THE OPEN UNIVERSITY OF SRI LANKA
BACHELOR OF MANAGEMENT STUDIES DEGREE PROGRAMME
LEVEL 6
FINAL EXAMINATION: 2014
STRATEGIC MANAGEMENT – MCU 4201

Duration: Three Hours and Fifteen minutes

Date: 29th June, 2014	**Time: 1.30 pm to 4.45 pm**

This Question Paper consists of three (03) pages and has six (06) questions.
Instructions:

- ***Answer QUESTION 1 AND ANY THREE QUESTIONS FROM OTHERS. Total FOUR (4) questions.***
- ***Maximum marks : 100***
- ***Answers should be methodical and focused. Cite suitable Sri Lankan examples to support your answer where necessary.***

Question 1

Read the following "Panjab Tractors Limited" and attempt the questions given at the end.

Panjab Tractors Limited (PTL)

Panjab Tractors Ltd. (PTL) was one of the most profitable tractor companies in India manufacturing its Swaraj brand tractors, a renowned brand in northern India. The company started in 1970 and the Punjab Government was the main shareholder. PTL became the second biggest player in the tractor company in India. India is the largest tractor market in the world. Further, India is one of the largest agriculture based producers having many small to large farmlands. In farmlands the use of traditional animal based technology is declining and the mechanization is in the increase.

In 2003 the Punjab Government tried to divest its shareholding and subsequently due to poor management the company's market share fell from second player to 5th by 2007. During the same period the share price dropped from around 1000 INR to 250 INR. In 2005 Mahindra and Mahindra (M&M) started the process of acquiring PTL, and in March 2007 M&M acquired PTL for IN Rs. 14890 million.

M&M is an Indian multinational automobile manufacturing corporation with its headquarters in Mumbai, India. It is one of the largest vehicle manufacturers by production, in India and the largest seller of tractors across the world. It is a part of Mahindra Group, an Indian conglomerate. It was ranked 21st in the list of top companies of India in Fortune India 500 in 2011. The tractor division of M&M began its manufacturing in early 1960s and now operates in ten countries and has a fairly large customer base in USA, Australia, Chile, Serbia, Asia, Iran, Syria and a major part of the African continent totaling to 40 countries. M&M operates in China, North America and Australia through its subsidiaries, Jiangling, Mahindra USA and Mahindra Australia. Mahindra Tractors is the market leader in India since 1983. The company's annual tractor sales are more than 200,000 units. M&M tractors won the Deming Application Prize in 2003 and in 2007 it received the Japan Quality medal for implementing Total Quality Management in its entire business operations.

In mid 2005, the Chennai based Tractor and Farm Equipment (TAFE) bought the tractor manufacturing division of Eicher Motors who was manufacturing and selling Eicher brand tractors with a strong presence in north of India. This deal made TAFE's market share to increase to 22 per cent from its 14 percent as PTL could only enter into North Indian markets such as Punjab, Uttar Pradesh and Himachal Pradesh, which account for one third of all tractor sales. TAFE is a US $ 1.6 billion company mainly based on tractors incorporated in 1960 at Chennai, India. It is the third largest tractor manufacturer in the world and the second largest in India by volumes. It makes a sale of approximately 150,000 tractors in Indian domestic market and international markets. It has a wide range of agriequipment in India. Recently it entered into a partnership with Massey Ferguson of USA and has around 1000 dealers in India for its three brands TAFE, Eicher and Massey Ferguson.

Though the increase in market share of TAFE after the acquisition of Eicher rose to 22% M&M was enjoying its 31% market share. Without waiting for its own expansions M&M planned to acquire poor performing PTL. In 2007, the deal was made and new management team appointed a new managing director who was the former head of M&M operations in China. With the PTLs strong presence in North India and M&M's strong presence in the West and South of India M&M expected to increase its market share to 40 per cent.

The first task the newly MD carried out was to commission an external agency to find out what was wrong with the company by interviewing its 300 odd employees who expressed their views freely. As per the employees, PTL had neither a vision nor a long term plan, decision making was slow and only exists top down decision and communication flow. Production was not market linked and also found that PTL had not made a major investment in the past couple of years. The employees wanted clear vision of the company's future, a major thrust towards product development, large scale training, skill development and better welfare measures and also suggested to have control over the activities of the trade unions.

