

Birla Institute of Technology and Science, Pilani

I Semester 2023-24

Course Code: BITS F428

Course Title: Essentials of Strategic Management

Max. Time: 60 Minutes

Date: 09-12-2023 (Open Book)

Max. Marks: 15

When Ford CEO Alan Mulally arrived at the company in 2006, after a long career at Boeing, he was shocked to learn that the company produced one Ford Focus for Europe, and a totally different one for the United States. "Can you imagine having one Boeing 737 for Europe and one 737 for the United States?" he said at the time. Due to this product strategy, Ford was unable to buy common parts for the vehicles, could not share development costs, and couldn't use its European Focus plants to make cars for the United States, or vice versa. In a business where economies of scale are important, the result was high costs. Nor were these problems limited to the Ford Focus—the strategy of designing and building different cars for different regions was the standard approach at Ford.

Ford's long-standing strategy of regional models was based upon the assumption that consumers in different regions had different tastes and preferences, which required considerable local customization. Americans, it was argued, loved their trucks and SUVs, whereas Europeans preferred smaller, fuel-efficient cars. Notwithstanding such differences, Mulally still could not understand why small car models like the Focus or the Escape SUV, which were sold in different regions, were not built on the same platform and did not share common parts. In truth, the strategy probably had to do with the autonomy of different regions within Ford's organization, a fact that was deeply embedded in Ford's history as one of the oldest multinational corporations.

When the global financial crisis rocked the world's automobile industry in 2008-2009, and precipitated the steepest drop in sales since the Great Depression, Mulally decided that Ford had to change its traditional practices in order to get its costs under control. Moreover, he felt that there was no way that Ford would be able to compete effectively in the large, developing markets of China and India unless Ford leveraged its global scale to produce low-cost cars. The result was Mulally's "One Ford" strategy, which aims to create a handful of car platforms that Ford can use everywhere in the world.

Under this strategy, new models—such as the 2013 Fiesta, Focus, and Escape—share a common design, are built on a common platform, use the same parts, and will be built in identical factories around the world. Ultimately, Ford hopes to have only five platforms to deliver sales of more than 6 million vehicles by 2016. In 2006, Ford had 15 platforms that accounted for sales of 6.6 million vehicles. By pursuing this strategy, Ford can share the costs of design and tooling, and it can attain much greater scale economies in the production of component parts. Ford has stated that it will take about one-third out of the \$1-billion cost of developing a new car model and should significantly reduce its \$50-billion annual budget for component parts. Moreover, because the different factories producing these cars are identical in all respects, useful

knowledge acquired through experience in one factory can quickly be transferred to other factories, resulting in system wide cost savings.

Ford hopes this strategy will bring down costs sufficiently to enable it to improve profit margins in developed markets and achieve good margins at lower price points in hypercompetitive developing nations such as China, now the world's largest car market, where Ford currently trails global rivals such as General Motors and Volkswagen. Indeed, the strategy is central to Mulally's goal for growing Ford's sales from \$5.5 billion in 2010 to \$8 billion by 2015.

Q. 1 Based on the above case answer following questions:

- a) Discuss the global perspective of Ford before and after the joining Ford CEO Alan Mulally. What are the advantages and disadvantages of the global perspective adopted by Ford in these two different stages?(5)
- b) Discuss the global strategy adopted by Ford in the given case. Justify your answer with suitable reasons. (6)

Q.2 You have been appointed as CEO of the new firm working in the direction of AI to develop a new generation robot to help the defense sector. These robots will be installed in various remote locations to help the armed forces. Develop a mission and vision statement for your organization. (4)

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Max. Marks: 30

Q.1 First movers must strategize and determine how to exploit their lead and capitalize on first-mover advantages to build a sustainable, long-term competitive advantage while simultaneously reducing the risks associated with first-mover disadvantages. Discuss three basic strategies choice available for the first mover. (6)

Q. 2 Define Corporate Governance. In organizations board play a very critical role in ensuring that corporate governance principles are implemented effectively. List and discuss any three responsibilities of the board for the successful implementation of corporate governance in their organization. (4)

Q.3 Sooner or later, every industry enters into a decline stage in which the size of the total market begins to shrink. Industries decline for many reasons, including technological change, social trends, and demographic shifts or others. Discuss the factors that determine the intensity of competition in declining industries. (5)

Q. 4 Environmental scanning is an important step in the strategic formulation. The changes in the environmental factor push organization to make necessary changes in their strategy. These changing environmental conditions may change the entire competitive structure of the industry. Discuss various macro environmental factors and their impact on organization with suitable example. (5)

Q.5 What is fragmented industry. Various organizations adopted value innovation to consolidate these fragmented industries to get economic gain for themselves and their stakeholders. Discuss these practices with suitable examples. (5)

Q.6 What is vertical integration? Vertical integration has been considered an important initiative to improve organization's competitive position. Discuss. (5)