Name: **Enrolment No:**	UPES UNIVERSITY WITH A PURPOSE

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, Dec' 2019

Name of the Program: BBA Oil and Gas Marketing **Semester – V**
Subject Name: Business Policy and Strategy **Max. Marks: 100**
Subject Code : STGM 3002 **Duration : 3 Hrs**

SECTION A **(20 * 1 Marks Each = 20 Marks)**

Q1.	**Choose correct answer with explanation** 1. Small firms seldom go beyond what stage of strategy? A) contract manufacturing B) turnkey projects C) joint ventures D) exporting 2. Vertical integration may be beneficial when A) flexibility is reduced, providing a more stationary position in the competitive environment. B) the minimum efficient scales of two corporations are different. C) lower transaction costs and improved coordination are vital and achievable through vertical integration. D) various segregated specializations will be combined. 3. An advantage of a divisional type of organizational structure is A) an enhanced ability to respond quickly to changes in the external environment. B) efficient use of managerial and technical talent. C) high degree of emphasis on long term performance. D) uniformity in image and quality across divisions. 4. Which kind of risk taking entails that a company borrows heavily or commits a large portion of its resources in order to grow? A) business risk taking B) technological risk taking C) personal risk taking D) financial risk taking 5. A narrow market focus is to a differentiation-based strategy as a A) growth market is to a differentiation-based strategy. B) growth market is to a cost-based strategy. C) technological innovation is to a cost-based strategy. D) broadly-defined target market is to a cost leadership strategy. 6. Which of the following statements about ethical organizations is not true? A) ethical values shape the search for opportunities.	**1X10**	**CO1**

	B) organizational ethics define what a company is and what it stands for. C) the potential benefits of an ethical organization are few but direct. D) ethics provide a common frame of reference that serves as a unifying force. 7. Denoted in the Boston Consulting Group Portfolio management technique, a "cash cow, refers to a business that has A) relatively low market share and low market growth. B) low market growth and relatively high market share. C) relatively low market share and high market growth. D) high market growth and relatively high market share. 8. As a rule, discussions of the relationship between strategy and structure strongly connote that A) strategy follows structure. B) strategy can effectively be formulated without considering structural elements. C) structure typically has a very small influence on a firm's strategy. D) structure follows strategy 9. Primary value chain activities that involve the effective layout of receiving dock operations (inbound logistics) and support value chain activities that include expertise in process engineering (technology development) characterize what generic strategy? A) differentiation B) overall cost leadership C) differentiation focus D) stuck-in-the-middle 10. Which of the following is false regarding how a differentiation strategy can help a firm to improve its competitive position vis à vis Porter's five forces? A) by increasing a firm's margins, it avoids the need for a low cost position B) it helps a firm to deal with supplier power and reduces buyer power since buyers lack comparable alternatives C) supplier power is increased because suppliers will be able to charge higher prices for their inputs D) firms will enjoy high customer loyalty, thus experiencing less threat from substitutes than its competitors		
Q2.	**Examine the veracity of statement (True or False) (1X 10 =10 Marks) with explanation** 1. Strategic management acknowledges the trade-offs between efficiency and effectiveness. 2. When global strategies require that each division be responsible for overall efficiency and performance, a worldwide product division structure is disregarded. 3. The power of suppliers will be enhanced if they are able to maintain a credible threat of forward integration.	**1X 10 =10**	**CO1**

	4. Intense rivalry in domestic markets does not typically force firms to look outside their national boundaries for new markets. 5. Launch of Wax Polish by Shoemaking company is example of Concentric diversification 6. Technological innovations can create entirely new industries and alter the boundaries of industries. 7. Competitors can be deterred entry into an industry through the advantages created by information systems. 8. A firm's intangible resources refer to its capability to deploy tangible resources over time and leverage the resources effectively. 9. An advantage of high differentiation is that even if many competitors follow the same strategy, differentiation is still present for all. 10. Restructuring necessitates the corporate office to find either firms in industries on the threshold of significant, positive change or poorly performing firms with unrealized potential.		
SECTION B		**(4* 5 Marks Each -20 Marks)**	
Q3	**Write short notes on any four (5X4=20 marks)** 1. First Mover Advantage Vs Later mover advantage 2. Offensive tactics 3. Contraction. Consolidation and captive 4. Integration continuum 5. Behavioural substitution and pareto rule	**5X4=20**	**CO2**
SECTION-C		**(2* 10 Marks Each- 20 Marks)**	
Q4.	Identify the most common reactive and proactive reasons why companies go into international business. Also suggest various modes of international operations	**10**	**CO3**
Q5.	Structure follows strategy. Comment while assuming yourself as manager of oil and gas company advise structural alternatives to the company mooting to apply myriad of growth strategies.	**10**	**CO3**
SECTION-D		**(40 Marks)**	
	Please read the following paragraph carefully and answer the following questions On September 15th 2011, the Chinese government issued diplomatic protests directed toward India over the continued exploration by the state-controlled Oil and Natural Gas Company (ONGC) of India in Blocks 127 and 128 off the Vietnamese coast in South China Sea. Many years of conflict between China, Vietnam, and other Southeast Asian countries over territorial rights in the waters of the South China Sea had escalated, with a high potential for the conflict to boil over in regional and even global instability. One week earlier, the government of India had filed a prospectus for a		**CO 4**

secondary issue of 5% of its stake in ONGC to raise US$2.5 billion to help fill dwindling government coffers.

