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

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, May 2019

Course : Essentials of Strategic Management **Semester: VI**
Program : BBA (Foreign Trade) **Time: 03 Hours**
Course code: BBCG111 **Max. Marks: 100**
Instructions: Attempt questions from all sections as per instruction.

SECTION A (Marks 20)

		Marks	CO
Q 1	(i) Strategic management processes are 1. ………2……. and strategic control.	1	CO1
	(ii) Vision of a firm is….	1	CO1
	(iii) Name any four stakeholders of a firm. 1…. ……2….. …..3…….… 4……….	2	CO1
	(iv) Write full form of CSR.	1	CO1
	(v) In PESTEL analysis, PEST stands for…..	1	CO2
	(vi) Write full form of SWOT.	1	CO2
	(vii) Name any four primary activities mentioned in Porter's Value Chain analysis.	2	CO2
	(viii) Write full form of VRIO.	1	CO2
	(ix) In BCG portfolio analysis, four quadrants are represented by…..	2	CO2
	(x) Mention two core-competence of UPES.	1	CO2
	(xi) Porter's competitive strategies are 1…………..2…………..	1	CO1
	(xii) Name any two types of organizational structure.	1	CO2
	(xiii) Name four perspectives of Balanced Scorecard	2	CO2
	(xiv) Give example of two intangible resources of a firm.	1	CO2
	(xv) Strategy implementation require 1……………2…………	1	CO2
	(xvi) Reliance Petroleum acquired IPCL, a petrochemical firm. This is which type of strategy?	1	CO2

SECTION B (5x4 = Marks 20) Write short notes on any FOUR with examples (not more than 100 words)			
Q 2	Triple Bottom Line	5	CO2
Q 3	Strategic Grouping	5	CO2
Q 4	SWOT Analysis	5	CO2
Q 5	VRIO Analysis	5	CO2
Q 6	Divisional organizational structure	5	CO3
Q 7	Alliance strategies	5	CO2
SECTION-C (10x3=Marks 30) **Attempt any THREE questions.**			
Q 8	Explain Porter's Five Forces Competitive Model with example from Automobiles industry or Telecommunication industry.	10	CO3
Q 9	What is the resources based theory? Elaborate the resources and capabilities analysis of Pharmaceutical industry or Petroleum industry.	10	CO4
Q 10	Elaborate the Porter's competitive strategies with examples from Leather Apparels and Goods Export industry?	10	CO3
Q 11	Describe the process of strategy implementation in a commercial organization.	10	CO3
SECTION-D (Marks 30)			
Q 12	Case Study: Garment Export Men and women are lined up across long tables at CBC Fashions' workshop at Tiruppur in Tamil Nadu. Some of them are cutting pieces of fabric, some stitching and others sorting them into lots. With no one even looking up from their spots and working continuously, almost like machines, you can tell that it is a busy time at India's largest garment exporting hub. As the global festive season approaches, there is a ray of hope in the town, which has just witnessed one of its worst years yet. Starting with demonetisation, and later with the implementation of Goods and Services Tax (GST) system, a year of disruptions pushed growth into the negative at India's largest knitwear and readymade garments cluster. Demonetisation was a big blow to the garment industry, having sucked out liquidity from the market. But just as the sector was struggling to get back on its feet, GST was rolled out, bringing the garments industry to the brink of death. At his office in Tiruppur, Ashok Shanmugam of garment exports company Warsaw International (WI) explains that structural challenges have been faced by the industry even before the series of policy disasters. Despite India is one of the top cotton-growing countries and has the strength of a growing, young workforce, India lags behind in garment export than other countries. It's like we are self-defeated," says Shanmugam, who is also the President of the Tiruppur Exporters' Association.		

While China is the world's largest garment exporter, Bangladesh, Vietnam and Indonesia are other major garment exporting hubs of the world, and have significant advantages over India. Bangladesh pays no duty while exporting to Europe, while India and Vietnam pay 13-15% in import duties. However, efficiency level in Vietnam, at 90%, while in India at 50%. Labour too, is cheaper in Bangladesh and Vietnam when compared to India. Labour efficiency, modern the equipment and resources utilization define the efficiency of a sector. Better efficiency leads to more production, which directly improves the bottom line.

