

QUESTION BOOKLET NUMBER

0410

Subject Code

MB311**PROGRAM : MBA****SUBJECT : Business Policy and Strategy****DATE : April 18, 2010****TIMINGS: 14:30 Hrs to 17:30 Hrs****TOTAL MARKS: 100****DURATION: 3 Hours***To be filled by the Student*

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| ENROLLMENT NO. | | OMR NO. | |
| TEST CENTER | | SEAT NO. | |

Instructions to Students

1. Fill in the required particulars in the Question Booklet and the Answer Booklet. In the absence of this data, the Answer Booklet will not be evaluated.
2. Use the OMR Answer Sheet to mark answers for section A. Use the Answer Booklet to write responses for sections B and C.
3. See the back cover page for instructions on marking answers in the OMR Answer Sheet.
4. Section A should be attempted first. Time allotted to answer section A is 30 minutes. Return the OMR Answer Sheet 30 minutes after commencement of the examination. Return the Answer Booklet at the end of the examination.
5. Students can retain this Question Booklet after the examination.

Answering Materials distributed along with this question booklet:★ **OMR ANSWER SHEET**● **ANSWER 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. Strategic planners should take into consideration different components of strategic management in finalizing their business strategy. Which of the following components of strategic management depicts the quantity and quality of the company's financial, human and physical resources?
 - (a) Vision
 - (b) Mission
 - (c) Profile
 - ☒ (d) Long-term objectives
 - (e) Policies.

2. Strategy formulation is one of the basic elements in the process of strategic management. Which of the following is **not true** with respect to strategy formulation?
 - (a) It helps an organization to capitalize on available opportunities
 - (b) It helps an organization to address the challenges faced by the organization
 - ☒ (c) It helps an organization to identify the strategic factors which may determine the future of the firm
 - (d) It helps an organization to provide leadership that understands and masters change
 - (e) It helps an organization to incorporate an in-depth planning model that involves the community.

3. The external environment can be classified into two parts, namely, remote environment and operating environment. Which of the following factor(s) is/are considered under the operating environment?
 - I. Social.
 - II. Technical.
 - III. Labor markets.
 - IV. Competitive position.
 - (a) Only (I) above
 - (b) Only (II) above
 - (c) Both (I) and (II) above
 - ☒ (d) Both (III) and (IV) above
 - (e) (II), (III) and (IV) above.

4. Operational control systems help operating managers to implement strategy at their level. Which of the following is **not** a step directly related to designing operational control systems?
- (a) Set standards of performance
 - ~~(b) Measure past performance~~
 - (c) Measure actual performance
 - (d) Identify deviations from standards
 - (e) Initiate corrective action.
5. The process of strategy formulation involves articulating a vision for an organization. Translating the vision into which of the following defines the organization's purpose?
- (a) Objectives
 - (b) Goals
 - ~~(c) Mission~~
 - (d) Policies
 - (e) Procedures.
6. Which of the following is **incorrect** with respect to the technology policy, which the government adopts in order to meet the global competitive challenges?
- (a) Urgent national priority to be given to technology leadership
 - (b) Greater emphasis on Research & Development allocations to improve transfer of basic research to new products and processes
 - (c) Coordination among government agencies in policy setting and allocation of funds to Research & Development
 - ~~(d) Encouragement to industries by decreasing the tax credits for Research & Development investments in industry~~
 - (e) Encouragement to industries to form consortia for developing new technology.
7. Unilever has been selling Sunsilk shampoo in the United States of America, Europe and Asia for several years. It received good response in these places and presently, the market there is saturated. Now Unilever is planning to introduce Sunsilk shampoo in Latin America. Which of the following growth strategies is Unilever following?
- (a) Market penetration
 - ~~(b) Market development~~
 - (c) Product development
 - (d) Concentric diversification
 - (e) Conglomerate diversification.
8. Financial analysis uses four basic groups of ratios to measure the performance of the company. Which of the following ratios is/are used as indicator(s) of a company's ability to meet its imminent financial obligation?
- I. Current ratio.
 - II. Quick ratio.
 - III. ~~Return on equity ratio.~~
 - IV. ~~Return on assets ratio.~~
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Both (I) and (II) above
 - (d) Both (III) and (IV) above
 - (e) All (I), (II), (III) and (IV) above.

