

Finance

Strategic Management

**SM 03**

Roll No. :  
Date : 13/10/2008

Total Max. Marks : 60  
Duration : 3 Hrs.

**SECTION - I (Marks : 30)**

Section I and Section II to be solved on SEPARATE answer books.

**Instructions to Candidates :**

Q.1 is compulsory.

Out of remaining four questions, attempt any Two.

All questions carry equal marks.

Q.1 Write short notes on (Any Four) :

- a) BCG Matrix
- b) CA and SCA
- c) Vision and Mission
- d) SWOT Analysis
- e) Porter's Five Forces Model
- f) Porter's Generic Value Chain
- g) Turn around Strategies

Q.2(a) Explain in detail the elements of Strategic Management Process with a Diagram ?

- (b) Give the comprehensive model of Strategic Management Process and explain the functions of its elements.

Q.3(a) What do you understand by the term Corporate Strategies? How they are different from business level and functional strategies ?

- (b) Enumerate the major Corporate Strategies giving examples of each type ?

Q.4 (a) What you understand the term MIS ? Describe any two kinds of Information Systems studied by you ?

- (b) How you will use MIS to improve your business in relation to strategy ?

Q.5 (a) Give your views on the Internet's impact on Competitive Advantage ?

- (b) What do you understand the term Value Web and how do you relate it to Corporate Strategies ?

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Section II (Marks = 30)

Q. No. 1 Read the following caselet and answer the questions <sup>given</sup> at the end of the text.

GE's e-business

To successfully implement its e-business strategy, GE had to deal with some cultural issues. It had to ensure smooth operations and build good relationships with customers. GE had traditionally maintained a large salesforce. With the introduction of the new e-business strategy, the salesforce felt threatened. The salespeople felt that by teaching customers how to use GE's websites to directly place orders, they might end up losing their jobs. To overcome this problem, GE offered a bonus to salespeople who helped customers use GE's website to place orders. The members of the sales force were also educated about how the Internet would benefit them as well as customers.

In order to facilitate online communication between employees within the company, GE set up an Intranet.<sup>26</sup> All internal newsletters and many of Welch's memos were made available online on the intranet. To make blue-collar workers familiar with the web, computer kiosks were established on factory floors. All managers and executives, including Welch, were required to work on the Internet under the guidance of young, skilled mentors for three to four hours per week. During this session, they were supposed to learn how to evaluate a competitor's website, how to use the Internet in other beneficial ways, and learn typing. All the above measures helped employees discard their traditional way of doing business and eased their transition into an e-business friendly environment.

Though GE was taking measures to increase its customer base by e-enabling its business, there was still the possibility of losing customers to competitors using a counter strategy. In order to minimize this threat, Welch initiated project DYB (destroy your business). The goal of the project, in Welch's own words, was "to define a new business model for our existing businesses, without getting interference from those in the business who had been doing it in the old way." According to him, the guiding principle of the project was that "if someone else was going to leverage the Internet to destroy our business, what would their economic model look like?" In other words, GE attempted to develop a business model that could build on its strengths and offset its weaknesses.

To execute this project, small cross-functional teams were created in all of GE's business units. Each of these teams had to look at its business unit from its competitor's perspective and identify the weak points, which could be exploited to attack the unit. After uncovering the unit's weaknesses, the next task was to make necessary changes in the unit to eliminate these weaknesses, move the business to the web, and identify new e-business opportunities. Each team thus worked out an

<sup>26</sup> A network based on TCP/IP protocols to share information within an organization. It is accessible only by the organization's members, employees and other authorized persons.

Q.No.2 Read the following caselet and answer the questions given at the end of the caselet.  
DRS's New Identity

DRL was founded in 1984 by Dr. K. Anji Reddy (Dr. Reddy) to create and deliver innovative pharmaceutical healthcare solutions. DRL became a public limited company in 1985 and had an IPO of equity linked debentures aggregating Rs.24.6 million in May 1986. During the 1990s, the company consolidated its position in the domestic formulations market through aggressive product launches as well as acquisitions. By late 1990s, DRL transformed itself into a global pharmaceutical powerhouse with research and drug development as its strengths.