While the Indian government was dealing with a rising fiscal deficit and inflationary fears, its long-term interests were to manage energy security to fuel its rapidly growing economy. Chinese diplomatic protests could threaten the security of ONGC's assets and create doubts in their investors' minds. Given that previous equity issues of energy companies in India were highly oversubscribed, the government had to decide whether or not to go ahead with the secondary offering. The Company & the Indian Oil Sector ONGC was founded in 1956 by the government of India under the provisions of a legislative act to develop, produce and sell petroleum products within India. Starting with a few oil fields in Digboi in northeast India, ONGC transformed India's upstream sector by developing onshore fields in the western state of Gujarat and the Assam-Arakan Basin in northeastern India. In 1974, ONGC discovered a giant oil field 75 kilometers (kms) long and 25 kms wide off the coast of Bombay, which subsequently helped catapult the company into major offshore energy development. As part of an economic liberalization program initiated in the 1990s, the Indian government launched an initial public offering (IPO) of ONGC on the Bombay Stock Exchange (BSE) in 1994, offloading a 20% stake in the company and making ONGC the largest Indian company by market capitalization. ONGC is currently ranked second worldwide among global exploration and production (E&P) companies, behind the China National Offshore Oil Corporation (CNOOC) in terms of total assets. With a market capitalization of US$47 billion, it is the second largest Indian company behind Reliance Industries Limited, a conglomerate ranging in expertise from energy to retail.

ONGC is a Fortune 500 company and the largest public-sector company in India with a net income of US$4.3 billion on revenues of US$22.6 billion in 2010. The company has over 32,000 employees and is global with operations in 15 countries outside India. ONGC specializes in "upstream activities" in the petrochemical chain and does not directly engage in the retail sale of petroleum products. It primarily caters to domestic demand in India where downstream production is handled by other state-owned companies including Indian Oil, Bharat Petroleum and Hindustan Petroleum. To date, India has been a net importer of oil and it supports consumption of 2,980,000 barrels per day against production of only 878,000 barrels per day. In addition, the government controls production and pricing through the Administered Pricing Mechanism (APM). Through the APM, ONGC subsidizes over 30% of its revenues to downstream operations, thus reducing its overall profitability. Investors have historically complained about these subsidies and have expressed concern that with an ever increasingly lower ownership stake, the government may not be able to pressure ONGC as easily through the APM program.

Company Ownership

As of July 2011, the Indian government owns 74.14% of ONCG shares, with government owned oil and financial institutions maintaining an additional 7.37% stake in the company. Foreign institutional investors and the Indian public make up the marginal investors, with private investors showing significant interest in ownership of the well-run public sector undertaking. However, the key strategies of ONGC are determined mainly by the Ministry of Petroleum. In 2005, the Ministry vetoed ONGC's plans of expanding into the downstream sector and stopped them from setting up retail locations. Furthermore, licensing policies and regulations govern exploration licenses, petroleum pricing, and industry development. Due to government pressure, ONGC subsidizes oil prices up to 33% of market price of oil when selling to downstream companies in India. ONGC is only listed on the Bombay Stock Exchange (BSE) and is one of the most actively traded stocks. The BSE was one of the poorer performers among the constituents of the MSCI Emerging Markets for 2011, with a rank of 20th among 23 countries included. The benchmark index Sensex had shed almost 12% in the last 12 months, though the long-term returns were over 18%. Additionally, the Reserve Bank of India (RBI) has been aggressively moving to control inflation by increasing short term lending rates 8 times in the last 12 months, up to 8%.

Vietnamese Partnership & International Assets

ONGC's first overseas venture dates back to a highly successful 1988 production-sharing contract in Block 6.1 in Vietnam, producing over 50% of Vietnam's natural gas requirements. The following year ONGC established ONGC Videsh (OVL), a 100% subsidiary to control overseas assets.6 Since then, OVL has won exploration and drilling rights individually and as a consortium. Over the last 23 years, OVL expanded operations globally to over 33 projects in 14 countries. Key overseas production facilities include Vietnam, Russia, Sudan, Syria, and Venezuela. However, many of OVL's exploratory fields are located in politically sensitive zones such as Libya, Iraq, Egypt, and Myanmar. The recent deterioration of the political situation in Libya, Egypt, and Iraq forced OVL to relinquish fields in those countries. In this context, therefore, existing exploratory rights in Russia, Venezuela, Brazil, and Vietnam have become much more critical to OVL's operations .

Q6. Conduct PESTLE analysis for ONGC to comment on the prevailing situation	**10**	
Q7. Should India avoid confrontation with china? Comment while conducting trade-off analysis	**10**	
Q8. Suggest basket of strategies to tackle the situation using TWOS Matrix.	**20**	