

M.Com. 4th Semester Examination, 2011

STRATEGIC MANAGEMENT

PAPER—CM-2201

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

UNIT – I

1. Answer any *two* questions from the following : 5×2
 - (a) Elaborate : Strategic planning and strategic management. 5
 - (b) Distinguish among policy, strategy and standing order procedure on the basis of their appropriateness to the decision context. 5

(Turn Over)

- (c) Distinguish between the single board and dual board structures of the BoD as regards their composition. In which countries of the world are these structures respectively seen ? 3 + 2
- (d) Write a short note on 'independence of directors'. 5

2. Answer any *one* question from the following : 10 × 1

- (a) Read the following passage carefully and make a SWOT Analysis of ITC Ltd. :

ITC is one of India's biggest and best-known private sector companies. In fact it is one of the World's most high profile consumer operations. Its businesses and brands are focused almost entirely on the Indian markets, and despite being most well-known for its tobacco brands such as Gold Flake, the business is now diversifying into new FMCG (Fast Moving Consumer Goods) brands in a number of market sectors -including cigarettes, hotels, paper, agriculture, packaged foods and

confectionary, branded apparel, personal care, greetings cards, Information Technology, safety matches, incense sticks and stationery.

ITC was incorporated on August 24, 1910 under the name of 'Imperial Tobacco Company of India Limited' sharing ancestry with Imperial Tobacco of the United Kingdom. It is however now fully independent, and was rechristened to Indian Tobacco Company in 1970 and then to ITC Limited in 1974. Its beginning were humble. A leased office on Radha Bazar Lane, Kolkata, was the centre of the Company's existence. The Company celebrated its 16th birthday on August 24, 1926, by purchasing the plot of landsituated at 37, Chowringhee (now renamed J. L.Nehru Road), Kolkata, for the sum of Rs. 3,10,000.

Now, ITC Limited (BSE : 500875), a public conglomerate company headquartered in Kolkata, India has a turnover of \$6 billion and a market capitalization of over \$30 billion. The company has its registered office in the city

of Kolkata, which is actually its place of birth. ITC Limited completed 100 years on 24th August, 2010.

The company is currently headed by Yogesh Chander (called as 'Yogi') Deveshwar. It employs over 26,000 people at more than 60 locations across India and is listed on Forbes 2000.

ITC leveraged its traditional businesses to develop new brands for new segments. For example, ITC used its experience of transporting and distributing tobacco products to remote and distant parts of India to the advantage of its FMCG products. ITC master chefs from its hotel chain are often asked to develop new food concepts for its FMCG business.

The company's original business was however to trade in tobacco. It is interesting that a business that is now so involved in branding continues to use its original name, despite the negative connection of tobacco with poor health and premature death.

To fund its cash guzzling FMCG start-up, the company is still dependant upon its tobacco revenues. Cigarettes account for 47 per cent of the company's turnover, and that in itself is responsible for 80% of its profits. So there is an argument that ITC's move into FMCG (Fast Moving Consumer Goods) is being subsidised by its tobacco operations. Its Gold Flake tobacco brand is the largest FMCG brand in India and this single brand alone holds 70% of the tobacco market.

Core brands such as Aashirvaad, Mint-o, Bingo and Sun Feast (and others) were developed using strategies of market development, product development and marketing penetration.

ITC's agri-business is India's second largest exporter of agricultural products. ITC is one of the India's biggest foreign exchange earners (US \$ 2 billion in the last decade). The Company's 'e-Choupal' initiative is enabling Indian agriculture significantly

enhance its competitiveness by empowering Indian farmers through the power of the Internet. The company places computers with Internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information ('choupal' means gathering place in Hindi) and an e-commerce hub. What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company — an e-commerce platform that is also a low-cost fulfilment system focused on the needs of rural India. The e-Choupal system has also catalyzed rural transformation that is helping to alleviate rural isolation, create more transparency for farmers, and improve their productivity and income.

ITC e-Choupal creatively leverages information technology to set up a meta-market in favour of India's small and poor farmers, who would otherwise continue to operate and transact in 'un-evolved' markets.

As of July 2010, services through 6,500 e-Choupal across 10 states, reach more than 4 million farmers in about 40,000 villages. Free access to Internet is also opening windows of rural India to the world at large.

ITC e-Choupal is now being regarded as a reliable delivery mechanism for resource development initiatives. Its potential is being tested through pilot projects in healthcare, educational services, water management and cattle health management with the help of several service providers including non-governmental organizations.

The story of developing its famous brand, 'Aashirvaad' from the feedback of tastes of customers across the North, West and East of India is still difficult for the competitors to emulate. The company researched the tastes of consumers in case of atta (a popular type of wheat flour), then used the e-Choupal network to source and create the raw materials from farmers and then blend them for consumers under purposeful brand names such as

Aashirvaad Select in the Northern market, Aashirvaad MP Chakki in the Western market and Aashirvaad in the Eastern market.

Chairman Yogi Deveshwar's strategic vision is to turn his Indian conglomerate into the country's premier FMCG business.

Per capita consumption of personal care products in India is the lowest in the world offering an opportunity for ITC's soaps, shampoos and fragrances under their Wills brand.

