

STRATEGIC MANAGEMENT (MBA 401), 4 SEMESTER

TIME ALLOWED: 3 HRS

MAX MARKS: 60

NOTE : ATTEMPT 04 QUESTIONS FROM SECTION A, 04 QUESTIONS FROM SECTION B SELECTING ATLEAST ONE QUESTION FROM EACH SUBSECTION AND CASE STUDY IN SECTION C, IS COMPULSORY

SECTION A

1. Define Strategy Outlining Its Significance for Business
2. Outline the critical success factors for an organization
3. What is the significance of synergy for an organization?
4. What is core competence?
5. What is the role of top leadership in defining organizational culture?
6. What is the importance of operational and functional plans in implementing the strategy?

SECTION B

Unit 1

1. Discuss the strategic management process in detail outlining the role of strategists in the organization.
2. What do you think is the significance of external environmental appraisal before formulating a strategy? Explain with examples.

UNIT 2

3. What is strategic advantage profile? Explain with a case study of any organization.
4. Critically evaluate the efficacy of the various methods used for organizational appraisal and their significance in strategy formulation.

UNIT 3

5. Discuss the various corporate level strategies that can be adopted for growth and expansion of the organization.

6. How far do you think Porter's framework of competitive analysis is good enough before formulating business level strategies?

UNIT 4

7. The importance of values ethics and corporate social responsibility cannot be underestimated in the corporate strategy. Discuss.

8. Outline the issues to be taken care of in strategy evaluation and control.

SECTION C: CASE STUDY

CASE STUDY 4: THE CASE OF THE INSURANCE MERGER

(BY: R Chandrasekhar, Business Today, March 21, 2001)

size matters. Or does it? That was the dilemma facing Suhas Nair and his team. The issue under discussion was the restructuring of Indian General Insurance Ltd (IGIL), the largest, state-owned, non-life firm in the country. Nair had a personal stake too. His tenure as Chairman and Managing Director of IGIL was to end in two years. And he was keen on hanging up his boots on a high note. Nair opened the meeting: "Should we merge the four subsidiaries of IGIL into a single outfit that would give us the advantage of size?" "Or should we delink them into leaner, autonomous, and agile units?"

"Just to provide a perspective," said Rajiv Parasnis, Director (Management Services), "consolidation is the global trend. Look at Japan. The top six insurers are in merger-talks." "Our context is different," said Anup Sinha, Director (Personnel). "First, the insurance markets where consolidation is taking place are mature. Each segment of business has several players competing in a stagnant market. In India, the non-life business has been growing at a healthy 15 per cent per annum.

Second, the Indian insurance sector is only now moving out of decades of monopoly. But IGIL will continue to be the market leader for at least another decade. A new player will take at least five years to achieve the premium of Rs. 800 crore that will make the business commercially viable whereas each of our subsidiaries boast premium income in excess of Rs. 2,000 crore. And finally, scale is a non-issue for us because, at a different level, none of our subsidiaries ranks anywhere in the top 100 global insurers based on premium income".

"We have to look at the future," said Nair. "And we cannot under-estimate competition. In fact, the idea behind restructuring is to make IGIL competitive. The days of monopoly are over. Customers in non-life insurance, unlike those in life, are driven by commercial motive. They switch loyalties at the earliest availability of a better alternative. As our in-house study has already pointed out, the immediate impact of deregulation is that we will lose about 15 per cent marketshare during the next three years. Clearly, the loss will be heaviest at the top end of our business portfolio. That is not all. Once the tariff regime goes and rate controls are freed, the rate war that follows will hit us-the market leader-the most. That is the context in which we should address the most critical issue: how do we ensure that customers will stay with us?"

"The only way to attract and retain the customer is by getting close to him," said Bharat Kumar, Director (Business Development). "And viewed in that sense, size makes us vulnerable. That is the reason why delinking makes good business sense. But, of course, a merger has several benefits," he continued. "It gives us freedom from solvency norms. It strengthens our asset position, making it easier to diversify into other financial services, invest in technology, and expand our operations. A merger will also help integrate our business".

"Let us look at the numbers," said Abhinav Saran, Director (Finance), punching some keys on his laptop. "A merger will bring in 85,000 employees under one roof. We will have a total of 80 regional offices, 1,200 divisional offices, and 2,920 branch offices. Our combined free reserves would be Rs. 6,450 crore, net worth Rs. 7,360 crore, investment income Rs. 2,350 crore, and total investment Rs. 19,000 crore. And all this on a modest equity of Rs. 375 crore! We can leverage this enormous clout to attract new business. We will also be able to reduce overhead costs. Like

the rent outflow, for example. A merger prevents duplication of branches resulting in huge savings. And that is just one example."

"But, Abhinav," chipped in Suresh Talwar, the newly-appointed Director (IT), "a merger will pose problems of integration. This becomes a time-consuming activity for senior managers, over-riding their business concerns. True, each of our subsidiaries is financially strong. However, each segment of non-life insurance has different parameters of performance. There is simply no parity. That is why it is best to set up an autonomous unit for each activity of non-life business."

"Talwar has a point", remarked Vijay Santoor, Director (Operations). "A merger downplays all the inherent weaknesses in the system. Take, for example, our motor portfolio. It represents over 30 per cent of the total premium. But is a loss-making line in all our subsidiaries mainly because of laxity in underwriting and claims control. Once you spin it off, you ensure discipline. Of course, you need to move out of the current pattern of cross-holding among subsidiaries and make each of them truly independent."

"Both approaches have their merits," said Nair. "There is also the growing business of reinsurance. If we decide on a break-up, it make sense to convert IGIL from a holding company to a national reinsurer. If we merge, we may be able to live up to our corporate vision of being among the world's majors in non-life by 2015. Still, given the right focus, there is no reason why some of our sectoral businesses cannot reach a global scale."

Questions

1. How should IGIL retain its market leadership and acquire a competitive edge over young and nimble competitors?
2. How should it ensure business focus even while capitalising on its traditional strengths?
3. Is there a need to restructure the state-owned non-life insurance firm at all?