MIB.IV/10.70

M.I.B. DEGREE IV SEMESTER EXAMINATION, MAY 2010

SMI 2401 INTERNATIONAL STRATEGIC MANAGEMENT

Time : 3 Hours

Maximum Marks : 50

(All questions carry ***EQUAL*** marks)

I. A. Describe the strategic management process and the challenges to strategic management.

OR

B. Describe how Michael Porter's Five Forces Model helps in analyzing a firm's competitive advantage. Also describe the weaknesses of this model.

II. A. Discuss strategy formulation and implementation is different in a company with SBU structure.

OR

B. "Cost leadership strategy is a sure fire approach to competitive advantage". Evaluate the statement and discuss the pros and cons of this approach to competitive advantage.

III. A. How do you evaluate a strategy? Explain the criteria for evaluation and choice of strategy in a firm with international business operations.

OR

B. How do you set up strategic controls? What are the measures for strategic control and how are they monitored?

IV. A. Discuss the strategies for entering international markets and how such market entry can be facilitated with international strategy.

OR

B. Describe how domestic strategy and international strategy of a multinational firm differ?

V. Case Study

AL Mills is the largest denim manufacturer in India which set up its plant in early 1990s. Till 1998 the company was growing well and making good amount of profits each year. AL Mills stitched large number of jeans labels for garment makers around the globe. Till 1998, the denim industry globally was highly fragmented and the top five companies accounted for less than 10% of global denim capacity. AL Mills was comparatively small in size and was in no position to influence the trends in global denim markets. Until the mid 90s, the denim prices were very high and a lot of new capacity came up globally during the second half of the 1990s. But by 1998-99, denim prices fell sharply eroding the thick margins enjoyed by the denim companies. Cotton is a major raw material for denim manufacturing. During the same period, cotton prices rose sharply. Prices of naphtha, another raw material for AL Mill's plant, also went up by 100%. Weakening rupee exchange rate was another problem which the company had to face.

According to the North Atlantic Free Trade Agreement, which was signed in 1996, fabric or garment manufactured in any of the signatory countries could be sold in any country in the NAFTA (Mexico, Canada and the USA) without paying any duty. Fabric manufactured outside NAFTA attracted 17% duty. Mexico soon emerged as a strong player in garments. US companies sent their textiles to Mexico for garmenting.

(Turn Over)