



IV Semester M.B.A. Degree Examination, June 2009

(2007 Scheme)

MANAGEMENT

Paper – 4.1 : Strategic Management

Time : 3 Hours

Max. Marks : 75

SECTION – A

Answer **any six** questions. **Each** carries **two** marks.

(6×2=12)

1. a) Write two entry barriers.
- b) What is meant by economies of scope ?
- c) What is corporate governance ?
- d) Define strategy.
- e) What is 'BCG' matrix ?
- f) What is meant by 'product proliferation' ?
- g) What is turn around strategy ?
- h) What is strategic audit ?
- i) What is Icurus paradox ?

SECTION – B

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

(3×8=24)

2. Discuss generic business level strategies with examples.
3. What is meant by acquisition ? Name and discuss the Indian MNC's, who have acquired some foreign large scale companies abroad. Discuss pros and cons of this acquisitions.

P.T.O.



4. What are the components of strategy formulation ? Discuss briefly.
5. Structure and strategy is related. Discuss with examples.
6. What is Micheals five force model ? Why is it used ?
7. What are the important sources of revenue for not-for-profit organisations ? Give examples.

#### SECTION - C

Answer **any two** questions. **Each** question carries **12** marks. (2×12=24)

8. Discuss any model of strategic management process, with a diagram.
9. What are the relationships among differentiation, integration and strategic control systems ? Why are these relationships important ?
10. How might conflict and politics affect the formulation and implementation of generic strategies and corporate level strategies ? Give appropriate examples.

#### SECTION - D

Case study **(Compulsory)** (1×15=15)

11. Read the case and answer the questions :

#### CHRYSLER'S CROSS-FUNCTIONAL PRODUCT TEAMS

After many years of poor performance and mounting losses, Chrysler Corp., the number three U.S. carmaker has been experiencing a turnaround in the 1990s. Its new car models like the Dodge Viper, the cab-forward LH cars, and the low-cost Neon have been attracting many customers back to the company and away from Japanese imports. The company's profits and stock price have surged upward as a result. How has Chrysler achieved this turnaround ? Chrysler's top management attributes its success to its new product team structure, which uses cross-functional product teams.



As with the other U.S. car companies, Chrysler used to have a functional approach to designing and producing its cars. In a functional approach, the responsibility for the design of a new car would be allocated to many different design departments, each of which was responsible for the design of one component, such as the engine or body. Managers further up the hierarchy were responsible for coordinating the activities of the different design departments in order to ensure that the components were compatible with one another. Top managers were also responsible for coordinating the activities of support functions, such as purchasing, marketing, and accounting, with the design process as their contributions were needed. When the design process was finished the new car was then turned over to the manufacturing department, which decided how best to produce it.

Chrysler's functional approach slowed down the product development process and made cross-functional communication difficult and slow. Each function pursued its activities in isolation from other functions, and it was left to top management to provide the integration necessary to coordinate functional activities. As a result, it took Chrysler an average of five years to bring a new car to market, a figure that was well behind the Japanese, who took two to three years. Chrysler's structure was raising its costs, slowing innovation, and making the company less responsive to the needs of its customers. The company's top managers began to search for a new way of organizing its value-creation activities to turn it around. To begin this process, top management looked at the way Japanese companies were organized, and particularly at the way the Honda Motor Co. structured its value-creation activities. Chrysler sent fourteen of its managers to study Honda's system and to report back on its operation.

Honda had pioneered the "Honda Way" concept to organize its activities. It created small teams, comprising members of different functions, and gave them the responsibility and authority to manage a project from its conception phase, through all design activities, to final manufacture and sale. Honda had found that when it used these cross-functional teams, product development time dropped dramatically because functional communication and coordination was much easier in teams. Moreover, design costs were much lower when different functions worked together to solve problems as they emerged because the need to change a design later-for



example, to add a second air bag-could cost millions of dollars. Honda had also found that its policy of decentralizing authority to the team kept the organization flexible, innovative, and able to take advantage of emerging technical opportunities.

Chrysler decided to imitate Honda's structure and took the opportunity to do so when it chose to build an expensive luxury car called the Viper. To manage the development of this new car, Chrysler created a cross-functional product team consisting of eightyfive people . It established the team in the huge new research and development center that it had built in Auburn Hills, Michigan, and gave it the authority and responsibility to bring the car to market. The outcome was dramatic. Within one year top mangement could see that the team had achieved what would have taken three years under Chrysler's old system. In fact, the team brought the car to market in just thirty-six months at a development cost of \$75 milion-results that compared favorably with those obtained by Japanese companies.

With this succes in hand, Chrysler's top management moved to restructure the whole company according to the product team concept. Top management divided up functional personnel and assigned them to work in product teams charged with developing new cars, such as the cab-forward designs.

The number of levels in Chrysler's hierarchy decreased since authority was decentralized to managers in the product teams, who were responsible for all aspects of new car development. Instead of having to integrate the activities of different functions, top managers could concentrate on allocating resources among projects, deciding future product developments, and challenging the teams to continually improve their efforts. As noted earlier, Chrysler's efforts brought the reward of a dramatic drop in costs and an increase in quality and customer responsiveness. Chrysler's stock price doubled in 1993 as customers rushed to buy its cars.

#### Discussion Questions

1. Why was Chrysler's functional approach to new car development running into problems ?
  2. What are the advantages of Chrysler's new product team structure ?
-