

**Code: 13 MBA2015**

**ADITYA INSTITUTE OF TECHNOLOGY AND MANAGEMENT, TEKKALI  
(AUTONOMOUS)**

**MBA III Semester Regular Examinations, December, 2014**

**STRATEGIC MANAGEMENT**

**Time: 3 Hours**

**Max Marks: 60**

**Answer any Five Questions  
All questions carry EQUAL marks  
Question No: 8 is compulsory**

1. Explain the strategic Vision and Mission statements?
2. What is value chain analysis? Bring out the components in detail in Value chain analysis?
3. Briefly explain about the Corporate and Functional level strategies?
4. What is GE Model? How it helps in strategic analysis and choice?
5. Mergers and Acquisitions are the order of the day in Globalised scenario. Comment
6. What is balance score card? How this can be prepared?
7. What is strategic Information system? Explain any of the Industry how immensely benefited through strategic Information System?

#### **8. Case study**

##### **Case: L&T**

We are shivering in our paints, as we grope against new competition from firms from USA and Korea. - A very senior L&T executive to the author at a Management Development Programme at IIM (Ahmedabad) in 1993 The competition we have faced till now is nothing is compared to what lies in store for us. Till now, the period (post-liberalisation) was one of learning and assessment for the big global competitors

- Sudhakar Divokar Kulkarni, CEO. to the case author in April 1997.

In 1997 Larsen and Tubro (L&T), one of the largest engineering companies in India (and one of the top five private sector companies) posted yet again a growth rate of over 20 per cent. This happened for the fourth consecutive year despite acute liquidity crisis in the market, political instability, and uncertainty about execution of power projects of foreign companies (e.g. Enron), and so no. Since last few years, L&T was becoming a lesson for companies worldwide in managing explosive growth and developing internal capabilities on a continuous basis. Simultaneously, it was setting new challenges for the academics in defining core competencies and core capabilities. An independent survey named L&T to be one of the best managed companies in Asia and another by Business Toda, showed that the company was one of the most transparent and a leader on the issue of corporate governance. During 1995-96 and 1996-97, the company achieved an incredible growth in sales of nearly Rs. 1,000 crore per annum over the previous years, crossing the landmark turnover of Rs. 5,000 crore in the process

##### **The Takeover Attempt**

During 1991 - 93, as the country progressed towards liberalisation, the company just emerged from a not-so-welcome takeover threat from the powerful Ambanis of Reliance. The Ambanis were themselves embarking upon massive expansion in chemicals and petrochemicals business, and L&T would have provided a real and logical synergy in terms of executing turnkey projects

for construction, engineering, supplying machinery and of course, offering suppliers credit (to the tune of Rs. 1.000 crore). Through protracted investigation and litigation (in which the Reliance Industries Ltd. was found to have collected forged proxies), the company somehow remained in the hands of 'professionals'. The big question mark as posed by an article in the Economic and Political weekly was "Where does L&T go from where it has reached now?" However, it was obvious that a total new mindset and working culture would be required if L&T was to grow and remain competitive. In 1993 94, the company started adopting the principles of Total Quality Management (TQM) by becoming customer focused, reducing the costs and wastage, and adding value at all stages for maximising customer satisfaction.

In 1994, Mr. S.D. Kulkarni took over as the CEO of L&T and confidently promised that the company would reach its mission of being a Rs. 10,000 crore (\$3 bn.) - company by the end of the century. He also declared that the company would strive to maintain and develop leadership positions in all its businesses or else it will quit. Simultaneously, zero retrenchment was promised. The philosophy of TQM was embraced with added emphasis on 'customer delight', that is, delivering more value than expected by the customer.

Vision, Core Values, and TQM

Infrastructure - being a key bottleneck for Indian industry - was identified as the engine of Growth for the company's ambitious plans. But before that, the company needed an ambition statement, which every employee could own and share. A massive companywide exercise for finding out what the company stood for and what its core values were was embarked upon. The emergent statement though not sounding much different from several other organisations vision, however, came to be owned and understood by almost every employee because of the process of identifying the mission and peoples involvement. The key elements of L&Ts vision f focussed towards a world class company dedicated to:

- . excellence and professionalism
- . customer delight through service
- . entrepreneurial leadership and creation of an organisation that is on the path of continuously learning by fostering teamwork, trust, and care
- . Community service and environmental protection.

### **Core Competencies**

According to a senior executive, today the core competence of L&T lies in its ability to synthesise, integrate and harmonise its diverse world-class engineering, manufacturing, procurement, construction and fabrication skills around turnkey projects (in core economic sectors) and people. This is made possible through a world class vendor base and quality technological alliances, excellent IT infrastructure (CAD,/CAM systems, PMIS etc.) sophisticated fabrication facilities for plant and machinery in the core sector.

### **Business Leadership**

L&T holds a leadership position in India in most of the areas in which it operates. The first company to introduce hydraulic excavators in the country, it still maintains its leadership status in this and in the vibratory compactor segments. L&T's switchgear products enjoy a dominant position in Indian as well as the international markets. It continues to be a leader in the manufacture of Z-Line petrol pumps and its cement is considered to be of high quality. L&T has pioneered the manufacture and supply of critical nuclear reactors and space vehicles hardware in

the country. It has to its credit many firsts in the Indian industry - from the indigenously manufactured hydrocracker reactor, naphtha - run power plants, the world's largest curing press, to the first vertical dairy in the country and so on.

With the Project and Construction business in the country growing at a fast pace and expected to continue to do so with the country's emphasis on infrastructure, both L&T ECC (Construction Group) and L&T's Projects (EPC) businesses are being treated as thrust areas. The ECC construction group has been responsible for construction landmarks both in India and abroad, for instance, the Bahai house of worship in Delhi, an international airport terminal in Abu Dhabi, bridges in Malaysia, hotels in Uzbekistan, and so on. Its major projects have been building of cement plants for Grasim Industries, Gujarat Ambuja Cements, and ACC Ltd., construction of bridges and railway tunnels for the Konkan Railway project. In projects business, L&T EPC group successfully executed orders from ONCC (for piping and oil platforms), Tata Chemicals {for captive co generation power plant) and Gandhinagar Dairy. In shipping and international business too, the company has made significant progress to become one of the leading players in their line of business.

L&T has a long and enviable record of high-tech fabrication. The workshops in Powai with CNC precision machines house large-size precision fabrication facilities. Its major heavy engineering complex at Hazira also caters to such needs. L&T's units and its links with globally reputed organisations have contributed much in developing manufacturing excellence.

### **Decision-making at L&T**

Over the years, the company has implemented its vision through various approaches. Foremost is the emphasis on empowerment, teamwork, and continuous training of employees. In terms of structure, the company has decentralised decision-making, and according to Mr. Kulkarni, CEO, the concept of Strategic Business Units (SBUs) is being actively encouraged. The company is decentralised for all practical purposes. Budgets and allocations are made at the beginning of the year and SBUs undertake the responsibility for achieving the targets. Only in major decisions involving capacity augmentation, business divestment, diversification, and so on does the CEO personally involve himself. According to Mr. Kulkarni, "only through empowerment and decentralised decision making can a highly diversified company like L&T be managed". For example, though the decision to divest the Dot Matrix Printers (DMPs) business was first proposed by the concerned department, yet the decision was taken at the MD/Board level as it agreed that product and technological obsolescence and synergy of DMPs with other businesses was indeed low.

### **Questions:**

- (a) Carry out a SWOT Analysis of L&T.
- (b) Explain the Decision-making process at L&T and how does it contribute to performance of the company.
- (c) What are the various strategies that you recommend for L&T's EPC division in domestic and foreign markets