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Passage – 1

For all the hype and the management charts and the impenetrable language, ultimately what the product consultancies sell is brains; not the sort that have been schooled in a particular discipline, such as law or accountancy, but the kind that they hope could be set to resolving almost any business problem under the sun. No wonder, then, that brains are at a premium; and no wonder that consultants are excited by what they call “thought leadership”. Ideas, they are convinced, are a source of competitive advantage in the following ways :

They help to attract customers. According to Richard Foster at McKinsey, consultancies now need to offer not just independent advice, but alternative ways of seeing the world. Bosses are endlessly curious about management theory, partly because they are always looking for ways of beating the competition, partly because more and more of them have studied management of business school.

The most vivid example of the power of ideas to attract customers is the recent re-engineering boom which transformed CSC Index, a small consultancy, into the hottest firm in the business. But reengineering was unusual only in the scale of its success. BCG built up its market position by churning out a series of brilliant ideas at a time when McKinsey seemed to be snoozing. Gurus such as Gary Hamel and C.K. Prahalad have built meteoric consulting careers entirely on their ideas. However, re-engineering serves not only as an inspiration but as a warning too. CSC is now in trouble because it had nothing else in the pipeline. A big idea on its own will no longer do: what is needed is a constant stream of big ideas. Ideas are useful for attracting and keeping clever recruits. Many MBA students go into consultancy because they think it will be more intellectually demanding and varied than mainstream management. Mr. Gupta recalls that he joined McKinsey after Harvard because it seemed to be a sort of “super business school”. And many stay because they hope to produce a book or article that will turn them into gurus. Ideas are essential to corporate regeneration. Consultancies that merely apply people’s ideas rapidly go downhill.

The effort to generate client-winning ideas starts in small and humdrum ways within the consultancy itself. Many consultancies have appointed “knowledge officers” to ensure that learning circulates freely within the firm. Even more have created computerised networks that allow consultants to tap into the organisation’s collected wisdom from anywhere in the world. Yet such computer systems are still far from universal. A survey of American management consultancies, carried out by Consultants News in March 1996, found that more than a third did not use any form of computer networking.

When it comes to producing those ground-breaking ideas, consultancies rely on a variety of techniques. First, they encourage their own people to be creative, using sabbaticals, promotions, prizes and pay rises as incentives. Gemini has established a “thinking room” in its Morristown headquarters where consultants can sit in isolation booths, put on goggles and think deep thoughts. McKinsey is spending more money on intellectual capital, and is trying to impose some structure on its traditionally laissez-faire approach to generating ideas. It is establishing research programmes on subjects such as growth, globalisation and the future shape of companies, and has set up a sort of internal mental Olympics in which 150 teams of junior McKinseyites compete to impress their seniors with their management thinking.

Not to be outdone, BCG is trying both to accelerate the production of new ideas and to shrink the time it takes to get them to the public. Anderson Consulting is establishing a “thought leadership” centre near its technology centre in Palo Alto. A.T. Kearney is spending \$60 m–70m a year on “centres of excellence”. Smaller companies are trying to make a name for themselves in particular areas of the management jungle: Bain, for example, is concentrating on loyalty and leadership, Mercer Management is emphasising growth.

The consultancies’ second line of approach is to form alliances with business schools and business thinkers. A.T. Kearney is sponsoring research on the future shape of companies at the Massachusetts Institute of Technology; Booz–Allen on the changing social contract at the London Business School; and Anderson Consulting on learning at Northwestern University, to name but three of hundreds of projects. CSC Index puts on seminars at which outside gurus ponder issues such as creativity or the changing role of chief executives. Monitor, which was confounded by a Harvard Business School professor, Michael Porter, has close relations with several other professors at the school, including Chris Argyris, Robin Cooper and Robert Kaplan.

Yet the path to thought leadership is strewn with pitfalls. It is all very well to develop an eye-catching product such as reengineering or Economic Value Added, and throw the weight of the organisation behind marketing it; but other companies, many of them with more resources, may pinch the lead and improve on it, and eventually the market for the product will cool, leaving its inventor desperate for something else to sell. To back up their claims to intellectual preeminence, consultancies publish a flood of magazines, articles and working papers. Both Booz-Allen and Gemini have fathered management magazines. Establishing and retaining intellectual leadership clearly takes strong management skills. Curiously enough, in the management consultancy business these appear to be in short supply.

