GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR

Course: **Business Policy and Strategic Management**
Semester-VI (Batch: 2014-19)

End Semester Examination: April-May 2017

Date: 9th May, 2017
Duration: 3 hours **Max. Marks: 50**

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Marks

Part-A (8x5=40)

Answer **any eight** of the following questions in detail.

Q.1 What is Cost Leadership Business Strategy? Write a detailed note on any three sources of cost advantages.

Q.2 "Product features are often the focus of product differentiation efforts. Yet, product features are among the easiest-to-imitate bases of product differentiation and thus among the least likely bases of product differentiation to be a source of sustained competitive advantage." Does this statement seem paradoxical to you? If not, why? If yes, how can you resolve this paradox?

Q.3 What is Corporate Diversification Strategy? Explain different types of Corporate Diversification Strategies.

Q.4 How Vertical Integration creates value for an organization? Explain this in detail.

Q.5 "When it comes to core competencies, it is difficult to get off the train, walk to the next station, and then re-board." Explain the statement with appropriate reasoning.

Q.6 Explain Internal External (IE) analysis in detail.

Q.7 Write a detailed note on Porter Five Forces Framework for industry analysis.

Q.8 Explain the following terms in brief:
(a) Competitive advantage.
(b) Strategic alliance.
(c) Economies of scope.
(d) Backward Integration.
(e) Differentiation strategy.

Q.9 If adverse selection, moral hazard, and holdup are such significant problems for firms pursuing alliance strategies, then, why do firms even bother with alliances? Why don't they instead adopt a "go it alone" strategy to replace strategic alliances?

Q.10 Explain the concepts Customer's Willingness to pay and Supplier Opportunity cost. Discuss their roles in creating competitive advantage for a firm.

Part-B

Q.11 **Read the case-facts and answer the questions:** (2x5=10)

"Tyco Ten Years On

For almost 10 years, now, Tyco International has been the poster child for managerial irresponsibility and fraud. Acquisitions gone wild, decadent corporate parties on exotic Italian islands, millions in unethical loans, all leading to one of the most notorious trials for corporate fraud in the last decade. After one hung jury, a second jury found Tyco's former Chief Executive Officer (CEO), Dennis Kozlowski, guilty of fraud and sentenced him to serve a term of 8 to 25 years in federal prison. But, Tyco, the company, remained. Many of the businesses it owned continued operating—despite accounting malfeasance and creativity at the corporate level—largely untouched. Customers still bought their products, those products still required service, and the cash still had to be counted. But, how do you manage the mess that Tyco—the corporation—had become without putting the businesses that Tyco still owned—many of which were very viable—at risk? This was the dilemma that Edward Breen, the new CEO at Tyco, has had to face. In the short term, Breen put most of his energies into cleaning up Kozlowski's mess. This Included replacing Tyco's entire board of directors and most of its senior corporate management team, settling most of its outstanding stockholder law suits, and reducing its level of indebtedness by three quarters. This emergency first-aid allowed Tyco to gain some credibility among its shareholders, debt holders, and even among its own employees. With these changes in place, Breen then turned his attention to rationalizing the mishmash portfolio of companies that Kozlowski—through some 600 acquisitions—had stitched together.

Step One: Divide the company into three parts— the first focusing on health care-related activities; the second on electronic parts and products; the third focusing on Tyco's security, fire, and flow management businesses. Step Two: Sell off the first two parts of the business—the first known as Covidien, the second as Tyco Electronics—so that management could focus on the remaining businesses at Tyco. This restructuring work was also done.

While not nearly as diverse as it was, these actions still left Tyco in a wide range of businesses, including ADT home security monitoring systems; a business that makes valves and pipes for the oil, gas, and water industries; a business that focuses on fire protection services; a business that manufactures materials for pipes, wiring, and razor fencing; and a business that makes video security and related products. Now a "mini-conglomerate," Tyco has shrunk from $40 billion in revenues—in the Kozlowski days—to a more modest $18 billion in revenues.

But, even as a "mini-conglomerate," Breen still needs to explain how his firm is managing this mix of businesses in a way that creates value in excess of what would be the case if each of these businesses were owned separately. So far, the market does not seem convinced by Breen's managerial efforts—Tyco's stock has fallen by 22 percent over the past few months. This does not compare favorably to the stock price of other conglomerates during the same time period, including Danaher, whose share price dropped just four percent, and Emerson Electric, whose share price went up six percent. Managing a diverse portfolio of businesses in a way that creates value is hard to do, even when your firm is no longer dragged down by fraud, and even when your portfolio is not as diverse as it once was."

(a) What type of Corporate Diversification Strategy did Tyco followed during Mr. Dennis Kozlowski's and Mr. Edward Breen's respective tenures? What are the available substitutes for the diversification strategy for Tyco?

(b) Assume that you occupy the chair of Mr Edward Breen. What strategic moves would you take to efficiently and effectively manage, and govern a large diversified firm like Tyco?

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