9. Richard L. Daft has framed different structural dimensions which formally describe the organization structure. Which of the following structural dimensions refer to the extent of dividing the organizational activities into sub-groups?
- (a) Formalization
 - ✓(b) Specialization
 - (c) Centralization
 - (d) Personnel ratios
 - (e) Professionalism.
10. The cost behavior of value activities is determined by ten major cost drivers. Which of the following cost drivers shapes the transportation modes and communication systems available to a firm?
- (a) Integration
 - (b) Timing
 - ✓(c) Location
 - (d) Economies of scale
 - (e) Institutional factors.
11. Rivalry in an industry occurs when one or more firms make an effort to increase their market share. Rivalry is usually intense under the prevalence of which of the following instances?
- I. Many competitors of the same size.
 - II. Gradual increase in industrial growth.
 - III. Lack of differentiation among the products.
 - IV. ✓ Presence of switching costs.
- (a) Only (I) above
 - (b) Both (I) and (II) above
 - (c) Both (I) and (III) above
 - (d) (I), (II) and (III) above
 - (e) All (I), (II), (III) and (IV) above.
12. In examining the firm's recently completed market attractiveness- business position model, Ravi Verma, the CEO of Allumnati Ltd., finds that the firm's sport sunglasses unit is high on relative market share and relative market growth rate. Which of the following strategies would best serve the company's purpose?
- ✓(a) Invest
 - (b) Harvest
 - (c) Divest
 - (d) Maintain
 - (e) Grow.
13. Corporate social responsibility is a public movement that has gained momentum over the past few decades. Following this momentum, many companies like Bajaj Auto and TVS Motors Ltd., have set up free pollution checkup for two wheelers in several cities across India. Which of the following responsibilities does this activity signify?
- (a) ✓ Economic
 - (b) ✓ Socio economic
 - (c) ✓ Financial
 - ✓(d) Discretionary
 - (e) ✓ Political.

14. Value activities can be classified into two categories, namely primary and support activities. Support activities provide inputs to the primary activities. Which of the following forms a part of support activities?
- ☒ Firm infrastructure.
 - ☐ Marketing and sales.
 - ☒ Human resource management.
 - ☒ Procurement.
- Only (I) above
 - Both (I) and (II) above
 - Both (II) and (III) above
 - (I), (II) and (III) above
 - ☒ (I), (III) and (IV) above.
15. The sources of power are of two types i.e., internal sources and sources for external stakeholders. External stakeholders derive power from which of the following sources?
- Hierarchy
 - Charisma
 - ☒ Expertise
 - Control of strategic resources
 - Control of the environment.
16. Which of the following primary activities in the value chain is concerned with the soundness of material and inventory control system?
- ☒ Inbound logistics
 - ☐ Outbound logistics
 - ☐ Operations
 - ☒ Marketing and sales
 - ☐ Customer service.
17. Managers perform different roles, informational role being one of them. Which of the following comes under the informational role of a manager?
- ☐ Monitor role.
 - ☐ Disseminator role.
 - ☐ Liaison role.
 - ☒ Negotiator role.
- Both (I) and (II) above
 - ☒ Both (II) and (III) above
 - Both (III) and (IV) above
 - (I), (II) and (III) above
 - (II), (III) and (IV) above.
18. With reference to BCG matrix, which of the following would be most disastrous for a company holding portfolio of businesses?
- The cash generated in cash cows to be invested in question marks
 - The cash generated in question marks to be invested in stars
 - The cash generated in dogs to be invested in stars
 - ☒ The cash generated in cash cows to be invested in dogs
 - The cash generated in stars to be invested in cash cows.

