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## Comprehension Test for IBPS PO Pre

### Passage No. 35

**Directions:** The passage given below is followed by a set of questions. Choose the most appropriate answer to each question.

Core competencies and focus are now the mantras of corporate strategists in Western economies. But while managers in the West have dismantled many conglomerates assembled in the 1960s and 1970s, the large, diversified business group remains the dominant form of enterprise throughout most emerging markets. Some groups operate as holding companies with full ownership in many enterprises, others are collections of publicly traded companies, but all have some degree of central control.

As emerging markets open up to global competition, consultants and foreign investors are increasingly pressuring these groups to conform to Western practice by scaling back the scope of their business activities. The conglomerate is the dinosaur of organizational design, they argue, too unwieldy and slow to compete in today's fast-paced markets. Already a number of executives have decided to break up their groups in order to show that they are focusing on only a few core businesses.

There are reasons to worry about this trend. Focus is good advice in New York or London, but something important gets lost in translation when that advice is given to groups in emerging markets. Western companies take for granted a range of institutions that support their business activities, but many of these institutions are absent in other regions of the world. (See the insert "What Is an Emerging Market?") Without effective securities regulation and venture capital firms, for example, focused companies may be unable to raise adequate financing; and without strong educational institutions, they will struggle to hire skilled employees. Communicating with customers is difficult when the local infrastructure is poor, and unpredictable government behavior can stymie any operation. Although a focused strategy may enable a company to perform a few activities well, companies in emerging markets must take responsibility for a wide range of functions in order to do business effectively.

In the case of product markets, buyers and sellers usually suffer from a severe dearth of information for three reasons. First, the communications infrastructure in emerging markets is often under-developed. Even as wireless communication spreads throughout the West, vast stretches in countries such as China and India remain without telephones. Power shortages often render the modes of communication that do exist ineffective. The postal service is typically inefficient, slow, or unreliable; and the private sector rarely provides efficient courier services. High rates of illiteracy make it difficult for marketers to communicate effectively with customers.

Second, even when information about products does get around, there are no mechanisms to corroborate the claims made by sellers. Independent consumer-information organizations are rare, and government watchdog agencies are of little use. The few analysts who rate products are generally less sophisticated than their counterparts in advanced economies.

Third, consumers have no redress mechanisms if a product does not deliver on its promise. Law enforcement is often capricious and so slow that few who assign any value to time would resort to it. Unlike in advanced markets, there is few extrajudicial arbitration mechanisms to which one can appeal.

As a result of this lack of information, companies in emerging markets face much higher costs in building credible brands than their counterparts in advanced economies. In turn, established brands wield tremendous power. A conglomerate with a reputation for quality products and services can use its group name to enter new businesses, even if those businesses are completely unrelated to its current lines. Groups also have an advantage when they do try to build up a brand because they can spread the cost of maintaining it across multiple lines of business. Such groups then have a greater incentive not to damage brand quality in any one business because they will pay the price in their other businesses as well.

## Questions:

1. Which of the following sentences(s) is/are correct in context of the given passage?

- i. Consultants and foreign investors argue that the conglomerate is the dinosaur of organizational design too unwieldy and slow to compete in today's fast-paced markets.
- ii. Core competencies and focus are now the mantras of corporate strategists in western economics.
- iii. Due to lack of information required, companies in emerging markets face much higher costs in building credible brands in comparison to their counterparts in advanced economies.

- A. Only I
- B. Only II and III
- C. Only I and III
- D. Only I and II
- E. All I, II and III

2. What suggestions have been cited by the writer in regard to raising adequate financing and hiring skilled employees?

- A. Effective securities regulation
- B. Effective securities regulation and venture capital firms
- C. Effective securities regulation and venture capital firms and strong educational institutions
- D. Both (1) and (3)
- E. E. None of these

3. The writer has cited some hurdles in the case of product markets regarding shortage of information. Which of the following statements (s) in this regard is/are true?

- i. Communications infrastructure in emerging markets is often under developed.



- ii. **Postal service is typically inefficient, slow or unreliable.**
- iii. **High rates of illiteracy make it difficult for marketers to communicate effectively with customers.**
  - A. Only I
  - B. Only III
  - C. Only II and III
  - D. Only I and II
  - E. All I, II and III

**4. Which of the following statements is correct in regard to the given passage?**

- A. The few analysis is emerging markets who rate products are generally less sophisticated than their counterparts in advanced economies.
- B. Unlike in advanced markets there are few extrajudicial arbitration mechanisms in emerging markets to which one can appeal.
- C. Even as wireless communication spreads throughout the west, vast regions of China and India remain without telephones.
- D. Unpredictable government behavior can stymie any operation.
- E. All are correct

**5. Established brands can wield tremendous power in emerging markets because**

- A. a conglomerate with a reputation for quality products and services can use its group name to enter new businesses.
- B. They have much political nexus and strong man power
- C. They have excess of money and customers
- D. They have greater incentive to damage brand quality in any one business
- E. None of these

**6. What should be the most appropriate title of this passage?**

- A. Hurdles in Emerging markets
- B. What is an Emerging market
- C. Lack of information in Emerging markets
- D. Advanced markets East Emerging markets

E. None of these

7. Choose the word/group of words which is most similar in meaning to the word/group or words printed in bold as used in the passage.

**CONFORM TO**

- A. Comply
- B. Conflict between
- C. Confirm
- D. Confiscate
- E. Confine to

8. Choose the word/group of words which is most similar in meaning to the word/group or words printed in bold as used in the passage.

**DISMANTLE**

- A. take together
- B. hold
- C. take apart
- D. disorder
- E. dismount

9. Choose the word/group of words which is most opposite in meaning to the word/group or words printed in bold as used in the passage.

**CAPRICIOUS**

- A. unpredictable
- B. predictable
- C. changeable
- D. captive
- E. reasonable

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10. Choose the word/group of words which is most opposite in meaning to the word/group or words printed in bold as used in the passage.

**DEARTH**

- A. scarcity
- B. shortage
- C. paucity
- D. abundance
- E. debility



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***Correct Answers:***

1	2	3	4	5	6	7	8	9	10
E	C	E	E	A	A	A	C	B	A

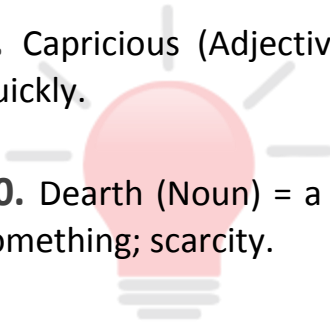
***Explanations:***

**7.** Conform to (verb) = to agree with or math something; comply ; to obey.

**8.** Dismantle (Verb) = to take apart; to end an organization or system gradually in an organized way.

**9.** Capricious (Adjective) = unpredictable, changeable; changing suddenly and quickly.

**10.** Dearth (Noun) = a lack of something; the fact of there not being enough of something; scarcity.







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