



Institute of Management
JK Lakshmipat University
Jaipur
END TERM EXAMINATION



MBA Sem - 4
MM: 50 Marks

Course: Strategic Management
Time: 3 Hours
Subject code: MBA 401

Instructions: Attempt any three questions from Section A. Section B is compulsory.

Section A

Q1. (a) What are the main limitations of the portfolio approach to corporate strategy? Illustrate your answer with suitable examples.

(05 marks)

(b) How does the parenting approach differ from the portfolio approach? Which approach will you recommend? Give suitable examples to support your recommendation.

(05 marks)

Q2. (a) Define competitive advantage. Using this definition, explain how generic strategies strive to achieve competitive advantage. Support your answer with examples.

(05 marks)

(b) How will you quantify competitive advantage? Taking the hypothetical case of a multi-product company with several competitors, explain the steps involved in quantifying the competitive advantage.

(05 marks)

Q3. What are the risks associated with cost leadership strategy? Compare these risks with the risks associated with differentiation strategy. Illustrate your comparison with appropriate examples.

(10 marks)

Q4. (a) Explain how SWOT analysis plays a central role in strategy formulation under the fit model. Support your explanation with suitable examples.

(05 marks)

(b) Using TOWS matrix, formulate appropriate strategy for each cell. Your answer for each cell must be backed by relevant examples.

(05 marks)

Q5. Write short notes on:

(a) Concentric diversification

(05 marks)

(b) Vertical integration

(05 marks)

P.T.O.

Section B

Q6. Answer the following questions based on the case given below:

- (a) Give three arguments in favor of restructuring the Z Corporation. (3 marks)
- (b) Give three arguments against restructuring the Z Corporation. (3 marks)
- (c) Plot various businesses of Z Corporation on 9-cell GE matrix. Briefly explain the rationale behind plotting each business on the matrix. (9 marks)
- (d) Recommend a restructuring strategy for Z Corporation. Give arguments to support each step of your restructuring strategy. (5 marks)

CASE

Fulfilling your childhood ambition, you have recently become the CEO of Z Corporation. This is a highly diversified company having interests in the following businesses:

Cement (SBU 1): Z Corporation is the third largest player in India in this sector which has an optimistic outlook because of huge infrastructure investment expected over the next few decades. The cement industry is, however, very competitive and margins are thin. A recent crackdown on cartelization in this industry has also lead to the drying up of investment to expand capacities further.

Steel (SBU 2): Z Corporation has a small capacity plant which is incurring losses. The steel industry is largely dominated by low-cost efficient producers. Owing to small capacity, Z Corporation's steel unit is unable to take advantage of economies of scale. Steel industry has a positive outlook over the immediate future.

Textiles (SBU 3): While being a consistent performer in the early eighties, cut throat competition from China has forced the margins of this SBU downwards. While a growing population presents a larger domestic market, consumer preference towards ready-made garments has also complicated the problem, as there are higher margins in direct retail sales of cloth. Outdated machinery also adds to the costs of production and local competitors have started selling branded garments in view of the higher margins. Others simply source fabric from China.

Information technology (SBU 4): This SBU's fortunes are closely linked to the global business environment which is again veering towards protectionism. There are strident voices against outsourcing and profitable deals are hard to come by. The most prominent

customers of this unit are from the financial sector. Competition from other low cost service providers like Philippines and Mexico are also increasing.

Finance (SBU 5): The financial sector has still not completely recovered from the devastating crisis in 2008. Growth has been slow and NPAs are rising. While developing countries like India are much better off than the West, consumers are cautious. There have been several layoffs in this SBU at the peak of the crisis with several top managers moving to other fund houses. Sluggish economic reforms and weak sentiment are also contributing to the downslide in lending to corporates.

The board of directors which comprises 8 members, has 4 members from the family of the patriarch who started this business in the late sixties. There are two other independent directors and the rest are representatives of large institutional investors. Confusing signals from the Chairman Mr. Bakshi, a 72 year old veteran, put a lid on most innovative strategies. This was one of the major reasons for the exit of the previous CEO.

With low profitability across all the SBUs and bleak economic prospects, you are not comfortable with the portfolio of businesses that your company holds. Most of the SBUs are in unrelated areas with limited scope for leveraging knowledge and innovation from each other. However the service sector seems to offer better opportunities and better margins in future. New areas of investment like film production houses seem to offer better returns provided Z Corporation attracts the most bankable stars. With cash holdings of over USD 850 Million and the investors clamoring for growth, the challenge seems to be identification of the right strategies.

As you step out of your chauffeur-driven Mercedes and walk briskly towards your chamber, there is just one thought that has absorbed your entire attention: RESTRUCTURING.