19. A leader, who uses coercive power and manipulation to attain personal goals, is called a
- (a) ✗ Phantom
 - (b) ✗ Catalyst
 - (c) ✓ Machiavellianist
 - (d) ✗ Strategic leader
 - (e) ✗ Democratic leader.
20. Benchmarking is the process for improving performance by constantly identifying, understanding and adapting best practices and processes followed by a company and implementing these adapted practices. Which of the following statements is/are **not true** with respect to Benchmarking?
- I. Benchmarking is beneficial in bringing about operational efficiency.
 - ✓ II. ✗ Benchmarking is used as a strategic-decision making tool.
 - III. The main emphasis of benchmarking is on improving a given business operation or a process by exploiting 'best practices', not on 'best performance'.
- (a) Only (I) above
 - (b) Only (II) above
 - (c) Only (III) above
 - (d) Both (I) and (II) above
 - (e) Both (II) and (III) above.
21. Market penetration is a strategy wherein a firm seeks to increase its market share for present products and services in its present markets through increased marketing efforts. Market penetration is pursued as a strategy in the following cases, **except** when
- (a) Correlation between the sales revenues and marketing expenses has been high
 - (b) Economies of scale exist and they provide a significant competitive advantage
 - (c) ✓ Present markets are saturated with present products
 - (d) Usage rates of the present products can be increased sufficiently to justify the increase in marketing expenditure
 - (e) Overall industry sales are witnessing an increase but that of the competitors are declining.
22. Power can be classified into different categories on certain bases. Which of the following types draws its base in organization structure?
- ✓ (a) Legitimate power
 - (b) Expert power
 - (c) Coercive power
 - (d) Referent power
 - (e) Reward power.
23. Which of the following forms of strategic control reflects the need to thoroughly reconsider the firm's basic strategy based on a sudden unexpected event?
- (a) ✗ Premise control
 - (b) ✗ Implementation control
 - (c) ✗ Strategic surveillance
 - ✓ (d) Special alert control ✓
 - (e) ✗ Operational control.

24. Which of the following statements is/are **not true** with respect to the differences between cost leadership strategy and differentiation strategy?
- ☒ The basis of competitive advantage for cost leadership is the lowest cost in the industry and that of differentiation being unique product or service.
 - ☒ There is a wide variety of product line in case of cost leadership, whereas for differentiation, there is limited selection.
 - ☒ In case of cost leadership, production emphasis is on the lowest possible cost with high quality and essential product features, whereas for differentiation, the emphasis is on innovative products.
 - ☒ Cost leadership emphasizes on low price whereas differentiation emphasizes on premium price.
- Only (I) above
 - ☒ Only (II) above
 - Both (I) and (II) above
 - (I), (II) and (III) above
 - (I), (III) and (IV) above.
25. Which of the following is also known as 'greenmail'?
- ☒ Leveraged recapitalization
 - ☒ Golden parachutes
 - ☒ Poison puts
 - ☒ Poison pill defense
 - ☒ Targeted share repurchase.
26. Which of the following forms of corporate restructuring results in the creation of a separate legal entity wherein the shares are distributed among existing shareholders of the parent company on a prorata basis?
- Divestiture
 - ☒ Spin-off
 - Equity carve-out
 - Corporate control
 - Change in ownership structure.
27. Zero-Base Budgeting (ZBB) eliminates the assumption that a year's budget is a reasonable starting point for the next year's budget preparation. Which of the following are **true** with respect to ZBB?
- ☒ Previous experience is assumed only to a limited extent.
 - ☒ It requires that objectives and priorities be reviewed in every budgeting cycle.
 - ☒ It distinguishes between high and low priority areas.
 - ☒ It contains the pursuit of personal objectives by managers.
- Both (I) and (II) above
 - Both (II) and (III) above
 - (I), (II) and (III) above
 - ☒ (I), (III) and (IV) above
 - ☒ (II), (III) and (IV) above.

