

Paper - 5
CS Professional Group - III Module - III
Strategic Management Alliances And International Trade
December - 2012
Part - A

Chapter - 17

Answer:

2012 - Dec [1] (a) (i) The statement is false.

According to Henry Mintzberg, strategies are not always the outcome of rational planning rather they emerge from what an organization does without any formal plan.

(ii) The statement is false.

Corporate vision is not the same as corporate mission as a vision statement answers the question "what do we want to become?" and a mission statement answers, "what is our business?"

(iii) The statement is false.

Human capital includes individual skills and knowledge obtain through education, training, experience and learning. Human capital includes predominantly implicit knowledge while knowledge capital includes explicit knowledge.

(iv) The statement is true.

Products or business units in quadrant III of the BCG model, have both high market standing and high industry growth potential and are labeled as stars.

(v) The statement is true.

The 7-S Mckinsey framework shows that there is a multiplicity of factors which influence an organization's ability to change and understand as to how the 7-S model mechanism works.

Chapter - 3

Answer:

2012 - Dec [1] (b) (i) Corporate level action plans: It is one of the substances of corporate level goals and action plans. It discusses how to get from the present portfolio to that targeted in terms of-

- (a) Business unit strategies to be retained.
- (b) Additions of business units expressed as either growth strategy parameters or merger and acquisition strategy.
- (c) Business units to be divested.

Chapter - 1

Answer:

2012 - Dec [1] (b) (ii) Knowledge management: Knowledge management is a process which helps the enterprises to identify, select, arrange, extend and transfer important information and specialised knowledge.

Chapter - 2

Answer:

2012 - Dec [1] (b) (iii) Impact analysis: Impact analysis is a brain-storming technique which helps the users to think through the full impacts of a proposed change. This analysis identifies the existing requirements in the baseline and other

pending requirement changes where conflict with the proposed change continuously happens.

Chapter - 3

Answer:

2012 - Dec [1] (b) (iv) **Focus strategies:** Focus strategies are those which are designed to help an organisation target a specific niche such as a specific buyer group, a narrow segment of given product line, a geographical or region market or targeted market or a niche of consumers with distinctive special taste and preferences within industry to develop competitive advantage.

Chapter - 2

Answer:

2012 - Dec [1] (b) (v) **Environmental scanning analysis:** Environmental scanning analysis is concerned with identification and analysis of environmental influences individually and collectively to determine their potential. It is a holistic exercise which includes a view of environment i.e. 360 degree coverage.

Chapter - 3

Answer:

2012 - Dec [2] (a) Strategic decision making is the core of strategic management. In the light of this statement various types of decision models that focus on factors peculiar to the individual decision maker are as given hereunder:

- (a) **Rational Decision Model Approach:** Under this model the decision maker is a unique actor whose behaviour is rational and intelligent. He is fully aware of all available feasible alternatives which maximize advantages.
- (b) **Intuitive Approach:** Under this approach there are no explicit set of steps to follow. The manager make decision based on common sense and experience about which strategy choice is the right one, intuitive decisions generally apply within the short-term future and tend to entail little distant forecasting and planning.
- (c) **Adaptive Approach:** The essence of this approach is on taking strategic decisions on the basis of how a change is perceived at a given point of time. With the changing circumstances, the decisions are also reviewed.

Chapter - 5

Answer:

2012 - Dec [2] (b) (i)

Please refer 2010 - Dec [3] (ii) on page no.

Chapter - 7

Answer:

2012 - Dec [2] (b) (ii) **Difference between 'Data Processing and Management Information System (MIS):** A data processing system processes transactions and produces reports. It represents the automation of fundamental, routine processing to support operations.

A management information system is more comprehensive; it encompasses processing in support of a wider range of organizational functions and management processes. However, every MIS will also include transaction processing as one of its functions.

Chapter - 4

Answer:

2012 - Dec [2] (b) (iii) Difference between 'Values and Ethics': Values are beliefs and philosophy of an individual on the basis of which he judges what is good or bad. Ethics is concerned with moral principles or set of values about what conduct ought to be.

