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QUESTION BOOKLET NUMBER

0409		Subject Code MB3I1

Date of Exam: April 19, 2009 Timings: 14:30 Hrs to 17:30 Hrs

Program :	MBA
Subject :	Business Policy & Strategy

To be filled by the Student

ENROLLMENT NO.		OMR NO.	
TEST CENTER		SEAT NO.	

TOTAL MARKS : 100 **MAXIMUM TIME : 3 HOURS**

Answering Materials to be distributed along with the question booklet are:

★ OMR ANSWER SHEET ● ANSWER BOOKLET

Instructions to Students

1. **Students should write their Question Booklet Number, OMR Answer Sheet Number, Admit Card Number and Enrollment Number at all the relevant/required places specified in Question Booklet, OMR Answer Sheet ★and Answer Booklet ●. In the absence of such data on OMR Answer Sheet and Answer Booklet, the same will not be evaluated.**
2. Students are required to answer Section A and duly **mark the answers in OMR Answer Sheet** and return the same at the end of the duration allotted for Section A of the Question Booklet i.e. 30 minutes after the commencement of the examination.
3. Students are required to answer Sections B and C in the answer book provided for the same.
4. Student can retain this Question Booklet after the examination.

The instructions on marking your answers in OMR answer sheet are given on the back cover page of this Question Booklet.

Section A : Basic Concepts (30 Marks)

- **This section consists of questions with serial number 1 - 30.**
- **Answer all questions.**
- **Each question carries one mark.**
- **Maximum time for answering Section A is 30 Minutes.**

1. If a board has nine members, it will be divided into three classes with only three members standing for election for a three-year term each. A new shareholder would have to wait at least two annual general meetings to gain control of the board of directors. This is an example of

   (a) Super majority amendments
   (b) Fair price amendments
   (c) Classified boards
   (d) Authorization of preferred stock
   (e) Leveraged recapitalizations.

2. To keep the companies in an industry during low returns, exit barriers are used. Which of the following is **not** an exit barrier?

   (a) Investments in plants and equipment that have no alternative uses and cannot be sold off
   (b) Economical feasibility for the buyers to purchase the input from several companies at a time
   (c) High fixed costs of exit, such as severance pay to workers who are being made redundant
   (d) Emotional attachment to an industry
   (e) Economic dependence on the industry.

3. "The company will ensure superior product with competitive price". This is an example of

   (a) Vision
   (b) Mission
   (c) Profile
   (d) Objectives
   (e) Policies.

4. Which of the following is experienced by most of the managers both domestically and internationally due to different backgrounds from global acquisitions and mergers?

   (a) Cultural diversity
   (b) Innovation
   (c) Cost advantage
   (d) Motivation
   (e) Focus.

5. Machiavellianism is the term used to describe coercive management tactics. Which of the following statements is/are **true** regarding 'Machiavellianism'?

I. Managers using this tactic believe that ends do not justify the means.
II. Coercion is not practical if used on a repeat basis and any fear of threat not carried out recedes quickly.
III. Coercive power is used effectively by managers but it is not easy to justify coercive power especially if other alternatives are available.

(a) Only (I) above
(b) Both (I) and (II) above
(c) Both (I) and (III) above
(d) Both (II) and (III) above
(e) All (I), (II) and (III) above.

6. Changes in which of the following organization structures, will affect the power and significance of different functions and managers?

(a) Reward power
(b) Legitimate power
(c) Personal power
(d) Expert power
(e) Information and connection power.

7. In which of the following approaches, a company communicates with the directors of the takeover target (in writing) regarding its acquisition proposal, where the directors are required to make a quick decision on the proposal?

(a) Bear hug
(b) Hostile takeover
(c) White knight
(d) Poison puts
(e) Golden parachute.

8. The stockholders of a business organization have the basic rights of ownership, unless management overlaps heavily with ownership. Regarding stockholders, the analyst should explore which of the following questions?

I. Is the composition of the board logical considering the nature of the organization and its business?
II. Does the board of directors have a voice in the determination of strategy?
III. Is the board active?
IV. What is stockholders representation on board of directors?

(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

9. Integrating devices such as project teams or planning committees are frequently used in which of the following structurally designed businesses to enhance coordination and to facilitate a thorough understanding across functional areas?

(a) Simple organizational structure
(b) Functional organizational structure
(c) Divisional organizational structure
(d) Strategic business unit
(e) Matrix organizational structure.

