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MS-011

MANAGEMENT PROGRAMME

Term-End Examination, 2019

MS-011 : STRATEGIC MANAGEMENT

Time : 3 Hours]

[Maximum Marks : 100

(Weightage 70%)

Note : There are **two** sections Section A and Section B. Attempt **any three** questions from Section-A, which carries **20** marks each. Section-B is **compulsory** and carries **40** marks.

SECTION-A

1. (a) Explain the meaning and nature of strategy.
(b) Discuss the essence and importance of strategy giving examples.
2. Explain briefly Porter's five forces framework and how it can be used for analysing competitive environment of an industry.

3. Explain the concept of differentiation and its advantages and disadvantages citing examples.
4. Discuss in detail costs and risks involved in strategic alliances with examples.
5. Explain the following :
 - (a) Concept of Leadership
 - (b) Peters and Waterman's perspective on strategy and structure

SECTION-B

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

A BRIEFCASE CASE

The time is 8.55 in the morning. Mr. Mehta of Vishala Printers, a division of ABC, has called a meeting of his senior managers at 10.00 a.m. to discuss a situation. By 2.00 p.m. the firm has to submit its bid to its major customer CIMC in a sealed envelope. All the quotations received till the deadline will be opened in front of those present at 3.00 p.m.

As he sits in his car, Mr. Mehta is not panicky, but is in a reflective mood.

THE HISTORY

The Firm

Associated Business Corporation (ABC) is a diversified, multi-divisional company having business presence in capital-industrial products, consumer durables, and services industries. Through use of strategic planning tools, the company has successfully evolved a strategy of high-specialization and differentiation for its products. Combined with the company's philosophy of high-ethical practices, the firm has established for itself a reputation for high quality products in each of its three businesses. Customers perceive the firm and its products as extremely reliable and which give full value for money. As such they readily pay higher prices charged by the company. All the three businesses have an equal prominence in the firm's business portfolio in terms of contribution to sales and net profits and each business unit has a healthy rivalry with the other units for superior results each year.

THE BACKGROUND

The Printing Division

Vishala Printers is a division of Associated Business Corporation, which specializes in publishing of scientific journals, annual reports and business catalogue. The firm has a most modern laser printing and computer type-setting unit. It take pride in the amount invests (appro. 10 percent of its annual sales) in maintaining its technological leadership through continuous development of employee skills and purchase of latest computer hardware and software. The Chief Executive of this division, Vipul Mehta, 38 years of age, is a co-Founder of ABC. He is a professionally qualified engineer and MBA from one of the premier management institutes of the country. He takes personal care that each and every product that comes out from the Printing Division is impeccable in quality. He started the venture in partnership with two other people, after having worked for 3 years in a multinational company in India. Over the past few years, the firm has shown consistent pattern in rate of growth and profitability. The market-to-book ratio has usually been above 5 for the previous three years.

A DILEMMA

Central India Manufacturing Corporation (CIMC)

One of Vishala Printers' major customers is Central India Manufacturing Corporation CIMC is a high-profile public sector unit manufacturing strategic goods for the country. It is one of the few PSUs making consistent profits. The yearly volume of business that CIMC provides to Vishala Printers is roughly 20 percent of the latter's annual turnover. CIMC's top management regularly publishes performance reports, catalogues, brochures, periodicals field survey reports, etc., some of which are sent at the highest levels of Government of India including the Prime Minister and concerned Cabinet Minister.

Of late, some competitors of Vishala Printers who were doing day-to-day printing jobs in which quality requirements are not stringent, have been pressing the Finance and Accounts (F/A) people in CIMC to do something so that they could also get a share in the seemingly high-margin quality jobs. These are the jobs which presently Vishala Printers undertakes for CIMC. These printers had also developed personal contacts with

some influential persons in the organization. Some officers and staff from the F/A and stores offices had earlier visited Mr. Mehta and tried to negotiate with him an understanding so that the obligation could become 'mutual'. They had also dropped suitable armtwisting hints that although we could have done so, we have never delayed your payments or made any adverse comments on the bills presented for payment. Mr. Mehta had clearly instructed his staff not to encourage such activities or dealings, and hence the F/A people were politely refused.

