# Business Policy and Strategy (MB3I1) : January 2009

Section A : Basic Concepts (30 Marks)
This section consists of questions with serial number 1 - 30.
Answer all questions.
Each question carries one mark.
Maximum time for answering Section A is 30 Minutes.

1. An organization's vision and mission act as guidelines for strategy formulation. Which of the following are the
main components of a well-conceived vision?
I. Core ideo logy.
II. Envisioned future.
III. Philosophy of the business.
IV. Principle technology.
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (III) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

2. Jaguar manufactures its cars in Europe and provides sales and services in different countries. Thus, Jaguar
derives a cost advantage by sharing technology development and manufacturing costs across different regions.
This is an example of
(a) Segment scope
(b) Vertical scope
(c) Horizontal scope
(d) Geographic scope
(e) Industry scope.

3. The assessment of the top management of the organization is a major reason for the internal analysis of an
organization. Which of the following are the important questions to be asked by the analyst while assessing top
management?
I. How has the organization been managed in the past?
II. How well is the company prepared to face the future?
III. How do stockholders collectively make themselves heard?
IV. How well did management assess its position, plan for change and carry out change?
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

4. In today's global environment, rapid changes in technology, competition, customer demands have increased the
rate at which companies need to alter their strategies to survive in the market place. Which of the following
is/are the reason(s) for a technical change?
I. When new develop ments are made by competitors.
II. Strategists wishing to harness new technologies.

III. The tendency for large organizatio ns and markets to become increasingly global.
IV. The greater skills of managers and employees.
(a) Only (I) above
(b) Both (I) and (II) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

5. Which of the following cost drivers is not included in the institutional factors?
(a) Tax holidays
(b) Location
(c) Unionization
(d) Tariffs and levies
(e) Local content rules.

6. Active and independent is one of the phases in three phase internationalization model. Which of the following
are the reasons why company chooses to increase its commitment to internationalization in this phase?
I. The firm doesn't have any opportunity to learn and improve its position.
II. By producing locally, the firm can serve the local customers better.
III. Some countries impose high tariff barriers making it difficult and expensive to operate from outside.
IV. The firm doesn't want to share its company specific kno wledge with other firms and wants to control the
knowledge through franchising, licensing or other modes.
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (III) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

7. Managers perform different roles. Which of the following is/are the interpersonal role(s) of a manager?
I. Figurehead role.
II. Entrepreneurial role.
III. Monitor role.
IV. Spokesman role.
(a) Only (I) above
(b) Both (I) and (II) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

8. Retrenchment strategies are adopted when the firm's survival is at stake. Liquidation is one of the retrenchment
strategies. Which of the following statements are true regarding liquidation strategy?
I. It involves closing down a business organization and selling its assets.
II. It is adop ted when the company has a weak competitive position in some or all of its produ ct lines.
III. It is adop ted when the industry is unattractive and the compan y too weak to be sold as a going concern.

IV. In this, the management converts as many saleable assets as possible to cash, which is then distributed to
the shareholders after all obligations are paid.
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (III) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

9. Which of the following is a series of different budgets based on different levels of outp ut?
(a) Zero base budget
(b) Cash flow bud get
(c) Balance sheet budget
(d) Flexible budget
(e) Variable budget.

10.Looking at strategic management as a process helps to highlight certain aspects of the strategic management
model. In this regard, which of the following statements are true?
I. A change in an y component will have an influence on several other components.
II. The process of strategic management sho uld be kept flexible.
III. A proper structure is essential for strategy to be operational.
IV. Feedback from institutionalization, review and evaluation will loop back into the early stages of planning.
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

11.Who among the following is having the responsib ility to design the organizational structure based on the
objectives, po licies, environmental factors, expectations of employees etc.?
(a) Managers
(b) General managers
(c) Board of directors
(d) Chief Executive Officer (CEO)
(e) Consultants.