10. Operational managers can ensure control over their operations by focusing on key success factors. Key success factors identify performance areas that must receive continuous management attention. Which of the following are the key success factors?

I. High employee turnover.
II. Improved product service quality.
III. Growth in market share.
IV. Completion of new facilities.

(a) Both (II) and (III) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

11. Which of the following is the **correct** sequence of steps that need to be followed to plot business units on the GE Nine Cell Planning grid?

I. A criterion is selected to rate the industry for each business unit.
II. The key factors needed for success in each business unit are selected.
III. Each business unit's current position is plotted on a matrix.
IV. The firm's future portfolio is plotted assuming that present corporate and business strategies remain unchanged.

(a) (I), (II), (III) and (IV)
(b) (I), (II), (IV) and (III)
(c) (II), (I), (III) and (IV)
(d) (II), (III), (I) and (IV)
(e) (III), (I), (II) and (IV).

12. Which of the following is/are the principal general management functions?

I. Coordinating the work of the board of directors and executives.
II. Employing officers.
III. Representing the firm to outside parties.
IV. Developing plans and budgets.

(a) Only (I) above
(b) Both (II) and (III) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

13. The liquidation strategy involves closing down a business organization and selling its assets. Which of the following are **true** regarding liquidation?

    I. It leads to a closure of an agency performing economic functions.
    II. Employees and trade unions do not welcome this strategy.
    III. The stakeholders do not prefer this strategy.
    IV. It would be difficult to find a buyer.

    (a) Both (II) and (III) above
    (b) (I), (II) and (III) above
    (c) (I), (II) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

14. Which of the following categories of businesses have a strong business position and negligible investment requirements and hence the returns from these businesses are often more than their investment requirements?

    (a) Cash cows
    (b) Dogs
    (c) Bears
    (d) Question marks
    (e) Stars.

15. "Our ultimate responsibilities are to our shareholders. Our goals are to earn an optimum returns on invested capital through steady profit growth and prudent aggressive asset management. The attainment of this financial goal, coupled with a record of sound management, represents our approach towards influencing the value placed upon our common stock in the market". This is an example of

    (a) A company's vision statement
    (b) A company's mission statement
    (c) A company's goals
    (d) A company's grand strategy
    (e) Long-term objectives of a company.

16. The production strategies of small business units would be different from those of large business units. Which of the following are the strategies for small business units?

    I. These units make low investments in semi-variable and variable costs.
    II. These units go for low initial investment in their plant, equipment and long-term advertising.
    III. These units that adopt the niche differentiation strategy select an approach that yields quality.
    IV. These units have the benefit in the reduction in cost per unit output due to economies of scale.

    (a) Both (III) and (IV) above
    (b) (I), (II) and (III) above
    (c) (I), (III) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

17. The specific intent of strategic surveillance is to uncover important yet unanticipated information. Surveillance must be kept unfocussed as much as possible and should be designed as a loose environmental scanning activity. Which of the following are the sources for strategic surveillance?

    I. Trade magazines.
    II. Trade conferences.
    III. Questionnaires.
    IV. Unintended observations.

    (a) Both (I) and (II) above
    (b) (I), (II) and (III) above
    (c) (I), (II) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

18. Which of the following is also known as company's creed and usually forms a part of its mission?

    (a) Goals
    (b) Vision
    (c) Public image
    (d) Self concept
    (e) Philosophy.

19. Product development involves the substantial modification of existing products or the creation of new but related products than can be marketed to current customers through established channels. Which of the following are the options available to firms undertaking product development?

    I. Developing a new pricing strategy for the existing product.
    II. Developing new product features.
    III. Developing quality variations.
    IV. Developing additional models and sizes.

    (a) Both (II) and (IV) above
    (b) (I), (II) and (III) above
    (c) (I), (III) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

20. Which of the following often called master or business strategies, provides basic direction for strategic actions?

    (a) Policies
    (b) Objectives
    (c) Grand strategies
    (d) Functional strategies
    (e) Strategic decisions.

21. Dividend management is part of the internal financial management of a firm. Which of the following statements are **true** regarding dividend management?

    I. Dividends are paid on earnings.
    II. Lower dividends to the shareholders lead to lower internal financing and vice versa.
    III. Lower dividend policy helps the firm avoid external source of finance.
    IV. High dividends and stability of earning often affect the market price of the firm's stock positively.

