

## MANAGEMENT PROGRAMME

### Term-End Examination

June, 2013

06445

### MS-11 : STRATEGIC MANAGEMENT

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

**Note :**

- (i) There are two sections : **Section A** and **Section B**.
- (ii) Attempt **any three** questions from **section - A**, which carries **20** marks each.
- (iii) **Section - B** is **compulsory** and carries **40** marks.

#### SECTION - A

1. (a) Differentiate between objectives and goals and the need for setting the objectives. 10  
(b) Describe the features and the process of setting objectives. 10
2. What do you understand by the competitive environment of an industry ? Explain with the help of examples. 20
3. (a) What are the two variants of focus ? Discuss each giving examples. 10  
(b) Discuss the advantages and disadvantages of a focus strategy. 10
4. Explain the process and importance of Turnaround Strategy. Support your answer with the help of examples. 20
5. Write short notes on: 2x10=20
  - (a) Critical Success Factors (CSFs)
  - (b) Balanced score card.

## SECTION - B

6. Read the following case and answer the questions given at the end of the case.

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### **Whirlpool's Dramatic Turnaround Through Internationalization**

Home appliance maker Whirlpool Corporation, headquartered in Benton Harbor, Michigan, generated over \$19 billion in annual sales in 2006, an increase of 26 percent from the previous year. Key factors influencing this performance include the acquisition of the Maytag Corporation in 2006 and an increased global demand for its brands and innovative products. During the next several years, the company expects growth in Asia and Latin America to be significantly higher than in North America and Europe.

Whirlpool employs more than 80,000 employees in over 60 manufacturing and technology centers world wide. The firm manufactures washers, dryers, refrigerators, dishwashers, freezers, ranges, compactors, and microwave ovens in 13 countries and sells them in 170 others under brand names such as Whirlpool, Maytag, Magic Chef, Jenn-Air, Amana, KitchenAid, Kenmore, Brastemp, and Bauknecht. Whirlpool generates almost 60 percent of its sales from North America, 25 percent from Europe, 15 percent from Latin America, and just 2 percent from Asia.

### **International Expansion**

As the U.S. appliance market matured in the 1990s, Whirlpool faced intense domestic competition and more demanding buyers, resulting in lower profit margins. Meanwhile, international market trade barriers fell, consumer affluence grew, and capitalism flourished. Management realized that it could best deal with these threats and opportunities by undertaking a systematic program of internationalization. As a result, Whirlpool engaged in a series of moves over the next decade.

Whirlpool acquired the appliance business of Philips in Europe, 65 percent of Italian cooling compressor manufacturer Aspera, and purchased Poland's second largest appliance maker. In Eastern Europe, Whirlpool created subsidiaries to sell and service appliances in Bulgaria, Hungary, Romania, Russia, Slovakia, and the Czech Republic.

In China, Whirlpool formed a joint venture to produce air conditioners and established a corporate headquarters and product development/technology center in Shanghai. The company also opened regional offices in Hong Kong, New Delhi, and Singapore. In Mexico, Whirlpool acquired Vitromatic, a former joint venture partner in Mexico. It also developed low-cost versions of popular models to target customers in low-income markets in Latin America, China, and India.

Three factors have driven this global expansion. First, Whirlpool sought to reduce its costs of R & D, manufacturing, and service by locating plants and other operations in lower-cost locations such as China, Mexico, and Poland. Second, flat to declining sales growth in the United States pressured management to target sales in new markets abroad. Third, Whirlpool realized the firm's manufacturing and assembly operations would benefit from a more global approach. Management redesigned products with more standardized parts and ramped up marketing to make Whirlpool a globally recognized brand. The company integrated the activities of regional subsidiaries so that Whirlpool's most advanced expertise in appliance technology, production, and distribution could be shared with the firm's divisions world-wide.

### **Innovation**

Whirlpool conducted an internal critical assessment in the late 1990s. It became apparent that a consumer walking into any appliance store anywhere in the world would witness a "sea of white" appliances with little differentiation, even between manufacturers. The industry became known as the "white goods business." Consumers perceived the products as commodities, which offered little differential advantage and commanded ever lower prices due to increasing competition.