12.The strength of a culture influences the intensity by which organizational members comply with it as they go
about their daily activities. The specific feature(s) of culture that determine its strength is/are
I. Thickness.
II. Extent of sharing.
III. Clarity of ordering.
IV. Nature of the company.
(a) Only (I) above
(b) Both (I) and (II) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

13.Identification of potential buyers by the project team initiates the selling process. Which of the following is/are
the category(ies) of potential buyer?
I. Direct competitors.
II. Suppliers and customers.
III. Buyers who want to broaden their product lines.
IV. Buyers looking for operational economies of scales.
(a) Only (I) above
(b) Both (III) and (IV) above
(c) (I), (III) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

14.In the initial step of a value chain analysis, a company's operations are divided into bu siness processes or
(a) Specific activities
(b) Competitor analysis
(c) Product life cycle
(d) Trade-offs
(e) Value judgments.

15.Policies are directives designed to help managers and their subordinates in the implementation of organizational
strategy. Which of the follo wing are the purpose of business policies?
I. They are designed to control and reinforce the implementation of functional strategies and the grand
strategy.
II. They establish indirect control over independent action by making clear statements about how things are to
be done.
III. They assess the strengths and weaknesses of the company's management and organizational structure.
IV. By limiting discretion, they in effect control decision s and conduct activities without direct intervention by
top management.
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

16.In cost analysis, the first step is to define a firm's value chain and to assign operating costs and assets to value
activities. Which of the follo wing statements is not true regarding assigning costs and assets?
(a) Operating costs should be assigned to the activities in which they are incurred
(b) The assigning o f the assets should be done to the activities that employ, control or mostly clout their use
(c) Though assignin g of operating costs is time co nsuming, it is straightforward
(d) Since assets are costlier and their selection and use often get entangled with trade offs with operating
costs, assets must be assigned to value activities in some way that will permit an analysis of cost behavior

(e) Assigning operating costs to activities is more complicated than assigning assets.

17.The personnel department must take care in recruiting people that meet industry specifications. When recruiting
employees, which of the following factors are to be considered by the personnel department?
I. Reputation as an employer.
II. Local employment rates.
III. Demographic variables.
IV. Ready availability of personnel with the necessary knowledge and skills.
(a) Both (I) and (IV) above
(b) Both (II) and (III) above
(c) (I), (II) and (III) above
(d) (I), (II) and (IV) above
(e) (II), (III) and (IV) above.

18.Financial strategies direct the use of resources in supporting long term goals and annual objectives. Working
capital management is an important component of the financial strategy. Which of the following statement(s)
is/are true regarding working capital management?
I. The seasonal and cyclic fluctuations in the size and pattern of receipts and disbursements of a firm
influence the cap ital requirements of the firm.
II. Financial strategy should provide the guidelines for conserving and rebuilding the cash balances required
for daily operations.
III. The working capital requirements are determined through estimations of the cash flow.
(a) Only (I) above
(b) Both (I) and (II) above
(c) Both (I) and (III) above
(d) Both (II) and (III) above
(e) All (I), (II) and (III) above.

19.Which of the following strategy involves making decisions about the competitive position of a single business
unit?
(a) Corporate level
(b) Business level
(c) Functional level
(d) Operational level
(e) Technical level.

20.The matching stage of the analytical framework for strategy formulation is called corporate portfolio analysis.
Which of the following statement(s) is/are true regarding corporate portfolio analysis?
I. This strategy involves making decisions about the competitive po sition of a single business unit.
II. This strategy has to be adoptable to multiproduct market firms in which each product/market is managed as
a separate b usiness or profit center.
III. Each business is a sep arate entity and a contributor to the corporation’s total portfolio of business.
IV. This approach provides a simple way of identifying and evaluating alternative strategies for the

generation
and allocation of corporate resources.
(a) Only (I) above
(b) Both (I) and (II) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

21.The process of internal analysis, when matched with the results of management's environmental analysis and
mission priorities, provides the critical foundation for
(a) Strategy formulations
(b) A grand strategy
(c) Company profile
(d) Long term objectives
(e) Annual objectives.

