No. of Printed Pages : **4**

MS-11

MANAGEMENT PROGRAMME

Term-End Examination

June, 2010

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. Explain the process of strategy formulation. Illustrate your answer with the help of examples. **20**

2. Explain different types of resources involved in Internal Analysis and discuss their strategic importance. Also explain the relationship between resources, competencies and competitive advantage with suitable examples. **20**

3. Discuss various techniques used in strategic control systems. Analyse the importance of each giving examples. **20**

4. (a) What do you understand by 'survival strategy' ? Discuss its various types and explain them with the help of suitable examples. **20**

(b) Explain the Retrenchment Strategy as a Strategic Alternative with suitable examples.

5. Write short notes on : **20**

(a) Hofer's Product/Market Evolution Matrix

(b) Shell's Directional Policy Matrix

SECTION - B

6. Read the following case situations and answer the questions given at the end : **40**

(a) **Differentiation in the Wine industry : an Australian success story but the French fight back.**

By 2001 the traditional dominance of French wines in the UK had ended, with sales of Australian wine outstripping them for the first time. Australian wines accounted for 19.5 per cent of UK wine sales in terms of value (up 25 per cent over 1999), with French wines showing a steady decline. And for wines over £5.00 (≈ €7.5), Australian wine had already overtaken French wines. The success of Australian wines with retailers was put down to several factors. The quality was consistent, compared with French wines that could differ by year and location. Also, whilst the French had always highlighted the importance of the local area of origin of the wine within France, Australia had, in effect, 'branded' the country as a wine region and then concentrated on the variety of grape–a Shiraz or a Chardonnay, for example. This avoided the confusing details of the location of vineyards and the names of chateaux that many customers found difficult about French wines. There was so much concern in France that in 2001, the French government appointed a six-man committee to study the problem. The committee's proposals – that France should fight a war on two fronts, by improving the quality of its appellation wine and by creating an entirely new range of quality, generic wines – shocked the purists. The intention was to strengthen, and parallel, the system of Appellation d'Origine Contrôlée, not to weaken or abandon it. The proposals amounted, nevertheless, to a radical change, not just in the labelling of French wine, but in the official French mythology of wine.

The system of Appellation d'Origine Contrôlée (AOC) is the legal expression of 'terroir'. The individual wine-grower is a custodian of the terroir and its traditions. But the same appellation can produce both wonderful and terrible results–hence the unpredictability of French wine, which is charming to the connoisseur, but infuriating to the dinner-party host, who expects to get what he or she paid for. The New World approach to the production of wine of all qualities, however, originates from the consumer, not the soil. The makers of middle-range Australian wines base their product on a popular grape variety, such as Chardonnay, rather than a single vineyard. The company decides the style, quality and taste of the wine that it wants to achieve, based on consumer demand, and buys the grapes it needs – from wherever it can find them – to create a reliable, standardised product. It is just this approach – creating so–called 'vins de cepage' (wines based on a grape variety) that the French committee were proposing. A half-dozen new, readily identifiable French labels would be created, to rival the Jacob's Creeks and the Rosemounts of Australia.

Questions for discussion.

(i) What were the reasons for the success of Australian wines ? Were these sustainable ?

(ii) What else would you advise French wine producers to do to counter the Australian success ?

(b) **How Clear Channel Has Used Mergers and Acquisitions to Become a Global Market Leader**

In 2003, Clear Channel Worldwide was the fourth largest media company in the world behind Disney, Time Warner, and Viacom/CBS. The company, founded in 1972 by Lowry Mays and Billy Joe McCombs, got its start by acquiring an unprofitable country-music radio station in San Antonio, Texas. Over the next 10 years, Mays learned the radio business and slowly bought other radio stations in a variety of states, Going public in 1984 helped the company raise the equity capital needed to fuel its strategy of expanding by acquiring radio stations in additional geographic markets.

In the 1980s, following the decision of the Federal Communications Commission to loosen the rules regarding the ability of one company to own both radio and TV stations, Clear Channel broadened its strategy and began acquiring small, struggling TV stations. Soon thereafter, Clear Channel became affiliated with the Fox network, which was starting to build a national presence and challenge ABC, CBS and NBC. Meanwhile, the company began selling programming services to other stations, and in some markets where it already had stations it took on the function of selling advertising for crosstown stations it did not own.

By 1998, Clear Channel had used acquisitions to build a leading position in radio and television stations. Domestically, it owned, programmed, or sold airtime for 69 AM radio stations, 135 FM stations, and 18 TV stations in 48 local markets in 24 states. The TV stations included affiliates of FOX, UPN, ABC, NBC and CBS. Clear Channel was also beginning to expand internationally. It purchased an ownership interest in a domestic Spanish-language radio broadcaster; owned two radio stations and a cable audio channel in Denmark; and acquired ownership interests in radio stations in Australia, Mexico, New Zealand, and the Czech Republic.

In 1997, Clear Channel acquired Phoenix-based Eller Media Company, an outdoor advertising company with over 100,000 billboard facings. This was quickly followed by additional acquisitions of outdoor advertising companies, the most important of which were ABC Outdoor in Milwaukee, Wisconsin; Paxton Communications (with operations in Tampa and Orlando, Florida); Universal Outdoor; and the More Group, with outdoor operations and 90,000 displays in 24 countries.

Then in October 1999, Clear Channel merged with AM-FM, Inc. After divesting some 125 properties needed to gain regulatory approval, Clear Channel Communications (the name adopted by the merged companies) operated in 32 countries and included 830 radio stations, 19 TV stations and more than 425,000 outdoor displays. Several additional acquisitions were completed during the 2000-2002 period.

Clear Channel's strategy was to buy radio, TV and outdoor advertising properties with operations in many of the same local markets; share facilities and staffs to cut costs; improve programming; and sell advertising to customers in packages for all three media simultaneously. Packaging ads for two or three media not only helped Clear Channel's is advertising clients distribute their messages more effectively but also allowed the company to combine its sales activities and have a common sales force for all three media, achieving significant cost savings and boosting profit margins.

In 2003, Clear Channel Worldwide (the company's latest name) owned radio and television stations, outdoor displays, and entertainment venues in 66 countries around the world. Clear Channel operated 1,184 radio and 34 television stations in the United States and had equity interests in over 240 radio stations internationally. It also operated a national radio network in the United States with about 180 million weekly listeners. In addition, the company operated over 700,000 outdoor advertising displays, including billboards, street furniture, and transit panels around the world. The company's Clear Channel Entertainment division was a leading promoter, producer, and marketer of about 30,000 live entertainment events annually and also owned leading athlete management and marketing companies.

(i) What are Mergers and Acquisitions as a part of Strategic Alliance ? Discuss the concept in the light of the case given above ?

(ii) How Mergers and Acquisition helped the organisation in becoming global leaders ? Discuss.
