UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN
End Sem Examination –2017

Name of the Program: BBA OG **Semester – V**
Subject Name: Business Policy and Strategy **Max. Marks : 100**
Subject Code : BBCG107 **Duration : 3 Hrs**

Section A

Attempt both the part. Each carries 10 marks.

I. Choose correct answer **(10Marks)**

1. An effective information system collects, codes, stores, synthesizes, and __________ information in such a manner that it answers important operating and strategic questions.

a. Prints
b. Distributes
c. Presents
d. Filters

2. ___________ is adding new, unrelated products or services for present customers.

a. Concentric diversification
b. Horizontal diversification
c. Conglomerate diversification
d. Product development

3. Two reasons for mergers and acquisitions are

a. to increase managerial staff and to minimize economies of scale.
b. to reduce tax obligations and increase managerial staff.
c. to create seasonal trends in sales and to make better use of a new sales force.
d. to provide improved capacity utilization and to gain new technology.

4. Which strategy would be effective when the new products have a counter cyclical sales pattern compared to an organization's present products?
Strategic Management

a. Forward integration
b. Retrenchment
c. Horizontal diversification
d. Market penetration

5. Psychographic analysis would be part of

a. A socio-cultural environment analysis

b. A Technological Environment Analysis
c. A Resource Analysis
d. A Capability Analysis

6. ___________ approach involves delivering parts and materials as needed rather than being stockpiled

a. JIT

b. MBO

c. PERT

d. CAD-CAM

7. Competitive advantage based on the creation of opportunities using internal resources is characterized by which approach/view?

a) The positioning approach

b) The outside-in approach

c) The resource-based view

d) The knowledge-management approach

8..Diversification into many unrelated areas is an example of:

a) Risk management

b) Good management

c) Uncertainty reduction

d) Sustainability

9.Which of the following outcomes is NOT an advantage of a completely vertically integrated business?

a) Potentially greater control is achieved

b) Potentially greater quality is achieved

c) Lowering of risk is achieved

d) Lower price of supplies is achieved

10. Which of the following might be sources of synergy between two business units?

a) They have similar customers and use the same distribution channels

b) The profits from one can be used to finance the other when its gets into trouble

c) They both have a website

d) They are both located in the same town

II. Examine the veracity (True and False) of the statement (1X10=10)

1. Service is said to be intangible because the quality of the service experience is measured in the perception of the customer.
2. In value chain analysis, general management is considered part of a firm's infrastructure.
3. Intangible resources are keys to competitive advantage
4. An important advantage of first movers or “pioneers” in a market is that they may establish brand recognition that may later serve as an important switching cost.

5. Rather than focus solely on financial considerations, many firms offer attractive benefits to entice employees to stay. These may include on-site daycare, on-site gyms, and on-site stores.
6. Encirclement refers to network diagram technique
7. Environmental scanning and competitor intelligence provide important inputs for forecasting activities.
8. Porter's five forces model helps to determine both the nature of competition in an industry and the industry's profit potential.
9. Social responsibility is the idea that organizations are not only accountable to stockholders but also to the community-at-large
10. Strategic objectives should be measurable, specific, appropriate, and realistic, but not constrained by time deadlines.

Section B

Write short notes on any four (5X4=20)

1. Sellout and Divestment
2. Contraction and Consolidation
3. Network organisation Vs Cellular organization
4. VRIN
5. BOT and Turnkey

Section-C

Attempt any three questions which carry 10 marks each. Be precise and succinct (10X3=30 marks)

Q1. What do you understand by the term-Core Competencies? Suggest framework and steps to identify the competencies of the organization related with Upstream sector
Q2. Explain the process of Friendly Acquisition ? Explain with examples from the industry
Q3.Explain the process of Strategic implementation?

Section D

Case Study Analysis carries

On September 15th 2011, the Chinese government issued diplomatic protests directed toward India over the continued exploration by the state-controlled Oil and Natural Gas Company (ONGC) of India in Blocks 127 and 128 off the Vietnamese coast in South China Sea. Many years of conflict between China, Vietnam, and other Southeast Asian countries over territorial rights in the waters of the South China Sea had escalated, with a high potential for the conflict to boil over in regional and even global instability. One week earlier, the government of India had filed a prospectus for a secondary issue of 5% of its stake in ONGC to raise US$2.5 billion to help fill dwindling government coffers (Exhibit 1). While the Indian government was dealing with a rising fiscal deficit and inflationary fears, its long-term interests were to manage energy security to fuel its rapidly growing economy. Chinese diplomatic protests could threaten the security of ONGC's assets and create doubts in their investors' minds. Given that previous equity issues of energy companies in India were highly oversubscribed, the government had to