22.Divisional organizational structure is one of the types of structural choices that are currently used by most
business firms. Which of the following is/are the advantage(s) of divisional organizatio nal structure?
I. It helps the corporate management to delegate authority for the strategic management of distinct business
equity.
II. It helps the progress in critical decision making within each division in response to different co mpetitive
environment and compels the corporate management to stress upon corporate level decisions.
III. It has the combined advantage of both functional specialization as well as the prod uct specialization.
IV. The number of middle managers gets increased with the hel p of this structure, exercising general
management resp onsibilities and broadens their exposure to organization wide strategic concern s.
(a) Only (I) above
(b) Both (I) and (II) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

23.Long term objectives are statements of the results a firm seeks to achieve over a specific period. To achieve long
term prosperity, strategic planners commonly establish long term objectives in various areas. Which of the
following is not an area in this regard?
(a) Pricing
(b) Employee development
(c) Public responsibility
(d) Competitive position
(e) Employee relation.

24.Which of the following environment consists of a set of forces such as political, social, technological, and
industrial that originate beyond a firm's operating situation?
(a) Remote
(b) Planning

(c) Economic
(d) Legal
(e) Operating.

25.Which of the following may be the most appropriate means of transfer in situations where the knowledge to be
transferred is complex or embedded in a complicated set of technological and organizational circumstances?
(a) Management by objectives
(b) Multiple surtax exemptions
(c) Particip ative training
(d) Class room training
(e) Learning-by-doing and teaching-by-doing.

26.The stronger a company's culture becomes and the more that culture is directed towards the organizational
stakeholders, the less the co mpany uses
I. Policy manuals.
II. Organizational charts.
III. Procedures and regulations.
IV. Detailed rules.
(a) Both (I) and (II) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

27.Which of the following is not a financial reform that a government has to take to be competitive in the global
market?
(a) Change in tax laws
(b) Change in capital gains
(c) Permission to banks to invest in equities
(d) Removal of incentives for financial manipulation in buying
(e) Increased tax credits for R&D investments in industry.

28.Failure to deal effectively with crises can lead to loss of
I. Controversies.
II. Confidence.
III. Competitiveness.
IV. Market share.
(a) Only (I) above
(b) Both (I) and (II) above
(c) (I), (II) and (III) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

29.The basic objective of the prod uction function is to ensure that the outputs pro duced have a value that exceeds
the combined costs of the inputs and the transformation process. The production strategies of small business
units would be different from those of large business units. Which of the following variables are

generally
present in these large business units?
I. Capital-labor substitutions.
II. Economies of scale.
III. Product diversification.
IV. Learning.
(a) Both (II) and (III) above
(b) (I), (II) and (III) above
(c) (I), (II) and (IV) above
(d) (II), (III) and (IV) above
(e) All (I), (II), (III) and (IV) above.

30.In which of the following, a company which intends to acq uire a controlling interest in another company asks
the shareholders of the target company to submit their shares of stock in the firm?
(a) Equity carve o ut
(b) Spin-off
(c) Split up
(d) Divestiture
(e) Tender offer.
END OF SECTION A

Business Policy & Strategy (MB3I1) : January 2009
Section B : Caselets (50 Marks)
This section con sists of questions with serial number 1 – 7.
Answer all questions.
Marks are indicated against each question.
Detailed explanations should form part of your answer.
Do not spend more than 110 - 120 minutes on Section B.
Caselet 1
Read the ca selet carefully and answer the following questions:

1. With respect to the caselet, examine the various advantages that can be gained by this merger between InBev and Anheuser-Busch. Also, discuss the measures taken by InBev to overcome the concerns after the merger.
( 7 marks)

