Question Paper
Business Policy and Strategy (MB3I1) : January 2009
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. An organization's vision and mission act as guidelines for strategy formulation. Which of the following are the main components of a well-conceived vision? <Answer>

I. Core ideology.
II. Envisioned future.
III. Philosophy of the business.
IV. Principle technology.

(a) Both (I) and (II) 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.

2. Jaguar manufactures its cars in Europe and provides sales and services in different countries. Thus, Jaguar derives a cost advantage by sharing technology development and manufacturing costs across different regions. This is an example of <Answer>

(a) Segment scope
(b) Vertical scope
(c) Horizontal scope
(d) Geographic scope
(e) Industry scope.

3. The assessment of the top management of the organization is a major reason for the internal analysis of an organization. Which of the following are the important questions to be asked by the analyst while assessing top management? <Answer>

I. How has the organization been managed in the past?
II. How well is the company prepared to face the future?
III. How do stockholders collectively make themselves heard?
IV. How well did management assess its position, plan for change and carry out change?

(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.

4. In today's global environment, rapid changes in technology, competition, customer demands have increased the rate at which companies need to alter their strategies to survive in the market place. Which of the following is/are the reason(s) for a technical change? <Answer>

I. When new developments are made by competitors.
II. Strategists wishing to harness new technologies.
III. The tendency for large organizations and markets to become increasingly global.
IV. The greater skills of managers and employees.

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

<Answer>

5. Which of the following cost drivers is **not** included in the institutional factors?

(a) Tax holidays
(b) Location
(c) Unionization
(d) Tariffs and levies
(e) Local content rules.

<Answer>

6. Active and independent is one of the phases in three phase internationalization model. Which of the following are the reasons why company chooses to increase its commitment to internationalization in this phase?

I. The firm doesn't have any opportunity to learn and improve its position.
II. By producing locally, the firm can serve the local customers better.
III. Some countries impose high tariff barriers making it difficult and expensive to operate from outside.
IV. The firm doesn't want to share its company specific knowledge with other firms and wants to control the knowledge through franchising, licensing or other modes.

(a) Both (I) and (II) 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.

<Answer>

7. Managers perform different roles. Which of the following is/are the interpersonal role(s) of a manager?

I. Figurehead role.
II. Entrepreneurial role.
III. Monitor role.
IV. Spokesman role.

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

<Answer>

8. Retrenchment strategies are adopted when the firm's survival is at stake. Liquidation is one of the retrenchment strategies. Which of the following statements are **true** regarding liquidation strategy?

I. It involves closing down a business organization and selling its assets.
II. It is adopted when the company has a weak competitive position in some or all of its product lines.
III. It is adopted when the industry is unattractive and the company too weak to be sold as a going concern.
IV. In this, the management converts as many saleable assets as possible to cash, which is then distributed to the shareholders after all obligations are paid.

(a) Both (I) and (II) 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.

<Answer>

9. Which of the following is a series of different budgets based on different levels of output?

(a) Zero base budget
(b) Cash flow budget
(c) Balance sheet budget
(d) Flexible budget
(e) Variable budget.

10. Looking at strategic management as a process helps to highlight certain aspects of the strategic management model. In this regard, which of the following statements are **true**? <Answer>

I. A change in any component will have an influence on several other components.
II. The process of strategic management should be kept flexible.
III. A proper structure is essential for strategy to be operational.
IV. Feedback from institutionalization, review and evaluation will loop back into the early stages of planning.

(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.

11. Who among the following is having the responsibility to design the organizational structure based on the objectives, policies, environmental factors, expectations of employees etc.? <Answer>

(a) Managers
(b) General managers
(c) Board of directors
(d) Chief Executive Officer (CEO)
(e) Consultants.

12. The strength of a culture influences the intensity by which organizational members comply with it as they go about their daily activities. The specific feature(s) of culture that determine its strength is/are <Answer>

I. Thickness.
II. Extent of sharing.
III. Clarity of ordering.
IV. Nature of the company.

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

13. Identification of potential buyers by the project team initiates the selling process. Which of the following is/are the category(ies) of potential buyer? <Answer>

I. Direct competitors.
II. Suppliers and customers.
III. Buyers who want to broaden their product lines.
IV. Buyers looking for operational economies of scales.

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

14. In the initial step of a value chain analysis, a company's operations are divided into business processes or <Answer>

(a) Specific activities
(b) Competitor analysis
(c) Product life cycle
(d) Trade-offs
(e) Value judgments.

15. Policies are directives designed to help managers and their subordinates in the implementation of organizational strategy. Which of the following are the purpose of business policies? <Answer>

I. They are designed to control and reinforce the implementation of functional strategies and the grand strategy.
II. They establish indirect control over independent action by making clear statements about how things are to be done.
III. They assess the strengths and weaknesses of the company's management and organizational structure.
IV. By limiting discretion, they in effect control decisions and conduct activities without direct intervention by top management.

(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.

16. In cost analysis, the first step is to define a firm's value chain and to assign operating costs and assets to value activities. Which of the following statements is **not true** regarding assigning costs and assets? <Answer>

(a) Operating costs should be assigned to the activities in which they are incurred
(b) The assigning of the assets should be done to the activities that employ, control or mostly clout their use
(c) Though assigning of operating costs is time consuming, it is straightforward
(d) Since assets are costlier and their selection and use often get entangled with trade offs with operating costs, assets must be assigned to value activities in some way that will permit an analysis of cost behavior
(e) Assigning operating costs to activities is more complicated than assigning assets.

17. The personnel department must take care in recruiting people that meet industry specifications. When recruiting employees, which of the following factors are to be considered by the personnel department? <Answer>

I. Reputation as an employer.
II. Local employment rates.
III. Demographic variables.
IV. Ready availability of personnel with the necessary knowledge and skills.

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

18. Financial strategies direct the use of resources in supporting long term goals and annual objectives. Working capital management is an important component of the financial strategy. Which of the following statement(s) is/are **true** regarding working capital management? <Answer>

I. The seasonal and cyclic fluctuations in the size and pattern of receipts and disbursements of a firm influence the capital requirements of the firm.
II. Financial strategy should provide the guidelines for conserving and rebuilding the cash balances required for daily operations.
III. The working capital requirements are determined through estimations of the cash flow.

(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.

19. Which of the following strategy involves making decisions about the competitive position of a single business unit? <Answer>

(a) Corporate level
(b) Business level
(c) Functional level
(d) Operational level
(e) Technical level.

20. The matching stage of the analytical framework for strategy formulation is called corporate portfolio analysis. Which of the following statement(s) is/are **true** regarding corporate portfolio analysis? <Answer>

I. This strategy involves making decisions about the competitive position of a single business unit.
II. This strategy has to be adoptable to multiproduct market firms in which each product/market is managed as a separate business or profit center.
III. Each business is a separate entity and a contributor to the corporation's total portfolio of business.
IV. This approach provides a simple way of identifying and evaluating alternative strategies for the generation and allocation of corporate resources.

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

21. The process of internal analysis, when matched with the results of management's environmental analysis and mission priorities, provides the critical foundation for <Answer>

(a) Strategy formulations
(b) A grand strategy
(c) Company profile
(d) Long term objectives
(e) Annual objectives.

