

GM14/EGM14  
STRATEGIC MANAGEMENT

Time: Three Hours

Maximum Marks: 100

Note:

The paper is divided in three sections: SECTION-A, SECTION-B and SECTION-C. There are seven questions in SECTION-A. Students are required to attempt ANY FOUR. SECTION-B has 5 questions, attempt ANY THREE. All the questions of SECTION-C (Case Study) are compulsory.

SECTION-A (10 Marks each)

1. (a) What are the chief characteristics of strategy? (5)  
(b) Define both Vision and Mission of an organization. (5)
2. Define Business Level Strategy and briefly explain how it differs from Corporate Strategy. Illustrate the difference with one example of a corporation and one of its businesses. (10)
3. Identify the four major forces of the external macro-environment which influence an industry. Briefly explain how they have influenced the mobile phone industry in India. (10)
4. (a) Why do companies seek global markets? (5)  
(b) Briefly define *Single-loop* learning and *Double-loop* learning (5)
5. What are the main distinguishing characteristics of family firms? Briefly describe the phases in the organizational life cycle of a family firm. (10)
6. What is Corporate Governance? Give the main outlines of Agency Theory and Stewardship Theory for corporate governance. (10)
7. Write short notes on:
  - a. Key Success Factors (2)
  - b. Vertical Growth and Horizontal Growth (2)
  - c. Objectives and Goals (2)
  - d. Cost and Differentiation Strategies (2)
  - e. SWOT Analysis (2)

## **SECTION-B (15 Marks each)**

8. Explain the concept of strategic intent. Illustrate with one example where strategic intent has been displayed by an organization. **(15)**
9. With a diagram, explain Porter's Five Forces Model of factors affecting competitiveness in an industry. Describe the conditions affecting the threat of new entrants in detail. **(15)**
10. What is a Strategic Business Unit (SBU)? Draw a diagram of the BCG Matrix for analyzing and allocating resources to SBUs, and briefly explain each component of the matrix. **(15)**
11. Describe the main components of a Strategic Audit. **(15)**
12. What is transformational leadership? Describe the chief elements of transformational leadership. **(15)**

## **SECTION-C (15 Marks) Case Study (Compulsory)**

### **Analysis of the external macro-environment for the luxury car market in India**

The recent growth in the luxury car market in India is much more than mere market dynamics in a particular car segment. It is a reflection of the changing lifestyle of the affluent class in the country. The Indian luxury car market accounts for an impressive compound annual growth rate of approximately 25% between 2005 and 2009, though the base still remains quite low, representing around 1% of the total new car market. This expansion can be attributed to high economic growth which led to increased disposable income, finance-friendly government policies such as the relaxation of equity regulations and the reduction of import tariffs pertaining to the automobile industry. The economy was growing at 7% per annum and the information technology revolution in India had created a sizable professional class with huge purchasing power.

According to the Report of World Wealth by Capgemini and Merrill Lynch Wealth Management, most countries in the world have increased their HNI (High Net-Worth Individuals) count. While, India has more than doubled it – maximum compared to any other country in the world. In 08-09, India had 84,000 HNI's which grew by 50.9% to take to the number to 1, 26,700 HNI Indians! in 2010.

#### Indian HNI growth (past 5 years)

Year of report	India	Asia-Pacific	World
2005 70,000	2.3 mn	8.3 mn	
2006 83,000	2.4 mn	8.7 mn	
2007 1,00,015	2.6 mn	9.5 mn	
2008 1,23,000	2.8 mn	10.1 mn	
2009 84,000	2.4 mn	8.6 mn	
2010 1,26,700	3 mn	10 mn	

The key factors contributing to the growth of luxury car market are the rising economy and the IT boom. Rising economy has given way to more disposable income which people are splashing over luxurious and high-end cars. With the boom in the IT industry, youngsters are earning higher packages which enable them to enjoy a joyful ride in their favourite luxury car. Apart from that easy availability of loan and good finance schemes have also pushed youngsters and middle class people towards expensive and luxurious cars. Even the Government of India is supporting the entry of luxury cars by formulating policies such as the relaxation of equity regulations and the reduction of import tariffs on automobiles.

These policies have reduced the price tags of top notch luxury cars, which have eventually led to the growth of luxury car market in India.

In India, the luxury car segment (Average Price 25-30 Lakh) has been growing at an average rate of 20% or above during recent years; it seems to be least affected by the global financial crisis. According to the Society of Indian Automobile Manufacturers (SIAM) during worst recession period when world was facing low market demand trends, Indian luxury car segment grew at 23% to 6,671 vehicles. But financial year ended March 2010 has shown growth of automotive sector up by 25% to 15.26 lakh vehicles.

Mercedes-Benz, BMW and Audi put together have around 85% market share. The German car brand Mercedes-Benz had first-mover advantage as it had started operations in India in 1995 and there was no direct competition in this category.

But the competition in the luxury car market will increase in next few years as more new players enter in to the market.

While Mercedes-Benz, which has been in the Indian market since 1995, sold 3,208 cars in 2009, BMW, which came 11 years later, sold 3,619. BMW's market share rose from 9 per cent in 2006 to 33 per cent in 2007, to 40 per cent in 2008, and to 42 per cent in 2009. Audi, the third of the German trio, which started operations in India in 2006, has had a 58 per cent growth. It sold 1,658 cars in 2009 and accounts for around 20 per cent of the market. Mercedes-Benz has been on the slow lane for more than a year. Its market share dipped from 59 per cent in 2007 to 46 per cent in 2008, and to 38 per cent in 2009. But Merc, which still enjoys an unmatched reputation in the country, is stepping on the accelerator. In the first two months of 2010 it outsold BMW—439 cars in January and 403 in February against BMW's 368 and 341.

**Case Questions:**

- 13 (a) Identify the following forces affecting the luxury car market in India through your own assessment:
- i. Political-Legal
  - ii. Economic
  - iii. Sociocultural and Demographic
  - iv. Technological
- (10)**
- (b) Looking forward, what forces do you foresee in the macro-environment as the strongest ones to affect this particular market? **(5)**