1705E634 Candidate's Seat No :

M.B.A.-II (Sem.-III) Examination
Corporate Strategic Management
May-2017

Time : 3 Hours] **[Max. Marks : 70**

1.A) What is strategic management? What are the characteristics of strategic decisions? (10)

OR

A) What is the difference between intended, realized and imposed strategies? (10)

B) How does macro environment influence strategic decision making in a firm? (10)

OR

B) Explain the influence of Porter's five forces framework on strategy making. (10)

2. A) Who are the most powerful stakeholders who influence strategic decisions in various forms of business organizations? (10)

B) Discuss value chain analysis of a firm in the context of internal resource analysis (10)

OR

2. A) If a firm decides to pursue cost leadership, which are the major areas of strategic capability building it has to focus on? (10)

B) What is competitive advantage? Explain how different resources/competence/process can be competitive advantage to a firm. (10)

3. Explain the portfolio management strategy of a diversified company. (20)

OR

3.A) What are the challenges in pursuing related diversification? (10)

(P.T.O)

B) Wri te short notes on 1) Economies of scope, 2) synergy, (10)

4. A) Explain: Structure follows strategy (10)

B) Managing technology effectively can be a competitive advantage. Do you agree with the statement? Explain (10)

OR

4.A) Describe the top down approach to organizational transformation in detail. (10) B) Strategy implementation requires organizing and managing people. Explain (10)

5. Read the following and answer the questions given below: (20)

In 2008, Eicher Motors tied up with Swedish truck maker Volvo in its bid to become a larger player and build a global presence in the commercial vehicle business. Volvo, on the other hand, wanted to crack the small and medium-truck segment in India.

At the newly constructed headquarters of Eicher Motors in Gurgaon, a 35-tonne spiral staircase made of steel hangs from the ceiling. Eicher Managing Director and CEO Siddhartha Lal sits in a corner office. The building is a "green" structure, which means it is constructed largely with renewable material and is energy-efficient. It is also a reflection of Lal's business mantra of maximising the use of available resources.

Efficient utilisation of resources is the main reason why Lal, a third generation member of the family that controls Eicher, joined hands with Swedish truck maker Volvo in 2008 to form VE Commercial Vehicles (VECV). Lal wanted to boost Eicher's commercial vehicles business in India and also build an overseas presence.Eicher probably could have done that on its own but it would have required a vast amount of time and effort. In 1997, for instance, Eicher started developing a heavy truck to compete with market leaders Tata Motors and Ashok

Leyland. It took Eicher six years and Rs 25 crore to build the truck. There was also the risk of failure, and Lal didn't want to take that chance.

Eicher was set up in 1948 to import tractors. It entered the commercial vehicle business in 1986 when it began selling a six-tonne fully imported truck from Japanese auto maker Mitsubishi. The partnership ended in 1993. Eicher continued building its own trucks until 2006/07 when La lrealised the growing demand for technologically advanced trucks and buses in the rapidly expanding Indian economy. He needed a foreign partner to make a great leap forward. "In order to crack the market we needed more muscle - funds, systems and technology," says Lal, who had previously turned around Eicher's iconic Royal Enfield motorcycle unit.

In Volvo, the world's second-largest truck maker after Daimler AG of Germany, Lal found a partner which had all that. Eicher moved its truck and bus business to a new company, the joint venture VECV, into which Volvo pumped about Rs 1,082 crore and added its heavy trucks distribution business to buy a 50 per cent stake. Volvo brought advanced manufacturing technology and set up new processes to improve Eicher's after-sales service. The partners set up a component distribution centre, which ties into the after-sales service, to monitor inventory at retail outlets and Eicher's warehouses.

How does Volvo benefit from the tie-up? The European giant was until then supplying heavy trucks to select industries such as mining and construction in India. It was eager to expand its commercial vehicle business in the country, but Volvo trucks were costlier than products sold by local rivals. "We (Volvo) realised we wanted to participate in India's mainstream business, for which we had to produce trucks at a lower price," says Philippe Divry, Senior Vice President and Director at VECV.Divry says Volvo had two main goals while forming the joint venture. One was to get a significant market share in India, and the other was to make India a base for exports to other emerging markets. But vehicles made in India were not good enough to export. Volvo knew if it completely overhauled the Eicher platform the cost would jump significantly.It had to selectively inject technology to make the products better. Eicher's low-cost manufacturing base

offered Volvo that opportunity. "Frugal engineering is something all global manufacturers are looking at," says Abdul Majeed, leader of automotive practice at consultancy and audit firm PricewaterhouseCoopers (PwC).

Vinod Aggarwal, CEO of VECV, says a global truck maker would have had to spend three to four times the amount Eicher did in developing a new truck or setting up a new factory. Aggarwal says VECV has invested Rs 1,300 crore to expand manufacturing and distribution capacity, improve processes and set up an engine factory at Pithampur in Madhya Pradesh. The factory can make 100,000 engines a year. VECV will export 30 per cent engines annually to Europe, starting this year. These engines will conform to Euro-VI emission standards - to be implemented in Europe from January 2014. In the next two years, VECV plans to invest Rs 1,200 crore to develop products, set up a bus body plant and expand capacity, he adds.

The investments have started showing results. The market share of Eicher-branded light and medium trucks grew to more than 31 per cent in 2012 from 27 per cent in 2008. In the heavy vehicles segment, VECV's share has risen by a percentage point every year to five per cent. In buses, the market share has tripled to 14 per cent. Eicher's revenue from the trucks and bus business has more than doubled since forming the joint venture to Rs 5,443 crore in 2012. VECV has a cash surplus of Rs 700 crore and posted a net profit of Rs 336.66 crore in 2012.

Exports to neighbouring countries such as Sri Lanka, Nepal and Bangladesh contribute four per cent to VECV's total sales. In the next few years the target is to take this to 12 per cent by exporting vehicles to Southeast Asia, West Asia and Africa. "They (Eicher) decided to break into the Asian market but could not do so without a joint venture model," says Jeffrey W. Wilmot, India country manager at PTC Inc, which offers services such as product and supply chain management.Eicher's revenue from the trucks and bus business has more than doubled since forming the joint venture to Rs 5,443 crore in 2012

Aggarwal of VECV says Eicher will now be the Swedish company's fifth truck brand globally, after Volvo, UD, Renault, and Mack. "The world opens up for us by using their (Volvo's) distribution network." Exporting Eicher-branded vehicles benefits

Volvo as well, because the low-cost Eicher vehicles offer Volvo a chance to boost its presence in emerging economies without diluting its brand image. "In joint ventures like these, a learning from one developing country is being taken to other countries," says PwC's Majeed.Sitting in the Gurgaon headquarters, Lal recalls he initially had doubts about VECV's success. But he has managed to prove his own doubts wrong and reoriented Eicher's commercial vehicle business.

Answer the following questions:

1. What are the weaknesses of the partners? What is their expectation from the joint venture?
2. What are their strengths? Ho w do they expect their respective strength to complement each other?
3. Can you identify core competences of the partners? Could they exploit it beneficially in the JV?
4. Could any of the partners achieve the same level of success singly? What are the risks involved in going solo?