22. Divisional organizational structure is one of the types of structural choices that are currently used by most business firms. Which of the following is/are the advantage(s) of divisional organizational structure? <Answer>

I. It helps the corporate management to delegate authority for the strategic management of distinct business equity.
II. It helps the progress in critical decision making within each division in response to different competitive environment and compels the corporate management to stress upon corporate level decisions.
III. It has the combined advantage of both functional specialization as well as the product specialization.
IV. The number of middle managers gets increased with the help of this structure, exercising general management responsibilities and broadens their exposure to organization wide strategic concerns.

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

23. Long term objectives are statements of the results a firm seeks to achieve over a specific period. To achieve long term prosperity, strategic planners commonly establish long term objectives in various areas. Which of the following is **not** an area in this regard? <Answer>

(a) Pricing
(b) Employee development
(c) Public responsibility
(d) Competitive position
(e) Employee relation.

24. Which of the following environment consists of a set of forces such as political, social, technological, and industrial that originate beyond a firm's operating situation? <Answer>

(a) Remote
(b) Planning
(c) Economic
(d) Legal
(e) Operating.

25. Which of the following may be the **most** appropriate means of transfer in situations where the knowledge to be transferred is complex or embedded in a complicated set of technological and organizational circumstances? <Answer>

(a) Management by objectives
(b) Multiple surtax exemptions
(c) Participative training
(d) Class room training
(e) Learning-by-doing and teaching-by-doing.

26. The stronger a company's culture becomes and the more that culture is directed towards the organizational stakeholders, the less the company uses <Answer>

I. Policy manuals.
II. Organizational charts.
III. Procedures and regulations.
IV. Detailed rules.

(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.

27. Which of the following is **not** a financial reform that a government has to take to be competitive in the global market? <Answer>

(a) Change in tax laws
(b) Change in capital gains
(c) Permission to banks to invest in equities
(d) Removal of incentives for financial manipulation in buying
(e) Increased tax credits for R&D investments in industry.

28. Failure to deal effectively with crises can lead to loss of <Answer>

I. Controversies.
II. Confidence.
III. Competitiveness.
IV. Market share.

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

29. The basic objective of the production function is to ensure that the outputs produced have a value that exceeds the combined costs of the inputs and the transformation process. The production strategies of small business units would be different from those of large business units. Which of the following variables are generally present in these large business units? <Answer>

I. Capital-labor substitutions.
II. Economies of scale.
III. Product diversification.
IV. Learning.

(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.

30. In which of the following, a company which intends to acquire a controlling interest in another company asks the shareholders of the target company to submit their shares of stock in the firm? <Answer>

(a) Equity carve out
(b) Spin-off
(c) Split up
(d) Divestiture
(e) Tender offer.

END OF SECTION A

Business Policy & Strategy (MB3I1) : January 2009

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, examine the various advantages that can be gained by this merger between InBev and Anheuser-Busch. Also, discuss the measures taken by InBev to overcome the concerns after the merger. <Answer>

(7 marks)

2. "On June 12, 2008, Belgian-Brazilian brewing company InBev announced that it had agreed to a US$46 billion offer for the company." In this context, discuss the economic rationale for major types of mergers in the world of business. <Answer>

(8 marks)

On June 12, 2008, Belgian-Brazilian brewing company InBev announced that it had agreed to a US$46 billion offer for the company. If this had been successful, it would have joined two of the world's four largest brewing companies (based on revenue) and created a company that brews three of the top beers in the world, namely Bud Light, Budweiser, and Skol. InBev also stated that the merger would not result in any U.S. brewery closures and they would also attempt to keep on management and board members from both companies. On June 25, 2008, Anheuser-Busch officially announced that they would reject InBev's offer and provide a restructuring of company to maintain shareholders and United States World Headquarters in St. Louis. On July 1, 2008, InBev urged Anheuser-Busch shareholders to vote in favor of the buyout as InBev felt the offer of $65 per share should be considered a reasonable offer in view of the falling stock market. The company had previously filed suit in Delaware, after the rejection of their offer, to ensure that the stockholders could oust Anheuser-Busch's 13 board members. On July 7, 2008, Anheuser-Busch filed a lawsuit against InBev to stop them from soliciting support of shareholders, stating that the company's offer is an illegal scheme. InBev is also accused of concealing that they do business in Cuba, which might have created additional obstacles to their efforts to operate in the United States.

On July 13, 2008, Anheuser-Busch and InBev said they have agreed to a deal, pending shareholder and regulatory approval, for InBev to purchase Anheuser-Busch at $70 per share, creating a new company to be named Anheuser-Busch InBev. Anheuser-Busch would get two seats on the combined board of directors. The all-cash agreement, almost $52 billion in total equity, would create the world's largest brewer, uniting the maker of Budweiser and Michelob with the producer of Stella Artois, Hoegaarden, Leffe and Beck's, Bass, Labatt and Brahma. InBev said it would be the world's third largest consumer products company by market capitalization after Procter & Gamble of the United States and Nestle SA of Switzerland. Anheuser makes Budweiser - the most popular beer in the US - and some US politicians had expressed anger at the prospect of a foreign takeover.

In a concession to political concerns about the deal, Budweiser's headquarters will remain in St Louis, Missouri while none of Anheuser's US breweries will be closed. InBev is offering to pay $70 a share for Anheuser in a deal which must be approved by shareholders of both businesses. The combined business will have annual sales of $36.4bn, equivalent to 46 billion litres of beer a year.

It will bring a host of popular brands including Beck's, Hoegaarden and Staropramen - in addition to Budweiser and Stella - under one roof. InBev, itself formed by a giant merger of Brazil's AmBev and Belgium's Interbrew several years

ago, described the deal as "historic".

"Together, Anheuser-Busch and InBev will be able to accomplish much more than each can on its own," said InBev's Brazilian boss Carlos Brito, who will become chief executive of the new firm. "This combination will create a stronger, more competitive global company with an unrivalled worldwide brand portfolio and distribution network, with great potential for growth all over the world." Anheuser boss August Busch said the transaction would "enhance global market access for Budweiser, one of America's truly iconic brands".

There are widespread fears that the deal will lead to substantial job losses in the US Midwest at a time while the threat of recession is hanging over the economy. Although savings of $1.5bn are anticipated by 2011, commentators are not expecting an employee headcount reduction since the two entities presently operate in different global spheres. Rather, they expect savings to come from shoring off non-brewing activities like packaging and theme parks.

Anheuser - which employs 6,000 staff - currently controls nearly half of the US market, while InBev is strong in Western European and Latin American markets. Anheuser also owns stakes in Mexican brewer Grupo Modelo and Chinese brewer Tsingtao. The deal should give Budweiser a platform to boost its growth in Europe where, apart from a number of markets like the UK, it has been relatively weak.

"The synergies are better than expected, $70 is a reasonable price and InBev has avoided a long, drawn-out battle in the courts," said Wim Hoste, from KBC Securities. The beer market has been rapidly consolidating in the face of cost pressures and declining sales in many mature markets. Scottish & Newcastle, the UK's largest brewer, was recently bought out by Heineken and Carlsberg.

Anheuser-Busch began as a small brewery located in St. Louis, Missouri. In 1860, Eberhard Anheuser, a prosperous German-born soap manufacturer, became owner of the struggling brewery. Adolphus Busch, Anheuser's son-in-law, became partner in 1869, and became president when Anheuser died in 1880.

