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Ch 1 :- Introduction to Strategic Management

Question 1

State with reasons which of the following statements is correct / incorrect:

a) Strategy is a substitute for sound, alert and responsible management.

b) Strategies are perfect, flawless and optimal organisational plans.

c) Strategic management is a bundle of tricks and magic.

d) Control systems run parallel with strategic levels.

e) A company's strategy has always to be proactive in nature.

f) Strategic management is not needed in non-profit organisations.

Answers:-

a) **Incorrect:** Strategy is not a substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. Strategies are goal-directed decision and actions in which capabilities and resources are matched with the opportunities and threats in the environment. A good management at the top can steer the organizations by adjusting its path on the basis of the changes in the environment.

b) **Incorrect:** Strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic; it is art of the possible; it does not preclude second-best choices, trade-offs, sudden emergencies, pervasive pressures, failures and frustrations. However, in a sound strategy, allowances are made for possible miscalculations and unanticipated external events.

c) **Incorrect:** No, Strategic management is not a bundle of tricks and magic. It is a deliberate managerial process that involves systematic and analytical thinking. It involves systematic and analytical thinking and action. although, the success or failure of a strategy is dependent on several extraneous factors, it cannot be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.

d) **Correct:** there are three strategic levels in an organisation – corporate, business and functional. control systems are required at all the three levels. at the top level, strategic controls are built to check whether the strategy is being implemented as planned and the results produced by the strategy are those intended. down the hierarchy management controls and operational controls are built in the systems. Operational controls are required for day-to-day management of business.

e) **Incorrect:** a company's strategy is a blend of proactive actions and reactive actions by the management. Reactive actions are required to address unanticipated developments and environmental conditions. thus, not every strategic move is the result of proactive and deliberate management actions. at times, some kind of strategic reaction or adjustments are required.

f) **Incorrect:** Strategic management applies equally to profit as well as non- profit organizations. though non-profit organizations are not working for the profit, they have to have purpose, vision and mission. They also work within the environmental forces and need to manage strategically to stay afloat to accomplish their objectives. For the purpose of continuity and meeting their goals, they also need to have and manage funds and other resources just like any other for profit organization.

Question 2

Briefly answer the following questions:

a) Distinguish between the three Levels of Strategy Formulation.

Answer:-

A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. this role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. a business unit is a self-contained division with its own functions - for example, finance, production, and marketing. the strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.

b) You are appointed as a Strategic Manager by XYZ co. Ltd. Being a Strategic Manager what should be your tasks to perform?

Answer:-

The primary tasks of the strategic manager is conceptualizing, designing and executing company strategies.

For this purpose, his tasks will include:

i) Defining the mission and goals of the organization.

ii) Determining what businesses it should be in.

iii) Allocating resources among the different businesses.

iv) Formulating strategies.

v) Implementing strategies.

vi) Providing leadership for the organization.

c) Write a short note on Importance of Strategic Management.

Answer:-

Importance of Strategic Management: Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

i) It helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates the organisations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. therefore, they are able to control their own destiny in a better way.

ii) It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.

iii) It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.

iv) It serves as a corporate defense mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.

v) Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

d) "Strategy is partly proactive and partly reactive." do you agree? Give reasons for your answer.

Answer:-

Yes, strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. there can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

e) In your view, what is the role of corporate level managers in Strategic management?

Answer:-

There are three main levels of management in a typical organisation: corporate, business, and functional. the corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. They are responsible for strategic decision making and broadly have following roles:

i) Oversee the development of strategies for the whole organization.

ii) defining the mission and goals of the organization.

iii) determining what businesses it should be in.

iv) Allocating resources among the different businesses.

v) Formulating strategies.

vi) Implementing strategies.

vii) Providing leadership for the organization.

viii) Provide a link between the people who oversee the strategic development of a firm and those who own it.

f) Organizations sustain superior performance over a long period of time, inspite of the rapid changes taking place continually in its competitive environment if they implement strategic management successfully.' discuss.

Answer:-

Business organizations function within dynamic environment. the environment may vary from being conducive to hostile. Whatever be the conditions, implementation of strategic management is very important for the survival and growth of business organizations. Strategy implementation helps in improving the competence with which it is executed and helps organizations to sustain superior performance in following manner:

i) Strategic management helps organizations to be more proactive rather than reactive in dealing with its future.

ii) It provides better guidance to entire organization on the crucial point – what it is trying to do.

iii) It facilitates to prepare the organization to face the future.

iv) Organizations are able to identify the available opportunities and identify ways and means as how to reach them.

v) It serves as a corporate defense mechanism against mistakes and pitfalls.

vi) Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages.

g) Do you agree with the statement that "Strategic Management concepts are of no use to Government organizations and Medical organizations"? Explain with reasons.

Answer:-

Organizations can be classified as commercial and non-commercial on the basis of the interest they have. typically, a government or medical organization may function without any commercial objectives. A commercial organization has profit as its main aim. We can find many organizations around us, which do not have any commercial objective of making profits. their genesis may be for social, charitable, or educational purposes.

The strategic-management process is being used effectively by countless non-profit governmental organizations. Many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and human resource.

Compared to for-profit firms, non-profit and governmental organizations often function as a monopoly, produce a product or service that offers little or no measurability of performance, and are totally dependent on outside financing. especially for these organizations, strategic management provides an excellent vehicle for developing and justifying requests for needed financial support.

<u>Question 3</u>

What is Strategic Management? What benefits accrue by following a strategic approach to managing?

Answer:-

In a highly competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must have a system of managing strategically.

The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.

The overall objective of strategic management is two fold:

i) To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.

ii) To guide the company successfully through all changes in the environment.

The following are the benefits of strategic approach to managing:

i) Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.

ii) Strategic management provides framework for all the major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.

iii) Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.

iv) Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It help organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

Question 4 *(RTP May 2018)*

Health Wellnow is a Delhi based charitable organisation promoting healthy lifestyle amongst the office-goers. It organises programmes to encourage and guide office-goers on matters related to stress relief, yoga, exercises, healthy diet, weight management, work- life balance and so on. Many business organisations and resident welfare associations take services of Health Wellnow. Its daily yoga sessions are very popular in some of the big companies located in Delhi, Noida and Gurgaon. The Health Wellnow has no commercial interest and does not charge any fees for its services. However, the organisation is able to get good charities and has sufficient funds to meet its routine expenses.

Do you think the concepts of strategic management are relevant for Health Wellnow? Discuss.

Answer:-

The concepts of strategic management are relevant for Health Wellnow.

Organizations can be classified as commercial and non-commercial on the basis of the interest they have. Health Wellnow falls in the category of a non-commercial organisation. While non-commercial organisations may have objectives that are different from the commercial organisations, they need to employ the strategic management tools to efficiently use their resources, generate sufficient surpluses to meet daily expenses and achieve their objectives. In fact, many non-profit and governmental organizations outperform private firms and corporations on innovativeness, motivation, productivity, and human relations.

The strategic management in Health Wellnow needs to cover aspects such as:

i) Generate sufficient funds for meeting its objectives.

ii) Efficiently reach office-goers and help them to have health in life.

iii) Promote itself to cover more offices, resident welfare associations.

iv) Have a deep collaboration with health experts, including dieticians, psychologist, fitness trainers, yoga experts.

Question 5 *(RTP May 2018)*

The presence of strategic management cannot counter all hindrances and always achieve success for an organisation. What are the limitations attached to strategic management?

Answer:-

The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:

a) Environment is highly complex and turbulent. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.

b) Strategic Management is a time-consuming process. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.

c) Strategic Management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organization create strategies to compete.

d) In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

Question 6 *(RTP Nov 2018)*

Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the

former.

Discuss the strategic approach of the two companies. Which is superior?

Answer:-

Yummy foods is proactive in its approach. On the other hand Tasty Food is reactive. Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances. A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions.