2. “On June 12, 2008, Belgian-Brazilian brewing company InBev announced that it had agreed to a US$46 billion offer for the company.” In this context, discuss the econo mic rationale for major types of mergers in the world of business. ( 8 marks)
On June 12, 2008, Belgian-Brazilian brewing company InBev announced that it had agreed to a US$46 billion offer for the company. If this had b een successful, it would have joined two of the world ’s four largest brewing companies (based on revenue) and created a company that brews three of the top beers in the world, namely Bud Light, Budweiser, and Skol. InBev also stated that the merger would not result in any U.S. brewery closures and they would also attempt to keep on management and board members from both companies. On June 25, 2008, Anheuser-Busch officially announced that they would reject InBev’s offer and provide a restructuring of company to maintain shareholders and United States World Headquarters in St. Louis. On July 1, 2008, InBev urged Anheuser-Busch shareholders to vote in favor of the buyout as InBev felt the offer of $65 per share should be considered a reasonable offer in view of the falling stock market. The company had previously filed suit in Delaware, after the rejectio n of their offer, to ensure that the

stockholders could oust Anheuser-Busch's 13 board members. On July 7, 2008, Anheuser-Busch filed a lawsuit against InBev to stop them from soliciting support of shareholders, stating that the company's offer is an illegal scheme. InBev is also accused of concealing that they do business in Cuba, which might have created additional obstacles to their efforts to operate in the United States.
On July 13, 2008, Anheuser-Busch and InBev said they have agreed to a deal, pending shareholder and regulatory approval, for InBev to purchase Anheuser-Busch at $70 per share, creating a new company to be named Anheuser-Busch InBev. Anheuser-Busch would get two seats on the combined board of directors. The all-cash agreement, almost $52 billion in total equity, would create the world 's largest brewer, uniting the maker of Budweiser and Michelob with the prod ucer of Stella Artois, Hoegaarden, Leffe and Beck's, Bass, Labatt and Brahma. InBev said it would be the world's third largest consumer prod ucts company by market capitalization after Procter & Gamble of the United States and Nestle SA of Switzerland. Anheuser makes Budweiser - the most popular beer in the US - and some US politicians had expressed anger at the prospect of a foreign takeover.
In a concession to political concerns about the deal, Budweiser's headquarters will remain in St Louis, Missouri while none of Anheuser's US breweries will be closed. InBev is offering to pay $70 a share for Anheuser in a deal which must be approved by shareholders of both businesses. The combined business will have annual sales of $36.4bn, equivalent to 46 billion litres of beer a year.
It will bring a host of popular brands including Beck's, Hoegaarden and Staropramen - in addition to Budweiser and Stella - under one roof. InBev, itself formed by a giant merger of Brazil's AmBev and Belgium's Interbrew several years

ago, described the deal as "historic".
"Together, Anheuser-Busch and InBev will be able to accomplish much more than each can on its own," said InBev's Brazilian boss Carlos Brito, who will become chief executive of the new firm. "This combination will create a stronger, more competitive global company with an unrivalled worldwide brand portfolio and distribution network, with great potential for growth all over the world." Anheuser boss August Busch said the transaction would "enhance global market access for Budweiser, one of America's truly iconic brands".
There are widespread fears that the deal will lead to substantial job losses in the US Midwest at a time while the threat of recession is hanging over the econo my. Although savings of $1.5bn are anticipated b y 2011, commentators are not expecting an employee headcount reduction since the two entities presently operate in different global spheres. Rather, they expect savings to come from shoring off non-brewing activities like packaging and theme parks.
Anheuser - which employs 6,000 staff - currently controls nearly half of the US market, while InBev is stron g in Western European and Latin American markets. Anheuser also owns stakes in Mexican brewer Grupo Modelo and Chinese brewer Tsingtao. The deal should give Budweiser a platform to boost its growth in Europ e where, apart from a number of markets like the UK, it has been relatively weak.
"The synergies are better than expected, $70 is a reasonable price and InBev has avoided a long, drawn-out battle in the courts," said Wim Hoste, from KBC Securities. The beer market has been rapidly consolidating in the face of cost pressures and declining sales in many mature markets. Scottish & Newcastle, the UK's largest brewer, was recently bought out by Heineken and Carlsberg.
Anheuser-Busch began as a small brewery located in St. Louis, Missouri. In 1860, Eberhard Anheuser, a prosperous German-born soap manufacturer, became owner of the struggling brewery. Adolphus Busch, Anheuser's son-in-law, became partner in 1869, and became president when Anheuser died in 1880.

