

M.Com. 4th Semester Examination, 2010

STRATEGIC MANAGEMENT

PAPER—CM-2201

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

UNIT—I

1. Answer any *two* questions from the following : 5 x 2
 - (a) Discuss the key elements of 'corporate mission' statement. Give illustration to justify your answer.
 - (b) Distinguish among the decision classes a business organization usually passes through.

(Turn Over)

(c) What are the relevant provisions of 'Audit Committee' as per revised clause 49 of the Listing Agreement ?

(d) Distinguish between the ownership-wise grouping in the corporate governance systems worldwide.

2. Answer any *one* question from the following : 10 x 1

(a) (i) Discuss the various levels at which strategy operates.

(ii) Distinguish between 'policy' and 'strategy'.

(iii) Explain the presence of various components in corporate governance.

3 + 3 + 4

(b) Read the following story about Hindusthan Unilever Limited and make a SWOT Analysis on it.

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Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company; its journey began 75 years ago, in 1933, when the company was first

incorporated. In June 2007, the Company has changed its name from Hindustan Lever Ltd (HLL) to Hindustan Unilever Ltd (HUL). The company stirring the lives of two out of three Indians with over 20 distinct categories in Home & Personal Care Products and Foods & Beverages and also one of the country's largest exporters. HUL's brands includes Lifebuoy, Lux, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Sunsilk, Clinic, Pepsodent, Close-up, Lakme, Brooke Bond, Kissan, Knorr-Annappurna, Kwality Wall's— are household names across the country and span many categories — soaps, detergents, personal products, tea, coffee, branded staples, ice cream and culinary products. They are manufactured in over 40 factories across India.

In 1931, HUL set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited in the year 1933 and United Traders Limited in

1935. These three companies merged to form Hindustan Unilever Limited in November 1956. In the year 1958 the company started its Research Unit at Mumbai Factory namely The Hindustan Unilever Research Centre (HLRC). HUL meets everyday needs for nutrition, hygiene, and personal care with brands that help people feel good, look good and get more out of life. The notable thing in company's history is the company became the first foreign subsidiary in India to offer equity to the Indian public.

The export business gives a sustained growth to the company in every agenda. The company's Formal Exports Department was started in the year 1962 and HUL recognised by Government of India as Star Trading House in Exports in 1992. A turning point to the company was guaranteed in the year 1993, HUL's largest competitor, Tata Oil Mills Company (TOMCO), merging with the

company with effect from April 1, 1993, the biggest such in Indian industry till that time. Merger ultimately accomplished in December 1994. Thus, the company acquired the renowned brand 'Hamam' along with some other insignificant products. HUL forms Nepal Lever Limited in 1994, HUL and US-based Kimberley-Clark Corporation form 50 : 50 joint venture as Kimberley - Clark Lever Ltd. to market Huggies diapers and Kotex feminine care products. Factory was set up at Pune in 1995. HUL later acquired Kwality and Milkfood introduced Wall's. The company and Indian cosmetics major, Lakme Ltd. came to joint venture and formed Lakme Lever Ltd. and HUL recognised then as Super Star Trading House in 1995.

In 1997 Unilever sets up International Research Laboratory in Bangalore and the new Regional Innovation Centres also came up to existence. A group company, Pond's India Ltd.

was merged with HUL in January of the year 1998.

HUL believes that an organisation's worth is also in the service it renders to the community. HUL is focusing on health and hygiene education, women empowerment, and water management. It is also involved in education and rehabilitation of special or underprivileged children, care for the destitute and HIV-positive, and rural development. In 2001, the company embarked on an ambitious programme, Shakti. Through Shakti, HUL is creating micro-enterprise opportunities for rural women, thereby improving their livelihood and the standard of living in rural communities. The company's spotlight was turned on to Ayurvedic health and beauty, HUL entered Ayurvedic health & beauty centre category with the Ayush range and Ayush Therapy Centres 2002. During the year 2003 the company launched

Hindustan Lever Network, a strong initiative by the company worth of Rs. 1800 crore for Direct Selling Channel. The company acquired Marine business from the Amalgam group companies in March of the same year. In line with company's business strategy to exit non-core business, the Company has disposed its Mushroom business, which formed part of KICM (Madras) Ltd. and its Seeds Business also in the year 2004. As of December 2005. Lever India Exports Ltd., Lipton India Exports Ltd., Merry Weather Food Products Ltd., Toc Disinfectants Ltd. and International Fisheries Ltd. were merged with the company, all these five companies turning into wholly owned subsidiaries of the company. Vasishti Detergents Ltd. (VDL) came into fold of the company as a result of amalgamation of the Tata Oil Mills Company Ltd.. VDL was merged with the company in February, 2006. Modern Foods Industries (India) Ltd. and Modern Foods &

Nutrition Industries Ltd. were merged with itself as of September 30, 2006.

In March 2007 'Sangam Direct', a non-store home delivery retail business, operated by Unilever India Exports Limited (UIEL), a fully owned subsidiary was transferred to Wadhavan Foods Retail Pvt. Ltd (WFRPL) on a slump sale business and also in same month of the same year the company had carried out demerger of its operational facilities in Shamnagar, Jamnagar and Janmam lands into three independent and separate companies, being 100% subsidiaries of the company known as Shamnagar Estates Pvt. Limited, Jamnagar Properties Pvt. Limited and Hindustan Kwality Walls Foods Pvt. Limited.

During 2008, Unilever announced its collaboration with the Indian Dental Association (IDA) in conjunction with World

Dental Federation (FDI) through its Pepsodent, leading oral care brand to help improve the oral health and hygiene standards in India. The demerger and transfer of certain immovable properties of Hindustan Unilever Limited to Brooke Bond Real Estates Private Limited was an event of the company in April 2008. HUL has more than 670 live patents and 700 million consumers use HUL brands in India as part of their daily lives. The company moves with the mission of 'add vitality to life' through its presence in over 20 distinct categories in Home & Personal Care Products and Foods & Beverages. HUL identified five key platforms and have articulated goals, both short term and long term goals stretching to 2015, would work in areas of health, nutrition and women empowerment on the social front, the economic agenda would be to enhance livelihoods and the

environmental agenda would focus on water conservation and cutting greenhouse gases.

Now, if one looks over the evolution of HUL as a big company, one would see it passing through mergers, on most occasions, and also in some occasions through demerger. This has made the company truly belonging to the 'diversified' category. But, many people feel that HUL has not much gained out of these exercises, specially by taking over so many companies and thus their products. This has naturally increased the operational risk of the company by diverting just 180° from the 'core competency' philosophy. Thus, the profitability has not increased that much. Some people further believe that the company has passed through the phases of 'agency problems; from its top level during different points of time in the history. But to the long term equity investors, this is a good company to invest with because

this has not betrayed the investors in a long-term holding, even in the bad days of investment market. After all, since India has a vast population and the basic business of HUL is in the FMCG sector, there is no dearth in demand of its products which have very high brand values.

UNIT-II

3. Answer any *two* questions from the following : 5 x 2
- (a) What do you understand by synergistic diversification?
 - (b) What do you understand by strategic implementation?
 - (c) What are the points of difference between strategic control and operational control?
 - (d) Write a short note on 'turnaround strategy'.

4. Answer any *one* question from the following: 10 x 1

(a) BCG model is a useful tool for portfolio analysis. Elaborate the statement. 10

(b) Discuss Porter's Five Forces Model. Do you think it to be relevant for strategic decision-making? Give reasons. 7 + 3

[*Internal Assessment* : 10 Marks]