28. Magna Quest Pvt Ltd. is undergoing a weak competitive position in some of its product lines, resulting in poor performance and risking its survival. In such a situation, which of the following is the best strategy for Magna Quest?
- (a) Concentric diversification
 - (b) Conglomerate diversification
 - ☒ (c) Divestiture
 - (d) Horizontal integration
 - (e) Vertical integration.
29. Yash Raj banner, in order to take the cost advantage, goes in for in-house audio recording of songs for one of its movies. This advantage accrues to Yash Raj on account of which of the following dimensions of competitive scope?
- (a) Segment
 - ☒ (b) Vertical
 - (c) Geographical
 - (d) Industry
 - (e) Firm.
30. Which of the following statements is/are **true** with respect to fragmented industries?
- I. ☒ A large number of small and medium sized companies are contained in a fragmented industry.
 - II. ☒ No firm has a significant market share.
 - III. ☒ Majority of the firms can strongly influence the outcome of the industry.
 - IV. ☒ Fragmented industries have high level of entry barriers.
- (a) Only (I) above
 - (b) Only (II) above
 - ☒ (c) Both (I) and (II) above
 - (d) (I), (II) and (III) above
 - (e) (I), (III) and (IV) above.

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| END OF SECTION A |
|-------------------------|

Sections B&C

Section B : Caselets (50 Marks)

- This section consists of questions with serial number 1 – 6.
- 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

Answer the following questions based on the given Caselet:

1. eBay is widely regarded as one of the few success stories of the dot-com economy. Discuss the factors which contributed to the growth of eBay in becoming one of the world's leading online market players. (9 marks)

2. For eBay to tap into the VoIP opportunity, the company could either have started its own VoIP firm or opted for a merger and acquisition (M&A) with a suitable VoIP company. eBay decided to pursue the second alternative and believed that Skype would fit into its overall value proposition. In this context, discuss the different types of mergers. Also identify the category of merger under which eBay-Skype merger could be classified with reasoning. (9 marks)

If you were a Britney Spears fan and wanted to purchase some memorabilia of hers like an autographed photo, you would be most likely to find them at www.ebay.com, the world's largest online marketplace. With around 200 million registered users (as of June 2006), and goods worth over US\$ 1,381 being traded every second, eBay Inc. (eBay) was widely regarded as one of the few success stories of the dot-com economy. What started out as a hobby turned into a worldwide phenomenon that showcased the spirit of entrepreneurship and the real potential of the internet. For eBay, the online business volumes were built up by a loyal group of users-referred to as the 'eBay community', who sold and bought goods from each other over the Internet. This was different from the traditional business model because it was these users and not the employees who worked to generate business for the company. Thousands of people had given up their jobs to create their own full-time businesses by selling on eBay (in 2003, this number was estimated to be 150,000). eBay was not just a favorite marketplace for individuals looking for a bargain deal. Even large companies like The Walt Disney Company (Disney) and IBM started selling their products and merchandise through eBay. eBay was not the only company seeking to dominate the Internet space. Yahoo! Inc. (Yahoo!), Google Inc. (Google), AOL LLC (AOL), and software giant Microsoft Corporation (Microsoft) were also actively trying to expand their influence over the Internet economy.

With the meteoric increase in the number of users, came the need for greater investment to support the company's rapid growth. In June 1997, Pierre Omidyar (founder of eBay) approached Benchmark Capital (Benchmark), a leading venture capital firm in the US, for funds. Benchmark invested US\$ 4.5 million in eBay and obtained a 22 percent stake in the company.

As the company was growing rapidly, the founders felt the need to bring in a person who could instill a customer-centric vision into the company and focus on marketing and brand building. eBay was still a predominantly 'techie-driven' company and Omidyar realized that what eBay needed was a person who had the ability to sustain eBay's meteoric growth in user base as well as the management expertise to deliver consistent growth in revenues and profits. Benchmark delegated the responsibility of finding such a manager to David Beirne (Beirne), a well-known headhunter in Silicon Valley. Beirne convinced Meg Whitman (Whitman) to join eBay.