decide whether or not to go ahead with the secondary offering. The Company & the Indian Oil Sector ONGC was founded in 1956 by the government of India under the provisions of a legislative act to develop, produce and sell petroleum products within India. Starting with a few oil fields in Digboi in northeast India, ONGC transformed India's upstream sector by developing onshore fields in the western state of Gujarat and the Assam-Arakan Basin in northeastern India. In 1974, ONGC discovered a giant oil field 75 kilometers (kms) long and 25 kms wide off the coast of Bombay, which subsequently helped catapult the company into major offshore energy development. As part of an economic liberalization program initiated in the 1990s, the Indian government launched an initial public offering (IPO) of ONGC on the Bombay Stock Exchange (BSE) in 1994, offloading a 20% stake in the company and making ONGC the largest Indian company by market capitalization. ONGC is currently ranked second worldwide among global exploration and production (E&P) companies, behind the China National Offshore Oil Corporation (CNOOC) in terms of total assets. With a market capitalization of US$47 billion, it is the second largest Indian company behind Reliance Industries Limited, a conglomerate ranging in expertise from energy to retail. ONGC is a Fortune 500 company and the largest public-sector company in India with a net income of US$4.3 billion on revenues of US$22.6 billion in 2010. The company has over 32,000 employees and is global with operations in 15 countries outside India. ONGC specializes in "upstream activities" in the petrochemical chain and does not directly engage in the retail sale of petroleum products. It primarily caters to domestic demand in India where downstream production is handled by other state-owned companies including Indian Oil, Bharat Petroleum and Hindustan Petroleum. To date, India has been a net importer of oil and it supports consumption of 2,980,000 barrels per day against production of only 878,000 barrels per day. In addition, the government controls production and pricing through the Administered Pricing Mechanism (APM). Through the APM, ONGC subsidizes over 30% of its revenues to downstream operations, thus reducing its overall profitability. Investors have historically complained about these subsidies and have expressed concern that with an ever increasingly lower ownership stake, the government may not be able to pressure ONGC as easily through the APM program.

Company Ownership

As of July 2011, the Indian government owns 74.14% of ONCG shares, with government owned oil and financial institutions maintaining an additional 7.37% stake in the company (Exhibit 2). Foreign institutional investors and the Indian public make up the marginal investors, with private investors showing significant interest in ownership of the well-run public sector undertaking. However, the key strategies of ONGC are determined mainly by the Ministry of Petroleum. In

2005, the Ministry vetoed ONGC’s plans of expanding into the downstream sector and stopped them from setting up retail locations. Furthermore, licensing policies and regulations govern exploration licenses, petroleum pricing, and industry development. Due to government pressure, ONGC subsidizes oil prices up to 33% of market price of oil when selling to downstream companies in India. ONGC is only listed on the Bombay Stock Exchange (BSE) and is one of the most actively traded stocks. The BSE was one of the poorer performers among the constituents of the MSCI Emerging Markets for 2011, with a rank of 20th among 23 countries included. The benchmark index Sensex had shed almost 12% in the last 12 months, though the long-term returns were over 18%. Additionally, the Reserve Bank of India (RBI) has been aggressively moving to control inflation by increasing short term lending rates 8 times in the last 12 months, up to 8%.

Vietnamese Partnership & International Assets

ONGC’s first overseas venture dates back to a highly successful 1988 production-sharing contract in Block 6.1 in Vietnam, producing over 50% of Vietnam’s natural gas requirements. The following year ONGC established ONGC Videsh (OVL), a 100% subsidiary to control overseas assets.6 Since then, OVL has won exploration and drilling rights individually and as a consortium. Over the last 23 years, OVL expanded operations globally to over 33 projects in 14 countries. Key overseas production facilities include Vietnam, Russia, Sudan, Syria, and Venezuela. However, many of OVL’s exploratory fields are located in politically sensitive zones such as Libya, Iraq, Egypt, and Myanmar. The recent deterioration of the political situation in Libya, Egypt, and Iraq forced OVL to relinquish fields in those countries. In thiscontext, therefore, existing exploratory rights in Russia, Venezuela, Brazil, and Vietnam have become
much more critical to OVL’s operations .

Q1. Conduct PESTLE analysis for ONGC to comment on the prevailing situation
Q2. Should India avoid confrontation with china? Comment while conducting trade-off analysis
Q3. Suggest basket of strategies to tackle the situation.