If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers.

At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge-a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.

Question 7 *(RTP Nov 2018)*

What benefits accrue by following a strategic approach to managing?

Answer:-

The following are the benefits of strategic approach to managing:

a) Strategic management helps organisations to be more proactive i nstead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.

b) Strategic management provides framework for all the major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.

c) Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.

d) Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It help organisations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

Ch 2 :- Dynamics of Competitive Strategy

Question 1

a) **Define competitive advantage.**

b) **What do you mean by core competencies?**

c) **Components of a Value Chain of an organisation.**

Answer:-

a) Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.

b) A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.

c) Value chain refers to separate activities which are necessary to underpin an organization's strategies and are linked together both inside and outside the organization. Organizations are much more than a random collection of machines, money and people. Value chain of a manufacturing organization comprises of primary and supportive activities. The primary ones are inclusive of inbound logistics, operations, outbound logistics, marketing and sales, and services. The supportive activities relate to procurement, human resource management, technology development and infrastructure Value chain analysis helps in building and maintaining the long-term competitive position of an organization to sustain value for-money in its products or service. It can be helpful in identifying those activities which the organization must undertake at a threshold level of competence and those which represent the core competences of the organization.

Question 2

State with reasons which of the following statements is correct / incorrect:

a) Competitive strategy is designed to help firms achieve competitive advantage.

b) A strength is an inherent capacity of an organization.

c) The purpose of SWOT analysis is to rank organizations.

d) SWOT analysis merely examines internal environment of an organization.

e) "B" in BCG Matrix stands for balance.

f) Growth share matrix is popularly used for resource allocation.

g) A core competence is a unique strength of an organization which may not be shared by others.

Answer:-

a) **Correct:** Competitive strategy is designed to help firms achieve competitive advantage.

Having a competitive advantage is necessary for a firm to compete in the market. Competitive advantage comes from a firm's ability to perform activities more effectively than its rivals.

b) **<u>Correct</u>:** Strength is an inherent capacity which an organization can use to gain strategic advantage over its competitors. An example of strength is superior research and development skill which can be used for continuous product innovation or for new product development so that the company gains competitive advantage.

c) **<u>Incorrect</u>:** SWOT analysis stands for the analysis of strengths, weaknesses opportunities, and threats. It is not used for ranking of organizations. It is a tool for organizational and environmental appraisal necessary for formulating effective strategies.

d) **<u>Incorrect</u>:** SWOT analysis presents the information about both external and internal environment in a structured form to compare external opportunities and threats with internal strengths and weaknesses. This helps in matching external and internal environments so that strategic decision makers in an organisation can come out with suitable strategies by identifying patterns of relationship and develop suitable strategies.

e) **<u>Incorrect</u>:** The acronym BCG stands for Boston Consulting Group, an organization that developed a matrix to portray an organizational corporate portfolio of investment. This matrix depicts growth of business and the business share enjoyed by an organization. The matrix is also known for its cow and dog metaphors and is popularly used for resource allocation in a diversified company.

f) **<u>Correct</u>:** Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company. Primarily it categorises organisations/products on the basis two factors consisting of the growth opportunities and the market share enjoyed.

g) **<u>Correct</u>:** A core competence is a unique strength of an organization which may not be shared by others. If business is organized on the basis of core competence, it is likely to generate competitive advantage. A core competence provides potential access to a wide variety of markets. Core competencies should be such that it is difficult for competitors to imitate them.

<u>Question 3</u>

Briefly answer the following questions:

a) What is an opportunity?

Answer:-

An opportunity is a favourable condition in the organization's environment which enables it to consolidate and strengthen its position. An example of an opportunity is growing demand for the products or services that a company provides.

b) Write a short note on SWOT analysis.

Answer:-

SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment.

Strength: Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.

Weakness: A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.

Opportunity: An opportunity is a favourable condition in the external environment which enables it to strengthen its position.

Threat: An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

c) Discuss the relevance of Tows Matrix in strategic planning.

Answer:-

The TOWS matrix illustrates how the external opportunities and threats facing a particular corporation can be matched with company's internal strengths and weaknesses to result in possible strategic alternatives to be competitive. It is a good way to use brainstorming and to create alternative strategies that might not otherwise be considered. It forces strategic managers to design various growth, stability or retrenchment strategies. It can be used to generate corporate as well as business strategies.

Moreover, TOWS Matrix is very useful for generating a series of alternatives that the decision makers of a company or business unit might not otherwise have considered. Nevertheless, the TOWS Matrix is only one of the many ways to generate alternative strategies. In a way TOWS is considered to be an improvement over the SWOT. However, it does not undermine the utility of SWOT analysis.

d) In B.C.G. matrix for what the metaphors like stars, cows and dogs are used?

Answer:-

The BCG growth-share matrix is a popular way to depict different types of products or SBUs as follows:

a) Stars are products or SBUs with high market share in a market which is growing rapidly.

b) Cash Cows are low-growth, high market share businesses or product

c) Question Marks are low market share business in high-growth markets.

d) Dogs are low-growth, low-share businesses and products.

e) In the light of BCG Growth Matrix, state the situations under which the following strategic options are suitable:

i) Build

ii) Hold

iii) Harvest

iv) Divest

Answer:-

In the light of BCG Growth Matrix, once an organisation has classified its products or SBUs, it must determine what role each will play in the future. The four strategies that can be pursued are:

i) Build: Here the objective is to increase market share, even by forgoing short- term earnings in favour of building a strong future with large market share.

ii) Hold: Here the objective is to preserve market share.

iii) Harvest: Here the objective is to increase short-term cash flow regardless of long-term effect.

iv) Divest: Here the objective is to sell or liquidate the business because resources can be better used elsewhere.

f) Explain the concept of Experience Curve and highlight its relevance in strategic management.

Answer:-

Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work. Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.

g) Write a short note on Product Life Cycle (PLC) and its significance in portfolio diagnosis.

Answer:-

Product Life Cycle is an important concept in strategic choice and S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages.

The first stage of PLC is the **introduction stage** in which competition is almost negligible, prices are relatively high and markets are limited. The growth in sales is also at a lower rate.

The second stage of PLC is the **growth stage,** in which the demand expands rapidly, prices fall, competition increases and market expands.

The third stage of PLC is the **maturity stage**, where in the competition gets tough and market gets stabilized. Profit comes down because of stiff competition.

The fourth stage is the **declining stage** of PLC, in which the sales and profits fall down sharply due to some new product replaces the existing product.

PLC can be used to diagnose a portfolio of products (or businesses) in order to establish the stage at which each of them exists. Particular attention is to be paid on the businesses that are in the declining stage. Depending on the diagnosis, appropriate strategic choice can be made. For instance, expansion may be a feasible alternative for businesses in the introductory and growth stages. Mature businesses may be used as sources of cash for investment in other businesses which need resources. A combination of strategies like selective harvesting, retrenchment, etc. may be adopted for declining businesses. In this way, a balanced portfolio of businesses may be built up by exercising a strategic choice based on the PLC concept.

h) To which industries the following developments offer opportunities and threats? "Increasing trend in India to organize IPL (Cricket) type of tournaments in other sports also."

Answer:-

An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position. On the other hand a threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position. An opportunity is also a threat in case internal weaknesses do not allow organization to take their advantage in a manner rivals can.

The IPL (Cricket) tournament is highly profit and entertainment driven. A number of entities and process are involved in this IPL type tournament. IPL (Cricket) type of tournament would offer opportunities/threats to the following industries:

Opportunities:

a) Stadia.

b) Sports Industry.

c) Media Industry – Sports channels / television, advertisers.

Threats:

a) Entertainment industry like TV serials, cinema theatres, Entertainment theme parks as competitors will be fighting for the same viewers/target customers.

b) Tourism and hotel Industry.

c) Event Management.