Adolphus Busch was the first U.S. brewer to use pasteurization to keep beer fresh, the first to use artificial refrigeration and refrigerated railroad cars and the first to bottle beer extensively. In 1876, Busch introduced America's first national beer brand: Budweiser. Anheuser-Busch became the largest brewer in the United States in 1957. It today produces about 11 billion bottles of beer a year.

Anheuser-Busch International, Inc. was established in 1981, and is responsible for the company's foreign beer operations and equity investmen ts. Today, Anheuser-Busch operates 12 breweries and several theme parks in the United States and has operations around the world.

InBev was created in 2004 from the merger of the Belgian company Interbrew and the Brazilian company AmBev. Before the merger with Ambev, Interbrew was the third largest brewing company in the world by volume, Anheuser-Busch was the largest, followed by SABMiller in second place. Heineken Internatio nal was in fourth place and AmBev was the world's fifth largest brewer.

InBev announced in 2005 and confirmed in 2006 that it would move the brewing of Hoegaarden to the Piedboeuf brewery in Jupille, which resulted in some protests. In September 2007 however, it was announced that brewing would continue at the Hoegaarden Brewery in Hoegaarden. InBev dethroned Anheuser-Busch in 2006 as the world's largest brewer by sales. Revenue in 2007 was $19.7 billion, while Anheuser Busch had $16.7 billion in sales.

END OF

CASELET 1

Caselet 2

Read the ca selet carefully and answer the following questions:

3. "Culture is a strength as well as a weakness. It is strength since culture eases and econo mizes communications, facilitates organizational decision-making and control. ( 7 marks)

Culture, on the other hand, becomes a weakness when important shared beliefs and values interfere with the needs of the business." In this context, discuss the basic processes that lie at the heart of any organization.

4. "The culture ensured that Cisco was on the list of the Fortune magazine's '100 best places to work' for eight consecutive years, starting 1998 ." In this light, discuss the various attributes of the culture helped Cisco to bounce back from the crisis. ( 6 marks)

Cisco Systems Inc. (Cisco), the leader in Internet Protocol (IP)-based networking technologies and networking gear, recorded $2.2 billion in revenues and a market capitalization of $9 billion in 1995. By March 2000, market capitalization went up to $ 531 billion while revenues in 2000 were $19 billion. In 1995, Cisco accounted for 15% of the networking industry's profit and this figure went up to 50% in 2000. But with the tech meltdown of 2000-01, telecom companies and Internet service providers stopped purchasing telecom equipments from Cisco. Cisco was thus on a free fall, a situation the top management did not expect.

"If somebody would've told me then that we'd go from 70 % growth to minus 30% growth in 45 days, I'd have said it was mathematically impossible," said John T. Chambers (Chambers), President and CEO, Cisco Systems Inc.