Adolphus Busch was the first U.S. brewer to use pasteurization to keep beer fresh, the first to use artificial refrigeration and refrigerated railroad cars and the first to bottle beer extensively. In 1876, Busch introduced America's first national beer brand: Budweiser. Anheuser-Busch became the largest brewer in the United States in 1957. It today produces about 11 billion bottles of beer a year.

Anheuser-Busch International, Inc. was established in 1981, and is responsible for the company's foreign beer operations and equity investments. Today, Anheuser-Busch operates 12 breweries and several theme parks in the United States and has operations around the world.

InBev was created in 2004 from the merger of the Belgian company Interbrew and the Brazilian company AmBev. Before the merger with Ambev, Interbrew was the third largest brewing company in the world by volume, Anheuser-Busch was the largest, followed by SABMiller in second place. Heineken International was in fourth place and AmBev was the world's fifth largest brewer.

InBev announced in 2005 and confirmed in 2006 that it would move the brewing of Hoegaarden to the Piedboeuf brewery in Jupille, which resulted in some protests. In September 2007 however, it was announced that brewing would continue at the Hoegaarden Brewery in Hoegaarden. InBev dethroned Anheuser-Busch in 2006 as the world's largest brewer by sales. Revenue in 2007 was $19.7 billion, while Anheuser Busch had $16.7 billion in sales.

END OF CASELET 1

Caselet 2

Read the caselet carefully and answer the following questions:

<Answer>

3. "Culture is a strength as well as a weakness. It is strength since culture eases and economizes communications, facilitates organizational decision-making and control. **(7 marks)**

Culture, on the other hand, becomes a weakness when important shared beliefs and values interfere with the needs of the business." In this context, discuss the basic processes that lie at the heart of any organization.

4. "The culture ensured that Cisco was on the list of the Fortune magazine's '100 best places to work' for eight consecutive years, starting 1998." In this light, discuss the various attributes of the culture helped Cisco to bounce back from the crisis. <Answer>

(6 marks)

Cisco Systems Inc. (Cisco), the leader in Internet Protocol (IP)-based networking technologies and networking gear, recorded $2.2 billion in revenues and a market capitalization of $9 billion in 1995. By March 2000, market capitalization went up to $ 531 billion while revenues in 2000 were $19 billion. In 1995, Cisco accounted for 15% of the networking industry's profit and this figure went up to 50% in 2000. But with the tech meltdown of 2000-01, telecom companies and Internet service providers stopped purchasing telecom equipments from Cisco. Cisco was thus on a free fall, a situation the top management did not expect.

"If somebody would've told me then that we'd go from 70% growth to minus 30% growth in 45 days, I'd have said it was mathematically impossible," said John T. Chambers (Chambers), President and CEO, Cisco Systems Inc.

Though the company recorded losses in 2001, it bounced back with net profits the next year. Cisco's net sales for fiscal 2004 were $22.0 billion, an increase of 16.8 percent from the $18.9 billion for fiscal 2003, while net income for fiscal 2004 was $4.4 billion or $0.62 per share, compared with $3.6 billion or $0.50 per share for fiscal 2003. Industry observers were quick to point out that it was the organization culture of Cisco that helped it survive the tough periods of meltdown. Cisco was founded on a culture based on the principles of customer focus, open communication, empowerment, trust, integrity, and giving back to the community. This culture ensured that Cisco was on the list of the Fortune magazine's '100 best places to work' for eight consecutive years, starting 1998.

Headquartered at San Jose, California, US, Cisco was incorporated on December 10, 1984. The company was founded by a group of computer scientists, who designed a software named IOS (Internet Operating System), which could send streams of data from one computer to another. This was loaded into a box containing microprocessors specially designed for routing. In 1985, the company started a customer support site from where customers could download software over FTP (File Transfer Protocol) and also upgrade the downloaded software. Cisco, on its site, also provided a database that contained information about potential software problems to help customers and developers.

By 1991, Cisco's support centre was receiving around 3,000 calls a month, which increased to 12,000 by 1992. To deal with the large volume of transactions, it built an online customer support system on its site.

In 1993, Cisco installed an Internet-based system for large multinational corporate customers. The system allowed customers to post queries related to their problems. Cisco also installed a trigger function called the 'Bug Alert' on its website. The 'Bug Alert' sent e-mails on software problems within 24 hours of their discovery.

Encouraged by the success of its customer support site, in 1994, Cisco launched Cisco Information Online, a public website that offered not only company and product information but also technical and customer support to customers.

In 1995, it introduced applications for selling products or services on its website. This was done mainly to transfer paper, fax, and e-mails to the web to save time for employees, customers, and trading partners, besides broadening Cisco's market reach. In 1996, the company introduced a new Internet initiative, 'Networked Strategy' to leverage on its enterprise network to foster interactive relationships with prospective customers, partners, suppliers, and employees.

In August 1996, Cisco launched transactional facilities including product configuration and online order placement connected to Cisco's ERP systems. In 1997, it introduced the dial-in access from desktop computers that enabled

customers to place orders without accessing the Internet. In the same year, it also introduced customized business applications for its customers' corporate Intranets and automated the ordering process by linking directly to Cisco's internal systems. Commenting on the growth of Cisco in the late 1990s, Jeremy Duke, analyst at market research firm In-Stat said, "They are entering into the zone of the great phone companies, as moneymakers and as builders of infrastructure. There's nobody like them."

Cisco's success has been attributed to its relationship with its customers. Cisco professed a 'worship of customers', which was a part of the company's culture right from its inception. "This is a culture where the customer comes first. If the customer has a problem, we drop everything," said Pete Solvik (Solvik), Senior Vice President and Chief Information Officer (CIO), Cisco. Cisco viewed the assessment of customer satisfaction as a continuous process. One of the elements of this assessment was getting regular customer feedback, which helped Cisco employees to be proactive in identifying problem areas, rather than waiting for an annual customer satisfaction survey. Cisco's field teams designed the questionnaires that were used to assess customer satisfaction.

The organizational structure of Cisco fostered a spirit of employee involvement. "Very often it's most efficient to just work with the person involved, without the formality of passing through every layer of management. But that requires a level of trust that not all organizations have," mentioned Solvik. If a Cisco employee wanted the top management support for an innovative idea, he had to discuss the idea with an employee decision-making team and get its assent. If the decision-making team accepted the idea, the top management gave the green signal. "They (the decision-making teams) are empowered to make that decision because we put the authority, the responsibility, and the accountability at the same layer."

Cisco's recruitment practices reflected the company culture. Cisco's recruiting team identified candidates whom they felt the company 'should hire' and then designed its hiring processes to attract them to the company. In the late 1990s, the company was hiring at a rate which averaged 1000 new employees every month. For recruiting candidates who fit into the culture of Cisco, a selection criterion was developed which targeted candidates who were frugal, enthusiastic about the future of the Internet, and were not obsessed with status - all hallmarks of the Cisco culture.

According to some analysts, Cisco faced the risk of diluting its culture due to the influences of new recruits who brought in behaviors from past job experiences. "We're focusing on what it will take to communicate the culture and preserve it. That's another learning experience: Culture is not automatic."