Question 4

Describe the construction of BCG matrix and discuss its utility in strategic management.

Answer:-

Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units or major product lines. The BCG growth-share matrix named after its developer facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth.

The BCG matrix can be used to determine what priorities should be given in the product portfolio of a business unit. Using the BCG approach, a company classifies its different businesses on a two-dimensional growth share matrix. Two dimensions are market share and market growth rate. In the matrix:

a) The vertical axis represents market growth rate and provides a measure of market attractiveness.

b) The horizontal axis represents relative market share and serves as a measure of company's strength in the market.

Thus the BCG Matrix depicts quadrants as shown in the following table:

Market Growth Rate	High	Low
High	Stars	Question Marks
Low	Cash Cows	Dogs

Relative Market Share

BCG Matrix

Different types of business represented by either products or SBUs can be classified for portfolio analyses through BCG matrix. They have been depicted by meaningful metaphors, namely:

a) **Stars** are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.

b) **Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.

c) **Question Marks,** sometimes called problem children or wildcats, are low market share business in high-growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.

d) **Dogs** are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimised by means of divestment or liquidation.

The BCG matrix is useful for classification of products, SBUs, or businesses, and for selecting appropriate strategies for each type as follows.

i) Build with the aim for long-term growth and strong future.

ii) Hold or preserve the existing market share.

iii) Harvest or maximize short-term cash flows.

iv) Divest, sell or liquidate and ensure better utilization of resources elsewhere.

Thus BCG matrix is a powerful tool for strategic planning analysis and choice.

Question 5

What is the purpose of SWOT analysis? Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization?

Answer:-

An important component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats. The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as SWOT analysis.

a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.

b) **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.

c) **Opportunity:** An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.

d) **Threat:** A threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position.

SWOT analysis helps managers to craft a business model (or models) that will allow a company to gain a competitive advantage in its industry (or industries). Competitive advantage leads to increased profitability, and this maximizes a company's chances of surviving in the fast-changing, competitive environment. Key reasons for SWOT analyses are:

a) It provides a logical framework.

b) It presents a comparative account.

c) It guides the strategist in strategy identification.

Question 6

How is TOWS Matrix an improvement over the SWOT Analysis? Describe the construction of TOWS Matrix.

Answer:-

Through SWOT analysis organisations identify their strengths, weaknesses, opportunities and threats. While conducting the SWOT Analysis managers are often not able to come to terms with the strategic choices that the outcomes demand. Heinz Weihrich developed a matrix called TOWS matrix by matching strengths and weaknesses of an organization with the external opportunities and threats. The incremental benefit of the TOWS matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis. The matrix is outlined below:

Internal Elements

External Elements	Organizational Strengths	Organizational Weaknesses
Environmental opportunities (and risks)	**SO** Maxi-Maxi	**WO** Mini-Maxi
Environmental threats	**ST** Maxi-Mini	**WT** Mini-Mini

TOWS Matrix

The TOWS Matrix is tool for generating strategic options. Through TOWS matrix four distinct alternative kinds of strategic choices can be identified.

SO (Maxi-Maxi): SO is a position that any firm would like to achieve. The strengths can be used to capitalize or build upon existing or emerging opportunities. Such firms can take lead from their strengths and utilize the resources to build up the competitive advantage.

ST (Maxi-Mini): ST is a position in which a firm strives to minimize existing or emerging threats through its strengths.

WO (Mini-Maxi): The firm needs to overcome internal weaknesses and make attempts to exploit opportunities to maximum.

WT (Mini-Mini): WT is a position that any firm will try to avoid. A firm facing external threats and internal weaknesses may have to struggle for its survival. WT strategy is a strategy which is pursued to minimize or overcome weaknesses and as far as possible, cope with existing or emerging threats.

Question 7

An industry comprises of only two firms-Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix:

Product	Revenues (in ₹)	Percent Revenues	Profits (in ₹)	Percent Profits	Percentage Market Share	Percentage Industry Growth rate
A	6 crore	48	120 lakh	48	80	+ 15
B	4 crore	32	50 lakh	20	40	+ 10
C	2 crore	16	75lakh	30	60	-20
D	50 lakh	4	5 lakh	2	5	-10
Total	12.5 crore	100	250 lakh	100		

Answer:-

Using the BCG approach, a company classifies its different businesses on a two dimensional growth-share matrix. In the matrix, the vertical axis represents market growth rate and provides a measure of market attractiveness. The horizontal axis represents relative market share and serves as a measure of company strength in the market. With the given data on market share and industry growth rate of Soorya Ltd, its four products are placed in the BCG matrix as follows:

Retain Market Share

Market Growth Rate		***High***	***Low***
	High	*Product A [80% Market Share +15% Growth Rate]* **Stars**	*Product B [40% Market Share +10% Growth Rate]* **Question Marks**
	Low	*Product C [60% Market Share -20% Growth Rate]* **Cash Cows**	*Product D [05% Market Share -10% Growth Rate]* **Dogs**

Product A is in best position as it has a high relative market share and a high industry growth rate.

On the other hand, **Product B** has a low relative market share, yet competes in a high growth industry.

Product C has a high relative market share, but competes in an industry with negative growth rate. The company should take advantage of its present position that may be difficult to sustain in long run.

Product D is in the worst position as it has a low relative market share, and competes in an industry with negative growth rate.

Question 8

Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product

Market Growth Matrix to advise them of the available options.

Answer:-

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is an useful tool that helps businesses decide their product and market growth strategy. With the use of this matrix, a business can get a fair idea about how its growth depends upon its markets in new or existing products in both new and existing markets.

The Ansoff's product market growth matrix is as follows:

	Existing Products	New Products
Existing Markets	**Market Penetration**	**Product Development**
New Markets	**Market Development**	**Diversification**

Ansoff's Product Market Growth Matrix

Based on the matrix, Aurobindo may segregate its different products. Being in pharmaceuticals, development of new products is result of extensive research and involves huge costs. There are also social dimensions that may influence the decision of the company. It can adopt penetration, product development, market development or diversification simultaneously for its different products.

Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. It is achieved by making more sales to present customers without changing products in any major way. Market development refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for the existing products of the company. Product development is refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets. Diversification refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

As market conditions change overtime, a company may shift product-market growth strategies. For example, when its present market is fully saturated a company may have no choice other than to pursue new market.

Question 9

In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

i) A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.

ii) A business giant in hotel industry decides to enter into dairy business.

iii) One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.

iv) A renowned auto manufacturing company launches ungeared scooters in the market.

Answer:-

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is an useful tool that helps businesses decide their product and market growth strategy. This matrix further helps to analyse different strategic directions. According to Ansoff there are four strategies that organisation might follow.

i) **Market Penetration**: A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on selling existing products into existing markets.

ii) **Diversification:** A business giant in hotel industry decides to enter into dairy business. It refers to a growth strategy where a business markets new products in new markets.

iii) **Market Development**: One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to sell its existing products into new markets.

iv) **Product Development**: A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where business aims to introduce new products into existing markets.

Question 10

"Management of internal linkages in the value chain could create competitive advantage in a number of ways". Briefly explain.

Answer:-

The management of internal linkages in the value chain could create competitive advantage in a number of ways:

a) There may be important linkages between the primary activities. For example, a decision to hold high levels of finished stock might ease production scheduling problems and provide for a faster response time to the customer. However, an assessment needs to be made whether the value added to the customer by this faster response through holding stocks is greater than the added cost.

b) It is easy to miss this issue of managing linkages between primary activities in an analysis if, for example, the organization's competences in marketing activities and operations are assessed separately. The operations may look good because they are geared to high-volume, low-variety, low-unit-cost of production. However, at the same time, the marketing team may be selling speed, flexibility and variety to the customers. So competence in separate activities need to be compatible.

c) The management of the linkages between a primary activity and a support activity may be the basis of a core competence. It may be key investments in systems or infrastructure which provides the basis on which the company outperforms competition. Computer-based systems have been exploited in many different types of service organization and have fundamentally transformed the customer experience.

d) Linkages between different support activities may also be the basis of core competences. For example, the extent to which human resource development is in tune with new technologies has been a key feature in the implementation of new production and office technologies. Many companies have failed to become competent in managing this linkage properly and have lost out competitively.