In 2003 and 2004, eBay sought to strengthen its presence in growing overseas markets like China, Korea and India through select acquisitions. eBay entered China in 2002 by acquiring a 33 percent stake in EachNet, a leading Chinese auction site, for US\$ 30 million. In 2003, it acquired the remaining 67 percent stake in EachNet for US\$ 150 million. In August 2004, eBay completed its acquisition of Baazee.com, an Indian auction website, for US\$ 50 million.

By end 2004, Voice over Internet Protocol (VoIP) was emerging as the hottest new business opportunity for Internet companies. Analysts noted that the main factor driving the growth in VoIP was the increased penetration of broadband. At the global level, almost 24.5 million broadband connections were added in the first half of 2005, taking the total registered broadband connections to 176 million as on June 30, 2005. Thus, VoIP was touted as the 'next big thing' that would be driven by the popularity of broadband Internet services. VoIP companies with large subscriber bases were prime takeover targets for these Internet companies and there were numerous media reports about potential deals. The buzz on eBay's moves was finally laid to rest in September 2005, when it announced that it would acquire Skype Technologies SA (Skype), a growing software company, for US\$ 2.6 billion (US\$ 1.3 billion in cash and US\$ 1.3 billion in stock).

Skype, a freely downloadable software program that allowed the user to make free calls over the Internet to other Skype members, was founded by Niklas Zennström (Niklas) and Janus Friis (Janus) in 2003. Niklas and Janus were passionate evangelists of the power of Peer-to-Peer (P2P) computer networks.

For eBay to tap into the VoIP opportunity, the company could either have started its own VoIP firm or go for a merger and acquisition (M&A) with a suitable VoIP company. eBay decided to pursue the second alternative and believed that Skype would fit into its overall value proposition. This buyout was expected to result in high revenue growth for eBay, as had happened after the acquisition of PayPal in 2002. On eBay, almost five million email messages were exchanged per day between buyers and sellers.

END OF CASELET 1

Caselet 2

Answer the following questions based on the given Caselet:

3. In the 1990s, consumer appliances, Matsushita's leading revenue generating category, registered a decline in profits. Discuss the reasons for Matsushita's declining performance. (6 marks)
4. Discuss how Matsushita improved its performance using several restructuring initiatives. (9 marks)

In the early 2000s, the stores in Japan displayed a wide variety of consumer electronics gadgets like palm-size camcorders, DVD recorders, plasma TV, etc. These product

offerings from Matsushita's Panasonic brand attracted more attention and recorded higher sales as compared to the competitors Sony Corporation and Toshiba Corporation's products. The print and electronic media ran commercials on the theme, "Panasonic: Ideas for Life". And analysts commented that the brand Panasonic had been reborn. Matsushita manufactured various consumer electronics goods ranging from kitchen electrical appliances, factory automation devices to modern electronic gadgets. In the 1990s, consumer appliances, Matsushita's leading revenue generating category, registered a decline in profits.

The Japanese style of management resulted in a large and aging workforce. The close monitoring of the subsidiaries by the holding company acted as a hindrance to the growth of the subsidiary companies. Matsushita's policy of acquiring technology from the partners and mass manufacturing failed in the 21st century. The diversified group was difficult to manage. However, the scenario changed when Kunio Nakamura (Nakamura) who took over as president of Matsushita in 2000 transformed the 85-year-old company into a super manufacturing company ready to face the competition in the 21st century. Under his leadership, those companies under the Matsushita group that were not performing well were closed down or sold. The companies in the same area of business were merged to avoid duplication of efforts in the group. The reforms in various areas like R&D and sales and distribution were done to reduce inefficiencies. In March 2003, Matsushita's operating profit was \$574 million on net sales of \$61,680 million.

