

TECHNICAL UNIVERSITY OF MOMBASA

School of Business

DEPARTMENT OF BUSINESS ADMINISTRATION

ORDINARY EXAMINATIONS

MASTER OF BUSINESS ADMINISTRATION

CODE **BMG 5203: GLOBAL STRATEGIC MANAGEMENT**

SERIES: MAY 2016

TIME: 3 HOURS

INSTRUCTIONS

- This paper consists of **FIVE** questions.
- Answer question **ONE (Compulsory)** and any other **THREE** questions

Read the case given below and answer the questions given at the end of the case.

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 compared to what lies in store for us. Till now, the period was one of learning and assessment for the big global competitors Sudhakar (April 1997). Despite the above comments, 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 on. 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 expressed it to be one of the best managed companies in Asia and another by Business Today, 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. As a company, this multi-dimensional engineering giant is actually the nucleus of a group of companies involved in building complexes, worksheets, offices and service outlets at different locations all over India and abroad. Over the years, L&T has acquired a commendable reputation for capabilities for executing engineering related projects.

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 1999/94, 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. In the global EPC business, however the company faces stiff competition from the global construction and engineering giants like Hyundai, Saipern, McDermott, Caterpillar, to name a few. In such a highly competitive environment with technology being a handicap (that most Indian companies suffer from), the logical step is to enter into strategic and technological alliances. Most Indian EPC players follow this route and L&T is no exception. Some of its alliances are with its competitors, for instance, Caterpillar, Marubeni. Like most Indian EPC players going

global, L&T's overseas EPC operations are concentrated in the developing and developed countries of South-and Middle-East Asia such as Thailand and Malaysia, Vietnam, Burma, Bangladesh, Sri Lanka, and Gulf countries like Qatar, Saudi Arabia, Bahrain, Oman, and so on.

Though L&T has attained impressive achievements, the productivity of several businesses are alarmingly low on the international benchmark level. In an environment of high interest rates and tight liquidity position, the efficient management of working capital will form the key to future L&T successes. Some of the areas of concern for L&T in the short-term would be: the need to attain faster delivery standards, customer satisfaction, continuous cost reduction, productivity improvement and operating with low working capital, and aiming at least to be a regional player of repute and recognition.

Questions:

- (a) Carry out a SWOT Analysis of L&T (10mks)
- (b) Explain five strategic challenges facing L&T and how they have contributed to performance of the company (5mks)
- (c) Write short notes on two strategies that you can recommend for L&T's EPC division in domestic and foreign markets (10mks)

Question two.

- (a) Highlight five integration and emerging issues in global strategic management (10mks)
- (b) Discuss three International Strategies used by international firms to face intense competition (15mks)

Question three.

- (a) Highlight three major issues that affect organizations that are wishing to 'go international' (10mks)
- (b) Due to the emergence of a digital economy a global business person needs to be more innovative. Discuss seven types of innovations that could enable a global business person to outgrow their competitors (15mks)

Question four

- (a) Explain five quantitative characteristics of Multi National Enterprises(10mks)
- (b) Joint ventures can be defined as "an enterprise in which two or more investors share ownership and control over property rights and operation". Discuss four advantages and disadvantages of Joint ventures (15mks)

Question five

- (a) Although MNCs often introduce new efficiency oriented management practices it has been argued that they are actually a menace in the global arena. Discuss the above statement using relevant examples(15mks)
- (b) Write short notes on any two theories related to the study of strategic global business (10mks).