Question 11 *(RTP May 2018)*

Suresh Singhania is the owner of an agri-based private company in Sangrur, Punjab. His unit is producing puree, ketchups and sauces. While its products have significant market share in the northern part of country, the sales are on decline in last couple of years. He seeks help of a management expert who advises him to first understand the competitive landscape.

Explain the steps to be followed by Suresh Singhania to understand competitive landscape.

Answer:-

Steps to understand the competitive landscape

a) **Identify the competitor:** The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.

b) **Understand the competitors:** Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.

c) **Determine the strengths of the competitors:** What are the strength of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers. Why do customers give them their business?

d) **Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.

e) **Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthen by the firm.

Question 12 *(RTP May 2018)*

Explain the concept of experience curve and highlight its relevance in strategic management.

Answer:-

Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work. Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.

Question 13 *(RTP Nov 2018)*

'Value for Money' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products.

Highlight and explain the core competence of the 'Value for Money' retail chain.

Answer:-

A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. A core competency for a firm is whatever it does is highly beneficial to the organisation.

'Value for Money' is the leader on account of its ability to keep costs low. The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors. The core competency in this case is derived from the company's ability to generate large sales volume, allowing the company to remain profitable with low profit margin.

Question 14 *(RTP Nov 2018)*

How Ansoff's Product Market Growth Matrix is a useful tool for business organizations?

Answer:-

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. With the use of this matrix a business can get a fair idea about how its growth depends in new or existing products in both new and existing markets.

Companies should always be looking to the future. Businesses that use the Ansoff matrix can determine the best strategy. The matrix can help them to decide how to do this by demonstrating their options clearly, breaking them down into four strategies, viz., *Market Penetration, Market Development, Product Development, Diversification* . Determining which of these is best for their business will depend on a number of variables including available resources, infrastructure, market position, location and budget.

Ch 3 :- Strategic Management Process

Question 1

State with reasons which of the following statements is correct / incorrect:

a) Strategic planning is an attempt to improve operational efficiency.

b) The first step of strategy formulation in strategic management model is to undertake internal analysis.

c) All strategies emerge from corporate vision.

d) For a small entrepreneur vision and mission are irrelevant.

Answers:-

a) **Incorrect:** Strategic planning, an important component of strategic management, involves developing a strategy to meet competition and ensure long-term survival and growth. Strategic Planning is a function of top management level in the organisation and relate the organisation with its environment. Operational efficiency is not a direct outcome of strategic planning.

b) **Incorrect:** Identifying an organisation's existing vision, mission, objectives, and strategies is the starting point for any strategic management process because an organisation's existing situation and condition may preclude certain strategies and may even dictate a particular course of action. Determining vision and mission provides long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organisation with a sense of purposeful action.

c) **Correct:** Vision explains where the organization is headed, so as to provide long-term direction, delineate what kind of enterprise the company is trying to become and infuse the organization with a sense of purpose. All strategies need to be drawn in the light of corporate vision, which is what the firm ultimately wants to become.

d) **Incorrect:** Entrepreneur, big or small has to function within several influences external forces. Competition in different form and different degree is present in all kind and sizes of business. Even entrepreneur with small businesses can have complicated environment. To grow and prosper they need to have clear vision and mission.

Question 2

Briefly answer the following questions:

a) What is strategic decision making?

Answer:-

Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jahuch and Glueck **"Strategic decisions encompass the definition of the business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives."**

b) What is strategic vision?

Answer:-

A strategic vision delineates organisation's aspirations for the business, providing a panoramic view of the position where the organisation is going. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

c) What is a mission statement? State the points that may be considered while writing a mission statement of a company.

Answer:-

Mission statement is an answer to the question "Who we are and what we do" and hence has to focus on the organisation's present capabilities, focus activities and business makeup. An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation.

A company's mission statement is typically focused on its present business scope-"who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup.

The following points must be considered while writing a mission statement of a company.

a) To establish the special identity of the business - one that typically distinct it from other similarly positioned companies.

b) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.

c) Good mission statements should be unique to the organisation for which they are developed.

d) The mission of a company should not be to make profit. Surpluses may be required for survival and growth, but cannot be mission of a company.

d) What tips can you offer to write a 'right' mission statements?

Answer:-

Mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup. Following points are useful while writing mission of a company:

i) Good mission statements are highly personalized – unique to the organization for which they are developed.

ii) One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development.

iii) A company's business is defined by what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.

iv) Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.

v) The mission should not be to make profit.

e) How can a company deal with strategic uncertainty?

Answer:-

Strategic uncertainty denotes the uncertainty that has crucial implications for the organisation. A typical external analysis will emerge with dozens of strategic uncertainties. To be manageable, they need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

f) You are appointed as a Strategic Manager by XYZ Co. Ltd. Being a Strategic Manager what should be your tasks to perform?

Answer:-

The primary task of the strategic manager is conceptualizing, designing and executing company strategies.

For this purpose, his tasks will include:

i) Defining the mission and goals of the organization.

ii) Determining what businesses it should be in.

iii) Allocating resources among the different businesses.

iv) Formulating and implementing strategies that span individual businesses.

v) Providing leadership for the organization.

g) Briefly discuss the difference between vision and mission.

Answer:-

Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a vision

statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:

i) The vision states the future direction while the mission states the ongoing activities of the organisation.

ii) The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.

iii) A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful.

Question 3

What is strategic decision making? Briefly explain the major dimensions of strategic decisions.

Answer:-

Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck **"Strategic decisions encompass the definition of the business, products to be handled, markets to be served, functions to be performed and major policies needed for the organisation to execute these decisions to achieve the strategic objectives."**

The major dimensions of strategic decisions are as follows:

i) Strategic decisions require top-management involvement: Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.

ii) Strategic decisions involve commitment of organisational resources: For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees.

iii) Strategic decisions necessitate consideration of factors in the firm's external environment: Strategic focus in organization involves orienting its internal environment to the changes of external environment.

iv) Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm: Generally, the results of strategic implementation are seen on a long-term basis and not immediately.

v) Strategic decisions are future oriented: Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.

Strategic decisions usually have major multifunctional or multi-business consequences: As they involve organization in totality they affect different sections of the organization with varying degree.

Question 4

Rohit Seth in an informal discussion with his friend shared that he has to move very cautiously in his organisation as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation.

Where will you place Rohit Seth in organisational hierarchy? What are the dimensions of the decisions being taken by him?

Answer:-

As the decisions taken by Rohit Seth have organisation wide impact, involves large commitments and have implication on the future, he is at the top level in organisational hierarchy. These characteristics also indicate that he is taking strategic decisions in the organisation. The major dimensions of strategic decisions are as follows:

a) **Strategic decisions require top-management involvement:** Strategic decisions involve thinking in totality of the organization. Hence, problems calling for strategic decisions require to be considered by the top management.

b) **Strategic decisions involve commitment of organisational resources:** For example, Strategic decisions to launch a new project by a firm requires allocation of huge funds and assignment of a large number of employees.

c) **Strategic decisions necessitate consideration of factors in the firm's external environment:** Strategic focus in organization involves orienting its internal environment to the changes of external environment.

d) **Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm:** Generally, the results of strategic implementation are seen on a long-term basis and not immediately.

e) **Strategic decisions are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.

f) **Strategic decisions usually have major multifunctional or multi-business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree.

Question 5 *(RTP May 2018)*

Define strategic intent. Briefly explain the elements of strategic intent.