China is a giant, we can't compete with them, but other countries are much smaller compared to India but have overtaken us many-fold in terms of volume," Shanmugam says. As a result, we are the fourth choice for any importer, standing after China, Bangladesh and Vietnam, says Vijay Kumar, managing director of CBC Fashions, which makes and exports garments to UK. "Bangladesh has 15% cost advantage over India. But before coming to India, they go to Vietnam because of efficiency. Only way we are preferred is because we do smaller order, unlike the others," Kumar adds. And in such a competitive market, demonetisation and GST were a double whammy.

Two Steps Ahead, 10% Behind

As a cluster, Tiruppur's garment industry, which has around 3500 small, medium and large garment manufacturers, clocks roughly around Rs 45,000 crore every year and employs nearly 7 lakh people directly. And until last year, it had been growing at a rate of 20% year-on-year. But last year, Tiruppur witnessed negative growth for the first time in nearly a decade.

"GST was implemented in June 2017, and from October 1st we were brought under GST. Since then, nearly 5.4% of the total drawbacks and incentives we enjoyed were taken away," says Kumar.
During the VAT era, garment exporters were enjoying around 13% of total 'duty drawback'(rebate or refund). Businesses often import raw materials to manufacture the products they eventually export. Duty drawbacks are provided by the government to encourage exports from the country as they ensure that more working capital is available for the companies.

Of the 13.1% drawbacks that garment exporters enjoyed, 5.5% came from excise, 2% from customs, 2% from Merchandise Exports from India Scheme (introduced by the government in 2015 in order to promote exports) and 3.6% from Rebate of State Levies (an incentive in the form of a refund for state taxes).

After GST was implemented, the 5.5% excise rebate was included in GST. After the exporters made strong representations to the government, the commerce ministry increased MEIS from 2% to 4%, but also reduced ROSL from 3.6 to 1.7%. So, after all the adjustments, exporters were enjoying only a 7.7% of drawbacks, which meant they lost more than 5.4% of what they earlier received as rebates.
This impacted exporter's working capital cycle, which has further cost implications. Kumar from CBC Fashions explains, "My payment cycle was previously 60 days, and now 120 days. Because of late payment, cost of purchases have gone up by 5-10%.".

Overall, the balance sheet of every garment exporter is seeing a drop by around 10% (5% from loss of drawback and 5% from cost hike) since GST implementation; September 2017.

But the GST woes don't end there. GST offers a refund of 5-7% which takes 3-6 months unlike VAT refund of 1.5% in 3 months. The GST refund process has become slow and delayed one. "We have given representation to the government, they are trying hard and working longer hours, but clearances are still not fast enough. As a result, we are still struggling," kumar adds.

Falling Rupee Helps

"The falling rupee saved us in a way," Kumar says. For exporters, a falling rupee is advantageous since it gives them a better value in INR for their goods export in Euro and Dollar.

"If the rupee didn't fall, exports from Tiruppur would have been nearly nil. We wouldn't be able to survive the other headwinds. Since July, rupee has fallen around 10-15%. Last month, we finally saw a positive balance sheet after a year. Bookings are finally beginning to look good till January," he adds. However, importers have also been watching the Indian rupee lose value. Knowing exporters have an advantage, importers too, Kumar says, want them to pass on at least 10% of the advantage to them. Exporters expect the Rupee to fall further. And that is giving them hope. "I expect the rupee to fall to about Rs 80 against the dollar, at least till elections. If that happens, business will be good, even if not good for the country" Kumar says.

However, with general elections coming up in few months, exporters are hoping that the situation may improve on the back on stronger policies. "If the Rupee starts gaining ground after election, we don't know what will happen. Anticipating that, we are requesting the government to announce schemes in budget to benefit us," he adds.

Exploring Newer Markets

The bleak outlook at Tiruppur's Garment Exports Market has forced many to look for other avenues of growth to keep their businesses going. Ethiopia is one such ray of hope. As 'Make in India' becomes unviable, this African country is offering several incentives to garment exporters in a bid to become the next Bangladesh.

Betting on the prospects of Ethiopia, SCM Garments from Tiruppur has set up a 500-machine unit in the country. According to M Ashok, chief marketing officer of SCM Garments,the biggest advantage here is duty-free entry into both the European Union and India. Apart from that, labour is cheap and abundant. It is currently producing garments for French company Decathlon from this facility.

