III Semester M.B.A. Degree Examination, Jan./Feb. 2019
(CBCS Scheme)
(2014-15 and Onwards)
MANAGEMENT
Paper – 3.1 : Strategic Management and Corporate Governance

Time : 3 Hours
Max. Marks : 70

SECTION – A

Answer any five of the following questions. (5×5=25)

1. Explain the process of strategy formulation.

2. How do you link vision and mission statements of the organization?

3. What are the advantages and disadvantages of:
   a) Vertical Integration
   b) Outsourcing

4. Briefly discuss various kinds of Growth Strategy with suitable example.

5. What is GE planning grid? Discuss.

6. How can companies pursuing cost leadership and differentiation lose their place on the value frontier? In what way they can regain their competitive advantage?

7. When is company likely to choose 1) Related diversification 2) Unrelated Diversification.

SECTION – B

Answer any three of the following questions. (3×10=30)

8. What is Competitive advantage? Discuss its building blocks. How long a competitive advantage will last? What are the factors affecting the durability of competitive advantage?

9. What are the important perspectives of Balanced score card? Why it is needed? Explain with suitable example.

P.T.O.
10. How would you design an evaluation and control process in a large established corporation?

11. Write short notes on:
   1) Corporate Governance
   2) Blue Ocean Strategy.

SECTION – C (Compulsory)

12. The Evolution of Strategy at Procter and Gamble. (1x15=15)

   Founded in 1837, Cincinnati-based Procter and Gamble has long been one of
   the world’s most International companies. Today, P and G is a global colossus
   in the consumer products business, with annual sales in excess of $88 billion,
   some 56% of which are generated outside the United States. P and G sells more
   than 300 brands – including Ivory soap, Tide, Pampers, IAMS pet food, Crisco,
   Gillette, and Folgers – to consumers in 180 countries N production operations
   in eighty countries and employs close to 138,000 people globally.

   P and G established its first foreign factory in 1915 when it opened a plant in
   Canada to produce Ivory soap and Crisco. This was followed in 1930 by the
   establishment of the company’s first foreign subsidiary in Britain. The pace of
   international expansion quickened in the 1950s and 1960s as P and G expanded
   rapidly in western Europe and then again in the 1970s when the company
   entered Japan and other Asian nations. Sometimes P and G entered a nation
   by acquiring an established competitor and its brands, as occurred in the case
   of Great Britain and Japan, but more typically the company set up operations
   from the ground floor.

   By the late 1970s, the strategy at P&G was well established. The company
   developed new products in Cincinnati and then relied on semiautonomous
   foreign subsidiaries to manufacture, market and distribute those products in
   different nations. In many cases, foreign subsidiaries had their own production
   facilities and tailored the packaging, brand name and marketing message to
   local tastes and preferences. For years, this strategy delivered a steady stream
   of new products and reliable growth in sales and profits. By the 1990s, however,
   profit growth at P and G was slowing.

   The essence of the problem was simple; P and G’s costs were too high because
   of extensive duplication of manufacturing, marketing and administrative facilities
   in different national subsidiaries. The duplication of assets made sense in the
   world of the 1960s, when national markets were segmented from each other by
   barriers to cross-border trade. Products produced in Great Britain, for example,
   could not be sold economically in Germany due to high tariff duties levied on
   imports into Germany. By the 1980s, however, barriers to cross-border trade
were falling rapidly worldwide and fragmented national markets were merging into larger regional or global markets. Also, the retailers through which P and G distributed its products, such as Wal-Mart, Tesco in the United Kingdom and Carrefour in France, were growing larger and more global. These emerging global retailers were demanding price discounts from P and G.

In 1993, P and G embarked on a major reorganization in an attempt to control its cost structure and recognize the new reality of emerging global markets. The company shut down some thirty manufacturing plants around the globe, laid off 13,000 employees and concentrated production in fewer plants that could better realize economies of scale and serve regional markets. These actions cut some $600 million a year out of P and G’s cost structure. It wasn’t enough! Profit growth remained sluggish.

In 1998, P and G launched its second reorganization of the decade. Named Organization 2005, its goal was to transform P and G into a truly global company. The company tore up its old organization, which was based on countries and regions and replaced it with one based on countries based on seven self-contained global business units ranging from baby care to food products. Each business unit was given complete responsibility for generating profits from its products, and for manufacturing, marketing and product development. Each business unit was told to rationalize production, concentrating it in fewer, larger facilities; to build global brands wherever possible, thereby eliminating marketing differences among countries; and to accelerate the development and launch of new products. In 1999, P and G announced that, as a result of this initiative, it would close another ten factories and lay off 15,000 employees, mostly in Europe where there was still extensive duplication of assets. The annual cost savings were estimated to be about $800 million. P and G planned to use the savings to cut prices and increase marketing spending in an effort to gain market share and thus further lower costs through the attainment of scale economies. This time, the strategy seemed to be working. Between 2003 and 2006, P and G reported strong growth in both sales and profits. Significantly, P and G’s global competitors, such as Unilever, Kimberly-Clark, and Colgate-Palmolive, were struggling in 2003 to 2006.52

Case Discussion Questions:

1) What strategy was Procter and Gamble pursuing until the late 1990s?

2) Why did this strategy succeed for so many years? Why was it no longer working by the 1990s?

3) What strategy did P and G adopt in the late 1990s and early 2000s? Does this strategy make more sense? Why?