END OF CASELET 2

Caselet 3

Read the caselet carefully and answer the following questions:

5. Mark Thompson was quick to acknowledge the efforts of Dyke, but emphasized that the corporation would require some 'real and radical changes' to sustain itself in the coming years. Discuss the various steps in the change process. <Answer>

(8 marks)

6. Thompson said, "We're going to have to change the BBC more rapidly and radically over the next three to five years than at any previous point in its history. It feels like the task of really changing the BBC has only begun". In this regard, examine the various changes initiated by Mark Thompson in BBC. <Answer>

(7 marks)

7. With respect to the caselet, discus how BBC grew from being a radio broadcaster to become a popular television news channel. <Answer>

(7 marks)

On May 21, 2004, Mark Thompson (Thompson) was appointed Director General of the British Broadcasting Corporation (BBC), the world's first public broadcasting corporation.

The immediate task on Thompson's hands was to reform the 82-year-old BBC,

which had been severely criticized in the Hutton Report. The Hutton Report, which went into a BBC report on the British Government's claims about Iraq's weapons of mass destruction, described the BBC's editorial system as defective and said that the editors had not scrutinized the script before it was aired. It also found fault with the BBC's management for having failed to act on a complaint given by the Government saying that the report by BBC correspondent Andrew Gilligan (Gilligan) was false. On January 29, 2004, following the publication of the Hutton Report, Greg Dyke (Dyke), Thompson's predecessor, who had stood by Gilligan's story, resigned.

In January 2000, Birt was replaced by Dyke, CEO of Pearson Television. Dyke, who took over as Director General on February 01, 2000, found the BBC's organizational structure extremely complex. There were far too many layers and the organization was much too bureaucratic. He immediately announced the creation of the "One BBC" program where various departments and their employees would cooperate with each other and work toward achieving common goals.

Since the early 2000s, the license fee charged by the BBC had come under severe criticism. In August 2003, the Conservative Party, the second largest political party in the UK, charged that the viewers were paying for programs that had been copied from commercial channels and demanded that the fee be cut. It said that the BBC was getting an unfair advantage by receiving £2.7 billion as annual fee.

Thompson took charge on June 21, 2004. He was quick to acknowledge the efforts of Dyke, but emphasized that the corporation would require some 'real and radical changes' to sustain itself in the coming years. On his very first day, he announced the restructuring of the BBC's executive committee, the first of the many steps toward creating a simpler and more effective organization structure. The executive committee was divided into three boards - creative, journalism, and commercial - covering the principal activities of the BBC. Thompson headed the creative board.

Thompson also announced that the other businesses of the BBC such as production, commercial businesses, and commissioning would be reviewed with the sole aim of cutting costs and improving the efficiency of the organization as a whole. He said, "We're going to have to change the BBC more rapidly and radically over the next three to five years than at any previous point in its history. It feels like the task of really changing the BBC has only begun." A number of people felt that Thompson had come in at a critical time when the BBC's integrity was under question, employee morale was down, and the impact of digital technology was looming large. The committee submitted its report on June 23, 2004, a day after Thompson took charge as the Director General of the BBC. The Neil Report called for a vast improvement in the training process of the journalists. It suggested establishment of a college of journalism and a greater role for editors and lawyers in the BBC's editorial process. The committee wanted the BBC to continue to broadcast reports based on a single source but only after proper examination. It emphasized that only the most accurate information should be given to the public.

On June 29, 2004, the BBC announced its Charter manifesto called 'Building Public Value' aimed at providing value to its customers in the wake of changing customer preferences and the competition. The Charter manifesto, which consisted of BBC's proposals for the coming years, would be sent to the government to peruse while reviewing the Royal Charter.

The manifesto justified the continuance of the license fee and the Charter for the next ten years. In the wake of criticism over the license fee, Thompson announced sweeping measures in the nine-point manifesto.

In the first week of December 2004, Thompson began implementing the manifesto by announcing a new vision aimed at making the BBC a more creative and efficient digital broadcaster. He announced that his vision had three aspects – 'a bold new program and content strategy based above all around the idea of excellence,' 'a transformation of the BBC into a state-of-the art digital broadcaster,' and 'an irreversible shift in the culture of the BBC toward simplicity, opportunity, and creativity'.

In the last week of June 2005, the BBC launched the BBC Journalism College at an investment of £5 million to train journalists working in various divisions of the BBC such as news, the World Service, etc. As opposed to the concept of classroom training, the instructions were imparted through interactive e-learning sessions,

seminars, and workshops (conducted by Neil) at various locations across the globe.
They predicted that the journey further down the road would in no way be an easy one for him. However, analysts were confident about Thompson's capability to solve at least some of BBC's problems. Tessa Jowell (Jowell), Secretary of State for Culture, Media, and Sport, believed that Thompson was the right man for the post under such circumstances. Jane Root, Former Controller of the BBC-owned BBC2, said, "He thinks very strategically about the big issues in television, and that is more than anything what the BBC needs its new director general to do. There is going to be an incredible amount of turbulence in television in the next few years; Mark was always a big-range thinker who didn't just think about the here and now."
The BBC was created on October 18, 1922, as the British Broadcasting Company, by a group of wireless manufacturers including Guglielmo Marconi (Marconi), inventor of the radio.
Regular broadcasting began from Marconi's London studio on November 14, 1922. The company's mission was 'to inform, educate, and entertain'. In 1927, the company's name was changed to the British Broadcasting Corporation and it was granted a Royal Charter, which put it under the control of the UK government. The Charter defined the BBC's objectives, powers, and obligations. The BBC was operated through a 12-member Board of Governors, who acted as trustees and ensured that the organization was accountable for its work to the public while maintaining its independence in reporting news. The day-to-day operations were managed by an Executive Board, which consisted of nine members and was led by a Director General.
The BBC, which had no competitor at that time, gained revenues only through a license fee (10 shillings), set by the British parliament and paid for by radio owners. It was not allowed to indulge in commercial activities such as advertising. In 1932, the BBC began broadcasts (BBC Empire Service) outside Britain for the English-speaking people under the then British Empire.

After starting experimental broadcasts in 1932, the BBC officially started television services in November 1936, under the name BBC Television Service. It also issued 8.5 million radio licenses covering around 98 percent of Britain's population.

However, during the Second World War, television broadcasts were suspended for security reasons and these recommenced only in 1946. Though television services were suspended during the War, the BBC continued with its radio broadcasts. The corporation earned a reputation for honest and accurate news reporting and its 9 o'clock news became very popular. Until 1982, there were only four television channels in the UK - BBC1, BBC2, ITV, and Channel 4 - all of which used the terrestrial television broadcasting method to air their programs.

