

PD – 620

III Semester M.B.A. (Day)/V Semester M.B.A. (Evening) Degree Examination,
January/February 2007

(Updated Scheme)

MANAGEMENT

Paper : 3.1 : Strategic Management

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **any six**.

(6×2=12)

1. a) Define strategy.
- b) Define vision.
- c) What is a Poison Pill ?
- d) Name some entry barriers.
- e) What are bureaucratic costs ?
- f) What are exit strategies ?
- g) What is horizontal differentiations ?
- h) What is 'ETOP' ?
- i) What is Strategic Audit ?

SECTION – B

Answer **any four**.

(4×5=20)

2. How are strategy and structure related ? Discuss with examples.
3. Write the vision and mission of any company with which you are familiar and explain its significance.
4. Why do acquisitions fail ?
5. Explain the concept of value chain and illustrate how value is created.
6. Why are companies going global ? Give reasons.
7. 'Culture reduces bureaucratic costs'. Discuss.

P.T.O.

SECTION - C

Answer **any three** of the following.

(3×10=30)

8. What are corporate level strategies ? Explain with examples.
9. Strategy structure and control system should be effectively integrated to achieve competitive advantages. Discuss.
10. 'Cut throat competition is reducing profits of Mobile/Telecom Industry'. Explain the statement with reference to the strategies adopted by the players in the Industry.
11. Discuss Michael Porter's five-forces model with suitable examples.
12. Discuss some of the important strategies adopted by not-for-profit organisations to raise additional funds to run the organisation.

SECTION - D

13. Analyse the case and answer the questions. (Compulsory)

(1×13=13)

Case Study - Liz Claiborne

Designer Liz Claiborne founded her company in 1976 with the help of three partners. By 1990 her company had over \$2 billion in sales yearly and its stock had become a Wall Street favorite. The secret of the company's success was based on Liz Claiborne's decision to focus on the rapidly growing professional women's clothing segment of the market. By 1976 women were entering the work force in rapidly increasing numbers, but relatively few companies were producing clothes for this segment - and they were very high-priced firms like Ellen Tracy, Donna Karan and Ann Klein. Liz Claiborne decided to find out what kinds of clothing professional women wanted; then she used her considerable talents to create a design team to focus on providing attractively designed clothing for professional women at reasonable prices. In doing so, she tapped an unmet customer need and the result was dramatic as sales boomed.

To protect its image, Liz Claiborne sold her clothing through established retailers, like Macy's, Bloomingdale's, and Dillard's. Retailers were required to buy at least \$50,000 worth of her collection, and the company controlled the way its suits and dresses were sold in each store – for example, the way clothes were hung and displayed. This attention to detail was part of her strategy of focusing on the upscale professional clothing niche. To promote its growth, the company then started to find new outlets for its clothes and opened a chain of Liz Claiborne boutiques and factory outlet stores. The Liz Claiborne team also used its design skills to produce a line of men's sportswear clothing and to develop new products like perfume, shoes, and accessories. By 1988 the Liz Claiborne name had become famous.

However, by 1990 that the company's growth had slowed. The company was in trouble. Competitors, recognizing the niche pioneered by Liz Claiborne had begun to offer their own lines of professional women's clothing. Expensive designers like Ann Klein and Donna Karan had new lines of cheaper clothing, priced to compete directly with Liz Claiborne. In addition, low-cost manufacturers had begun to produce clothing lines that undercut her prices, often using Liz Claiborne look-alike designs. This competition from both the top and the bottom end of the market took sales away from the company.

Another problem for Liz Claiborne came from the retail end. Many of the company's best customers, retailers like Macy's, were in deep financial difficulty and were cutting back on purchases to reduce their debt. At the same time, cost-conscious consumers were buying more and more clothing from stores like Casual Corner and JC Penney, and even discount stores like Kmart and Wal-Mart, which do not sell the Liz Claiborne line but the low-priced lines of competitors. As customers switched both to cheaper stores and to cheaper lines, Liz Claiborne's sales suffered.

Given this deteriorating situation, the company moved quickly to change its strategy. Jerry Chazen, who replaced Liz Claiborne as CEO of the company on her retirement, decided to broaden the company's product line and produce low-cost lines of clothing. To do so and at the same time protect the Liz Claiborne brand name, he bought Russ Togs, a clothing maker which produces three brands of women's clothing: Crazy Horse, The Villager and Red Horse. As part of the company's new strategy, each of these clothing makers' lines will be redesigned and targeted at a different price range in the women's clothing market. For example,

Russ Togs, a sportswear line, is to be upgraded and will sell a new line of clothing for 20 to 30 percent less than the Liz Claiborne line. Moreover, this clothing will be sold through discount merchandisers like Wal-Mart and in low-priced department stores like Sears and JC Penney. In this way, the Liz Claiborne company will begin to serve the general women's clothing market, and not just the professional women's clothing niche.

Top management hopes that this new strategy will bolster the company's sagging sales and lead to a new period of growth and expansion. They believe that there is wide scope for the company to take its existing design skills and capabilities and to apply these in new market segments. However, the company will now be going head-to-head with low-cost producers and will have to find new ways to reduce its costs in order to be able to compete. In 1993 its stock fell to \$18, an all-time low, and analysts are uncertain about the company's future in an industry that is well known for the speed at which companies rise and fall.

Discussion Questions.

- 1) What factors led to Liz Claibornes' success ?
- 2) What changes has the company recently made in its strategy ? Why ?