1. *The author will be most unlikely to agree with the statement that :*
 - (1) Booz-Allen and Gemini are giants in the field of management consultancy.
 - (2) Management consultancy is a booming business these days because of immense scope.
 - (3) H. K. Pinfield is a great consultant in American business.
 - (4) Gary Hamel's stature is not based on corporeal achievements.
2. *The 'laissez-faire' approach mentioned in the passage means that :*
 - (1) the consumer is the king today.
 - (2) the market forces should be left free to operate amongst themselves.
 - (3) there is no public interference in the economy.
 - (4) None of the above.
3. *The fact that a substantial segment of American consulting agencies do not use computer networking tells us that :*
 - (1) those one third consultancies are bound to lose in the future.
 - (2) those two fifth consultancies are bound to lose in the future.
 - (3) computer use is not an essential and universally accepted ingredient of consultancies.
 - (4) future consulting can be done without any computer back up.
4. *The four Harvard business school professors mentioned in the passage are :*
 - (1) Michael, Porter, Chris, Argyris.
 - (2) Porter, Argyris, Kaplan, Robert.
 - (3) Porter, Argyris, Kaplan, Cooper.
 - (4) Hamel, Porter, Argyris, Gupta.
5. *The appointment of "Knowledge Officers" by the consultancies shows that :*
 - (1) knowledge has become the key to management.
 - (2) consultancies have grown aware of this concept and are encouraging the circulation.
 - (3) these consultancies are merely fashioning on these outlooks to draw in a consumer.
 - (4) categorization has crept in this job even though it is not required.
6. *Ideas are considered to be the root of advantage in competition because :*
 - (1) the customer is affected by them in a positive sense.
 - (2) various examples given in the passage show otherwise, which is wrong.
 - (3) they are necessary to keep useful recruits and are necessary to regenerate corporates.
 - (4) both (1) and (3).
7. *The techniques used by consultancies to encourage production of innovative ideas :*
 - (1) are supportive in nature.
 - (2) are basically monetary in nature.
 - (3) both (1) and (2)
 - (4) are just another farce on their part.
8. *The threat to the concept of 'thought leadership' is that :*
 - (1) the concept itself is transient in nature.
 - (2) it requires continuous change on the part of the market also.
 - (3) both (1) and (2)
 - (4) in absence of adequate resources the starter of the concept may eventually fall behind.
9. *The second approach of the consultancies is that :*
 - (1) they form cooperative arrangements with B-schools.
 - (2) they resort to the laissez faire approach.
 - (3) they never put out a concrete concept.
 - (4) their approach is always based on the individual.
10. *The passage is an extract from :*
 - (1) an analysis of what ails the corporate world.
 - (2) an article on 'Ideas As A Survival Factor For Organisations'.
 - (3) an editorial questioning the ethics prevalent in industries.
 - (4) a reporting of the goings-on and happenings in the business world.

Passage – 2

The trend of increasing farm subsidies started when the pro-farm lobby came to power in 1977. Since the early 1980s, it has become a political weapon to become popular and to win elections. Some examples are: NTR's two rupee per kilo rice scheme, free power to farmers by Tamil Nadu government under Jayalalitha, and 'loan-melas' of late 1980s. The latest to join the club is the new Punjab government, which has decided to provide free electricity for tubewells and free canal water for irrigation to farmers.

The danger is, other states may also use this weapon now, and that could prove disastrous for the country. The policy of increasing subsidies is bad both for economics and politics. Because, agricultural subsidies have reached fiscally unsustainable levels. Budgeted subsidy like that on fertilisers at the central level, and nonbudgeted irrigation and power subsidies at the state levels, and credit subsidies through the banking system have distorted relative prices within agriculture. An interesting development from mid-1980s is that as a proportion of the total nonplan budget, food and fertiliser subsidies have shot up from a mere 8.7 per cent in '83-84 to a whopping 58.5 percent in the latest budget.

Food subsidy increased by almost 40 percent in real terms from '90-91 till date. But the proportion of this subsidy financing food distributions and income transfers declined from 70 percent to less than 40 percent. This shows that a significant part of the food subsidy bill goes to finance bufferstock operations and to support producer prices. Input subsidies in agriculture can be broadly classified under four heads of: fertiliser, irrigation, power and credit. But estimating these subsidies is a complicated task. One way of measuring subsidy would be to take the difference between suppliers costs and the revenues they receive from farmers. A conservative estimate of total input subsidies for the period 1980-2002 shows the subsidies rose from about 51 percent of the planned expenditure on agriculture (Centre and states together) in early '80s to about 142 percent by early '2002.

Put differently, subsidies had been higher than the plan expenditure for agriculture in recent years. In absolute terms, the total input subsidy increased from around Rs 15 bn in '80-81 to Rs 141 bn till date. Thus the fiscal burden of subsidies cannot be overstated. The increasing subsidies have been 'crowding out' public investment in agriculture.

