



MB 114 (R)

Third Semester M.B.A. Examination, July 2010

MANAGEMENT

Course – 14 : Business Policy and Strategic Management (Repeater)

Time : 3 Hours

Max. Marks : 75

SECTION – A

1. Answer **any five** questions. **Each** question carries **2** marks. **(5×2=10)**
- a) What is a Grand Strategy ?
 - b) What is Gap analysis ?
 - c) What is the Mission statement ?
 - d) What are the elements of strategy ?
 - e) What is Core competence ?
 - f) What is meant by Strategic choice ?
 - g) What is industry analysis ?

SECTION – B

- Answer **any four** questions. **Each** question carries **five** marks : **(4×5=20)**
- 2. Distinguish between “Vision” and “Mission” statements.
 - 3. What are the environments under which business operates ?
 - 4. What is Product Life Cycle ?
 - 5. What is Business Life Cycle ?
 - 6. Explain the Process of MBO.
 - 7. What is meant by Business Acquisition ?

P.T.O.



SECTION – C

Answer **any three** questions. **Each** question carries **10** marks.

(3×10=30)

8. Describe the Strategic Management Process.
9. What is internal analysis ? Discuss with examples.
10. What problems does growth pose ? How to overcome the problems ?
11. How does globalization impact strategy formulation ?
12. Why companies diversify to unrelated fields ? Will it not create conflict with core competency ? Discuss.

SECTION – D
(Compulsory)

13. Case Study :

(1×15=15)

Alcatel was born out of the merger of two telecom giants of Europe, *Compagnie Generale d'Electricite* (CGE) and ITT's telecom wing, creating the world's number one company in telecom. The promoters of Alcatel wanted a vibrant and pulsating entity, which would be the frontrunner in telecom in the world. They were not interested in merging merely for the sake of combining the two balance sheets of the firms, which had different work style and different cultural ethos. However, they had a common desire to succeed as Alcatel.

The chairman of the merged firm, Alcatel, set the following guidelines for the firm :

- Believe that the merger had to succeed.
- Speed of action is the key to gaining credibility for Alcatel
- Get rid of weaknesses in each of the firm's constituents.
- Put everything in order in a year. This was a tall order with more than 125,000 employees, overlapping product lines, and operations in more than 100 countries.

As speed was of essence, it was decided to take good enough decisions, rather than wait for optimized solutions. It was not easy to have the managers running



their business change to the new ways of doing things. The sudden shock of merger did the job of unfreezing the firm. In the process, they were able to put the best of both organizations together in the new entity.

Alcatel has five main product groups, which are :

- Public switching
- Transmission
- Business systems
- Cables
- Network engineering

Alcatel's board of directors meets once in six weeks to discuss and decide on the following key areas :

- Acquisitions and mergers
- Product development
- Overseas markets
- Key appointments and promotions

This demarcation of powers has left the confusion out of the top management. It has also given greater responsibility to unit operations managers. Alcatel works with the matrix organization structure, with half of the executive committee members having dual responsibility as product group head and operational manager. Thus, the product group decisions are taken by people through direct interaction, with customers and competitors as operational heads. This also helps the person carrying out dual roles, as he can mobilize resources for products he wants to market.

The French managers of CGE did not want to share the markets they considered their own with outsiders, and the American managers of ITT were reluctant to be brought under European control.

Alcatel spent the time from September 1986 to the end of the year negotiating the merger deal with their ITT counterparts. During this period they tried to understand their business and their people, which greatly helped in starting the merged organization, Alcatel, from January 1987. In filling senior posts the board made great efforts to keep the French bias out of the selection process.



The Alcatel Way – Under their People Plan, Alcatel has installed genuine commitment in their 250 senior managers, who are primarily responsible for implementing their central strategy. In return, the board looks after their career plan to ensure they reach the top echelon of the organization.

In the new Alcatel regime, business strategy cannot be fragmented divisionised in any way, despite the fact that an HQ staff of half the size of former ITT staff is handling twice the volume of sales.

From the start the board understood the unfreezing of attitudes and that it had to be encountered by strong planning and financial discipline.

ITT followed a system of five-year plans but the budget had to be revised frequently in the monthly meetings. The managers, who weren't performing well, would down size their targets. Alcatel started the system unalterable, yearly budgets, to which the managers have to commit themselves. Five year strategic plans also exist within the guidelines of product groups and the executive committee.

Alcatel describe as a European business with global objectives. Today, it can be recognized as a global business that happens to have its roots in Europe. It has succeeded because Alcatel framed its strategies well and without losing time. Alcatel wanted to project a strong image wherever possible. So, in March 1987, the board decided that, as big players dominate the world telecom market, its operating units around the world would help Alcatel to be a major player, by adding 'Alcatel' word in their name. Local objections were easily removed by massive investment in image building, which local units could never dream of doing.

Discuss :

- 1) What are the main features of merger that make it successful ?
- 2) Do you think they could have done something differently.