Though the company record ed losses in 2001, it bounced back with net profits the next year. Cisco's net sales for fiscal 2004 were $22.0 billion, an increase of 16.8 percent from the $18.9 billion for fiscal 2003, while net income for fiscal 2004 was $4.4 billion or $0.62 per share, compared with $3.6 billion or $0.50 per share for fiscal 2003. Industry observers were quick to point out that it was the organization culture of Cisco that helped it survive the tough periods of meltdown. Cisco was founded on a culture based on the principles of customer focus, open

communication, empowerment, trust, integrity, and giving back to the community. This culture ensured that Cisco was on the list of the Fortune magazine's '100 best places to work' for eight consecutive years, starting 1998.
Headquartered at San Jose, California, US, Cisco was incorp orated on December 10, 1984. The company was founded by a group of computer scientists, who designed a software named IOS (Internet Operating System), which could send streams of data from one computer to another. This was loaded into a box containing microprocessors specially designed for routing. In 1985, the company started a customer support site from where custo mers could download software over FTP (File Transfer Protocol) and also upgrade the downloaded software. Cisco, on its site, also provided a database that contained information about potential software problems to help customers and developers.
By 1991, Cisco's support centre was receiving around 3,000 calls a month, which increased to 12,000 by 1992. To deal with the large volume of transactions, it built an online customer support system on its site.
In 1993 , Cisco installed an Internet-based system for large multinational corporate customers. The system allowed customers to post queries related to their problems. Cisco also installed a trigger function called the 'Bug Alert' on its website. The 'Bug Alert' sent e-mails on software problems within 24 hours of their discovery.
Encouraged by the success of its customer support site, in 1994, Cisco launched Cisco Information Online, a public website that offered not only company and product information but also technical and customer support to customers.
In 1995, it introduced applications for selling products or services on its website. This was done mainly to transfer paper, fax, and e-mails to the web to save time for employees, customers, and trading partners, besides broad ening Cisco's market reach. In 1996 , the company introduced a new Internet initiative, 'Networked Strategy' to leverage on its enterprise network to foster interactive relationships with prospective customers, partners, suppliers, and employees.
In August 1996 , Cisco launched transactional facilities including product configuration and online order placement connected to Cisco's ERP systems. In 1997, it introduced the dial-in access from desktop computers that enabled

customers to place orders without accessing the Internet. In the same year, it also introduced customized business applications for its custo mers' corporate Intranets and automated the ordering process by linking directly to Cisco's internal systems.
Commenting on the growth of Cisco in the late 1990 s, Jeremy Duke, analyst at market research firm In-Stat said, “They are entering into the zone of the great phone companies, as moneymakers and as builders of infrastructure. There's nobod y like them.”
Cisco's success has been attributed to its relationship with its custo mers. Cisco professed a 'worship of customers', which was a part of the company's culture right from its inception. “This is a culture where the customer comes first. If the custo mer has a problem, we drop everything,” said Pete Solvik (Solvik), Senior Vice President and Chief Information Officer (CIO), Cisco. Cisco viewed the assessment of customer satisfaction as a continuous process. One of the elements of this assessment was getting regular customer feedback, which helped Cisco employees to be proactive in identifying problem areas, rather than waiting for an annual customer satisfaction survey. Cisco's field teams designed the questionnaires that were used to assess customer satisfaction.
The organizational structure of Cisco fostered a spirit of employee involvement. “Very often it's most efficient to just work with the person involved, without the formality of passing through every layer of management. But that requires a level of trust that not all organizations have,” mentioned Solvik. If a Cisco employee wanted

the top management support for an innovative idea, he had to discuss the idea with an employee decision-making team and get its assent. If the decision-making team accepted the idea, the top management gave the green signal. “They (the decision-making teams) are empowered to make that decision because we put the authority, the responsibility, and the accountability at the same layer.”
Cisco’s recruitment practices reflected the company culture. Cisco’s recruiting team identified candidates whom they felt the co mpany ‘should hire’ and then designed its hiring processes to attract them to the company. In the late 1990 s, the company was hiring at a rate which averaged 1000 new employees every month. For recruiting candidates who fit into the culture of Cisco, a selection criterion was developed which targeted candidates who were frugal, enthusiastic about the future of the Internet, and were not obsessed with status - all hallmarks of the Cisco culture.
According to some analysts, Cisco faced the risk of diluting its culture due to the influences of new recruits who brought in behaviors from past job experiences.
“We’re focusing on what it will take to communicate the culture and preserve it. That's another learning experience: Culture is not automatic.”
END OF
CASELET 2
Caselet 3
Read the ca selet carefully and answer the following questions:

5. Mark Thompson was quick to acknowledge the efforts of Dyke, but emphasized that the corporation would require some 'real and radical changes' to sustain itself in the coming years. Discuss the various steps in the change process. ( 8 marks)

6. Thompson said, “We're going to have to change the BBC more rapidly and radically over the next three to five years than at any previous point in its history. It feels like the task of really changing the BBC has only begun”. In this regard, examine the various changes initiated b y Mark Thompson in BBC.
( 7 marks)

7. With respect to the caselet, discu s how BBC grew from being a radio broadcaster to become a pop ular television news channel.
( 7 marks)
On May 21, 2004, Mark Thompson (Thompson) was appointed Director General of the British Broad casting Corporation (BBC), the world’s first public broadcasting corpo ration.
The immediate task on Thompson’s hands was to reform the 82-year-old BBC,

which had been severely criticized in the Hutton Report. The Hutton Report, which went into a BBC report on the British Govern ment's claims about Iraq’s weapons of mass destruction, described the BBC’s editorial system as defective and said that the editors had not scrutinized the script before it was aired. It also found fault with the BBC’s management for having failed to act on a complaint given by the Government saying that the report by BBC correspondent Andrew Gilligan (Gilligan) was false.
On January 29, 2004, following the publication of the Hutton Report, Greg Dyke (Dyke), Thompson's predecessor, who had stood by Gilligan’s story, resig ned.
In January 2000, Birt was rep laced by Dyke, CEO of Pearson Television. Dyke, who took over as Director General o n February 01, 2000, found the BBC’s organizational structure extremely complex. There were far too many layers and the organization was much too bureaucratic. He immediately announced the creation of the “One BBC” program where various departments and their employees would cooperate with each other and work toward achieving common goals.

Since the early 2000 s, the license fee charged by the BBC had come under severe criticism. In August 2003 , the Conservative Party, the second largest political party in the UK, charged that the viewers were paying for programs that had been copied from commercial channels and demanded that the fee be cut. It said that the BBC was getting an unfair advantage by receiving £2.7 billion as annual fee.
Thompson took charge on June 21, 2004. He was quick to acknowledge the efforts of Dyke, but emphasized that the corporation would require some 'real and radical changes' to sustain itself in the coming years. On his very first day, he an nounced the restructuring of the BBC's executive committee, the first of the many steps toward creating a simpler and more effective organization structure. The executive committee was divided into three boards - creative, journalism, and commercial - covering the principal activities of the BBC. Thompson headed the creative board.
Thompson also announced that the other businesses of the BBC such as production, commercial businesses, and commissioning would be reviewed with the sole aim of cutting costs and improving the efficiency of the organization as a whole. He said, "We're going to have to change the BBC more rapidly and radically over the next three to five years than at any previous point in its history. It feels like the task of really changing the BBC has only begun." A number of people felt that Thompson had come in at a critical time when the BBC's integrity was under question, employee morale was down, and the impact of digital technology was loo ming large.
The committee submitted its report on June 23, 2004, a day after Thompson took charge as the Directo r General of the BBC. The Neil Report called for a vast improvement in the training process of the journalists. It suggested establishment of a college of journalism and a greater role for editors and lawyers in the BBC's editorial process. The committee wanted the BBC to continue to broadcast reports based on a single source but only after proper examination. It emphasized that only the most accurate information should be given to the p ublic.
On June 29, 2004, the BBC announced its Charter manifesto called 'Building Public Value' aimed at providing value to its customers in the wake of changing custo mer preferences and the competition. The Charter manifesto, which consisted of BBC's proposals for the coming years, would be sent to the government to peruse while reviewing the Royal Charter.
The manifesto justified the continuance of the license fee and the Charter for the next ten years. In the wake of criticism over the license fee, Thompson announced sweeping measures in the nine-point manifesto.
In the first week of December 2004, Thompson began implementing the manifesto by announcing a new vision aimed at making the BBC a more creative and efficient digital broadcaster. He announced that his vision had three aspects – 'a bold new program and content strategy based above all around the idea of excellence,' 'a transformation of the BBC into a state-of-the art digital broadcaster,' and 'an irreversible shift in the culture of the BBC toward simplicity, opportunity, and creativity'.
In the last week of June 2005, the BBC launched the BBC Journalism College at an investment of £5 million to train journalists working in various divisions of the BBC such as news, the World Service, etc. As oppo sed to the concept of classroo m training, the instructions were imparted through interactive e-learning sessions,