In 1999, Whirlpool management launched a major campaign to differentiate the firm's offerings by emphasizing innovative, value-added products. In early 2000, Whirlpool enlisted 75 employees from almost every job classification and assigned them in groups to Benton Harbor, Italy, and Brazil. Training lasted nearly a year and was conducted by an outside consulting group.

The next step was to get the rest of the global workforce involved. Whirlpool established an intranet site and created a do-it-yourself course in innovation. Throughout 2001 and 2002 Whirlpool's "knowledge management" intranet site recorded up to 300,000 hits per month. The company established a rating system to identify high potential, innovative ideas. Since 2003, revenue has quadrupled annually. Whirlpool estimates that the new appliances in development from this system, once marketed, could produce \$ 3 billion in annual sales, up from projections of \$ 1.3 billion in 2003. Whirlpool developed microwave ovens that can grill steaks, bake pizzas, or come in the form of a drawer that slides out for easy access to large dishes. The firm invented a washer with a built-in sensor that detects the size of the load and automatically picks the water level, spin speed, and type of wash cycle, essentially making all decisions for the user.

## **Local Preferences**

Cross-regional R&D teams also collaborate on innovations to adapt offerings to meet local demands in diverse international environments. For example, due to very different climates, Italians often line-dried their clothing, while the Danes need to spin-dry their clothes. Capacity requirements vary greatly for refrigerators. The Spanish care about capacity for meats, the British want well-constructed units, and the French are more concerned about the capacity for keeping fruits and vegetables fresh. Germans are particularly concerned about environmental features, while child safety features are very important to the Italians. In India, Whirlpool developed a washing machine that delivers a higher level of cleanliness for consumers who believe whiteness of clothing expresses purity. The washer's gentle handscrub movement and unique "hot wash technology" maximize the effectiveness of laundry detergent.

Whirlpool has benefited immensely from international business. The firm is a leading example of how internationalization can revive declining sales and optimize cost structures. It has developed international distribution that reduces expenses, leading to higher profits, and has positioned itself to challenge competitors on a global scale. The firm has thrived through sensitivity and commitment to consumers in diverse cultural and economic settings around the world.

## **Growing Competitive Threat from Abroad**

Yet not all is bright and sparkling on Whirlpool's horizon. Haier, China's largest appliance maker, established a production base and a distribution center in South Carolina in the United States. The firm also bought a six-story landmark structure in New York, dubbed the Haier Building, to house its U.S headquarters. The world's fifth-largest kitchen appliance maker, Haier has captured nearly 20 percent and 50 percent of the markets for window air conditioners and small refrigerators, respectively. Now it is expanding into full-size refrigerators, Haier's moves are especially troubling given that Whirlpool generates very little of its sales from Asia, the world's most populous region, where Haier already has a strong presence.

Ironically, Haier's South Carolina factory is creating new jobs in a state that witnessed a mass exodus of textile jobs to factories in China. South Carolina receives foreign direct investment from various countries and is home to four Japanese and 18 European facilities. These trends show that globalization both benefits and poses new threats to Whirlpool's international ambitions.

As it struggles to remain a world-class player in a key industry, Whirlpool faces new challenges. Management wants to expand sales in emerging markets while defending the home market from global rivals from China and elsewhere. The firm seeks to continue to leverage and enjoy all the benefits of international business.

## Questions

- (a) What is the nature of Whirlpool's domestic and international business environments? What types of risk does the firm face ?
  - (b) How can Whirlpool benefit from going international? What types of advantages can the firm obtain ? What advantages acquired abroad can help management improve Whirlpool's performance in its home market ?
  - (c) What actions has Whirlpool management taken to ensure that the firm succeeds in local markets throughout the world? To what extent is the appliance business local/regional rather than global ?
  - (d) How can Whirlpool effectively compete with new rivals originating from low-cost countries, such as Haier from China? Should Whirlpool's response differ in its home and foreign markets? If so, how ?
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