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. By assessing its competitor's position in the market, a firm can improve or formulate strategies to optimize its environmental opportunities. During the construction of the competitor's profile, what are the factors that are to be considered? <Answer>

(10 marks)

9. Strategic choice refers to the decision to adopt any of the alternative strategies. Discuss the various factors that influence the strategic choice. <Answer>

(10 marks)

END OF SECTION C

END OF QUESTION PAPER

Suggested Answers
Business Policy and Strategy (MB3I1) : January 2009

Section A : Basic Concepts

	Answer	Reason
1.	A	A well- conceived vision comprises two main components: < TOP > • Core ideology. • Envisioned future. Whereas, philosophy of the business and principle technology are part of mission statements. Hence option (a) is the answer.
2.	D	Jaguar manufactures its cards in Europe and provides sales and services in different countries. Thus, Jaguar derives a cost advantage by sharing technology development and manufacturing costs across different regions. This is an example of geographic scope. < TOP >
3.	A	The assessment of the top management of the organization is a major reason for the internal analysis of an organization. The important questions to be asked hereby the analyst are: < TOP > • How has the organization been managed in the past? • How well is it being managed now? • How well is the company prepared to face the future? Hence option (a) is the answer.
4.	B	A need for technical change stems up when new developments are made by competitors. Another reason could be that the strategists might wish to harness new technologies. Internal research and development ideas can generate technical change internally. In high technology industries, this is a significant issue because the product life cycle is short. Hence option (b) is the answer. < TOP >
5.	B	Government regulation, tax holidays, and other financial incentives, unionization, tariffs and levies and local content rules which constitute the major cost driver are included in institutional factors. < TOP >
6.	D	In active and independent internationalization phase, a company increases its commitment to internationalization and goes beyond exporting to international markets. The following are the reasons why a company chooses to increase its commitment to internationalization: < TOP > • By producing locally, the firm can better serve the local customers. • Some countries impose high tariff barriers making it difficult and expensive to operate from outside. • The firm doesn't want to share its company specific knowledge with other firms and wants to control the knowledge through franchising, licensing or other modes. • Economies of scales can be achieved by establishing production bases in the most appropriate locations in the world with respect to price, quality and distribution. The firm's doesn't have any opportunity to learn and improve its position, is true regarding passive and dependent internationalization. Hence option (d) is the answer.

7. A The three interpersonal roles of a manager are: < TOP >

- Figurehead role.
- Leader role
- Liaison role.

Hence option (a) is the answer.

8. C The liquidation strategy < TOP >

- Involves closing down a business organization and selling its assets.
- It is adopted when the industry is unattractive and the company too weak to be sold as a going concern.
- In this, the management converts as many saleable assets as possible to cash, which is then distributed to the shareholders after all obligations are paid.

It is adopted when the company is has a weak competitive position in some or all of its product lines is true regarding retrenchment strategies. Hence option (c) is the answer.

9. E A variable budget is a series of different budgets based on different levels of output. < TOP >

10. C Looking at strategic management as a process helps to highlight certain aspects of the model: < TOP >

- A change in any component will have an influence on several other components.
- The process of strategic management should be kept flexible.
- Feedback from institutionalization, review and evaluation will loop back into the early stages of planning.

A proper structure is essential for strategy to be operational is true regarding structure which is required for strategy implementation. Hence option (c) is the answer.

11. C It is the responsibility of the board to design the organizational structure based on the objectives, policies, environmental factors, expectations of employees etc. < TOP >

12. C The strength of a culture influences the intensity by which organizational members comply with it as they go about their daily activities. The specific features of cultures that determine its strength are < TOP >

- Thickness.
- Extent of sharing.
- Clarity of ordering.

Hence option (c) is the answer.

13. E Potential buyers, in general, can be categorized into < TOP >

- Direct competitors.
- Suppliers and customers.
- Buyers who want to broaden their product lines.
- Buyers looking for operational economies of scales.
- And other such companies seeking diversification, holding companies, investment groups and venture capitalists.

Hence option (e) is the answer.

14. A In the initial step of a value chain analysis, a company's operations are divided into business process or specific activities. < TOP >

15. C The following are the purposes of business policies: < TOP >

- They are designed to control and reinforce the implementation of functional strategies and the grand strategy.
- They establish indirect control over independent action by making clear statements about how things are to be done.
- By limiting discretion, they in effect control decisions and the conduct of activities without direct intervention by top management.

They assess the strengths and weaknesses of the company's management and organizational structure is true regarding company profile. Hence option (c) is the answer.

16. E The following statements are true regarding assigning costs and assets: < TOP >

- Operating costs should be assigned to the activities in which they are incurred
- The assigning of the assets should be done to the activities that employ, control or mostly clout their use
- Though assigning of operating costs is time consuming, it is straightforward
- Since assets are costlier and their selection and use often get entangled with trade offs wit operating costs, assets must be assigned to value activities in some way that will permit an analysis of cost behavior
- Assigning assets to activities is more complicated than assigning operating costs.

Hence option (e) is the answer.

17. D The personnel department must take care in recruiting people that meet industry specifications. When recruiting employees, three factors are to be considered: < TOP >

- Reputation as an employer.
- Local employment rates.
- Ready availability of personnel with the necessary knowledge and skills.

Hence option (d) is the answer.

18. B The statements (I) the seasonal and cyclic fluctuations in the size and pattern of receipts and disbursements of a firm influence the capital requirements of the firm and (II) financial strategy should provide the guidelines for conserving and rebuilding the cash balances required for daily operations are true regarding working capital management. < TOP >

Whereas statement (III) the working capital requirements are determined through estimations of the cash flow is a wrong statement as the working capital requirements are determined through accurate projections of the cash flow. Hence option (b) is the answer.

19. B Business level strategy involves making decisions about the competitive position of a single business unit. < TOP >

20. D The matching stage of the analytical framework for strategy formulation is also called corporate portfolio analysis. This strategy has to be adoptable to multiproduct market firms in which each product/market is managed as a separate business or profit center because the firm is not dominated by one product/market. Moreover, Each business is a separate entity and a contributor to the corporation's total portfolio of business. In such companies, the corporate strategic considerations are not separate and distinct from business level considerations. The portfolio approach provides a simple way of identifying and evaluating alternative strategies for the generation and allocation of corporate resources. < TOP >

Business level strategy involves making decisions about the competitive position of a single business unit. Hence option (d) is the answer.

21. A The process of internal analysis, when matched with the results of management's environmental analysis and mission priorities, provide the critical foundation for strategy formulations. < TOP >

22. B The following are the advantages of divisional organizational structure: < TOP >

- It helps the corporate management to delegate authority for the strategic management of distinct business equity.
- It helps the progress in critical decision making within each division in response to different competitive environment and compels the corporate management to stress upon corporate level decisions.

Whereas, the other two options are true regarding matrix structure. i.e.,

- It has the combined advantage of both functional specialization as well as the product specialization.
- The number of middle managers gets increased with the help of this structure, exercising general management responsibilities and broadens their exposure to organization wide strategic concerns.

Hence option (b) is the answer.

23. A Long term objectives are statements of the results a firm seeks to achieve over a specific period. To achieve long term prosperity, strategic planners commonly establish long term objectives in seven areas. They are: < TOP >

- Profitability
- Public responsibility
- Productivity
- Competitive position
- Employee development
- Employee relations
- Technological leadership.

Hence option (a) is the answer.

24. A Remote environment consists of a set of forces such as political, social, technological, and industrial forces that originate beyond a firm's operating situations. < TOP >

25. E Learning-by-doing and teaching-by-doing may be the most appropriate means of transfer in situations where the knowledge to be transferred is complex or embedded in a complicated set of technological and organizational circumstances. < TOP >

26. E The stronger a company's culture become and the more that culture is directed towards the organizational stakeholders the less the company uses policy manuals, organizational charts, and detailed rules, procedures and regulations to enforce discipline and norms. < TOP >

27. E Financial reforms that have to be take by government are: < TOP >

- Change in tax laws
- Change in capital gains
- Permission to banks to invest in equities
- Removal of incentives for financial manipulation in buying

Increased tax credits for R&D investments in industry is a technology policy that has to be taken by the government. Hence option (e) is the answer.