"The government of Ethopia has been aggressively marketing itself as a production base and want to grow with textile. Promising to take care of infrastructure provisions such as road and water as well," Ashok says. However, according to Kumar, the efficiency levels in Ethiopia are low due to raw, untrained and unreliable labour. And this takes away most of the benefit of lower costs, "With low efficiency, the cost of production goes up automatically. They aren't able to improve efficiency levels and work culture isn't good enough," he says. Ashok agrees. He says that production in Ethiopia can now only cater to basic styles. Any new style will require at least a few months of training.

"Even what was promised by Ethopian government like mobile networks is very poor and taking their own time in delivering." Ashok adds. But Ashok is hopeful about a future in Ethiopia. "They are calling themselves the next Bangladesh. It will be a slow process before we can begin reaping benefits," he says.

	Another revenue stream that several garment exporters in Tiruppur have been turning to is the domestic market. The apparel market in India is growing at nearly 10% every year. Fall in exports led to a huge number of exporters, especially the smaller ones, shifting to the domestic market to cater to companies such as Reliance, Big Bazaar, Pantaloons and Arvind Mills. "As the purchasing power of Indians are increasing, the market is massive. Many are eyeing the Indian market, which is very promising," Warsaw International makes garments for Puma, and is now manufacturing and selling to Puma for its Indian customers, says Shanmugam. Shanmugam adds, "If policymakers want to grow the industry, they have to incorporate both domestic and international factors and formulate policy. There have been several disruptions since the new government came in place. But our hope is that the changes remain, and there are no further disruptions. That would mean death for us".		
	(a) Analyse the impact of GST on overall revenue model of Garment export business.	10	CO4
	(b) How the changes in INR vs US$ or Euro impacting Garment export business? Explain.	10	CO4
	(c) As a strategist, suggest various strategic and business policy alternatives.	10	CO5

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SECTION A (Marks 20)

		Marks	CO
Q 1	(i) Strategy is defines as ……………………	1	CO1
	(ii) The mission of a firm is …….	1	CO1
	(iii) Name any two component of Triple Bottom Line are 1………..2………	1	CO1
	(iv) Two main functions of Board of Directors are 1…………… 2……………..	1	CO2
	(v) Name any four forces of Porter's competitive model	2	CO2
	(vi) Mention any four support activities in Porter's Value chain analysis.	2	CO2
	(vii) Full form of VRIO	1	CO2
	(viii) What are two dimensions on X and Y axis in BCG portfolio analysis.	1	CO2
	(ix) Mention any two alliance strategies.	1	CO1
	(x) Mention any two retrenchment strategies.	1	CO1
	(xi) Name two types of diversification strategies.	1	CO1
	(xii) Two internal factors in SWOT analysis are..1…………2…………	1	CO2
	(xiii) Idea acquired Vodafone. Which type of strategy ?	1	CO1
	(xiv) Name two KPIs for an export company.	2	CO2
	(xv) Reliance started new business of telecom, the Reliance Joi? Name type of strategy	1	CO2
	(xvi) Reliance Jio adopted which type of competitive strategy ?	1	CO2
	(xvii) Reliance acquired Reliance Communication (RCOM) recently. Name type of strategy.	1	CO2

SECTION B (5x4 = Marks 20)
Write short notes on any FOUR with examples (not more than 100 words)

Q 2	Competitive Intelligence.	5	CO2
Q 3	Porter's Value Chain analysis.	5	CO2
Q 4	Program, Budget and Procedure for strategy implementation.	5	CO3
Q 5	Growth Strategies.	5	CO2
Q 6	Matrix type of organizational structure.	5	CO3
Q 7	Stages of development for International corporations.	5	CO2