Chapter - 5

Answer:

2012 - Dec [3] (a) Strategic Audit: Strategic audit refers to checklist of questions, by area or issue which enables a systematic analysis of various corporate functions and activities to be made. This is a type of management audit and is useful as diagnostic device to pin-point corporate wide problem areas and to highlight organizational strengths and weaknesses.

The following are the common area in which a common strategic audit can be undertaken:

- (i) Evaluation of current performance.
- (ii) Review of corporate governance.
- (iii) Scan and assess the external and internal environment.
- (iv) Analysis of strategic factors (SWOT)
- (v) Strategic alternatives
- (vi) Implementation of strategies
- (vii) Evaluation and Control

Chapter - 7

Answer:

2012 - Dec [3] (b) Enterprise Resource Planning (ERP) Systems: ERP is actually a process or approach which attempts to consolidate all of a company's departments and functions into a single computer system that services each department's specific needs. It is, in a sense a convergence of people, hardware and software into an efficient production, service and delivery system that creates profit for the company.

ERP system are cross functional and enterprise wide. All functional departments that are involved in operations and production are integrated in one system. In addition to areas such as manufacturing warehousing, logistics, and information technology. This typically includes accounting, human resources, marketing and strategic management.

Chapter - 8

Answer:

2012 - Dec [3] (c) *Please refer 2010 - Dec [3] (iv) on page no.*

Chapter - 6

Answer:

2012 - Dec [3] (d) Strategies for Risk Mitigation: Once risks have been identified and assessed, the strategies to manage the risk fall into one or more of the following categories:

- (i) Transfer Risk
- (ii) Tolerate Risk
- (iii) Reduce Risk
- (iv) Avoid Risk
- (v) Combine Risk

- (vi) Sharing Risk
- (vii) Hedging Risk

Part - B

Chapter - 9

Answer:

2012 - Dec [4] (a) Any arrangement or agreement under which two or more firms co-operate in order to achieve certain commercial objectives is referred to as strategic alliance. A true strategic alliance is a written arrangement between two companies that complement each other in a particular identified area. It is not a partnership, and neither a company has legal power to control or obligate the other. Instead, it is a commitment by the two companies to provide capabilities or cross servicing in certain identified areas.

Different form of strategic alliance are as under:

1. Management contract
2. Franchising
3. Supply or purchase agreement
4. Marketing or distribution agreement
5. Joint Venture
6. Agreement to provide technical services
7. Licensing of know-how, technology, design or patent.

Certain key success factors to be kept in mind while managing a strategic alliance are as under:

1. Mutual Trust
2. An ability to compromise
3. Favourable business condition
4. Alliance Autonomy
5. Dynamic management structure
6. Encouragement of calculative initiative
7. Systematic task setting
8. Equal distribution authority
9. Streamlined communication channels
10. Development of multi-manager roles.

Chapter - 10

Answer:

2012 - Dec [4] (b) *Please refer 2007 - June [3] (c) on page no.*

Chapter - 10

Answer:

2012 - Dec [4] (c) *Please refer 2006 - June [7] (a) on page no.*

Chapter - 9

Answer:

2012 - Dec [5] (i) Cross Cultural Alliances: In a global economy with shifting labour markets, worker migrates to wherever quality, cost and efficiency can be managed so as to derive a better return on capital and time invested. When an organization decides to enter the international market place. There are certain strategic management capabilities that must be modified and introduced into the corporate culture for the venture to be successful. The most important of these are flexible organization culture, political risk awareness, decentralized strategic planning, multifaceted management structures and share authority/responsibility. Cross cultural joint ventures can thus reap enormous benefits, for companies.

The important difference in developing a plan for a cross-cultural alliance is that the 'key skill' of the managers involved in building such alliances must be the ability to work in ambiguous, unfamiliar, cross functional and trans-cultural relationships. Understanding the issue of cultural differences in the way information is communicated and applying these understandings is critical to the success of such alliances.