28. D Failure to deal effectively with crises can lead to loss of confidence, competitiveness, profits and market share. Hence option (d) is the answer. < TOP >

29. C Three variables are generally present in large business units: < TOP >

- Capital-labor substitutions: substituting capital for labor and vice versa
- Economies of scale: reductions in cost per unit of output as volume of output increases
- Learning: understanding the role of specialization and its advantages.

Hence option (c) is the answer.

30. E In a tender offer, a company which intends to acquire a controlling interest in another company asks the shareholders of the target company to submit or tender their shares of stock in the firm. < TOP >

Section B : Caselets

1. Advatages that InBev will be gaining by acquisition of Anheuser-Busch are: < TOP >

- It would join two of the world's four largest brewing companies (based on revenue) and create a company that brews three of the top beers in the world, namely Bud Light, Budweiser, and Skol.
- InBev would be the world's third largest consumer products company by market capitalization after Procter & Gamble of the United States and Nestle SA of Switzerland.
- The combined business will have annual sales of $36.4bn, equivalent to 46 billion litres of beer a year.
- It will bring a host of popular brands including Beck's, Hoegaarden and Staropramen - in addition to Budweiser and Stella - under one roof.
- Together, Anheuser-Busch and InBev will be able to accomplish much more than each can on its own.
- This combination will create a stronger, more competitive global company with an unrivalled worldwide brand portfolio and distribution network, with great potential for growth all over the world.
- The transaction would "enhance global market access for Budweiser, one of America's truly iconic brands.
- Although savings of $1.5bln are anticipated by 2011, they expect savings to come from shoring off non-brewing activities like packaging and theme parks.
- Anheuser controls nearly half of the US market, while InBev is strong in Western European and Latin American markets. Anheuser also owns stakes in Mexican brewer Grupo Modelo and Chinese brewer Tsingtao. The deal should give Budweiser a platform to boost its growth in Europe where, apart from a number of markets like the UK, it has been relatively weak.
- The beer market has been rapidly consolidating in the face of cost pressures and declining sales in many mature markets. Thus, Inbev will have the certain advantage.

Measure taken by InBev to overcome the concerns after the merger:

- Anheuser-Busch would get two seats on the combined board of directors.
- In a concession to political concerns about the deal, Budweiser's headquarters will remain in St Louis, Missouri while none of Anheuser's US breweries will be closed.
- Less employee lay-offs.

2. Economic rationale for major types of mergers < TOP >

Increased market power: The primary reason for firms going in for mergers and acquisitions (M&As) is their desire to increase their market power. A firm gains market power, when it is able to sell its goods or services at a price lower than its competitors or the cost of producing the product or service is much less as compared to its competitors. A firm may have core competencies but may lack the required resources and size to compete in the market. Thus, most M&As which take place with the intention of increasing market power target competitors, suppliers, distributors, or businesses in related industries. In order to expand the size of the firm, firms go for horizontal, vertical and conglomerate mergers.

Overcoming entry barriers: When firms try to enter new markets they often face many problems, some of which may act as barriers to its entry. Well established firms in a market may sell their products and services in large volumes thereby gaining economies of scale. Economies of scale become a barrier to entry. Another barrier that a new entrant in the market faces is product loyalty. Creating enduring relationships with customers leads to product loyalty which may be difficult to overcome by a new entrant. Moreover, a new entrant has to spend huge amounts on advertising. The cost of advertising increases further when a new entrant in the market prefers differentiating its products from its competitors. Thus economies of scale, product loyalty and high advertising expenses act as barriers for a firm trying to enter a new market. The greater the barriers to entry, the more the likelihood that firm's will take to M&As to overcome these barriers.

Cost of new product development: Developing new products and launching them successfully in the market requires commitment of the firm's resources and the return on

investment may lake a long time. Moreover, the market acceptance of the new product is also unpredictable. According to a research 88 percent of the new products fail to achieve expected results. And 60 percent of innovative products are copied within four years being patented.

Finns prefer M&As to avoid the internal costs of developing new products. Moreover. M&As also reduce the risks associated with the launch of a new product, as the product is already tested in the market. If a company acquires a company that already has an established product in the market, the acquiring company can enter the market more quickly.

Increased speed to market: M&As lead to faster market entry when compared to the time taken for new product development. Research has shown that M&As arc the quickest route to new markets and new capabilities. The new capabilities can be used to introduce new products and enter markets and this can create an advantageous market position. However, how long the advantage may last, depends upon the rivals' competitive responses.

Lower risk compared to developing new products: As we have seen earlier, developing a new product involves a lot of risk. Managers view M&As as risk-free method of getting entry into new markets. But one major drawback associated with increasing M&As activities is that they prevent investments in new product development. Research shows that M&As have become a means to avoid risks internal ventures. Many firms would not like to incur heavy expenses in developing new products, as acquisitions often seem to provide an economically more viable option.

Increased diversification: Firms find it easy to develop and introduce new products in markets, in which they have some experience. On the contrary, if a firm launches a product that has no relation to its existing portfolio of the products there are lower chances of its success. Thus, in order to diversify, firms would prefer M&A route. M&As can be used for both related as well as unrelated diversification. M&As are more common when firms want to diversify on a global level.

Before undertaking any M&A activity to diversify' its product lines, a firm needs to study and evaluate the fit between the acquiring and the acquired firm. If the acquired firm and the acquiring firm are similar, there are greater chances of the acquisition being successful. Many multinational companies engaged in the production of household appliances used M&A excessively to diversify their product portfolio in India.

Reshaping the firm's competitive scope: The intensify of competition affects the profitability of a firm. To reduce the negative effect of competition, and reduce their dependence on a single or a few products, firms acquire other firms. If a firm is dependent on a single product for all its revenues and profits, the competitive scope of the company is likely to be reduced- To avoid dependence on a single product, many firms are venture into new industries through acquisitions.

3. Cultural influences on organizational life

< TOP >

Culture is a strength as well as a weakness. It is strength since culture eases and economizes communications, facilitates organizational decision-making and control. It may generate higher levels or cooperation and commitment in the organization. The result is efficiency in that these activities arc accomplished with a lower expenditure of resources such as time and money that would not be otherwise possible. The stronger the culture, the greater its efficiency.

Culture, on the other hand, becomes a weakness when important shared beliefs and values interfere with the needs of the business, its strategy, and the people working on the company's behalf. To the extent that the content of a company's culture leads its people to think and act in inappropriate ways, culture's efficiency will not help achieve effective results. This condition is usually a significant weakness because it is hard to change a culture's content.

The five basic processes that lie at the heart of any organization are cooperation, decision-making, control, communication and commitment.

Cooperation: True cooperation cannot ultimately be legislated. Managements can resort to carefully worded employment contracts, spell out detailed expectations, and devise clever incentive schemes to reward first the right behavior.