    (a) Both (III) and (IV) above
    (b) (I), (II) and (III) above
    (c) (I), (III) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

22. Which of the following are the mechanisms through which linkages lead to opportunities for cost reduction?

    I. Cooperation.
    II. Coordination.
    III. Competition.
    IV. Optimization.

    (a) Both (II) and (IV) above
    (b) (I), (II) and (III) above
    (c) (I), (II) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

23. Mintzberg added a new dimension to strategic management by bringing the personal side of the manager into picture. He identified five types of 'ideal' organizational structures. In this regard, which one of the following is **not** a structure?

    (a) Simple structure
    (b) Machine bureaucracy
    (c) Professional bureaucracy
    (d) Strategic business units
    (e) Ad hoc racy.

24. There is a close link between the various stages in the industry life cycle and the level of Mergers and Acquisitions (M&A). Which of the following statements are **true** regarding decline stage of the industry life cycle?

    I. Horizontal mergers take place to match the low cost and price performance of other firms.
    II. Vertical mergers take place to increase efficiency and profit margins.
    III. Concentric acquisitions take place to obtain opportunities for synergy and carry – over of managerial capabilities.
    IV. Conglomerate acquisition may be undertaken to utilize financial slack.

    (a) Both (III) and (IV) above
    (b) (I), (II) and (III) above
    (c) (I), (III) and (IV) above
    (d) (II), (III) and (IV) above
    (e) All (I), (II), (III) and (IV) above.

25. In reverse Leveraged Buy Out (LBO), the investor group may take the company public again if the goals set by the LBO groups have already been achieved. The purpose of this exercise is to

    (a) Gain economies of scale
    (b) Extend business by sharing investments
    (c) Get rid of a loss making subsidiary
    (d) Augment financial and technical ability to enter a particular line of business
    (e) Create liquidity for the existence shareholders.

26. The social environment is an important factor as changes in which of the following create potential opportunities for an organization?

    I. Values.
    II. Beliefs.
    III. Attitudes.
    IV. Lifestyles.
    V. Government.

    (a) (I), (II) and (III) above
    (b) (II), (III) and (IV) above
    (c) (I), (II), (III) and (IV) above
    (d) (II), (III), (IV) and (V) above
    (e) All (I), (II), (III), (IV) and (V) above.

27. The organizations which want to maintain leadership in the economy and the technology that is going to emerge in the future, need to give enough consideration to the social position of the knowledge professionals and their values. Which of the following statements are **true** regarding knowledge workers?

    I. The effectiveness of a knowledge worker will depend upon the manager's ability to diagnose what kind of team is required for full effectiveness of a certain kind of knowledge work.
    II. Life long learning or continuous learning during one's working life will increasingly be a requirement for all knowledge workers.
    III. The measurement of productivity of a knowledge manager is primarily in terms of number of pieces turned out per hour.
    IV. Knowledge like any of the traditional key resources like land, labor and capital is tied to a particular country.
    V. Acquiring of knowledge is very slow and costly.

    (a) Both (I) and (II) above
    (b) (I), (II) and (V) above
    (c) (II), (III) and (IV) above
    (d) (I), (II), (IV) and (V) above
    (e) All (I), (II), (III), (IV) and (V) above.

28. Which of the following types of enterprise adapts to local needs while simultaneously maintaining global efficiency?

    (a) Multi-domestic
    (b) Global
    (c) Multinational
    (d) International
    (e) Transnational.

29. The Production/Operations Management (POM) strategy must ensure that production operation processes are geared up to meet demand efficiently. A POM strategy addresses such issues by working out answers to which of the following questions?

I. What is the trade-off in emphasizing cost versus quality in production/operations?
II. What purchasing procedure and level of quality control should be established?
III. What are the key contributors to the profitability of the product?
IV. How far ahead should the firm schedule its production and hire personnel?

(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

30. The single most important consideration in marketing is the functional strategy regarding

(a) Product
(b) Price
(c) Place
(d) Promotion
(e) Process.