The Decision Problem

Recently, the stores departments of CIMC has taken a policy decision that all printing jobs will be awarded to one firm on an yearly contract basis. The acceptance of the tender and final award will be based purely on lowest rates offered. The rates, once accepted, will be valid for a period of one year and remain frozen till the end of the period. Mr. Mehta feels this is a trick devised by some vested interest in the F/A and stores sections in connivance with other printers to eliminate his organization from future contracts with CIMC. It is universally known that the rates charged by Vishala

Printers are as much as 40-50 percent higher than the other 'local' printers. Mr. Mehta justifies the difference saying, despite the apparently high differential in rates, the net margins for us are only about 15-18 percent on the quoted price. Our competitors in their ignorance do not realize the additional fixed and variable costs that we incur and also the extent of expertise involved. 'Mr. Mehta feels that his rates are extremely reasonable and fair and any downward price revision will not justify the amount of his personal and organizational expertise and investments made in executing high quality printing work.

With the consolidation of all printing work on an yearly basis, even the director of CIMC would not be able to use his discretionary powers to award orders to Vishala Printers as the value of one single contract will far exceed his authority. Till the new policy, the director was using his discretionary authority for the prestigious and time-bound jobs. Another usual practice had been to form purchase-committees for important jobs. The purchase-committee chairman could place orders directly on the firm on the basis of recommendations of the job-committees. The committee took decisions taking into consideration several other factors such as the nature

of job, its purpose, timeliness of delivery, quality of workmanship required, which, in turn, depended upon the skills and resources that the printer had past experience of the printer in undertaking similar jobs, etc. The committee members even visited the printer's premises to make an on-the-spot assessment. Now this would also not be possible as under the new rules all printing orders were to be given only on the lowest quotation basis. According to Mr. Mehta, the work involves lot of value-addition particularly in respect of intangibles, and these additions cannot be neatly quantified for the purpose of calculating and evaluating the rates offered by different competitors. The top management and scientists of CIMC know that nobody else can provide the kind of service required, yet they cannot put this down on paper.

The Case for Vishala Printers

One senior executive of CIMC made this comment on the quality provided by Vishala Printers. Previously, we had to run around the printers and chase them for getting the job done. The proofs usually got delayed and once they were received, carried many mistakes. The

superscript and subscript notations and mathematical equations used in our scientific papers particularly were never done properly even after we corrected the proofs. The aesthetic appeal of the catalogue or report would always give impressions of shoddiness and corner cutting. I cannot say exactly why the final product was never up to the mark, but causes probably lay in a combination of factors such as the quality of inks used, the layout perspective of the designers employed by the presses, the quality of skills of the machine-men operating the offsets, or God knows what ! Now since Vishala Printers started doing our prestigious jobs, all our problems seem to have been taken care of. It is they who chase us for expediting the proof reading and return.

Their usual practice is to sit with us and understand every detail of the job before commencing work. As customers, we were first uncomfortable with this attitude from a supplier but then understood that ultimately we were the beneficiaries in terms of a superior product, timely delivery, and sustained commitment – this keeps everybody on the toes. You know what, once they even refused to go ahead with our job because our man failed to deliver the proofs for two days, and was ready to bear

as losses, all the costs that they had incurred till then on the work. They often improve upon the grammar of the sentences. I am not a technical man but the scientists admit that errors of scientific and technical notations (otherwise hard to detect) which in advertently creep in the original typed manuscript get corrected at Vishala. Probably, Mr. Mehta's engineering and management background is the reason behind this. We even got the appreciation for improved quality and presentation of our reports from our top boss - the Secretary in the ministry. With this new rule about annual rate contract being introduced, I do not know, how he will tackle a new printer."

Questions :

1. What were the major problems faced by Vishal Printers ? How did they manage to overcome those problems ?
2. Do you think that quality has played an important role in trying to revive the organisation ? Justify.

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