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Code: 19MBA3014 **SET-I**

ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI
(AUTONOMOUS)

II MBA III Semester Regular Examinations, February, 2021
PLANNING, STRUCTURING, AND FINANCING SMALL BUSINESS

Time: 3 Hrs **Max. Marks: 60**

Answer any Five questions
All questions carry EQUAL marks
Question No. 8 is Compulsory

1. a) Explain the Reasons for Establishment of MSMEs, and its Role in Economic Development.
   b) Explain the problems and Sickness of MSMEs, the strategies for overcome those problems.

2. a) Explain the need for business model, key components of business model and various Types of business models.
   b) Elucidate the need for Technological Up-gradation and Institutional facility for MSMEs

3. a) Elucidate various Incentives and Subsidies for MSMEs given by government
   b) Explain the problems and potentials of exports from MSMEs in India.

4. a) Explain working capital requirements via Operating Cycle of MSMEs.
   b) Examine the Funding sources for MSMEs via SIDBI, Commercial Banks, Regional Rural Banks, Co-Operative Banks.

5. a) Explain the cash flow estimates and cash flow projections
   b) Explain the concept of venture capital, types of venture capital.

6. a) Describe what kind of business strategies need for MSMEs in today's business environment
   b) Explain the strategies Cost Leadership, Differentiation of MSMEs with the help of suitable examples.

7. a) Explain the objectives and scope of Financial Management
   b) Explain the Office Management and Crisis Management in Micro Small and Medium Enterprises with examples.

8. **CASE STUDY:**
   Wal-Mart is one of the most extraordinary success stories in business history. Started in 1962 by Sam Walton, Wal-Mart has grown to become the world's largest corporation. In 2012, the discount retailer—whose mantra is "everyday low prices"— had sales of $440 billion, close to 10,000 stores in 27 countries, and 2.2 million employees. Some 8% of all retail sales in the United States are made at a Wal-Mart store. Wal-Mart is not only large; it is also very profitable. Between 2003 and 2012 the company's average return on invested capital was 12.96%, better than its well-managed rivals Costco and Target, which earned 10.74% and 9.6%, respectively (see Figure 1.1). Wal-Mart's persistently superior profitability reflects a competitive advantage that is based upon a number of strategies. Back in 1962, Wal-Mart was one of the first companies to apply the self-service supermarket business model developed by grocery chains to general

merchandise. Unlike its rivals such as K-Mart and Target that focused on urban and suburban locations, Sam Walton's Wal-Mart concentrated on small southern towns that were ignored by its rivals. Wal-Mart grew quickly by pricing its products lower than those of local retailers, often putting them out of business. By the time its rivals realized that small towns could support a large discount general merchandise store, Wal-Mart had already pre-empted them. These towns, which were large enough to support one discount retailer but not two, provided a secure profit base for Wal-Mart. The company was also an innovator in information systems, logistics, and human resource practices. These strategies resulted in higher productivity and lower costs as compared to rivals, which enabled the company to earn a high profit while charging low prices. Wal-Mart led the way among U.S. retailers in developing and implementing sophisticated product tracking systems using bar-code technology and checkout scanners. This information technology enabled Wal-Mart to track what was selling and adjust its inventory accordingly so that the products found in each store matched local demand. By avoiding overstocking, Wal-Mart did not have to hold periodic sales to shift unsold inventory. Over time, Wal-Mart linked this information system to a nationwide network of distribution centers in which inventory was stored and then shipped to stores within a 400-mile radius on a daily basis. The combination of distribution centers and information centers enabled Wal-Mart to reduce the amount of
inventory it held in stores, thereby devoting more of that valuable space to selling and reducing the amount of capital it had tied up in inventory. With regard to human resources, Sam Walton set the tone. He held a strong belief that employees should be respected and rewarded for helping to improve the profitability of the company. Underpinning this belief, Walton referred to employees as "associates." He established a profit-sharing scheme for all employees, and after the company went public in 1970, a program that allowed employees to purchase Wal-Mart stock at a discount to its market value. Wal-Mart was rewarded for this approach by high employee productivity, which translated into lower operating costs and higher profitability. As Wal-Mart grew larger, the sheer size and purchasing power of the company enabled it to drive down the prices that it paid suppliers, passing on those saving to customers in the form of lower prices, which enabled Wal-Mart to gain more market share and hence lower prices even further. To take the sting out of the persistent demands for lower prices, Wal-Mart shared its sales information with suppliers on a daily basis, enabling them to gain efficiencies by configuring their own production schedules for sales at Wal-Mart. By the time the 1990s came along, Wal-Mart was already the largest seller of general merchandise in the United States. To keep its growth going, Wal-Mart started to diversify into the grocery business, opening 200,000-square-foot supercenter stores that sold groceries and general merchandise under the same roof. Wal-Mart also diversified into the warehouse club business with the establishment of Sam's Club. The company began expanding internationally in 1991 with its entry into Mexico. For all its success, however, Wal-Mart is now encountering very real limits to profitable growth. The U.S. market is saturated, and growth overseas has proved more difficult than the company hoped. The company was forced to exit Germany and South Korea after losing money there, and it has faced difficulties in several other developed nations. Moreover, rivals Target and Costco have continued to improve their performance, and Costco in particular is now snapping at Wal-Mart's heals.

Questions :

(a) explain the cost leadership strategies of Wal-Mart
(b) critically examine the benefits of HR policies
(c) What is the competitive advantage of Wal-Mart?