In 1990, Matsushita acquired MCA Inc., a US movie studio, with the idea of including the hardware (TV, VCR and CD players) and software products (music, movies and TV shows) in the field of electronic entertainment in its portfolio. The deal cost the Matsushita group \$6.59 billion. The acquired firm had problems with Matsushita's bureaucratic style of management. Matsushita executives would turn down MCA's request for funds and there was a communication gap because Matsushita executives didn't know English. In 1995, Matsushita sold 80% of its stake in MCA Inc., to the liquor company, Seagram. Matsushita lost ¥164.2 billion through the MCA stock sale, due to foreign exchange losses. In the financial year 1991-1992, Matsushita had interest bearing debts as high as ¥2.755 trillion on the books. In 1993, Tanii resigned, accepting the responsibility for the sharp drop in profits and 700,000 defective refrigerators, which the company had to call back. At the beginning of 2000, Kunio Nakamura (Nakamura) was appointed as the new president of Matsushita. Nakamura had been with Matsushita since 1962 and had successfully headed the US and European operations. Nakamura made a mid-term plan "Value Creation 21" with the aim of transforming the company into a lean and agile "Super Manufacturing company". The plan consisted of two parts - destruction of the old management structure and creation of a new one to compete in the 21st century. The destruction phase was aimed at reducing the inefficiencies in the company with the help of structural reforms. In the creation phase, the company wanted to develop V-products (products with high margins) and launch them in the domestic and overseas market. The concrete objectives of the plan were to increase the operating margin from 2.2% in 2000 to 5% in 2004 and make consolidated annual sales of \$81 billion, by 2004, increase overseas production to 40% of total manufacturing by 2004 from 30% of total manufacturing in 2000.

In 2002, the company launched a DVD-RAM recorder and PDP TV. According to the market researcher NPD Techworld, Matsushita captured 50% of the global DVD recorder market in the same year. It also enjoyed a 30% market share of the large screen plasma display TVs. Also its camera cellular handsets were becoming more and more popular.

At the end of the financial year 2003, Matsushita made an operating profit of \$574 million on net sales of \$61,680 million. The growth was attributed to the 88 V-products launched by the company, which generated sales of 1 trillion yen. MCICL had sales of US\$5.9 billion in 2002. It was the first manufacturing company to make a 3G handset for commercial use. MCICL aimed to make thin, light-weight camera phones and capture 15% of the global wireless phone market by the end of 2003. In 2003, Matsushita decided to consolidate all its brands outside Japan under the single brand name 'Panasonic' by March 2004. The brand Panasonic contributed about 90% of Matsushita's sales outside Japan. As a part of its global brand strategy, a campaign "Panasonic ideas for life" was launched in 2003.

END OF CASELET 2

Caselet 3

Answer the following questions based on the given Caselet:

5. China's mobile phone industry is one of the most promising and fastest growing industries in the world. In this context, analyze the mobile phone industry in China by applying Michel E. Porter's five forces model.

(10 marks)

6. In China, Nokia operated through joint venture partners, though it was required to share its technology with these partners. Discuss how joint-venture helped Nokia to achieve operational efficiency in China?

(7 marks)

Way back in the 1930s, when Nokia had been involved in the forest industry, it had exported its products to China. Again in the mid-1980s, Nokia entered the Chinese telecommunications market just after the country had started accepting Foreign Direct Investment. In China, Nokia operated through joint venture partners, though it was required to share its technology with these partners. In China, it was mandatory to transfer technology to get market access. According to Folke Ahlback, Chairman, Nokia China, "In China, it's very advisable to work with partners. I would not advise anyone to go to China without a partner for such a complicated business like telecoms. After building a business together, your joint-venture partner becomes your trusted partner."

Analysts felt that there were several advantages in entering a country through a joint venture. And the Chinese government too encouraged this mode as it provided technological know-how. The joint ventures helped Nokia in improving its competitive position and in procuring a share in the local market. The company made substantial investments in China by entering into partnerships with various domestic companies for the manufacture of Mobile Digital Switches, GSM Cellular Systems, and mobile phones and accessories. It also upgraded itself through joint ventures by venturing into manufacturing and marketing of digital multimedia terminals. It also improved efficiency in the production of digital switches, base station controllers and fixed digital switches.