Chapter - 10

Answer:

2012 - Dec [5] (ii) *Please refer 2011 - Dec [5] (a) (i) on page no.*

Chapter - 10

Answer:

2012 - Dec [5] (iii) *Please refer 2011 - Dec [5] (a) (iii) on page no.*

Chapter - 10

Answer:

2012 - Dec [5] (iv) *Please refer 2010 - June [4] (c) on page no.*

Part - C

Chapter - 12

Answer:

2012 - Dec [6] (i) Favourable balance of trade: Mercantilist writers argued that a key objective of trade should be to promote a favourable balance of trade. A favourable balance of trade is one in which the value of domestic goods exported exceeds the value of foreign goods imported. Trade with a given country or region was judged profitable by the extent to which the value of exports exceeded the value of imports, thereby resulting in a balance of trade surplus and adding precious metals and treasure to the country's stock. Scholars later disputed the degree to which mercantilists confused the accumulation of precious metals with increases in national wealth. But without a doubt mercantilists tended to view exports favourably and imports unfavourably.

Chapter - 15

Answer:

2012 - Dec [6] (ii) Countervailing Duties: 'Additional Custom Duty' is often called 'countervailing Duty'. Additional duty is levied under section 3(i) of Custom Tariff Act. Thus, it is not a 'duty under the Custom Act'. However, it is 'duty of customs'.

If a country or territory pays any subsidy (directly or indirectly) to its exporters for exporting goods to India Central Government can impose countervailing duty upto the amount of such subsidy under section 9 of Customs Tariff Act. If the amount of subsidy cannot be ascertained provisional duty can be collected and after final determination difference may be refunded, such imposition should be by way of notification.

Customs Tariff (Identification Assessment and collection of Countervailing Duty on subsidised Articles and Determination of injury) Rules, 1995, provide detailed procedure for determining the injury in case of subsidised articles.

Chapter - 12

Answer:

2012 - Dec [6] (iii) *Please refer 2003 - Dec [8] (b) (i) on page no.*

Chapter - 12

Answer:

2012 - Dec [6] (iv) *Please refer 2010 - June [8] (i) on page no.*

Chapter - 13

Answer:

2012 - Dec [7] (a) The WTO Doha ministerial conference recognising that the majority of WTO members are developing countries. Ministers urged to place their needs and interests at the heart of the Work Programme adopted in declaration and continue to make positive efforts designed to ensure that developing countries and secure a share in the growth of World Trade Commensurate with the needs of their economic development.

Minister agreed that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development.

Ministers agreed to negotiations to reduce or as appropriate eliminate tariffs, including the reduction or elimination a tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. The negotiations to take fully into account the special needs and interests of developing countries participants, including through less than full reciprocity in reduction commitments and the provisions of this declaration.

The negotiations and other aspects of the work programme shall take fully into account the principle of special and differential treatment for developing countries. The decision on differential and more favourable treatment, reciprocity and fuller participation of developing countries.

Chapter - 13

Answer:

2012 - Dec [7] (b) The major issues analysed at the Geneva Ministerial Conference, 2009 are given below:

There was strong convergence on the importance of trade and the Doha Round to economic recovery and poverty alleviation in developing countries and priority is being given to Agriculture and NAMA, it is important to advance on other areas on the agenda including Services Rules and Trade Facilitation.

LDC-specific issues were underlined as needing particular attention including duty-free quota-free market access, cotton and the LDC waiver for services. The particular needs of Small and Vulnerable Economies were also emphasized.

Capacity building was seen as vital to addressing supply-side constraints. The importance of keeping up the momentum of aid for trade, including the enhanced integrated framework, was stressed. There was wide agreement on the needs to continue actively mobilizing resources and to keep up monitoring implementation of commitments.

There was broad agreement that the growing number of bilateral and regional trade agreements is an issue for the

multilateral trading system. However, the idea of extending to all members benefits offered in a regional context was questioned by some.

There were suggestions that while the WTO RTA transparency mechanism had worked quite well, there is still room for improvement, through making the mechanism permanent, highlighting better the common elements in different RTAs and introducing an annual review.

