

MANAGEMENT PROGRAMME**Term-End Examination****June, 2007****MS-91 : ADVANCED STRATEGIC
MANAGEMENT***Time : 3 hours**Maximum Marks : 100**(Weightage 70%)*

Note : *There are two Sections A and B. Attempt any **three** questions from Section A. All questions carry 20 marks each. Section B is **compulsory** and carries 40 marks.*

SECTION A

1. (a) Discuss the nature and scope of Corporate Management.
- (b) Discuss the role of strategists in Corporate Management.
2. Compare and contrast Cadbury Committee Report with CII Report on Corporate Governance in the present context.

3. (a) How is Stable Environment different from Dynamic Environment ?
(b) Explain briefly the suitable strategies for industries which they follow at the time of operating in a stable environment.
4. How does Knowledge Management (KM) enhance competitiveness of a firm ? Explain. Discuss the trends and challenges in KM.
5. Explain the concept and scope of business ethics and discuss it in the context of an organisation's external environment.

SECTION B

6. Read the following case and answer the questions given at the end.

HERSHEY'S CHOCOLATES – COMPETITIVE EDGE

Hershey and Mars stand out as two major firms in the US competing for the \$15b chocolate market. Besides they have impressive overseas business. In 1990, when Iraq attacked Kuwait, Mars was on a selling spree to Saudi Arabia. Despite the war, Mars was determined to sell its chocolates. Company officials met the US Army Command, to convince them that their chocolates were as essential in the war as the arsenal. With its refrigerated trucks, Mars could supply the chocolates to scattered US troops over a million square miles in the Saudi deserts. On getting the approval, Mars started loading chocolates and ice creams onto barges heading for the Gulf. And then competition raised its head.

Before the Gulf War it was Hershey who was supplying chocolates to the US military and was known as their chief chocolate maker. Hershey had started supplying chocolates to the army during the First World War. They had convinced the army that their high energy chocolate rations would sustain soldiers when they had nothing else to eat. To produce Field Ration D, the Hershey factory operated twenty-four hours a day, seven days a week, churning out millions of Ration D bars.

When the war ended Hershey had become a household name and buying its chocolates was considered a patriotic act. In 1990, it was not about to give up the tag of the main supplier of chocolates to the army so easily to Mars.

Hershey started developing a new chocolate bar, apply named the Desert Bar, which could withstand temperatures up to 60 degrees C. In order to replace Mars as the supplier to the army, they proclaimed that their Desert Bar melts in the mouth and not in sand. However, Mars was now well entrenched in the army, with continuous supplies of their heat resistant chocolates. When the Pentagon floated a tender for 6.9 million non melting chocolates in 1991, Mars won it.

Hershey filed a strong protest with the army brass and employed three top lawyers to assert that the Desert Bar was far superior to the Mars product. Next four months saw a bitter war of words between the two firms but the final verdict went in favour of Mars.

GENESIS OF THE CHOCOLATE GIANTS

Milton Hershey was born in 1857 in a poor family. Educated up to class four, Milton joined a well-known confectioner as apprentice when he was 14 years old. He discovered he had a flair for making chocolates, and started a chocolate business with \$ 150 of borrowed capital. He went through a lot of ups and downs, and had to close shop twice. But he remained undeterred and

started making caramels; with two copper kettles, 100 kilos of sugar and some molasses he set up his shop. He made caramels, his mother and sister wrapped them and he paddled them in the town. Finally, he achieved success and, as he grew, he bought four factories to increase his production and there was no looking back for him. At 33, Milton was a wealthy man. Leaving his business to his managers, he and his wife started travelling to Europe. In 1903, on one of his trips, he got the idea of building his personal Utopia. He bought 500 acres of land in Pennsylvania, where he built an industry-based village, a modern American community, 'where the things of modern progress all center in the town that has no poverty, no nuisance and no evil'. The town was built around a factory, which produced milk chocolate.

The connection between chocolate and romance is universal. Casanova used it with champagne for romance. It has become an inseparable part of Valentine's day celebrations. In 1907, a new chocolate called Hershey's Kisses was introduced in the market and the firm became associated with the product. Today, even after 100 years, Hershey means chocolates the world over.

Milton gave his employees the best of houses and insurance benefits, he built schools for their children and a large modern community theater. He also built homes for poor, orphan children.

In 1916, Hershey and his friend William Murrie made a wager that William could sell more chocolates than Hershey could make. Murrie did what he promised and joined Hershey as president of the chocolate firm. For the next 50 years he remained Milton's right hand man.

In 1933, a young man, Forrest Mars came to the Hershey town as his firm used to make Milky Way, a popular nugget bar that was covered with chocolate from Hershey. Mars met Murrie, who had become disgruntled with his stay at Hershey, as he saw no way of his taking over Milton's place. Lure of partnership, and a good opening for his son Bruce, made the offer irresistible. Forrest named the new firm Mars and Murrie (M&M), and it opened business in 1941.

Earlier Mars had put chocolate malted milk in a chocolate bar and created a strikingly different product compared to competition. The new Milky Way was an instant success and it was much cheaper to make.

With M&M in existence, and Bruce with him, Forrest felt he could do much better but was disappointed at the way Bruce was not able to take the work pressure. Finally Bruce had to leave and Forrest bought his minor shares.

Forrest had a big inheritance, which he used for takeovers till 1964, when he got total control. He

downsized his grand offices and sold the firm's helicopter and increased salaries by 30 per cent. His managers were getting three to four times more than what other firms were offering. In return, he expected them to work 12 to 14 hours a day. He offered a bonus to punctual employees. Superior quality, perfection in products, and cleanliness were his bywords.

To improve communication, he made his staff sit in the open, with the juniors surrounding their seniors. He cut down on paper work; there was no need for office memos and office meetings. He believed in a result oriented work environment and backed the winners. Forrest was so quality conscious that he bought his products from retailers to check on their quality. For fear of being fired, a manager had to go to the factory at 3 in the morning to investigate why the slightest mistake in the M indenture had occurred.

Forrest had considered Hershey as his friend, but with the next generation taking over, his son did not take Hershey as anything except a competitor. In 1966, Hershey was selling chocolates worth \$ 150 million and Mars' sales were worth \$ 90 million. Till mid-1960s Hershey did not have any marketing and advertising, and Mars took full advantage of this situation. Mars overtook Hershey in sales for the first time in 1973. Mars' marketing blitz was backed by an aggressive sales force, which was the best in the industry.

In 1981, Hershey tied up with Universal Studios in Hollywood, who called them after Mars had refused to let them use their product in a film shoot. Hershey agreed to it on condition that the company would be able to use the film to promote its product, which was agreed to. Advertising was organized in display cases in 600 cinema halls across the country. Hershey worked overtime to meet the increased demand of its chocolates. Mars had rejected the offer perhaps because of the change in its leadership in 1973. Forrest's children took over the reins from their father. Unlike the father, the younger generation was not interested in buying firms to expand to increase market share. They believed in building their own and, hence, lost many opportunities. This decision denied them business in the US but it increased their businesses through the rest of the world.

Questions :

- (a) Conduct a SWOT analysis of both Hershey and of Mars.
- (b) How did their business plan change over a period of time ? Indicate those changes.
- (c) How did each try to gain superiority in competitive advantage over the other and with what degree of success ?