The company set up a vision and mission workshop comprising 60 employees across all functions to discuss and arrive at a vision and the vision was to make Swaraj one of the top two tractor brands in India. An important shorter goal was set to increase the revenue to double and the profits treble in the next three year period. Its overall thrust was to make PTL an innovation led, customer driven, and performance centric organization with a participative management culture. At the time of acquisition though PTL was a profit making entity, it had a huge inventory of unsold stock and uncollected sales of Indian Rs. 6000 million out of its INR 9690 million sales of that year.

The first six months after the acquisition was spent on liquidating stock, improving collections and securitization of debt. A Swaraj Leadership Team consisting of the MD and all functional heads was to make established major decisions promptly. To ensure participation, management similar leadership teams were set up in all functional divisions. A program directing 'Growth drivers' for the company was launched in early 2008 and sales division was remodeled and dealerships extended. A brand building exercise began with television advertisements and retail finance was tied up with Mahindra Finance, a subsidiary of M&M group. As in India 90 percent of tractors are sold on credit. The leadership teams led to set up productivity and quality improvement targets. PTL was merged into M&M and became M&M's 'Swaraj Division' in 2009.

The new management identified that Swaraj possessed a culture of innovation and the company knew how to design tractors in the most cost effective manner. Swaraj products were robust and known for their durability in the markets. The product gaps were identified and INR 8,000 were invested in research and development activities. Further, management sought global expertise for upgrading the fuel efficiency of the engines and to meet the environmental emission norms. The fit and finish of the tractors were refined. Two new products were launched in 2009 and 2010 after the gap of many years.

At this juncture the PTL unions who were used to having its way with the earlier management resisted the push of greater discipline and higher productivity measures by resorting to a various trade union actions including 'go-slow' actions. However, the new management teams could take counter actions with many incentives and strong actions and soon the unions had to relent as the membership was moving away from the union leaders. After the acquisition the employees were offered many incentives their expectations as increased, improved medical facilities, refurbished cafeteria, many safety measures and increased involvement of families of the employees with the workplace.

Where is the PTL today?

Production has risen to 69,292 units in 2011/2012 from 28,500 in 2007/2008. Standalone revenue has gone up over three times during this period to INR 30,000 million from INR 9,690 million and the profits have risen more than six times to over INR 5,000 million from INR 800 million. Swaraj secured a market share of 13.1 percent and ranks number 3 after the brand M&M and TAFE. The combined market share of M&M and Swaraj is a formidable 42 percent.

M&M had recovered its investment in Swaraj in the financial year 2009/2010. Further, Swaraj has become the M&M's closest competitor in many tractor markets despite other competitors.

(Source: Business Today, 23 December 2013, Wikipedia and web pages of respective companies.)
INR-Indian Rupee, 1 US $ = 60 INR (Approx.)

(a) In your opinion is the decision of M&M to acquire PTL successful? Establish your answer. (6 Marks)

(b) Comment on the level of involvement of employees of PTL in decision making and strategic management practices of the company. (10 Marks)

(c) Carryout a SWOT analysis and comment on the company's strategic position of PTL. (10 Marks)

(d) What would have been the key success factors of the PTL for its transformation? Explain. (6 Marks)

(e) Explain the short term functional level strategies pursued by PTL. Discuss why or why not the new management pursued these strategies. (10 Marks)

(f) Using Michael Porter's five forces model for industry analysis, critically analyse the M&M's decision to acquire PTL. (10 Marks)

(State the assumptions used in your answers.)

Question 2

(a) Explain why it is necessary for an organization to engage in continuous environmental scanning. (8 Marks)

(b) Describe what the Grand Strategy Matrix is and how could it help strategists in strategy formulation and selections? (8 Marks)

Question 3

(a) 'When implementing strategies strategists may study the present organizational structure and culture and take measures to change them.' Discuss why a strategy implementer may take measures to change the existing organizational structure at strategy implementation stage. Give suitable examples. (6 Marks)

(b) With suitable examples explain the type of organizational structure which may suit best for an organization involved in the following;

i. with high level of product development needs

ii. in the service industry.

(10 Marks)

Question 4

(a) Explain the relationship between strategic control and strategy Implementation. (8 Marks)

(b) Discuss the different measures that may be used by strategists in strategic control. (8Marks)

Question 5

Explain with suitable examples the level of top management involvement and investment decisions relating to the strategic business units falling into different type of the BCG portfolio analysis matrix.

(16 Marks)

Question 6

Explain **any TWO** of the following with suitable examples. (08Marks each)

(a) Core competencies of an organization.

(b) Market development and product development strategies.

(c) Cost leadership and differentiation strategies for competitiveness.

(d) Strategic management audit.