Answer:-

Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organization's strategic intent. Strategic intent refers to purposes for what organization strives for. Top management must define "what they want to do" and "why they want to do". "Why they want to do" represents strategic intent of the firm. Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and size.

Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve. It is a statement that provides a perspective of the means, which will lead the organization, reach its vision in the long run. Strategic intent gives an idea of what the organization desires to attain in future.

Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives. Strategic intent could be in the form of vision and mission statements for the organisation at the corporate level. It could be expressed as the business definition and business model at the business level of the organisation.

Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally i.e., goals and objectives.

Elements of Strategic Intent

a) **Vision**: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.

b) **Mission**: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and business makeup.

c) **Business definition**: It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices. Organisational restructuring also depends upon the business definition.

d) **Business model**: Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financial details. Rival firms, operating in the same industry rely on the different business model due to their strategic choice.

e) **Goals and objectives**: These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period. However, in practice no distinction is made between goals and objectives and both terms are used interchangeably.

The vision, mission, business definition, and business model explain the philosophy of the organisation but the goals and objectives represent the results to be achieved in multiple areas of business.

<u>Question 6</u> *(RTP Nov 2018)*

To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create a strategy-supportive work climate, and meet or beat performance targets.

Explain the principal aspects of strategy-execution process.

Answer:-

In most situations, strategy-execution process includes the following principal aspects:

a) Developing budgets that steer ample resources into those activities critical to strategic success.

b) Staffing the organization with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.

c) Ensuring that policies and operating procedures facilitate rather than impede effective execution.

d) Using the best-known practices to perform core business activities and pushing for continuous improvement.

e) Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.

f) Motivating people to pursue the target objectives energetically.

g) Creating a company culture and work climate conducive to successful strategy implementation and execution.

h) Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organization encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

Good strategy execution involves creating strong "fits" between strategy and organizational capabilities, between strategy and the reward structure, between strategy and internal operating systems, and between strategy and the organization's work climate and culture.

Question 7 *(RTP Nov 2018)*

'Objectives' and 'Goals' provide meaning and sense of direction to organizational endeavour. Explain.

Answer:-

Business organization translates their vision and mission into objectives. Objectives are open-ended attributes that denote the future states or outcomes. Goals are close-ended attributes which are precise and expressed in specific terms. Thus, the goals are more specific and translate to objectives to short term perspective.

All organizations have objectives. The pursuit of objectives is an unending process such that organizations sustain themselves. They provide meaning and sense of direction to organizational endeavour. Organizational structure and activities are designed and resources are allocated around the objectives to facilitate their achievement. They also act as benchmarks for guiding organizational activity and for evaluating how the organization is performing.

Ch 4 :- Corporate Level Strategies

Question 1

a) Explain the meaning of Directional Strategies.
b) Explain the meaning of the Combination Strategies.

Answer:-

a) Directional strategies also called grand strategies provides basic directions for strategic actions towards achieving strategic goals. Such strategies are formulated at the corporate level so are also known as corporate strategies. The corporate strategies a firm can adopt have been classified into four broad categories: stability, expansion, retrenchment, and combination known as directional/grand strategies.

b) Combination Strategies refer to a mix of different strategies like stability; expansion, diversification or retrenchment to suit particular situations that an enterprise is facing. For instance, a strategy of diversification/acquisition may call for retrenchment in some obsolete product lines.

Question 2

State with reasons which of the following statements is correct / incorrect:

a) Divesting a major product line or market is termed as retrenchment strategy.
b) Acquisition is a type of growth strategy.
c) Diversification only involves entering in new businesses that are related to the existing business of an organization
d) Vertical diversification integrates firms forward or backward in the product chain.
e) Concentric diversification amounts to unrelated diversification
f) Liquidation is the last resort option for a business.
g) Retrenchment implies downsizing of business.
h) Stability strategy is not a 'do-nothing' strategy.

Answers:-

a) **Correct:** An organization can redefine its business by divesting a major product line or market. The divesting can be termed as retrenchment strategy. The enterprise may withdraw from marginal markets, withdraw some brands or sizes of products. It may also withdraw some of slow moving products. In an extreme manner it may seek retirement either from the production or the marketing activity.

b) **Correct:** An acquisition is a type of growth strategy through which one firm buys a controlling or complete interest in another firm. Acquisition of an existing concern is an instant means of achieving growth through expansion and/or diversification. Ideally, acquisition strategy should be used when the acquiring firm is able to enhance its economic value through ownership and the use of the assets that are acquired.

c) **Incorrect:** Although, organisations can diversify into businesses that are vertically or horizontally related to the existing businesses, the diversification is not limited to the related businesses. In conglomerate diversification; the new businesses/ products are disjointed from the existing businesses/products in every way. There is no connection between the new products and the existing ones in process, technology or function.

d) **Correct:** In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. It moves forward or backward in the chain and enters specific product with the intention of making them part of new businesses for the firm.

e) **Incorrect:** Concentric diversification amounts to related diversification. Concentric diversification takes place when the products or services added are in different industry but are similar to the existing product or service line with respect to technology or production or marketing channels or customers.

f) **Correct:** Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. It involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities a firm could pursue, and the stigma of failure. The company management, government, banks and financial institutions, trade unions, suppliers, creditors, and other agencies are extremely reluctant to take a decision, or ask for liquidation.

g) **Incorrect:** In the context of strategic management, retrenchment implies giving up certain products and reducing the level of business as a compulsive measure to cope up with certain adverse developments on which the firm has little control. Downsizing (or rightsizing) is planned elimination of positions or jobs. Retrenchment does not imply downsizing, however, the latter is often used to implement a retrenchment strategy.

h) **Correct:** Stability strategies are implemented by approaches wherein few functional changes are made in the products or markets. It is not a 'do nothing' strategy. It involves keeping track of new developments to ensure that the strategy continues to make sense. This strategy is typical for mature business organizations. Some small organizations will also frequently use stability as a strategic focus to maintain comfortable market or profit position.

Question 3

Briefly answer the following questions:

a) What is meant by concentric diversification?

Answer:-

Concentric diversification amounts to related diversification. In this form of diversification, the new business is linked to the existing businesses through existing systems such as process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. There are benefits of synergy with the current operations. However, concentric diversification differs from vertically integrated diversification in the nature of the linkage the new product has with the existing ones.

While in vertically integrated diversification, the new product falls within the firm's current process-product chain, in concentric diversification, there is a departure from this vertical linkage. The new product is only connected in a

loop-like manner at one or more points in the firm's existing process/technology/product chain. In concentric diversification, there are benefits of synergy with the current operations.

b) Explain conglomerate diversification.

Answer:-

When an organization adopts a strategy, which requires taking up those activities which are unrelated to the existing businesses, either in terms of their respective customer groups, customer functions or alternative technologies, it is called conglomerate diversification. Conglomerate diversification has no common thread at all with the firm's present position. For example, the businesses of Godrej are diversified into furniture, soaps, oils, insecticides and so on.

c) Why a Turnaround Strategy is required for a business?

Answer:-

Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well. It is a highly-targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.

The overall goal of turnaround strategy is to transform an under performing or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavourable industry characteristics.

d) What strategic alternative should be followed during recession?

Answer:-

Stability strategy is an advisable option for the organisations facing recession.

During recession businesses face reduced demand for their products even at low prices. Funds become scarce, expenditure on expansion is stopped, profits decline and businesses try to minimise the costs. They work hard to maintain the existing market share, so that company survives the recessionary period.

e) What is meant by retrenchment strategy?

Answer:-

Retrenchment strategy implies substantial reduction in the scope of organization's activity. A business organization can redefine its business by divesting a major product line or market. While retrenching, organizations might set objectives below the past level of objectives. It is essentially a defensive strategy adopted as a reaction to operating problems stemming from either internal mismanagement, unanticipated actions by competitors or hostile and unfavourable changes in the business environmental conditions. With a retrenchment strategy, the endeavour of management is to raise the level of enterprise achievements focusing on improvements in the functional performance and cutting down operations with negative cash flows.

f) What is Divestment strategy? When is, it adopted?