END OF SECTION A

Section B : Caselets (50 Marks)

- **This section consists of questions with serial number 1 – 7.**
- **Answer all questions.**
- **Marks are indicated against each question.**
- **Detailed explanations should form part of your answer.**
- **Do not spend more than 110 - 120 minutes on Section B.**

Caselet 1

Read the caselet carefully and answer the following questions:

1. With respect to the caselet, discuss the various strategies adopted by Li & Fung Limited to enhance its value chain activities to become one of the largest companies in the world. **(7 marks)**

2. 'Competitive scope influences the competitive advantage by shaping the structure and economics of the value chain.' In this context, discuss the different dimensions of competitive scope. **(8 marks)**

In January 2004, Li & Fung Limited (Li & Fung), a Hong Kong based global consumer goods trading giant, announced that Li & Fung Trading (Shanghai), its wholly-owned subsidiary, had been granted an export company license by the Ministry of Commerce of the People's Republic of China (China).

After receiving the license, Li & Fung Trading (Shanghai) became the first wholly-owned foreign trading company to be offered direct export rights in China. The company was authorized to export China-sourced goods directly to customers worldwide and import raw materials for manufacturing in China. Li & Fung was until then dependent on its Chinese partners for exporting from China. According to William Fung (William), managing director, Li & Fung, the license freed the group companies from the many trading restrictions in China. It would enhance the company's competitiveness and increase its share in the global market.

William said, "With the ability to directly export products from China to our customers worldwide, Li & Fung is now able to offer an even more complete supply chain service."

After China joined the World Trade Organization (WTO) in 2001, it emerged as the world's largest exporter of textile and clothing. The country also consolidated its position as one of the world's largest and fastest growing manufacturing economies. According to the US International Textiles Association, export of textiles and clothing from China to the US doubled from US$ 6.5 bn in 2001 to US$ 11.6 bn in 2003. With export quotas among WTO members proposed to be eliminated from January 2005, China would be free of restrictions on quantity of exports to the US, enabling further growth. In this light, analysts felt Li & Fung stood to benefit significantly from its new license as it was one of the world's leading textile export traders, and the largest to the US.

The company was well-placed to leverage China's leadership position in textile manufacturing and exports, as that country was the company's largest manufacturing hub, from where it sourced over US$ 2 bn worth products annually. Li & Fung had 16 offices in China, which it planned to take to 36 by 2007. The downside was that in early 2004, Li & Fung faced many challenges like a slowdown in its overall revenues and net profit growth, over dependence on the US market, declining share of revenues from the European market and negligible growth in revenues from the rapidly growing Asian markets.

Li & Fung's evolution into a supply chain manager took place in three stages, driven by significant changes in the global retailing industry, customer and retailer preferences and economic trends across Asia through the early 1970s. In the first stage (during the 1970-78 period), Li & Fung acted as a regional sourcing agent. The company extended its geographic reach by establishing sourcing offices in Singapore, Korea and Taiwan. Li & Fung's knowledge and reach in the Asian region held value for customers.

Li & Fung broke the value chain into parts which it called 'Dispersed Manufacturing.' Under this, the company performed all high end value-added activities such as design and quality control in Hong Kong and outsourced low end activities like manufacturing to the best possible locations across the world. For every order, the company aimed at customizing the supply chain to meet the client's specific requirements. For example, when Li & Fung got an order for transistor radios, it created little kits (plastic bags) filled with all the components necessary to build a radio and shipped the kits to China, where they were assembled. The assembled radios were then shipped back to Hong Kong, where they underwent final testing and inspection.

When Li & Fung got an order from a customer, it sifted through its global supplier network to find the right manufacturer for the specific product and the most attractive combination of cost and quality. The company broke up its supply chain to disperse different production processes to manufacturers in various countries, based on factors such as labor costs, quality, trade barriers, transportation costs and so on. The company coordinated all processes in the value chain, managing the logistics and arranging the shipment of the finished order to the client.

To ensure shorter product delivery cycles, Li & Fung managed the whole supply chain of its customers. To shrink the delivery cycle, the company reached upstream to organize production and ensured small production runs, which resulted in improved response time for retailers, enabling them to alter production in tandem with market trends. For instance, Li & Fung got to know that Levis would order 1 mn pieces of garments, but did not have specific details of style or colours. This would be disclosed only four weeks before delivery was due. Under these circumstances, Li & Fung, based on trust and its strong relationship with suppliers, reserved un-dyed yarn and locked up capacity at mills for weaving and dying.

Li & Fung had an organizational structure that masked its size. In line with the transformation of the company's business strategy during the 1980s, Li & Fung revamped its organizational structure to manage its global sourcing network better and meet customer needs. The company discarded its traditional structure of geographic division as it found inefficiencies in this. During this period, all large trading companies in the world with vast supplier networks were organized geographically with country units as profit centres.