According to World Bank estimates, during the '80s agricultural subsidies increased three times faster than expenditure which promote productivity growth, and the former now dominate public spending. Thus around 40 percent of total spending on agriculture was absorbed by subsidies. The share of productivity enhancing expenditure in the total agricultural expenditure declines from 60 per cent in '81-82 to 38 percent in till date.

According to the approach paper for the Ninth Plan, 'the country has been blessed with good agricultural seasons during the Eighth Plan, but its agricultural potential has not been nurtured. Investments in the agricultural sector, particularly towards creation of irrigation potential has fallen short of targets. The strain on the agricultural economy is now beginning to show. The percentage of short fall in irrigation capacity expansion during the Eighth Plan will be one of the highest during any five year plan.'

So, there is a need for increasing public investment in agriculture. Apart from fiscal unsustainability, the increasing subsidies have adverse environmental consequences.

As is known, increased subsidy for urea has led to its indiscriminate use. The present NPK (nitrogen:phosphate:potash) ratio is 8.5 : 2.5 : 1 (the ideal ratio being 4:2:1) which is destroying soil quality. The government is planning to raise urea price by 10 per cent but this may not be enough to control the indiscriminate use of urea.

In the case of surface and ground water, the subsidies have led to over-exploitation, raising concerns about the long term sustainability of agricultural production. Inappropriate pricing of water, and high seepage losses from poor operations and maintenance of canal networks are mainly responsible for soil degradation and water quality deterioration. Subsidised power, at a flat rate, to private tubewells has also led to the over-exploitation of ground water resources.

During the initial, adoptive stages of a new technology in agriculture, some of these subsidies may be justified. Over time it was found the richer states and irrigated areas, crops, and sometimes farmers, captured a disproportionately high share of the major input subsidy programmes for fertiliser, power and irrigation.

However, elimination of subsidies may hurt the small and marginal farmers (who do not have marketable surplus) and landless labourers. There is a need to have effective antipoverty programmes to help the poor. The experience of Andhra Pradesh in agricultural subsidies (food, power, irrigation) shows such subsidies make not only bad economics but bad politics as well. As food subsidies became unsustainable, the Chandrababu Naidu government had to increase the price of subsidised rice from Rs 2 to Rs 3.50 a kg. Thanks to the populist policies, the Andhra Pradesh government has totally neglected infrastructure. Sometimes the government does not have money to pay salaries.

The weapon of agricultural subsidy may give short term political gains but it would not give sustainable political gain. In other words, bad economics may become good politics in the very short run but it would become bad politics in the medium term.

One solution for the problem of rising subsidies and declining investment is to restructure public expenditure in agriculture in favour of productivity augmenting activities. This is done by reducing current expenditure like subsidies.

A study by the Indira Gandhi Institute of Development Research, Mumbai, concludes that it is better to subsidise investment in irrigation rather than use of current inputs, and that a policy package involving trade liberalisation, input subsidy removal, extra investments in irrigation and targeted rationing promotes growth and improves welfare of the poor both in rural and urban areas.

Thus, there is scope even in the short run for better utilisation of the resources that are now being spent on input subsidies in a politically feasible manner. Two benefits accrue from the transfer of subsidies to investment. One, distortions in input subsidies can be eliminated and input prices brought in line with real costs. Two, it would encourage agricultural growth through higher public investment. Private investment may also increase faster.

However, transfer of subsidies to investment may not be easy. For example, even if credit subsidies are removed, the saved amount would not be directly transferable to public investment. But, reduction of fertiliser, water and, power subsidies can be directed towards investment in agriculture. More studies are needed in this respect.

In any case the policy of giving free power and irrigation has to stop.