Answer:-

Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. For a multiple product company, divestment could be a part of rehabilitating or restructuring plan called turnaround.

i) A divestment strategy may be adopted due to various reasons:

ii) When a turnaround has been attempted but has proved to be unsuccessful.

iii) A business that had been acquired proves to be a mismatch and cannot be integrated within the company.

iv) Persistent negative cash flows from a particular business create financial problems for the whole company.

v) Severity of competition and the inability of a firm to cope with it.

vi) Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it.

vii) A better alternative may be available for investment.

g) Write short note on expansion through acquisitions and mergers.

Answer:-

Acquisitions and mergers are basically combination strategies. Some organizations prefer to grow through mergers. Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

When one organization takes over the other organization and controls all its business operations, it is known as acquisition. In this process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, one that is financially stronger and bigger establishes it power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association where the powerful organization either consumes the operation or a company in loss is forced to sell its entity.

h) Write short note on Conglomerate Merger.

Answer:-

Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity.

Conglomerate merger happens in case of organizations that are unrelated to each other combine together. There are no linkages with respect to customer groups, customer functions and technologies being used. There are no important

common factors between the organizations in production, marketing, research and development and technology. In practice, however, there is some degree of overlap in one or more of these factors.

i) Distinguish between the following:

A) Forward Integration and Backward Integration.

B) Concentric Diversification and Conglomerate Diversification.

C) Expansion Strategy and Retrenchment Strategy.

D) Vertically Integrated Diversification and Horizontally Integrated Diversification.

E) Divestment strategy and Liquidation strategy.

Answer:-

A) Forward and backward integration form part of vertically integrated diversification. In vertically integrated diversification, firms opt to engage in businesses that are vertically related to the existing business of the firm. The firm remains vertically within the same process. While diversifying, firms opt to engage in businesses that are linked forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

Backward integration is a step towards creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lower its cost of production. On the other hand, forward integration is moving forward in the value chain and entering business lines that use existing products. Forward integration will also take place where organisations enter into businesses of distribution channels.

B) Concentric diversification occurs when a firm adds related products or markets. On the other hand, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business.

In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/products.

The most common reasons for pursuing a concentric diversification are that opportunities in a firm's existing line of business are available. However, common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

C) Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. On the other hand, Retrenchment Strategy involves redefinition of business by divesting a major product line or market.

Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success. Retrenchment or retreat becomes necessary or expedient for coping with particularly hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Expansion may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls. Retrenchment involves regrouping and recouping of the resources.

D) In **vertically integrated diversification**, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process. Sequence moves forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

On the other hand, **horizontal Integrated Diversification** is the acquisition of one or more similar business operating at the same stage of the production-marketing chain that is going into complementary products, by-products or taking over competitors' businesses.

E) **Divestment Strategy:** Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.

Liquidation Strategy: Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive. It involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities a firm could pursue, and the stigma of failure.

Question 4

Under what conditions would you recommend the use of Turnaround strategy in an organization? What could be a suitable work plan for this?

Answer:-

Rising competition, business cycles and economic volatility have created a climate where no business can take viability for granted. Turnaround strategy is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. Organizations that have faced a significant crisis that has negatively affected operations requires turnaround strategy. Turnaround strategy is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is a question. When organization is facing both internal and external pressures making things difficult then it has to find something which is entirely new, innovative and different. Being organization's first objective is to survive and then grow in the market; turnaround strategy is used when organization's survival is under threat. Once turnaround is successful the organization may turn to focus on growth.

Conditions for turnaround strategies: When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment they have to identify danger signals as early as possible and undertake rectification steps immediately. These conditions may be, inter alia, cash flow problems, lower profit margins, high employee turnover and decline in market share, capacity underutilization, low morale of employees, recessionary conditions, mismanagement, raw material supply problems and so on.

Action plan for turnaround strategy

Stage One – Assessment of current problems: The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused. Once the problems are identified, the resources should be focused toward those areas essential to efficiently work on correcting and repairing any immediate issues.

Stage Two – Analyze the situation and develop a strategic plan: Before you make any major changes; determine the chances of the business's survival. Identify appropriate strategies and develop a preliminary action plan. For this one should look for the viable core businesses, adequate bridge financing and available organizational resources. Analyze the strengths and weaknesses in the areas of competitive position. Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.

Stage Three – Implementing an emergency action plan: If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. The plan typically includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products. A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

Stage Four – Restructuring the business: The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement.

During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. Core products neglected over time may require immediate attention to remain competitive. Some facilities might be closed; the organization may even withdraw from certain markets to make organization leaner or target its products toward a different niche.

The 'people mix' is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity encourage employees to think profits and return on investments.

Stage Five – Returning to normal: In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added. Emphasis is placed on a number of strategic efforts such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market share, etc.

Question 5

What strategic option is available to the management of a sick company dealing in an electric home appliances? Give reasons for your answer.

Answer:-

A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on the viability of each.

Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

Retrenchment strategy is adopted because:

a) The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.

b) The environment faced is threatening.

c) Stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.

Turnaround strategy: If the organization chooses to transform itself into a leaner structure and focuses on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on. It may also involve changes in top management and reorienting leadership.

Divestment Strategy*:* Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. Divestment is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.

Liquidation Strategy: In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets.

It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. Many small-scale units, proprietorship firms, and partnership ventures liquidate frequently but medium- and large-sized companies rarely liquidate in India. The company management, government, banks and financial institutions, trade unions, suppliers and creditors, and other agencies are extremely reluctant to take a decision, or ask, for liquidation.

Liquidation strategy may be unpleasant as a strategic alternative but when "dead business is worth more than alive", it is a good proposition.

The management of a Sick company manufacturing various electrical home appliances be explained about the each of the above three options of retrenchment strategy with their pros and cons. But the appropriate advice with respect to a particular option of retrenchment strategy will depend on the specific circumstances of each electrical home appliances and management goals of the company.

Question 6

What are acquisitions? Discuss with example of two companies resorting to this strategy?

Answer:-

Acquisition of or merger with an existing concern is an instant means of achieving the expansion. It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialise growth. Organizations consider merger and acquisition proposals in a systematic manner, so that the marriage will be mutually beneficial, a happy and lasting affair.

Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on. Only positive synergistic effects are relevant in this connection which denote that the positive effects of the merged resources are greater than the some of the effects of the individual resources before merger or acquisition.

Some of the recent / popular instances of acquisition are listed below:

- Tata's acquisition of Anglo Dutch steelmaker Corus
- Tata's acquisition of British Jaguar Land Rover
- Mittal Steel's takeover of Arcelor
- HPCL's acquisition of Kenya Petroleum Refinery Ltd.
- Hindalco's acquisition of Canada based Novelis

Question 7 **(RTP May 2018)**

Swift Insurance is a company engaged in the business of providing medical insurance maintaining a market share of 25 to 30 per cent in last five years. Recently, the company decided to enter into the business of auto insurance by having foreign collaboration. Identify the strategy being followed by the Swift Insurance with its advantages.

Answer:-

Overall Swift Insurance is following growth or expansion strategy as it is redefining the business and enlarging its scope. The step will also substantially increase investment in the business.

The new business is related and at the same time caters to a different segment and accordingly can be termed as related diversification. The new business falls within the scope of general insurance and horizontally related to the existing business.

In the process of expansion, the company will be able to exploit:

a) Its brand name.

b) The marketing skills available.

c) The existing sales and distribution infrastructure.

d) Research and development.

e) Economies of scale

Question 8 **(RTP May 2018)**

Strategic alliances are formed if they provide an advantage to all the parties in the alliance. Do you agree? Explain in brief the advantages of a strategic alliance.