In 2000, DRL hired Enterprise IG (EIG)<sup>34</sup>, to implement its new corporate identity plan. The whole exercise was completed in a year and evolved over nine stages, beginning with an across-the-board study of the perceptions of different stakeholders and ending in a brand manual that was to be implemented by the employees. In the new corporate identity, changes were carried out at two levels—i) institutional: implemented throughout the company, and—ii) at a more individual level surrounding the persona of the founder, Dr Reddy.

The new corporate identity plan also emphasized control of the top management should be passed onto to the second generation. Dr Reddy's son-in-law and Chief Executive Officer, GV Prasad (Prasad), and son and Chief Operating Officer, Satish Reddy (Satish). Analysts felt that DRL was too closely identified with its founder. It was this realization that prompted Dr Reddy to make way for other professionals.

The study undertaken prior to the formulation of the new corporate identity plan showed that while DRL's strengths as a research and development company were widely recognized, its other attributes like professionalism and quality consciousness, were less evident. The new corporate identity was designed to emphasize these attributes of DRL. Explained Manoj Tadepalli, Senior Consultant, EIG, "The new image was tailored to bring out these attributes that were subdued."

The new corporate identity was forged from the merger of DRL, Cheminor Drugs Ltd. (CDL)<sup>35</sup> and American Remedies Ltd. The subsequent increase in the size of DRL and the company's global ambitions called for the creation of multiple leadership levels. Prasad said, "This meant that the three of us moved away from the role of an operator

<sup>34</sup> EIG is a global branding consultancy and a part of the WPP Group Plc., the world's largest marketing services group.

<sup>35</sup> Incorporated in 1981, CDL had been a part of DRL since 1984.

to don the mantle of a strategic controller. This also means that it has to be a nose-in but hands-off approach, which was a fundamental shift from an entrepreneurial company to a professionally oriented set up.

The new corporate identity also aimed to create a flatter organization structure and to inculcate a stronger performance ethic within the company. One of the objectives of the new identity exercise was to bring energy to the workplace and change the way people perceived work. Other objectives included retaining talent and speeding up the process of developing products based on the research they have undertaken. However, the main aim of the entire exercise was to establish DRL as a global pharmaceutical major.

#### Questions for Discussion:

1. By late 1990s, DRL transformed itself into a global pharmaceutical powerhouse with research and drug development as its strengths. Then why did it try to change its identity all of a sudden?
2. What were the changes that were carried out at DRL as a result of a study undertaken prior to the formulation of the new corporate identity plan?

Internet-based business plan that could have been used by competitors to attack its unit and made necessary changes in the unit to deal with such an attack successfully.

The cross-functional teams created under the DYB project started major e-business initiatives in their respective business units. The first among them was started at the GE Medical Systems unit, a manufacturer of diagnostic imaging systems such as CAT scanners and mammography equipment. Under the project, the team identified websites such as WebMD, which provided unbiased information about competing products and also sold them over the net. On the site, GE Medical's products were displayed in the same way as the competitor's products, without much differentiation. To differentiate its products, a web connection system was established between the GE Medical's equipment and the unit's website. This system was named iCenter. The system collected data about the equipment (using the web connection) and transferred it back to the customer's site in a format that easily help the customer determine the performance of the equipment. And using iCenter, customers could inquire about the status of the equipment whenever they required. The system also provided an analysis of the operational performance of the medical equipment and compared it with similar equipment operating at any other place, and gave suggestions for improving the performance of GE's equipment. GE also started providing online training classes to its customers so that they could learn to use its medical equipment anytime and from anywhere.

Managing change is at the heart of any major e-business strategy. GE firmly believed that no change initiative could be successful unless the employees accepted it. To show confidence in its employees and motivate them to accept the change, the company decided to use more people from within the organization for its e-business projects than use new, external employees. The company allocated 80% of its existing staff for these projects while the rest 20% were recruited externally. The confidence GE placed in its employees pleased them. Employees were motivated to handle tough assignments with challenging deadlines. GE's flat organization structure, with just four levels separating the top and the bottom layers of management, helped the company implement change quickly and easily. Employees were emphatically told to 'fall in line' or 'risk their jobs.' They were made accountable for successful execution of the strategy. While execution failures were penalized, failures on account of external factors were tolerated. Successful executors were rewarded and those who failed were removed.

#### Questions for Discussion:

1. To successfully implement its e-business strategy, GE had to deal with some cultural issues. How did GE manage to do it successfully?
2. What is project DYB? How was this project executed at General Electric?

3. ~~How has GE~~