During the early-1990s, Motorola was the market leader in the Chinese mobile handset market with a share of over 80%. At that time, the use of mobile phones was limited to the upwardly mobile and the high aspirational value attached to Motorola made it the most preferred handset vendor in the country. Nokia continued to invest in China and by the end of 1990s, it had built GSM networks in nine regions in China.

The Chinese government liberalized the telecom market in 1998 by creating the Ministry of Information Industry (MII). It restructured China Telecom, its fixed line company, and created six different companies - four mobile operators being a part of it. This led to

increased competition. By 1998, Chinese government, in order to encourage the local players, mandated a licensing system for manufacturers of mobile phones. However, this did not restrain the big players from competing in the Chinese market. In 2004, Nokia was the market leader with 30% market share, followed by Motorola, Samsung, Siemens, LG and Sony Ericsson with 20%, 15%, 7%, 6% and 6% respectively. The local companies comprised the rest 16%. The domestic players gave stiff competition to the big players by offering mobile phones with all features, on low price. Various advertisement campaigns were launched by the companies to make the buyers well-informed about their products in China.

In 2004, Nokia announced that it was planning to locate its second 3G mobile equipment manufacturing site in China. The company, which had been manufacturing 3G base stations in Finland, intended to locate the new 3G base station manufacturing facility in Suzhou, a city neighboring Shanghai, where it already had a R&D center. By October 2004, China had emerged as the world's largest mobile phone market, with over 334 million subscribers. Nokia recorded sales of € 2,678 million in the year.

In October 2005, Nokia entered into a joint venture with China Putian Corporation to form a venture called Potevio. The venture aimed at third generation network solutions for TD-SCDMA and W-CDMA technology. Nokia had a stake of 49% in the venture.

In 2007, Nokia entered into a partnership with Tsinghua University in China to establish a research facility. As per the agreement, the professors and students of the university would collaborate with Nokia for research on several topics that included wireless and the Internet, interaction solutions, and multimedia communication devices. In October 2007, the Chinese government announced that it was relaxing license regulations for manufacturing handsets in the country. This resulted in a cancellation of the mobile phone production license and approval system. Earlier, companies intending to manufacture mobile phones in China needed to obtain approval from the National Development and Reform Commission (NDRC). If companies intended to sell the phones in China, the Ministry of Information Industry had to quality test and authorize the products. With the new regulations, the handset manufacturers did not need approval from NDRC. Analysts were of the view that these regulations would lead to the proliferation of new manufacturers.

The number of mobile subscribers in China reached 374.45 million in December 2005. The Chinese mobile market grew in a rapid manner and mobile operators engaged in fierce competition to create new demand. As a result, the annual growth rate amounted to about 9.7% after 2005. Backed by this growth trend, it is expected that 595.46 million Chinese people, i.e. 44.18% of the total population, will subscribe to mobile communications service in 2010.

In China, there are opportunities for new entrants to establish themselves as mobile manufacturers. Customers are in better position to bargain and there is cut-throat competition amongst industry players. This is resulting in the decrease of the profitability of the mobile phone industry in China.

END OF CASELET 3

END OF SECTION B

Section C : Applied Theory (20 Marks)

- This section consists of questions with serial number 7 - 8.
- Answer all questions.
- Marks are indicated against each question.
- Do not spend more than 25 -30 minutes on Section C.

7. The 21st century requires managers who understand their role under conditions of rapid change. In certain situations, there are forces which are beyond the control of managers. In this context, discuss the challenges that managers face in the 21st century. (10 marks)
8. An organization should be structured in such a way so as to go beyond maximizing performance levels and effectiveness of operations. Elaborating on the statement, discuss the different types of organization structures, which an organization can adopt. (10 marks)

END OF SECTION C**END OF QUESTION PAPER**