However, even well thought out formal procedures can never anticipate all contingencies. When something unforeseen occurs, the organization is at the mercy of the employee's willingness to act in the spirit of cooperation, which involves intent, goodwill, and mutual trust. The degree of true cooperation is influenced by the shared assumptions in this area, usually,

shared beliefs and values of informality and family spirit generates high levels of true cooperation within organizations-

Decision making: Shared beliefs and values give organizational members a consistent set of basic assumptions and preferences. This leads to a more efficient decision making process since fewer disagreements arise over which premises should prevail.

However, efficiency does not imply effectiveness. If the shared beliefs and values are not in keeping with (he needs of the business, its strategy, and its members. dysfunctional consequences will be a result. For instance, the reliance on the people at the top management in crisis situation to guide in case of problems would be efficient but no longer effective in a complex, multiplant environment that the lop managements face in today's complex business situations: These assumptions had to change for better.

Control: The essence of control is the ability to take action to achieve planned results. The basis for action is provided by two different control mechanisms - formal procedures and clans.

Formal procedures rely on adjusting rules, procedures, guidelines, budgets and directives. The clan mechanism relics on shared beliefs and values. In effect, shared beliefs and values constitute an organizational "compass" that members rely on to choose appropriate courses of action. Clan control derives itself from cultural settings. A strong culture facilitates the control process by enhancing the clan control. Clan control is highly efficient in selective environments. But again, efficiency and effectiveness should not be confused.

Communication: The major reasons people misconimunicate daily in organizational and even-day life include the technical problem of distortion between the point where a communication starts out and the point where it is received. A second and more important hurdle in communication concerns difficulties in interpretation. No two person will interpret a statement the same way.

More complex are the communication problems of one organization member trying to communicate with someone located in a different unit or of the corporate senior executive trying to communicate with the entire work force.

Culture reduces these dangers of miscommunicalion in two ways. First, there is no need to communicate in matters for which shared assumptions already exisi. Certain things go without saying. Second, shared assumptions provide guidelines and cues to help interpret messages that are received. Thus, a strong culture encourages efficient and effective communication. The advantage of this efficiency and effectiveness should not be underestimated - since communications arc the lifeblood of organizations.

Culture's content affects the content of communication. Some organization's cultures value open communication. These cultures believe in "Bad news is bad. but withholding it is worse." Other cultures do not value open communication- En these cultures, withholding relevant information that has not been specifically requested, secrecy and outright distortion may prevail.

Commitment: A person feels committed to an organization when he or she identifies with it and experiences some emotional attachment to it. A variety of incentives - salary, prestige, personal sense of worth - tie the individual to the organization. Strong cultures foster strong identification and feelings through multiple beliefs and values that the individual can share with others.

In making decisions and taking actions, committed employees automatically evaluate the impact of alternatives on the organization. Committed people will put out the extra effort needed to get the organization out of a bind. For instance, shared values of highly responsive customer service lead the people to "move mountains' to meet intermittent and unexpected surges in the product demand, without being given special incentives to do so. people are thoroughly rigoured into the values of high-quality customer service and expediting behavior that these had to become more than strategic or operational directions. That is to say that they were thoroughly internalized into the personal beliefs and value systems of individuals.

Culture has a pervasive influence on organizational life. But people working in an organization do not ordinarily recognize this because the basic assumptions and preferences guiding thought and action tend to operate at a preconscious level and remain outside their realm of awareness. Some of cultures, manifestations - the shared words, actions, doing and feelings - may be apparent, but the underlying beliefs and values are frequently

unstated and not always obvious. Their subtle quality is easily taken for granted.

4. Cisco was founded on a culture based on the principles of customer focus, open communication, empowerment, trust, integrity, and giving back to the community. This culture ensured that Cisco was on the list of the Fortune magazine's '100 best places to work' for eight consecutive years, starting 1998. < TOP >

Customers First

Cisco's success has been attributed to its relationship with its customers. Cisco professed a 'worship of customers', which was a part of the company's culture right from its inception. "This is a culture where the customer comes first. If the customer has a problem, we drop everything," said Pete Solvik (Solvik), Senior Vice President and Chief Information Officer (CIO), Cisco. Cisco viewed the assessment of customer satisfaction as a continuous process. One of the elements of this assessment was getting regular customer feedback, which helped Cisco employees to be proactive in identifying problem areas, rather than waiting for an annual customer satisfaction survey. Cisco's field teams designed the questionnaires that were used to assess customer satisfaction.

The Work Culture

The organizational structure of Cisco fostered a spirit of employee involvement. "Very often it's most efficient to just work with the person involved, without the formality of passing through every layer of management. But that requires a level of trust that not all organizations have," mentioned Solvik. If a Cisco employee wanted the top management support for an innovative idea, he had to discuss the idea with an employee decision-making team and get its assent. If the decision-making team accepted the idea, the top management gave the green signal. "They (the decision-making teams) are empowered to make that decision because we put the authority, the responsibility, and the accountability at the same layer.

Recruitment at Cisco

Cisco's recruitment practices reflected the company culture. Cisco's recruiting team identified candidates whom they felt the company 'should hire' and then designed its hiring processes to attract them to the company. In the late 1990s, the company was hiring at a rate which averaged 1000 new employees every month. For recruiting candidates who fit into the culture of Cisco, a selection criterion was developed which targeted candidates who were frugal, enthusiastic about the future of the Internet, and were not obsessed with status - all hallmarks of the Cisco culture.

Built To Last

According to some analysts, Cisco faced the risk of diluting its culture due to the influences of new recruits who brought in behaviors from past job experiences. "We're focusing on what it will take to communicate the culture and preserve it. That's another learning experience: Culture is not automatic.

5. **Change process** < TOP >

Change frequently disrupts normality whilst the organization may be facing strong external pressures, it is unrealistic to expect managers and employees not to query or resist the need to change. The change process becomes difficult when individuals perceive that they are losing out rather than benefiting or are not being rewarded for cooperating when managers engage in planned change, they typically follow a process.

Change involves actions based on a carefully thought-out process that anticipates future difficulties, threats and opportunities. The various steps in the change process are:

Recognition of need for change: In the first step, the senior management must develop an early awareness of the need for change. Information leading to such awareness can come from the various stakeholders of the firm. For example, Canon entered the U.S. copier and office equipment markets by asking secretaries what attributes they prefer in photocopiers. Another source of information is scientific associations, which may know more about developments in product and manufacturing technologies. Moreover, examining the actions of competitors gives an additional lens to managers through which they can monitor the environment.

Building awareness of need to change: Once senior managers have gained a general idea of the kind of change required, they must build awareness of this need among employees in the firm. Awareness can be built among employees during routine contacts with them. These conversations will stimulate people's thoughts about possible change without raising

anxieties too quickly. Thus, sharing information and establishing trust arc critical in building support for change.

Foster debate: Stimulating debate about alternative solutions and a diversity of perspectives is essential. Diversity of ideas raises the chances that both the best and worst aspects of each alternative are brought to light. The debates and various perspectives contribute towards building a commitment to new goals.

Create consensus: An evidence will accumulate in favor of particular approach by analyzing the results of debates. This evidence will help in creating a consensus about the direction change should lake. In this process, opposition is likely and retaining entrenched opponents to a change initiative can result in trouble. In this stage, continuous training and management development can reap big dividends in implementing change. By teaching new skills to employees, the management can eliminate fear, the major source of resistance to transformation.