To leverage the potential of IT, Li & Fung took many initiatives through the mid 1990s. It tied up its global network of offices with intranet since 1995, to enable free information flow. In 1998, the company began creating dedicated extranet sites for major customers. These sites enabled the company to interact with customers, track their orders, help in product development and perform many other tasks in a cost efficient manner.

The extranet also enabled customers to track their orders and gain access to related information through Li & Fung's Electronic Trading System, known as XTS, which was linked to Li & Fung's global network of offices.

During the late 1990s, with the growing popularity of private label brands, shortening product life cycles and acute competition in the retailing industry, companies had to focus on their supply chain processes. As many companies did not have expertise in Supply Chain Management (SCM) and outsourcing was a cost-efficient alternative, the demand for companies that offered SCM services increased. Li & Fung, which already had an impressive sourcing network and SCM expertise, increased efforts to position itself as a global consumer goods trading company.

By the end of 2003, Li & Fung emerged as one of the few global consumer goods trading companies with geographical flexibility and depth of expertise required for success in the fiercely competitive business environment of the early 21st century. In the fiscal year ending December 31, 2003, the group's revenues amounted to HK$ 42.6 bn, a 14.3% rise over HK$ 37.3 bn in 2002.

Net profits amounted to HK$ 1.22 bn in fiscal 2003, a 13.2% increase over the HK$ 1.08 bn in fiscal 2002. In December 2003, the share price of Li & Fung was quoting around HK$ 13. However, according to company sources, revenues and profits were below expectations.

END OF CASELET 1

Caselet 2

Read the caselet carefully and answer the following questions:

3. "Let's make the corporate culture more about the employees. I want it to reflect society itself; a collective set of values, wants and satisfiers," Turino says. In this light, discuss the various initiatives that Turino has undertaken to change the culture of their organization. **(7 marks)**

4. Organizational culture is the set of important assumptions that members of an organization share in common. Discuss the various beliefs that shape organizational culture. **(7 marks)**

5. With respect to the caselet, explain the basic considerations that are emphasized by firms managing a strategy-cultural relationship. **(6 marks)**

Fred Turino, founder and CEO of Turino Confections Inc., is a self-made entrepreneur who believes in good business practices. A baker by trade, Turino arrived from Italy 30 years ago and built his company to be a regional supplier of specialty candies. His is a family company that also employs his wife, Louise (the human resources director), and daughter, Samantha (who works in mid-level management). But now, after 30 years of building a market for his products, Turino has decided to step back and take a new look at his company in order to ensure its future.

Like any other company, Turino's personal beliefs, passion for business, cultural background and convictions have directly shaped corporate culture. His style of management is tough but fair. He focuses on profit, but does not believe in making it at the expense of others. All of this has worked for him over the years, but lately he has noticed that there has been a major change in the demographics of his employees.

Turino often walks the floors of his organization on Monday mornings. In this way he has been able to watch the gradual shift in the demographics of the organization. "I am amazed at the cultural diversity of my employees," he says. "We started out very small, and most of my employees back then were young Italian men. Now, I have hundreds of workers from all over the world, and they are almost all women."

Only a few years away from retirement, Turino will soon pass the torch to his daughter, Stephanie, who has just completed an MBA. He's not looking forward to retirement, but he believes Stephanie will do a good job, since she has a better understanding of the current workforce. "I grew up with Italians," he says. "There wasn't a lot of diversity in my life.

But my daughter has friends from every corner of the globe. It's second nature for her to embrace the best of all these cultures. That's what we need to do to keep this company strong."

Rather than waiting until Stephanie takes over, he asks his wife and daughter to begin assessing and redefining the corporate culture at Turino Confections. First, Samantha talks to her HR staff, a total of four enthusiastic individuals. She is told that some changes would be welcome. One coordinator tells her that it has become more difficult to attract qualified people to work for the company, and that turnover of employees is gradually rising. Others in the department report that the old world corporate culture at the company signals a lack of appreciation for other ways of doing things, and people are leaving because the social aspects of work are not rewarding enough. However, since all this information is secondhand, collected from informal questioning and exit interviews, Samantha asks that an objective workforce attitudes and motivations survey be conducted. The survey will collect information on cultural backgrounds, attitudes towards work, likes/dislikes and the differences in attitudes of older and younger workers.