Answer:-

Strategic alliances are formed if they provide an advantage to all the parties in the alliance. These advantages can be broadly categorised as follows:

a) **Organizational:** Strategic alliances may be formed to learn necessary skills and obtain certain capabilities from the strategic partner. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. A strategic partner may provide a good or service that complements each other, thereby creating a synergy. If one partner is relatively new or untried in a certain industry, having a strategic partner who is well-known and respected will help add legitimacy and creditability to the venture.

b) **Economic:** Alliances can reduce costs and risks by distributing them across the members of the alliance. Partners can obtain greater economies of scale in an alliance, as production volume increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, where specializations are bundled together, creating additional value.

c) **Strategic:** Organizations may join to cooperate instead of compete. Alliances may also create vertical integration where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

d) **Political:** Sometimes there is need to form a strategic alliance with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliances with politically-influential partners may also help improve overall influence and position.

Question 9 **(RTP Nov 2018)**

Vastralok Ltd., was started as a textile company to manufacture cloth. Currently, they are in the manufacturing of silk cloth. The top management desires to expand the business in the cloth manufacturing. To expand they decided to purchase more machines to manufacture cotton cloth.

Identify and explain the strategy opted by the top management of Vastralok Ltd.

Answer:-

Vastralok Ltd. is currently manufacturing silk cloth and its top management has decided to expand its business by manufacturing cotton cloth. Both the products are similar in nature within the same inductry. The strategic diversification that the top management of Vastralok Ltd. has opted is concentric in nature. They were in business of manufacturing silk and now they will manufacture cotton as well. They wil be able to use existing infrastructure and distribution channel. Concentric diversification amounts to related diversification.

In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. This means that in concentric diversification too, there are benefits of synergy with the current operations.

Question 10 **(RTP Nov 2018)**

What is Divestment strategy? When is it adopted?

Answer:-

Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU. For a multiple product company, divestment could be a part of rehabilitating or restructuring plan called turnaround.

a) A divestment strategy may be adopted due to various reasons:

b) When a turnaround has been attempted but has proved to be unsuccessful.

c) A business that had been acquired proves to be a mismatch and cannot be integrated within the company.

d) Persistent negative cash flows from a particular business create financial problems for the whole company.

e) Severity of competition and the inability of a firm to cope with it.

f) Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it.

g) A better alternative may be available for investment.

Ch 5 :- Business Level Strategies

Question 1

Explain the meanings of:

a) Cost leadership strategy

b) Best-cost provider strategy.

Answer:-

a) A number of cost elements affect the relative attractiveness of generic strategies. A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead cost, and waste reduction. The low cost leadership should be such that no competitors are able to imitate so that it can result in sustainable competitive advantage to the cost leader firm.

b) Best-cost provider strategy: Best-cost provider strategy involves providing customers more value for the money by emphasizing low cost and better quality difference. It can be done:

   i) through offering products at lower price than what is being offered by rivals for products with comparable quality and features or

   ii) charging similar price as by the rivals for products with much higher quality and better features.

Question 2

State with reasons which of the following statement is correct / incorrect:
Porter's five forces model considers new entrants as a significant source of competition.

Answer:-

Correct: Porter's five forces model considers new entrants as major source of competition. The new capacity and product range that the new entrants bring in throw up new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.

Question 3

Briefly answer the following questions:

a) Analyse the following cases in the context of Michael Porter's Five Forces Model:

i) A supplier has a large base of customers.

ii) A manufacturer of sports goods has the advantage of economies of large scale production.

iii) Products offered by competitors are almost similar.

Answer:-

i) Large base of customers of an organization (supplier) may increase its bargaining power in comparison to the bargaining power of the customer.

ii) The manufacturer of sports goods would be in better position amongst existing competitors since it has advantage of economies of scale. Even the threat of new entrants gets reduced.

iii) Similar products will reduce the bargaining power of the rivals, i.e., competitors. In other words the bargaining power of the customer will be more.

b) Explain Porter's five forces model as to how businesses can deal with the competition.

Answer:-

To gain a deep understanding of a company's industry and competitive environment, managers do not need to gather all the information they can find and waste a lot of time digesting it. Rather, the task is much more focused. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

i) Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.
ii) Competitive pressures associated with the threat of new entrants into the market.
iii) Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
iv) Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.
v) Competitive pressures stemming from buyer bargaining power and seller- buyer Collaboration.

c) Distinguish between Cost Leadership and Differentiation Strategies.

Answer:-

Cost leadership emphasizes producing standardized products at a very low per- unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.

Question 4 *(RTP Nov 18)*

What are the five competitive forces in an industry as identified by Michael Porter?

Answer:-

Five forces model of Michael Porter is a powerful and widely used tool for systematically diagnosing the significant competitive pressures in the market and assessing their strength and importance. The model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the over all market. These five forces are:

a) **Threat of new entrants**: New entrants are always a powerful source of competition. The new capacity and product range they bring in throw up new competitive pressure. And the bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.

b) **Bargaining power of customers**: This is another force that influences the competitive condition of the industry. This force will become heavier depending on the possibilities of the buyers forming groups or cartels. Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or informally and exert pressure on the producer. The bargaining power of the buyers influences not only the prices that the producer can charge but also influences in many cases, costs and investments of the producer because powerful buyers usually bargain for better services which involve costs and investment on the part of the producer.

c) **Bargaining power of suppliers**: Quite often suppliers, too, exercise considerable bargaining power over companies. The more specialised the offering from the supplier, greater is his clout. And, if the suppliers are also limited in number they stand a still better chance to exhibit their bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry and, therefore, industry attractiveness and profitability.

d) **Rivalry among current players**: The rivalry among existing players is quite obvious. This is what is normally understood as competition. For any player, the competitors influence strategic decisions at different strategic levels. The impact is evident more at functional level in the prices being changed, advertising, and pressures on costs, product and so on.

e) **Threats from substitutes**: Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. And they can bring it about all of a sudden. For example, coir suffered at the hands of synthetic fibre. Wherever substantial investment in R&D is taking place, threats from substitute products can be expected. Substitutes, too, usually limit the prices and profits in an industry.

The five forces together determine industry attractiveness/profitability. This is so because these forces influence the causes that underlie industry attractiveness/ profitability. For example, elements such as cost and investment needed for being a player in the industry decide industry profitability, and all such elements are governed by these forces. The collective strength of these five competitive forces determines the scope to earn attractive profits. The strength of the forces may vary from industry to industry.

Question 5 *(RTP May 2018)*

Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircrafts with seating capacity ranging between 6 seats to 9 seats. There aircrafts are chartered by big business houses and high net worth individuals for their personalised use. With customised tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet.

Answer:-

The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules. The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

Question 6 *(RTP May 2018)*

What are the common barriers that are faced by new entrants when an existing firm earns higher profits?

Answer:-

A firm's profitability tends to be higher when other firms are blocked from entering the industry. New entrants can reduce industry profitability because they add new production capacity leading to increase supply of the product even at a lower price and can substantially erode existing firm's market share. Barriers to entry represent economic forces (or 'hurdles') that slow down or impede entry by other firms. Common barriers to entry include:

a) **Capital requirements:** When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry.

b) **Economies of scale:** Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.

c) **Product differentiation:** Production differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in the eyes of customers. Firms in the personal care products and cosmetics industries actively engage in product differentiation to enhance their products' features. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.

d) **Switching costs:** To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. To make a switch, buyers may need to test a new firm's product, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.

e) **Brand identity:** The brand identity of products or services offered by existing firms can serve as another entry barrier. Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer. New entrants often encounter significant difficulties in building up the brand identity, because to do so they must commit substantial resources over a long period.

f) **Access to distribution channels:** The unavailability of distribution channels for new entrants poses another significant entry barrier. Despite the growing power of the internet, many firms may continue to rely on their control of physical distribution channels to sustain a barrier to entry to rivals. Often, existing firms have significant influence over the distribution channels and can retard or impede their use by new firms.

g) **Possibility of aggressive retaliation:** Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. For example, introduction of products by a new firm may lead existing firms to reduce their product prices and increase their advertising budgets.

