

MANAGEMENT PROGRAMME

Term-End Examination

December, 2014

**MS-91 : ADVANCED STRATEGIC
MANAGEMENT**

Time : 3 hours

Maximum Marks : 100

(Weightage 70%)

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

1. (a) What are the various interrelated and interacting factors which influence the corporate policy formulations ?
(b) Explain the features of a generic corporate policy.
2. Why is it necessary for business houses to have good corporate governance ? Discuss giving examples.
3. What are the various approaches to global entry ? Discuss the merits and demerits of each.
4. Discuss the preconditions for developing an effective R and D strategy. Also describe the steps involved in developing R and D strategy.

5. Write short notes on **any four** of the following :
- (a) Dynamic environment
 - (b) Approaches to corporate management
 - (c) Customer defections
 - (d) Intrapreneurship
 - (e) Web-based Business Models

SECTION-B

6. Read the following paragraphs and answer the questions given at the end.

Strategies to Gain New Business at Wall Street Investment Banking Firms: Ethical or Unethical ?

A Salomon Smith Barney (a subsidiary of Citigroup), Credit Suisse First Boston (CSFB) and Goldman Sachs (three of the world's most prominent investment banking companies), part of the strategy for securing the investment banking business of large corporate clients (to handle the sale of new stock issues or new bond issues or advise on mergers and acquisitions) involved (1) hyping the stocks of companies that were actual or prospective customers of their investment banking services, and (2) allocating hard-to-get shares of hot new Initial Public Offerings (IPOs) to select Executives and Directors of existing and potential client companies, who then made millions of dollars in profits when the stocks went up once public trading began. Former WorldCom CEO Bernie Ebbers reportedly made

more than \$11 million in trading profits over a four-year period on shares of IPOs received from Salomon Smith Barney; Salomon served as WorldCom's investment banker on a variety of deals during this period. Jack Grubman, Salomon's top-paid research analyst at the time, enthusiastically touted WorldCom stock and was regarded as the company's biggest cheerleader on Wall Street.

To help draw in business from new or existing corporate clients, CSFB established brokerage accounts for corporate executives who steered their company's investment banking business to CSFB. Apparently, CSFB's strategy for acquiring more business involved promising the CEO and/or CFO of companies about to go public for the first time or needing to issue new long-term bonds that if CSFB was chosen to handle their company's new initial public offering of common stock or a new bond issue, then CSFB would ensure they would be allocated shares at the initial offering price of all subsequent IPOs in which CSFB was a participant. During 1999-2000, it was common for the stock of a hot new IPO to rise 100 to 500 percent above the initial offering price in the first few days or weeks of public trading; the shares allocated to these executives were then sold for a tidy profit over the initial offering price. According to investigative sources,

CSFB increased the number of companies whose executives were allowed to participate in its IPO offerings from 26 companies in January 1999 to 160 companies in early 2000; executives received anywhere from 200 to 1,000 shares each of every IPO in which CSFB was a participant in 2000. CSFB's accounts for these executives reportedly generated profits of about \$80 million for the participants. Apparently, it was CSFB's practice to curtail access to IPOs for some executives if their companies didn't come through with additional securities business for CSFB or if CSFB concluded that other securities offerings by these companies would be unlikely.

Goldman Sachs also used an IPO-allocation scheme to attract investment banking business, giving shares to executives at 21 companies—among the participants were the CEOs of eBay, Yahoo and Ford Motor Company. EBay's CEO was a participant in over 100 IPOs managed by Goldman during the 1996-2000 period and was on Goldman's board of directors part of this time; eBay paid Goldman Sachs \$8 million in fees for services during the 1996-2001 period.

Questions :

- (a) If you were a top executive at Salomon Smith Barney CSFB, or Goldman Sachs, how would you justify your company's actions ?

(b) Would you want to step forward and take credit for having been a part of the group who designed or approved of the strategy for gaining new business at any of these three firms viz, eBay, Yahoo and Ford Motor Company ?

7. Read the following case situation and answer the questions at the end.

The politics of introducing change : competing 'truth claims'

Pharma-co is a UK pharmaceutical company. Until the early 1980s it had been a government-owned research laboratory, and by the mid-1990s there was still evidence in part of the company of the technically focussed culture which had historically predominated. During the mid-1990s a decision was made to implement a new information management system. The dominant rhetoric used by the project team to justify the need for change was that the changing nature of their markets required significant changes to be made to improve the competitiveness of their production facilities. An important figure to Pharma-co's project was the World Manufacturing Director, who strongly championed it. When the project started he had been a relatively recent recruit to the organization. As part of Pharma-co's long-term strategy of adopting more

commercial and cost-sensitive operating practices a need had been identified to introduce such attitudes to its senior management. The recruitment of the World Manufacturing Director was one of these appointments. Thus his 'commercial' knowledge from working outside of the company was highly regarded by senior management. However, resistance to the proposed changes emerged from middle managers within the production function. They suggested the proposed changes were fundamentally unnecessary, and that Pharma-co could remain competitive through staying focussed on the development and production of technically innovative products. The traditional culture which had been historically predominant within Pharma-co was focussed around production.

One of the main factors strengthening the argument of production management was their detailed knowledge of the company's internal manufacturing practices. Thus at the start of Pharma-co's change project there was a highly political conflict between those for and against change which centred on the validity of their knowledge and the way they used it to legitimate their different analyses of the extent to which change was needed.

Questions :

- (a) In situations such as described in the case, to what extent is it possible to objectively evaluate the competing arguments and decide on the 'correct' course of action ?

 - (b) What does the different perspectives of the interests group say about the cultural embeddedness of knowledge ? To what extent are the view points of those in conflict derived from the values and ideas of the organizational communities they are embedded in ?
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