in productivity and morale. We could only decentralize, but the synergistic effect of both will propel us to our vision."

Pilot projects of all the recommendations commenced at the Madras, Bangalore and Calcutta branches in January 1995. On an average, sales revenue increased three-fold in the first two months. By the middle of March, it was clear that the pilots were a success, and a decision was taken to rollout, in a phased manner, the new environment to all the other branches. Around the same time, a communications team started counselling employees on the transformation process.

Mashruwala looked at Gandhi's resignation letter again. It was now May 1995. ICL had come a long way in the past one year : the new operations were falling into place, the rollout had commenced with excellent response, and morale was improving. A revision of the salary structures was also under way. Mashruwala could actually feel the first winds of change in the corporate culture. But the message in Gandhi's letter was loud and clear : stop the change process. Or he would leave ICL by the end of the month. And it was not negotiable.

What would the reaction of the 400-strong field force be when it found out that its boss was leaving because he did not believe that the transformation would work? On the other hand, Gandhi had worked with ICL for nine years, and treated the company like his own. His wife, Sonali, had developed a close rapport with Mashruwala's wife, Anjali and their children were classmates. There was a knock on the door. And a grim Gandhi walked in. What should Mashruwala do?



Questions :

a) Identify the basic problem/issue involved in the case. 10

b) What message might Gandhi's resignation have given to the people working in ICL? 10

c) What factors led the company to think in terms of transforming the organization? Discuss. 10

d) What should Mashruwala do? 10

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7) Draw diagrams and sketches wherever necessary.

SECTION I

1. Write the importance of international business. Name the relevant factors which affect international marketing. **15**

2. Why do we actually need to study multinational financial environment? Justify your answer. **15**

3. What are the factors that encourage globalization in India? **15**

4. Write the concept and strategies of global brands. **15**

5. Discuss the prevalent features of supply chain management. **15**

6. What is meant by material handling? Give a brief description of the equipments that are being used in this task. **15**

SECTION II

7. Read the following case and answer the questions given below :

In 1986, Ford passed its bigger competitor, General Motors with earnings of $3.3 billion. Ford's market share is about 20 percent. But success, in many instances, may be only temporary, and Ford's chairman, Donald E. Petersen, is concerned about complacency. Indeed, the company has to work hard to maintain its reputation for stylish, aerodynamic cars and high quality.

Under the former leadership of Henry Ford II, the company was very centralized. But Petersen's plan is to make Ford an integrated global enterprise. Thus, a great deal of authority for the development of specific models or components is now centralized in the company's various technical centers around the world rather than in Detroit. Under this plan, a car or its components are developed in the technical center with the best expertise in a particular field, anywhere in the world. This could save the company a lot of money by avoiding duplication in development and reducing tooling costs. For example, Ford of Europe, located in England, is the center for developing the platform for the new model that will replace the European Sierra and the American Tempo and Topaz. Ford will sell the new cars in Europe and in the United States. Similarly, in Japan, Mazda (Ford owns 25 percent of the company), which has much experience in building small cars, will be the center for developing the platform for the car that will replace the Escort. The North American center of excellence will focus on midsize cars. Similar centers are planned for major components such as transmissions and engines. While these centers of excellence develop platforms and key components, exterior and interior styling will be the responsibility of companies in the various regions.

The concept of the centers of excellence may seem promising, yet a previous attempt in the early 1980s to build a 'world car' in Europe failed. It is said that the American car, the Escort, shared only one part with its European counterpart, namely a seal in the water pump.

Questions :

a) Analyze the case. **10**

b) What do you think of Ford's overall decentralization with centralized authority for the development of specific cars and related components at various technical centres in the world? **15**

c) Why does Ford think that the concept of having centres of excellence located in various parts of the world will be the correct organization structure for the future of international business? **15**

SECTION II

7. Read the following case and answer the questions given below :

Whether ethical and economic considerations may come into conflict in particular cases is doubtful. 'Everything is fair in business and war'. Based on this concept, honesty is not necessarily the best policy for a particular individual from the standpoint of society which may result in immediate material loss. But in the long run, it is doubtful whether the conflict can subsist; and as a rule, if not universally, that which is from the standpoint of society economically injurious is likely to be ethically wrong, while that which is ethically good is likely to be economically advantageous. This consideration suggests that it is quite as important for the moralist to give due weight to the economic forces as it is for the economist to recognize the ethical aspects of social problems. The former is probably suffering from greater neglect than the latter.

Questions :

a) Analyze the case. **10**

b) Do you agree or disagree that everything is fair in business? Submit your argument with proper justification. **15**

c) How often do moral considerations affect man's conduct in business life? **15**

P09/CP2003/EE/20121015

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SECTION I

1. Discuss the model of corporate governance. **15**

2. Define risk management and explain the principles of risk management. **15**

3. How can ethics be practically applied to business? Discuss in detail. **15**

4. Why is self-development important? Discuss the features and technique of self-development. **15**

5. Explain the attributing factors that carry importance to the decision makers. **15**

6. Describe the relationship between ethics, integrity and morality in business. **15**

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SECTION I

1. Control is a fundamental management function that ensures work accomplishment according to pre-plans. Analyze this statement giving the importance of control and various steps involved in the control function areas. 15

2. Explain the terms : 15
   a) Strategic control
   b) Zero base budgeting
   c) MBO

3. What are adaptive control systems? Explain the term, 'system evaluation and adaptation'. 15

4. Discuss the features of responsibility accounting. Write about the inputs and outputs of responsibility centers. 15

5. What is profit measure? Discuss the strengths and weaknesses of profit measure. 15

6. State the project time control system characteristics. Describe task oriented and resource oriented systems of PTCS. 15

SECTION II

7. Read the following case and answer the questions given below :

Southwest Airlines Corporation

In 2001, Southwest Airlines Corporation's (Southwest) year-end results marked 29 consecutive years of profitability. Southwest, which was incorpotated in Texas, commenced customer service on June 18, 1971, with three Boeing 737 aircraft serving three Texas cities : Dallas, Houston, and San Antonio. The company grew to become the fourth largest U.S. airline (in terms of domestic customers carried). In 2002, it boasted a fleet of 366 Boeing 737 jets. Southwest was the United States' only major short-haul, low-fare, high-frequency, point-to-point carrier. (Refer to Exhibit 1 for comparative financial data.)