The survey findings amaze the Turinos. Some employees are indifferent to the corporate culture, but quite a few feel unhappy with it. One worker stated, "I spend most of my day here; if I can feel like a member of the family then I might be happier." Another said, "There has to be more to work. I feel that culturally there is a disconnect between the owners and what I believe in." Turino takes these comments seriously and decides to make some changes. "Let's make the corporate culture more about the employees. I want it to reflect society itself; a collective set of values, wants and satisfiers," Turino says. Then he writes a list of things he thinks his team needs to do.

With the strictest of confidentiality, the HR department is to use the survey results to identify the most predominant cultural backgrounds. They are also to identify the age ranges of workers and determine in two, five, 10 and 20 year segments what the workforce will look like in the future. The information will involve minute details such as countries of origin, languages spoken, religions; holidays celebrated and attitudes towards various benefits.

The workers will also be asked to look at the work they do, which is based on European techniques, and make suggestions on how the work can be done differently. Workers are also encouraged to innovate and provide ideas to develop product improvements and new lines to market to various new groups.

Based on the information collected, he will review company policies. This would involve provisions to allow for holiday breaks on holidays that are specific to a particular ethnic group, providing ethnic food at company events and in the cafeteria, communicating and celebrating the rich diversity of the workers, and making other accommodations that are deemed reasonable and not adverse to financial constraints.

The HR department is also to work with production managers, research and development and the sales team to take into consideration any idea that an employee suggests that is different from the way things are already done. For example, one worker already suggested a new sugar ingredient and cooling process for the toffee line, as this technique was used in his native country.

Once phase one of the project is complete, the collected information results in a wealth of suggestions and a new understanding about the diverse elements of the workforce. The new culture is designed to reflect many different ways of thinking, and new ways of running the company are also being considered.

"I feel like I have just guaranteed the happiness of my employees. Not all of them, but more of them," Turino says. "Happy workers make a happy company. We are listening to them. We have safety signs posted in five different languages and the food in the cafeteria is what they want to eat. I have already realized a dozen new production practices that I would never have known. I feel good about the future of this company."

END OF CASELET 2

Caselet 3

Read the caselet carefully and answer the following questions:

6. With respect to the caselet, discuss the growth strategies adopted by Roca, which made it one of the largest companies in the sanitary industry. **(7 marks)**

7. "In September 2006, Parryware Roca Pvt. Ltd. (PR), a 50:50 Joint Venture (JV) between EID Parry (India) Ltd., (EID Parry), a major Indian business house and Spanish sanitaryware company, Roca Corporacion Empresarial, S.A (Roca), announced plans to start selling Roca products in India, using a shop-in-shop retail format." In this regard, discuss the various characteristics taken into account while describing JV. Also, explain the various reasons for international JV. **(8 marks)**

In September 2006, Parryware Roca Pvt. Ltd. (PR), a 50:50 Joint Venture (JV) between EID Parry (India) Ltd., (EID Parry), a major Indian business house and Spanish sanitaryware company, Roca Corporacion Empresarial, S.A (Roca), announced plans to start selling Roca products in India, using a shop-in-shop retail format. PR would import Roca products and retail them at 25 of the joint venture's big showrooms across India. By the end of 2007, PR would be franchising 20 new exclusive PR stores in eight cities.

Roca was established in 1917 in Barcelona, Spain, as a manufacturer of cast-iron radiators. Later, the company entered the bathroom accessories market with the launch of sanitary fixtures and tapware.

In the 1980s, the company started manufacturing and marketing bathroom tiles. Over the years, Roca established subsidiaries and factories in countries around the world. In 1999, Roca acquired Keramik Holding AG Laufen (Laufen) of Switzerland for US$ 272 mn. With this acquisition, Roca became the world's second largest bathroom products group. Parryware was originally a division of EID Parry, which in turn was a part of the Murugappa group.

Although it was set up in 1917, it was only in 1952 that EID Parry started production of sanitaryware. In 1999, after the acquisition of Johnson Pedder, a major Indian sanitaryware manufacturer, Parryware became one of the largest manufacturers of sanitaryware in India. In March 2006, Parryware was spun off as a separate company - Parryware Glamourooms Pvt. Ltd. (PGPL), leaving EID Parry free to concentrate on its sugar business. In April 2006, Roca picked up a 50% stake in PGPL, after which the company was renamed PR. With this, Roca became the world's largest manufacturer of bathroom products. In August 2006, PR announced the opening of its new production facility at Perundurai, Tamil Nadu.

