K.J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES & RESEARCH

PGDM - RM and Comm – 2016 – 18 BATCH

I TRIM – END TERM EXAM

Business Perspectives and Global Management Thought

Marks: 50 Duration: 03 hours Date : 27/09/2016

Note:

1) **All questions are compulsory.**
2) **Figures to the right indicate marks.**

1) Read the following case study and present your in-depth analysis. **(15 Marks)**

Aligning Assets with Industry Characteristics
When India opened its automotive sector in the mid-1980s, the country's largest maker of motor scooters, Bajaj Auto, confronted a predicament similar to what many "emerging-market" companies face. Honda, which sold its scooters, motorcycles, and cars worldwide on the strength of its superior technology, quality, and brand appeal, was planning to enter the Indian market. Its remarkable success selling motorcycles in Western markets and in such nearby countries as Thailand and Malaysia was well known. For the independent-minded Bajaj family, a joint venture with Honda was not an option. But faced with Honda's superior resources, what else could the company do?
A closer look at the situation convinced Bajaj's managers that Honda's advantages were not as formidable as they first appeared. The scooter industry was based on mature and relatively stable technology. While Honda would enjoy some advantages in product development, Bajaj would not have to spend heavily to keep up. The makeup of the Indian scooter market, moreover, differed in many ways from Honda's established customer base. Consumers looked for low-cost, durable machines, and they wanted easy access to maintenance facilities in the countryside. Bajaj, which sold cheap, rugged scooters through an extensive distribution system and a ubiquitous service network of roadside-mechanic stalls, fit the Indian market well. Honda, which offered sleekly designed models sold mostly through outlets in major cities, did not.
Instead of forming a partnership with Honda, Bajaj's owners decided to stay independent and fortify their existing competitive assets. The company beefed up its distribution and invested more in research and development. Its strategy has paid off well. Honda, allied with another local producer, did quickly grab 11% of the Indian scooter market, but its share stabilized at just under that level. Bajaj's share, meanwhile, slipped only a few points from its earlier mark of 77%. And in the fall of 1998, Honda announced it was pulling out of its scooter-manufacturing equity joint venture in India.
Bajaj's story points to the two key questions that every manager in emerging markets needs to address: First, how strong are the pressures to globalize in your industry? Second, how internationally transferable are your company's competitive assets? By understanding the basis for competitive advantage in your industry, you can better appreciate the actual strengths of your multinational rivals.

And by assessing where your own competitive assets are most effective, you can gain insights into the breadth of business opportunities available to you. Let's take each question in turn.

Despite the heated rhetoric surrounding globalization, industries actually vary a great deal in the pressures they put on companies to sell internationally. At one end of the spectrum are companies in such industries as aircraft engines, memory chips, and telecommunications switches, which face enormous fixed costs for product development, capital equipment, marketing, and distribution. Covering those costs is possible only through sales in multiple markets. A single set of rules governs competition worldwide, and consumers are satisfied with the standardized products and marketing appeals that result.

At the other end of the spectrum are industries in which success turns on meeting the particular demands of local consumers. In beer and retail banking, for example, companies compete on the basis of well-established relationships with their customers. Consumer preferences vary enormously because of differing tastes, perhaps, or incompatible technical standards. Multinationals can't compete simply by selling standardized products at lower cost. Alternatively, high transportation costs in some sectors may discourage a global presence. In all of these industries, companies can still prosper by selling only in their local markets.

Most industries, of course, lie somewhere in the middle of the spectrum. International sales bring some advantages of scale, but adapting to local preferences is also important. By thinking about where their industry falls on the spectrum, managers from emerging markets can begin to get a picture of the strengths and weaknesses of their multinational competitors. But they need to place their industry carefully. As Bajaj found, industries that seem similar may be far apart on the spectrum—pressures to globalize scooters turn out to be much weaker than those to globalize automobiles. Bajaj may go global in the future, as the Indian market evolves, but it has no need to do so now.

Once they understand their industry, managers need to evaluate their company's competitive assets. Like Bajaj, most emerging-market companies have assets that give them a competitive advantage mainly in their home market. They may, for example, have a local distribution network that would take years for a multinational to replicate. They may have longstanding relationships with government officials that are simply unavailable to foreign companies. Or they may have distinctive products that appeal to local tastes, which global companies may be unable to produce cost effectively. Any such asset could form the basis for a successful defense of the home market.

Some competitive assets may also be the basis for expansion into other markets. A company can use its access to low-cost raw materials at home, for example, to undercut the price of goods sold in other countries. Or a company may use its expertise in building efficient factories to establish operations elsewhere. Assets that may seem quite localized, such as experience in serving idiosyncratic or hard-to-reach market segments, may actually travel well. By paying close attention to countries where market conditions are similar to theirs, managers may discover that they have more transferable assets than they realize. The more they have, the greater their chance of success outside the home base.

For defenders like Bajaj, the key to success is to concentrate on the advantages they enjoy in their home market. In the face of aggressive and well-endowed foreign competitors, they frequently need to fine-tune their products and services to the particular and often unique needs of their customers. Defenders need to resist the temptation to try to reach all customers or to imitate the multinationals. They'll do better by focusing on consumers who appreciate the local touch and ignoring those who favor global brands.

Shanghai Jahwa, China's oldest cosmetics company, has thrived by astutely exploiting its local orientation—especially its familiarity with the distinct tastes of Chinese consumers. Because standards of

beauty vary so much across cultures, the pressure to globalize the cosmetics industry is weak. Nevertheless, as in other such industries, a sizable market segment is attracted to global brands. Young people in China, for example, are currently fascinated by all things Western. Instead of trying to fight for this segment, Jahwa concentrates on the large group of consumers who remain loyal to traditional products. The company has developed low-cost, mass-market brands positioned around beliefs about traditional ingredients.
Many Chinese consumers, for instance, believe that human organs such as the heart and liver are internal spirits that determine the health of the body. *Liushen,* or "six spirits," is the name of a traditional remedy for prickly heat and other summer ailments, and it's made from a combination of pearl powder and musk. Drawing on this custom, Jahwa launched a Liushen brand of eau de toilette and packaged it for summer use. The brand rapidly gained 60% of the market and has since been extended to a shower cream also targeted at the liushen user. Unilever and other multinational companies lack this familiarity with local tastes; they have found their products appeal mainly to fashion-conscious city dwellers.

2) **A)** Write a note on the first phase of management thought in the 20th century. **(10 Marks)**

OR

B) Explain the contribution of any two of the following thinkers and what and how can we learn from them:

i. Elton Mayo
ii. Michael Porter
iii. Theodore Levitt
iv. McGregor

3) **A)** Discuss the importance of Hofstede’s indices in strategic management thought. **(10 Marks)**

OR

B) Discuss with examples the various factors that impact a business entity in today’s world.

4) A) Detail the contributions of any THREE of the following: **(15 Marks)**

a. Prahalad
b. McCllelland
c. Maslow
d. Mary Parker Follet

OR

B) Present your in-depth analysis on Brexit. **(15 Marks)**