Assign responsibility: Once the appropriate response to change has been determined, responsibility for earning it out must be assigned. In this context, a new effort towards change can be placed within an existing department. Also, the firm can set a new autonomous unit. To ensure that an initiative receives proper attention, it may need to be established as a separate unit headed by someone who has only its welfare in mind.

Allocate resources: A variety of resources may be needed to earn' out a new initiative. Management must ensure that sufficient resources are available for the initiative. Otherwise, the initiative will atrophy for the lack of sustenance. Allocating these resources is the final step of the change process.

6. **Restructuring:** Thompson announced the restructuring of the BBC's executive committee, the first of the many steps toward creating a simpler and more effective organization structure. The executive committee was divided into three boards - creative, journalism, and commercial - covering the principal activities of the BBC. Thompson headed the creative board. < TOP >

   Cost cuttings: Thompson also announced that the other businesses of the BBC such as production, commercial businesses, and commissioning would be reviewed with the sole aim of cutting costs and improving the efficiency of the organization as a whole.

   New Vision: In the first week of December 2004, Thompson began implementing the manifesto by announcing a new vision aimed at making the BBC a more creative and efficient digital broadcaster. He announced that his vision had three aspects - 'a bold new program and content strategy based above all around the idea of excellence,' 'a transformation of the BBC into a state-of-the art digital broadcaster,' and 'an irreversible shift in the culture of the BBC toward simplicity, opportunity, and creativity.

   Training: The last week of June 2005, the BBC launched the BBC Journalism College at an investment of £5 million to train journalists working in various divisions of the BBC such as news, the World Service, etc. As opposed to the concept of classroom training, the instructions were imparted through interactive e-learning sessions, seminars, and workshops (conducted by Neil) at various locations across the globe.

7. **BBC grew from being a radio broadcaster to become a popular television news channel in the following way:** < TOP >

   - **Introduction:** The BBC was created on October 18, 1922, as the British Broadcasting Company, by a group of wireless manufacturers including Guglielmo Marconi (Marconi), inventor of the radio.
   - **Mission:** Regular broadcasting began from Marconi's London studio on November 14, 1922. The company's mission was 'to inform, educate, and entertain'.
   - **Name:** In 1927, the company's name was changed to the British Broadcasting Corporation and it was granted a Royal Charter, which put it under the control of the UK government. The Charter defined the BBC's objectives, powers, and obligations.
   - **Board structure:** The BBC was operated through a 12-member Board of Governors, who acted as trustees and ensured that the organization was accountable for its work to the public while maintaining its independence in reporting news. The day-to-day operations were managed by an Executive Board, which consisted of nine members and was led by a Director General.
   - **Revenue:** The BBC, which had no competitor at that time, gained revenues only through a license fee (10 shillings), set by the British parliament and paid for by radio owners. It

was not allowed to indulge in commercial activities such as advertising.

- **Expansion:** In 1932, the BBC began broadcasts (BBC Empire Service) outside Britain for the English-speaking people under the then British Empire.
- **Television service:** After starting experimental broadcasts in 1932, the BBC officially started television services in November 1936, under the name BBC Television Service. It also issued 8.5 million radio licenses covering around 98 percent of Britain's population.
- **Second World War:** However, during the Second World War, television broadcasts were suspended for security reasons and these recommenced only in 1946. Though television services were suspended during the War, the BBC continued with its radio broadcasts.
- **Reputation:** The Corporation earned a reputation for honest and accurate news reporting and its 9 o'clock news became very popular.

Section C: Applied Theory

8. By assessing its competitor's position in the market., a firm can improve or formulate strategies to optimize its environmental opportunities. "The firm must develop competitor profiles to forecast their short-term as well as their long-term growth and profit potential. During the construction of the competitor's profile, the factors that are to be considered are < TOP >

i. Market share
ii. Breadth of product line
iii. Effectiveness of sales distribution
iv. Proprietary and key account advantages
v. Price competitiveness
vi. Advertising and promotion effectiveness
vii. Location and age of facility
viii. Capacity and productivity
ix. Experience
x. Raw material costs
xi. Financial position
xii. Relative product quality
xiii. R&D advantages/position
xiv. Caliber of personnel
xv. General image.

9. Behavioral considerations affecting strategic choice < TOP >

Strategic choice refers to the decision to adopt any of the alternative strategies. The decision process is relatively simple if the analysis clearly identifies a superior strategy or if the current strategy clearly meets the company objectives into the future. If there is an overwhelmingly superior strategy, then decision-making is easy. However, in reality (his clarity is an exception. When different alternatives promise similar payoffs the decision making process becomes judgmental and difficult. 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. Some of these factors are;

Role of Past Strategy

The process of strategic choice begins with a review of past strategy. Often, the firm's strategists have also been the architects of strategies used earlier. Owing to their familiarity with and commitment to past strategy, both lower level managers and top-level managers show an inclination towards continuity. This is probably the reason why firms sometimes replace key executives when performance of the firm has been inadequate for an extended period because replacing them lessens the influence of past strategies on options for the future. On the other hand, the more successful the strategy becomes, the harder it is to replace it with a new one, even under changed circumstances.

Attitude towards Risk

The firm's altitude towards risk influences the range of strategic choices available. Some organizations have a strong aversion to risk, while others arc eager risk-takers. The range and diversity of strategic choices expands when these attitudes are adequately controlled before strategic choices are made. In risk-oriented organizations, high-risk strategies are acceptable and desirable.

Another factor influencing managerial propensity towards risk is industry volatility. In

highly volatile industries, top managers absorb and operate with greater amounts of risk than their counterparts. Such managers consider a broader and diverse range of strategies in the process of strategic choice. Another factor influencing the risk propensity of managers is product/market evolution. If a firm is in the early stages of product/market evolution, it has to operate with greater risk than a firm in the later stages of the product/market evolution cycle.

When making a strategic choice, risk oriented managers are attracted toward opportunistic strategies with higher payoffs. They are drawn to offensive strategies based on innovation, company strengths and operating potential. On the other hand, risk averse managers lean toward safe, conservative strategies with reasonable, highly probable returns. They are drawn to defensive strategies to minimize the uncertainty associated with innovation based strategies. Thus, attitudes toward risk exert considerable influence on strategic choice.

Competitive Reaction

Organizations have to take into consideration the reactions of competitors while making strategic choices. If a firm chooses an aggressive strategy that directly challenges a key competitor, then that competitor will definitely launch a counter-strategy. Keeping this point in view, the management of the initiating firm must consider aspects such as the capacity of the competitor to react, and the probable impact of the reaction on the chosen strategy.

Degree of firm's External Dependence

A comprehensive strategy is meant to ensure a high level of performance in the external environment. The various components of the external environment are:

- Suppliers
- Customers
- Government
- Competitors
- Unions

A major constraint when making a strategic choice is the extent of influence of environmental elements on a firm's decision. The greater the firm's dependence on external factors, the lower will be the range and flexibility of its strategic choice.

Values and Preferences

An important basis of strategy choice lies in the background, needs, desires and values of the owners/managers. Managerial and owner attitude and its influence are seen and felt clearly in smaller companies. These factors also affect large organizations, depending on the amount of actual control in the hands of one or a few individuals. Although the amount of influence varies, the characteristics of owners and managers invariably play a part in the process of strategic choice.

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