seminars, and workshops (conducted by Neil) at vario us locations across the globe.
They predicted that the journey further down the road wou ld in no way be an easy one for him. However, analysts were confident about Thompson's capability to solve at least some of BBC's problems. Tessa Jowell (Jowell), Secretary of State for Culture, Media, and Sport, believed that Thompson was the right man for the post

under such circumstances. Jane Root, Former Controller of the BBC-owned BBC2, said, “He thinks very strategically about the big issues in television, and that is more than anything what the BBC needs its new director general to do. There is going to be an incredible amount of turbulence in television in the next few years; Mark was always a big-range thinker who didn't just think about the here and now.”
The BBC was created on Octob er 18, 1922, as the British Broad casting Company, by a group of wireless manufacturers including Guglielmo Marconi (Marconi), inventor of the radio.
Regular broadcasting began from Marconi's London studio on November 14, 1922. The company's mission was 'to inform, educate, and entertain'. In 1927, the company's name was changed to the British Broadcasting Corporation and it was granted a Royal Charter, which put it under the control of the UK government. The Charter defined the BBC's objectives, po wers, and obligations. The BBC was operated through a 12-member Board of Governors, who acted as trustees and ensured that the organization was accountable for its work to the public while maintaining its independence in reporting news. The day-to-day operations were managed by an Executive Board, which consisted of nine members and was led by a Director General.
The BBC, which had no competitor at that time, gained revenues only through a license fee (10 shillings), set by the British parliament and paid for by radio owners. It was not allo wed to indulge in commercial activities such as advertising. In 1932 , the BBC began broadcasts (BBC Empire Service) outside Britain for the English-speaking people under the then British Empire.
After starting experimental broadcasts in 1932, the BBC officially started television services in November 1936, under the name BBC Television Service. It also issued 8.5 million radio licenses co vering around 98 percent of Britain’s population. However, during the Second World War, television broadcasts were suspended for security reasons and these reco mmenced only in 1946. Though television services were suspended during the War, the BBC continued with its radio broadcasts. The corpo ration earned a reputation for honest and accurate news reporting and its 9 o’clock news became very popular. Until 1982 , there were only four television channels in the UK - BBC1, BBC2, ITV, and Channel 4 - all of which used the terrestrial television broadcasting method to air their programs.
END OF CASELET 3
END OF SECTION B

Section C : Applied Theory (20 Marks)
This section con sists of questions with serial number 8 - 9.
Answer all questions.
Marks are indicated against each question.
Do not spend more than 25 -30 minutes on Section C.

8. By assessing its competito r's position in the market, a firm can improve or formulate strategies to optimize its env ironmental oppo rtunities. During the co nstruction of the competitor's profile, what are the factors that are to be considered?
( 10 marks)

9. Strategic choice refers to the decision to adopt any of the alternative strategies. Discuss the various factors that influence the strategic choice. ( 10 marks)
END OF SECTION C
END OF QUESTION PAPER