SECTION-C (10x3=Marks 30) **Attempt any THREE questions.**			
Q 8	Explain with example the environmental analysis using PESTEL for a pharma industry or telecommunication industry.	10	CO2
Q 9	What is competitive advantage? How competitive advantages created and sustained? Describe with example from Apparel industry.	10	CO2
Q 10	How Strategy evaluation and control carried out? Describe in detail.	10	CO4
Q 11	Describe SWOT analysis of an export firm giving examples. What strategies you suggest for the firm based on SWOT analysis.	10	CO2
SECTION-D (Marks 30) **Case Study**			
Q 12	The strained trade relations between India and the U.S. could be an outcome not of the U.S.'s domestic politics but of India's? The timeline of U.S. President Donald Trump's decision to rescind the benefits Indian exports enjoy under the Generalised System of Preferences (GSP) programme is revealing. **E-commerce rules** It begins with the change in foreign direct investment (FDI) rules in India. The tightened norms that came into effect on February 1 place several restrictions on e-commerce companies, including Walmart-owned Flipkart and Amazon. The unexpected changes came after Walmart, the world's largest retailer, paid over $16 billion to acquire Flipkart last May. To raise the resources needed, Walmart put one of its biggest international operations, Asda, on the block for $10 billion. The calculations behind the $500 billion retail giant's investment in India have gone awry after the change in the FDI rules. The Walmart family are close friends of Mr. Trump. On February 20, Walmart CEO Doug McMillon said the company was disappointed that New Delhi had changed the FDI rules without consultation and hoped for a more collaborative process going forward. Days later, on March 4, Mr. Trump notified Congress of his intention to slap punitive action on India by ending preferential treatment for the country's exports. Walmart has a reputation for killing small retail businesses with ultra-low prices, a concern that influenced New Delhi's decision to tighten the FDI rules. While the FDI policy might be irreversible, economic diplomacy can still defuse the situation and prevent the removal of the GSP benefits that will not take effect for until at least 60 days after the notifications to Congress and the Indian government. The simmering tensions go back to April 2018 when the United States Trade Representative (USTR) launched a review of New Delhi's eligibility for the GSP programme. Tensions escalated in June, as New Delhi, in response to Washington's 25% tariff hikes on steel and 10% levies on aluminium, immediately accused it of unfair trade practices, and, seeking to signal a muscular approach, threatened retaliatory tariffs on $235 million of U.S. imports. Bilateral talks since then have failed to ease tensions and India now stares at losing the GSP benefits. Foreign Secretary V.K. Gokhale returned empty-handed from Washington recently.		

India’s GSP status came under review after the U.S. medical and dairy industries complained that New Delhi is not providing them “equitable and reasonable access to its market”. India’s data localisation policies deepened the rift.

New Delhi’s use of price control measures against imported drugs and medical devices has grown noticeably. Cardiac stents were put under price controls in February 2016 and knee implants attracted similar action in August 2017, after which trade margins for many medical devices are sought to be capped.

U.S. manufacturers complain that in doing so, New Delhi has meted out differential treatment to them vis-à-vis domestic players.

For domestic companies, the price to distributors is considered while in the case of global manufacturers the base proposed is the landed costs of imports. The U.S. medical device industry wants price controls on cardiac stents and knee implants withdrawn and would like products to be treated on parity with domestic medical devices through a trade margin rationalisation regime.

New Delhi has preferred to act against unreasonable price mark-ups through price controls when exactly the same outcomes can be achieved through other types of policy alternatives. The USTR is right in pointing out that price capping counts as a trade barrier. New Delhi can easily address the concerns by replacing price controls with trade margin rationalisation measures, applying them equally to domestic and foreign manufacturers.

India is the largest beneficiary of the GSP, the largest and oldest U.S. trade preference programme. The GSP is aimed at promoting economic development by allowing duty-free entry of products from designated beneficiary countries. Nearly 4,800 different goods from 129 designated countries enjoy duty-free access under the programme.

The immediate loss for India is preferential access at zero or minimal tariffs to the U.S. in case of about 1,900 products, or about half of all Indian products.

New Delhi has downplayed the impact of the proposed withdrawal of benefits, saying exports worth $190 million only are likely to be affected and that the tariff advantage was 4% or more on only 2,165 of a total of 18,770 tariff lines.

Estimating losses

This is an underestimation. The loss to the economy would be much larger than what the Department of Commerce is projecting. While it is true that the actual tariff advantage from the programme works out to a meagre $190 million, which is just 0.4% of the total Indian exports to the U.S., the actual loss will not be limited to the immediate tariff advantage.

Indian exporters are competing for market share in the U.S. with other low-income countries in industries where margins are wafer thin. Even minor price hikes can drive significant drops in export volumes. In which case, losing GSP access will be costlier than the projections.

	Among price-sensitive products eligible for higher GSP benefits that risk losing out to competition from other countries are processed food, leather products, plastic products, building materials, tiles, hand tools, engineering goods, cycles and made-ups such as pillow/cushion sleeves and woven women's apparel. Many of these are the very industries the new e-commerce FDI rules seek to protect.		
	(a) Carry out PESTEL Analysis for the above case.	10	CO3
	(b) Comment on the Tariff system for trade being followed by the USA and India.	10	CO4
	(c) Assume yourself an Indian exporter, Chalk out priorities to conduct smooth business in USA.	10	CO5