Southwest had the lowest operating-cost structure in the domestic airline industry and consistently offered the lowest and simplest fares. Southwest also had one of the best overall customer service records. In 2001, the airline had 35,000 employees and generated total operating revenues of $5.6 billion from a passenger load factor of 68.1 percent. Its stock exchange symbol was LUV, representing Southwest's home at Dallas Love Field, as well as the theme of its employee and customer relationships.

Fortune maganize consistently recognized Southwest as one of the top 10 businesses to work for in the U.S. and one of the most admired companies in the world. Among airlines, Southwest ranked on top as the most admired airline worldwide from 1997 through 2001. In 2002 *The Wall Street Journal* reported Southwest Airlines ranked first among airlines for customer service satisfaction, according to a survey by the American Customer Satisfaction Index. *Business Ethics* listed Southwest in its "100 Best Corporate Citizens," a list that ranks public companies based on their corporate service to various stakeholder groups.

The Southwest Difference

Southwest did not employ the 'hub-and-spoke' approach used by other major airlines, such as United, American, and Delta. Instead, its approach was short-haul (average flight time was 55 minutes) and point-to-point (e.g. Dallas to Houston, Los Angeles to Phoenix). Southwest had no assigned seats, paid its crews by trip, and used less congested airports (e.g., Baltimore instead of Washington's Dulles or Reagan; Manchester, N. H., instead of Boston, Mass.)

Forty-six percent of Southwest's passenger revenue was generated by online bookings via southwest.com. In 2002, the cost per booking via the Internet was about $1, compared to the cost per booking of $6–$8 through a travel agent.

EXHIBIT 1 : Comparative Financial Data on Selected Companies

	Five-Year Average : 1995 – 2000				
	Southwest	United	American	Delta	Continental
Five-year return on equity (percentage)	16.3	27.9	12.9	19.5	38.1
Five-year sales growth (percentage)	14.5	5.4	3.0	6.5	11.2
Five-year net income growth (percentage)	26.9	231.4	30.2	15.2	8.8
	2000 Data				
Sales ($B)	5.6	19.3	18.1	16.7	9.9
As percentage of sales :					
Cost of goods sold	76	91	87	83	89
Gross margin	24	9	13	18	11
Operating income	23.7	9.0	12.8	17.5	11.0
Net income	10.7	0.3	4.3	4.9	3.5
Return on equity (percentage)	18	12	12	17	30

Terra Lycos, the largest global Internet network, reported that Southwest received 50 percent more searches than any other airline.

Southwest pilots were the only pilots of a major U.S. airline who did not belong to a national union. National union rules limited the number of hours pilots could fly. But Southwest's pilots were unionized independently, allowing them to fly far more hours than pilots at other airlines.

Other workers at Southwest were nationally unionized, but their contracts were flexible enough to allow them to jump in and help out, regardless of the task at hand. From the time a plane landed until it was ready for takeoff took approximately 20 minutes at Southwest, and required a ground crew of four plus two people at the gate. By comparison, turnaround time at United Airlines was closer to 35 minutes and required a ground crew of 12 plus three gate agents.

CEO Herb Kelleher, who founded Southwest, was deeply committed to a philosophy of putting employees first. "It they're happy, satisfied, dedicated, and energetic, they'll take real good care of the customers. When the customers are happy, they come back. And that makes the shareholders happy." Southwest's walls were filled with photographs of its employees. More than 1,000 married couples (2,000 employees) worked for the airline. The average age of a Southwest employee was 34 years. Southwest employees were among the highest paid in the industry and the company enjoyed low employee turnover relative to the airline industry.

Southwest's culture of hard work, high-energy, fun, local autonomy, and creativity was reinforced through training at its University of People, encouragement of in-flight contests, and recognition of personal initiative.

Being in the people business meant a rigorous approach to hiring new employees. In 2001, Southwest reviewed 194,821 resumes and hired 6,406 new employees. The company's hiring process was somewhat unique: Peers screened candidates and conducted interviews, pilots hired pilots, and gate agents hired gate agents. To better understand what the company sought in candidates, Southwest interviewed its top employees in each job function (e.g., pilots, gate agents, baggage handlers, ground crew) and indentified their common strengths, then used these profiles to identify top candidates during the interview process. Southwest hired for attitude as much as aptitude. Noted CEO Kelleher, "We want people who do things well, with laughter and grace."

Southwest initiated the first profit-sharing plan in the U.S. airline industry in 1974 and offered profit sharing to its employees every year since then. Through this plan employees owned about 10 percent of the company stock. In 2000, Southwest offered ts employees a record-setting $138 million in profit sharing. This tax-deferred compensation represented an additional 14.1 percent of each employee's annual salary.

Questions :

a) What is Southwest's strategy? What is the basis on which Southwest builds its competitive advantage? **20**

b) How do Southwest's control systems help execute the firm's strategy? **20**