Through the JV, Roca expected to gain access to the growing Indian sanitaryware market. PR was expected to benefit significantly through Roca's superior technology, improved manufacturing practices, better product offerings, and international presence. While Roca was set to gain market share in India, it also had plans to use the JV's plants to manufacture products for export to other countries. However, the JV was expected to face strong competition from foreign as well as domestic competitors.

In 1917, Compañia Roca Radiadores, S.A. (Roca Radiadores) was founded by four brothers of the Roca family. The company, initially manufactured cast-iron radiators and went on to dominate this market. Soon, it diversified and expanded its product range. In 1925, Roca Radiadores entered the bathroom accessories market with the manufacture and sale of cast-iron bathtubs. It launched a range of sanitary fixtures in 1936, and tapware in 1954. It pioneered the development of products that reduced water usage. In 1963, Roca Radiadores entered the air conditioning market through a subsidiary, after obtaining a manufacturing license from York International Corp.

The subsidiary, called Clima Roca York, manufactured residential and commercial air conditioning products in Spain and marketed them throughout Western Europe.

Roca Radiadores was later renamed Roca Corporacion Empresarial, S.A (Roca). With the introduction of a range of wall and floor ceramic tiles in 1980 (through a subsidiary, Roca Cerámica) Roca became a supplier of the full range of bathroom products.

The products offered by Roca varied from sophisticated water massage systems to the simplest accessories like shower trays and shower screens. Roca established factories and subsidiaries in Portugal, Latin America, the UK, Morocco, and Turkey. In 1994, York International Corp. acquired a 50% stake in Clima Roca York. In 1999, Roca acquired Keramik Holding AG Laufen (Laufen) of Switzerland for US$ 272 million. Laufen was a US$ 700 million manufacturer of sanitaryware and ceramic tiles, and was also the holding company for Laufen USA. Laufen also had a presence in Europe and Brazil. Roca now had operations in 16 countries and became the world's second largest bathroom products group, behind American Standard.

The Indian sanitaryware industry could be divided into the organized and the unorganized sectors. The organized sector had three major players, who marketed their products nationally. They used high quality raw materials and advanced technologies. The unorganized sanitaryware manufacturers were small scale units that were exempt from excise duty and sales tax . They also used old technology, and priced their products 40-50% lower than the organized players. Though their products carried brand names, these were not recognized nationally. Parryware started production in the 1950s and grew steadily. In the initial years, there were not many competitors and the demand was also quite low.

In March 2006, EID Parry created a subsidiary - Parryware Glamourooms Pvt. Ltd. The Parryware business was transferred from EID Parry to PGPL. Around the same time, the EID Parry board announced that Roca had expressed interest in acquiring a stake in PGPL.

In April 2006, Roca bought a 50% stake in PGPL from EID Parry for € 50 million (around Rs. 2.75 billion). The agreements were set to become effective on receipt of Foreign Investment Promotion Board (FIPB) approval after which a name change, to depict the new equity holding pattern, was to be considered.

In June 2006, Roca acquired a Malaysian company, Johnson Suisse Holdings AG, for US$ 27.8 million. In August 2006, it acquired Eagle Brand Holdings Limited (Eagle) of China for RMB 255 million. Eagle was a leading sanitaryware company in China and operated through its three China-based subsidiaries. Commenting on these acquisitions Jose Miguel said, "Our aim is to grow into a more global company."

EID Parry and Roca also announced their intention to invest further in the sanitaryware business. They also had plans for new acquisitions in the business.

END OF CASELET 3

END OF SECTION B

Section C : Applied Theory (20 Marks)

- **This section consists of questions with serial number 8 - 9 .**
- **Answer all questions.**
- **Marks are indicated against each question.**
- **Do not spend more than 25 -30 minutes on Section C.**

8. To be specific, managerial task involves performing a number of regular duties, negotiations and processing of soft information that links the organizations with its environment. As a strategist, discuss the various roles performed by a manager. **(10 marks)**

9. "When different alternatives promise similar payoffs the decision making process becomes judgmental and difficult. This is because the strategic decision-makers are confronted with several viable alternatives rather than a clear-cut choice. Under such circumstances, various factors influence the choice." In this context, discuss the various factors that influence the choice. **(10 marks)**

END OF SECTION C

END OF QUESTION PAPER