The obvious threat is from competition, both domestic and international. The laws of economics dictate that if competitors see that there is a solid profit to be made in an emerging consumer society that ultimately new products and services will be made available. Western companies will see India as an exciting opportunity for themselves to find new market segments for their own offerings.

ITC's Opportunities are likely to be opportunities for other companies as well. Therefore the dynamic of competition will

alter in the medium-term. Then ITC will need to decide whether being a diversified conglomerate is the most competitive strategic formation for a secure future.

Thus, ITC presently has a diversified presence in Cigarettes, Hotels, Paperboards & Specially Papers, Packaging, Agri-Business, Packaged Foods and Confectionery, Information Technology, Branded Appare, Personal Care, Stationery, Safety matches and other FMCG products. While the company is an outstanding market leader in its traditional businesses of Cigarettes Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods and Confectionery, Branded Appare, Personal Care and Stationery.

ITC's aspiration to be an exemplar in sustainability practices is manifested in its status as the only company in the world of its size and diversity to be 'carbon positive',

'water positive' and 'solid waste recycling positive'. In addition, ITC's business have created sustainable livelihoods for more than 5 million people, a majority of whom represent the poorest in rural India.

When 'Classmate' notebooks were launched, it came up with the initiative of contributing 1 rupee towards the education of poor children, from every single notebook it sold. A classmate-sponsored programme has been titled as *Classmate Ideas for India challenge*. The programme would be a part of the company's centenary initiatives. The nation-wide programme would invite ideas of the youth, who have the potential to transform India. *Classmate Ideas for India challenge* plans to reach out to 25 lakh students across 30 cities, 500 schools and 200 colleges across the country.

ITC Hotel Royal Gardenia, Bengaluru is the first Indian Hotel and world's largest, to get the LEED Platinum rating-the highest green building certification globally.

ITC has won the inaugural 'World Business Award', the worldwide business award recognising companies who have made significant efforts to create sustainable livelihood opportunities and enduring wealth in developing countries. The award has been instituted jointly by the United Nations Development Programme (UNDP), International Chamber of Commerce (ICC) and the HRH Prince of Wales International Business Leaders Forum (IBLF).

ITC is the first Corporate to receive the Annual FICCI Outstanding Vision Corporate Triple Impact Award in 2007 for its invaluable contribution to the triple bottom line benchmarks of building economic, social and natural capital for the nation.

ITC has won the Golden Peacock Awards for 'Corporate Social Responsibility (Asia)' in 2007, the Award for 'CSR in Emerging Economies 2005' and 'Excellence in Corporate Governance' in 2007. Apart from the above mentioned awards, there are many

other national and international awards given to ITC from various other bodies just to recognise its contribution in Business, corporate governance and contribution towards society.

(b) Suggest about possible formulation of strategies considering each of the hypo-theoretical cases of environmental opportunities/threats, and organizational strength/weakness:

(i) A company has large accumulation of reserve fund, strong brand name and adequate demand in domestic market of its products, but no overseas operation. In order to bring foreign exchange into the country, the government of the country in a meeting with the chamber of commerce and industries has expressed its desire to the representatives of the nationally reputed companies that they should come forward to export goods for which they are to be allowed specific tax rebates for the first three years.

(ii) A company manufactures steel. It has a very good amount of fund.

The principal supplier to the company of coal, a key input in the process of manufacturing steel is no longer interested to renew the lease of the coal mines for commercial use any longer.

(iii) A domestic automobile company has technical collaboration with a foreign company. It is paying a fixed amount per product sold in the domestic market to the foreign company against the said collaboration as per the extant business contract. The business contract will remain valid for another three years. It is facing tough competition from other companies in the business.

The foreign company has announced its decision to start its own business alone in its selected marketing outlets in the big metros only. But, the company

has also announced to continue its existing technical collaboration services to the existing companies with which it has extant business contact.

- (iv) A company sells wine in various famous brands. It is considering the move of ITC Ltd. which sells basically tobacco products had how begun to diversify into many other businesses being frightened with the increasing campaign against smoking and the government's intervention too by imposing a ban on smoking in public.

The consciousness campaign from various social groups and government is also increasing against consumption of wine. But, these days, the state governments due to increase their revenue earnings are giving licenses to open retail shops.

- (v) An erstwhile development bank is not having good business for last five years. The expert committee appointed to

suggest possible policy recommendations has suggested opening commercial banking units using its brand name. The company has already existing branches of its development banking units in the big cities.

There is good prospect of commercial banking business in particular due to the rise in the number of customers seeking house building loans and other consumer loans, as also getting fixed deposits from public due to the currently good interest rates offered to them. The prospect of development banking business is under scanner since there are now various institutions including the commercial banks which are providing finance to the industries.

UNIT – II

3. Answer any *two* of the following : 5 x 2

(a) Explain Ansoff's matrix for expansion strategy.

- (b) What do you understand by corporate portfolio analysis ?
- (c) Discuss the importance of communication in strategic implementation.
- (d) Strategic control is a feed-forward form of control. Elaborate the statement.
4. Answer any *one* of the following : 10 × 1
- (a) (i) Why are business strategies also known as competitive strategies ?
- (ii) Discuss the generic business strategies as given by Michael E. Porter. 4 + 6
- (b) Organization structure changes with different stages of the organization life cycle. Discuss the statement. 10

[*Internal Assessment* : 10 Marks]