11. *A suitable title for the passage would be :*
 - (1) Indian farming and international subsidies.
 - (2) Subsidising agricultural subsidies.
 - (3) Subsidies and political stunts.
 - (4) Farming and subsidizing outputs.
12. *In early '80s total input subsidies were :*
 - (1) 68%.
 - (2) 51%.
 - (3) 19%.
 - (4) 42%.
13. *The productivity enhancing expenditure is :*
 - (1) 38% of total spendings.
 - (2) 42% of total spendings.
 - (3) 38% of total agricultural expenditure.
 - (4) 42% of G.D.P.
14. *One solution suggested to reduce rising subsidies is :*
 - (1) to restructure private expenditure in agriculture.
 - (2) to reduce past expenditure like subsidies.
 - (3) to restructure public expenditure in agriculture.
 - (4) the better utilisation of agricultural resources.
15. *Subsidized power to private tubewells has led to the over-exploitation of ground water. This subsidized power is :*
 - (1) at a flat rate.
 - (2) at a nominal rate.
 - (3) at a moderate rate.
 - (4) at an affordable rate.
16. *Elimination of subsidies may hurt the small and marginal farmers. The solution for this aspect is that :*
 - (1) the subsidy formula should be applicable to needy farmers only.
 - (2) the marginal farmers will sell their output at higher rates to the government.
 - (3) we should start effective poverty alleviation programmes.
 - (4) All of the above
17. *The 9th plan says that :*
 - (1) we are moving on the right track as far as subsidies go.
 - (2) the country's agricultural potential has not been developed.
 - (3) both (1) and (2)
 - (4) the strain of agricultural economy will become apparent in a few years.
18. *The author seems to be :*
 - (1) a member of the virulent anti-farmer lobby.
 - (2) opposed to a merger of politics with agriculture.
 - (3) both (1) and (2).
 - (4) an environmentalist.
19. *The passage has been dealt with in a manner which is :*
 - (1) biased
 - (2) inadequate
 - (3) balanced
 - (4) questionable.
20. *The one liner which represents the contents of the passage could be :*
 - (1) Transfer of subsidies is infeasible in the Indian perspective.
 - (2) The policy of giving free power and irrigation should stop.
 - (3) Agricultural subsidy is a sure way for alleviation of poverty and elevation towards self sufficiency.
 - (4) Public investment in agriculture is a far-fetched idea and is not practical in reality.

Detailed Solutions

1. **Ans.(4).** The end of the third paragraph negates option (4). This is the option sought. The remaining options are not sought, though they are in place.
2. **Ans.(2).** Option (2) could best mean the term 'laissez faire', as appearing and meant in the passage. The remaining options are not apt.
3. **Ans.(3).** The fifth paragraph has sentences which validate option (3). The remaining options are not appropriate.
4. **Ans.(3).** The eighth paragraph has names of Harvard professors listed in option (3) which is considered as the apt one. The remaining options are incorrect.
5. **Ans.(2).** Option (2) is the one sought. The fifth paragraph, in the second statement, mentions it. The remaining options are not correct.
6. **Ans.(4).** The theme of the passage is represented by options (1) and (3). Option (2) is inapt. The option desired however is (4), a combination of options (1) and (3).
7. **Ans.(2).** The sixth paragraph in the passage states and upholds option (2). The remaining options are not correct.
8. **Ans.(4).** Option (4) is validated in the fourth paragraph. The remaining options are not correct.
9. **Ans.(1).** The opening line of the eighth paragraph validates option (1). The remaining options are not appropriate.
10. **Ans.(2).** Option (2) best serves as the sources of extract. The remaining options are inappropriate sources from where the passage could have been extracted.
11. **Ans.(2).** The obvious title is option (2). The passage has objectively dealt with this burning issue, threadbare and has made out a case to remove subsidies in agriculture. The remaining options are partially representative of the contents of the passage and are not suitable titles.
12. **Ans.(2).** The last line of the third paragraph states and upholds option (2). The remaining options are incorrect.
13. **Ans.(3).** The last line of the fifth paragraph makes option (3) as the valid one. The remaining options are not correct.
14. **Ans.(3).** Option (3) is stated in the latter half of the passage. It is the one sought. The remaining options do not appear in the passage.
15. **Ans.(1).** The last line of the ninth paragraph states and upholds option (1). The remaining options are not as per the passage.
16. **Ans.(3).** Option (3) is the perfect one, as evident from the eleventh paragraph of the passage. The remaining options are not correct.
17. **Ans.(2).** The sixth paragraph mentions of the 9th plan suggesting that the country's agricultural potential is not developed. Option (2) best denotes this and is the one chosen. The remaining options are inapt.
18. **Ans.(2).** Option (2) is the obvious one because extensive meddling of politics in agriculture is castigated by the author. The remaining options are incorrect.
19. **Ans.(2).** The passage is neither biased, inadequate in information or questionable. The facts are presented in a proper perspective with an objective and a balanced stand. Hence options (1), (3) and (4) are rejected and option (2) is retained.
20. **Ans.(2).** Option (2) is the apt one liner for the passage, as the passage ends on that note. The remaining options are not truly stated in the passage or are oppositely represented. Hence they are inappropriate.

Answer Keys

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|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 11.(2) | 12.(2) | 13.(3) | 14.(3) | 15.(1) | 16.(3) | 17.(2) | 18.(2) | 19.(2) | 20.(2) |
| 1.(4) | 2.(2) | 3.(3) | 4.(3) | 5.(2) | 6.(4) | 7.(2) | 8.(4) | 9.(1) | 10.(2) |