Ministers had a wide-ranging discussion on enhancing the institutional effectiveness of the WTO. Its monitoring and analytical work was widely seen to have been of particular value in helping to stave off protectionist responses to the crisis.

High value continues to be placed by members on transparency and inclusiveness in the WTO. Improving the institution's effectiveness should not compromise this principle.

The value of dispute settlement system was underlined by many participants, with some urging that it be made more responsive to the needs and circumstances of poorer and smaller members.

Climate change was revised by many. The contribution the WTO can make through removing barriers to trade in environmental goods and services was widely endorsed. There were also warnings against "green protectionism".

Food security and energy security were also highlighted. Other items suggested for consideration included government procurement, competition and investment, though reservations were also expressed.

There was broad agreement that the WTO must remain credible in the face of emerging challenges. There were calls for deepening the WTO's relationship with other relevant international organisations while respecting the WTO's mandates.

Chapter - 14

Answer:

2012 - Dec [8] (i) Anti dumping and Indian Law: Indian laws were amended to bring them in line with anti dumping provisions in WTO Agreement with effect from 1.1.1995. The GATT 1994 provides the detailed guidelines for imposition of anti dumping duties.

Section 9A, 9B 9C of the Customs Tariff Act, 1975 as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Anti-Dumping Duty on Dumped Articles and for Determination of injury) Rules 1995 framed hereunder form the legal 'basis for anti dumping investigations and for the levy of anti dumping duties. These laws are based on Agreement on Anti Dumping, which is in pursuance, of Article VI of GATT, 94.

Chapter - 15

Answer:

2012 - Dec [8] (ii) Non-actionable subsidies: Non-actional subsidies are those subsidies which cannot be challenged in WTO dispute settlement body because it is presumed that such subsidies need to be protected and not to be discouraged as:

1. They are unlikely to cause adverse effect; or
2. They are considered to be of particular value.

Chapter - 16

Answer:

2012 - Dec [8] (iii) WTO Dispute Settlement Mechanism: The WTO dispute settlement system is a rule-oriented system where recommendations and ruling must aim at achieving & satisfactory settlement in accordance with the rights and obligations of the members under the WTO Agreement. Under the dispute settlement understanding, the players in a

dispute settlement process are subject to certain rules aimed at ensuring due process and unbiased recommendations and rulings. For instance, there must not be any ex-parte communications with the panel or Appellate Body members concerning matter under consideration by the panel or the Appellate Body.

The WTO dispute settlement mechanism provides for three main ways of resolving disputes:

- (i) bilateral consultations;
- (ii) good offices conciliation and mediation; and
- (iii) adjudication, including arbitration. The Dispute Settlement Mechanism contains rules and procedures to be followed by WTO members.

Chapter - 15

Answer:

2012 - Dec [8] (iv) Three boxes in agricultural agreement: In WTO terminology, "boxes" which are given the colours of traffic lights in general identify subsidies: green (permitted), amber (slow-down-i.e. to be reduced), red (forbidden). The agriculture agreement has no red box, but there is blue box for certain types of subsidies, and exemptions for developing countries. Three boxes in agricultural agreement are as under:

The 'amber box': For agriculture all subsidies and other domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box. The total value of these measures must be reduced.

The 'green box': In order to qualify for the "green box", a subsidy must not distort trade or at most cause minimal distortion. They have to be government funded (not by charging consumers higher prices) and must not involve price support. "Green box" subsidies are therefore allowed without limits, provided they comply with relevant criteria.

The 'blue box': The blue box is an exemption from the general rule that all subsidies linked to production must be reduced or kept within defined minimal ("*de minimis*") levels.

Chapter - 12

Answer:

2012 - Dec [8] (v) Tariff and Non-tariff Barriers: Customs duties on merchandise import are called tariffs. Tariffs give a price advantage to locally-produced goods over similar goods which are imported, and they raise revenues for Governments. Tariff barrier also weakens international relations.

Non-tariff barriers are technical regulations and standards; import licensing, import quota restriction; rules for the valuation of goods at customs; pre-shipment inspection; investment measures, export subsidies and domestic support; service barriers; lack of adequate protection to intellectual property rights.