Question 7 ***(RTP Nov 2018)***

Gennex is a company that designs, manufactures and sells computer hardware and software. Gennex is well known for its innovative products that has helped the company to have advantage over its competitors. It also spends on research and development and concerned with innovative softwares. Often the unique features of their product, that are not available with their competitors helps them to gain competitive advantage. Gennex using the strategy is consistently gaining its position in the industry over its competitors.

Identify and explain the Porter's generic strategy which Gennex has opted to gain the competitive advantage.

Answer:-

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

Gennex has opted differentiation strategy. Its products are designed and produced to give the customer value and quality. They are unique and serve specific customer needs that are not met by other companies in the industry. Highly differentiated and unique hardware and software enables Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.

Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

Ch 6 :- Business Level Strategies

Question 1

Explain the meaning of the following concepts:

a) Relationship Marketing

b) Supply Chain Management

c) Services Marketing

d) Enlightened Marketing

e) Person Marketing

f) Logistics Strategy

g) Production System

h) Differential Marketing

i) Synchro-marketing

Answer:-

a) Relationship marketing is the process of creating, maintaining, and enhancing strong, value-laden relationship with customers and other stakeholders, thus, providing special benefits to select customers to strengthen bonds. It will go a long way in building relationship.

b) Supply chain management is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price. It reduces costs of logistics of an organisations and enhances customer service by linkages between suppliers, manufacturers and customers. Supply chain management is an extension of logistics management.

c) Service Marketing is applying the concepts, tools, and techniques, of marketing to services. Service is any activity or benefit that one party can offer to another that is essentially intangible and non-perishing. These may be from business to consumer and from business to business.

d) Enlightened Marketing helps a company to support the best long-run performance of the marketing system. It is based on five principles – customer- oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.

e) Person marketing consists of activities undertaken to create, maintain or change attitudes or behavior towards particular people. For example, politicians, sport stars, film stars, professionals market themselves to get votes or promote their careers and income.

f) Logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy, it is defining the service levels at which its logistics is smooth and is cost effective.

g) The production system is concerned with the activities directed towards creation of products and services for customers. It covers factors such as capacity, location, layout, design, work systems, automation, and so on.

h) A market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each. Differentiation can be achieved through variation in size, shape, colour, brand names and so on.

i) Synchro-marketing: When the demand for the product is irregular causing idle capacity or over-worked capacities, synchro-marketing can be used to find ways to alter the pattern of demand so that it equates more suitably with the pattern of supply. It can be done through flexible pricing, promotion, and other incentives.

Question 2

State with reasons which of the following statements is correct / incorrect:

a) Functional level constitutes the lowest hierarchical level of strategic management.

b) Skimming means keeping price very low.

c) Augmented marketing is provision of additional customer services and benefits.

d) Tele-shopping is an instance of direct marketing.

e) Supply chain management is conceptually wider than logistic management.

f) Human resource management aids in strategic management.

g) Production strategy implements, supports and drives higher level strategies.

h) Marketers alone can deliver superior value to customers.

i) The role of human resource manager is significant in building up core competency of the firm.

j) Demarketing strategy aims to reduce demand temporarily or permanently.

Answer:-

a) **Correct:** Functional-level managers and strategies operate at the lowest hierarchical level of strategic management. Functional level is responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Although they are not responsible for the overall performance of the organisation, functional managers nevertheless have a major strategic role to develop functional strategies in their area that help to fulfill the strategic objectives set by business and corporate-level managers.

b) **Incorrect:** In skimming, prices of a new product are kept at a very high level. The idea is to take advantage of the initial interest that a new product generates amongst the buyers who are relatively price insensitive.

c) **Correct:** Augmented marketing refers to deliberate and accelerated efforts to get better marketing returns through additional means. It includes provision of additional customer services and benefits built around the care and actual products that relate to introduction of hi-tech services like movies on demand, on-line computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

d) **Correct:** Direct marketing is done through various advertising media that interact directly with customer. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom or postal systems.

e) **Correct:** Supply chain management is an extension of logistic management. Logistic management is related to planning, implementing and controlling the storage & movement of goods & services while supply chain management is much more than that. It is a tool of business transformation and involve delivering the right product at the right time to the right place and at the right price.

f) **Correct:** The human resource management helps the organization to effectively deal with the external environmental challenges. The function has been accepted as a partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and rewarding of personnel.

g) **Correct:** For effective implementation of higher level strategies, strategists need to provide direction to functional managers, including production, regarding the plans and policies to be adopted. Production strategy provides a path for transmitting corporate and business level strategy to the production systems and makes it operational. It may relate to production planning, operational system, control and research & development.

h) **Incorrect:** A marketer alone cannot deliver superior value to the customers. It needs to work in coordination with other departments to accomplish this. It is important to be part of organization chain and marketer needs to work in coordination with other departments in the search for competitive advantages. Organisations need to look at the value chain network along with its own chain of activities and the chain of suppliers, distributors and ultimately customers.

i) **Correct:** The human resource manager has a significant role to play in developing core competency of the firm. A core competence is a unique strength of an organization which may not be shared by others. Core-competencies can be generated and maintained only through the effective management of human resources and their skills.

j) **Correct:** Demarketing is a marketing strategy to reduce demand temporarily or permanently – the aim is not to destroy demand, but only to reduce or shift it. This happens when the demand is too much to handle. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

Question 3

Briefly answer the following questions:

a) Explain the term marketing.

Answer:-

In general, marketing is an activity performed by business organizations. In the present day for business, it is considered to be the activities related to identifying the needs of customers and taking such actions to satisfy them in return of some consideration. The term marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals.

b) Enlist the components of marketing mix.

Answer:-

Marketing mix is a systematic way of classifying the key decision areas of marketing management. It is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The original framework of marketing mix comprises of 4Ps- product, price, place and promotion. These are subsequently expanded to highlight certain other key decision areas like people, processes, and physical evidence. The elements of original framework are:

a) **Product:** It stands for the "goods-and-service" combination the company offers to the target market.

b) **Price:** It stands for the amount of money customers have to pay to obtain the product.

c) **Place:** It stands for company activities that make the product available to target consumers and include marketing channel, distribution policies and geographical availablity.

d) **Promotion:** It stands for activities that communicate the merits of the product and persuade target consumers to buy it.

c) Briefly explain Logistics Strategy.

Answer:-

Management of logistics is a process which integrates the flow of materials into, through and out of an organization to achieve a level of service that the right materials are available at the right place at the right time, of right quality and at the right cost. For a business organization effective logistics strategy will involve raising and finding solutions to the questions relating to raw material, manufacturing locations, products, transportation and deployment of inventory. Improvement in logistics can result in saving in cost of doing business.

When a company creates a logistics strategy, it is defining the service levels at which its logistics systems are highly effective. A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers to address different categorical requirements.

d) Does HRM function play a role in organizational strategy?

Answer:-

The role of human resources in enabling the organization to effectively deal with the external environmental challenges, the human resource management function has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through

human resource planning, employment, training, appraisal and rewarding of personnel. An organization's recruitment, selection, training, performance appraisal, and compensation practices can have a strong influence on employee competence is very important.

e) Briefly explain the Elements of Marketing Mix.

Answer:-

Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These are usually referred to as 4Ps - product, price, place and promotion.

Product stands for the "goods-and-service" combination the company offers to the target market. Price stands for the amount of money customers have to pay to obtain the product. Place stands for company activities that make the product available to target consumers. One of the most basic marketing decision is choosing the most appropriate channel to reach target customer. Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. It includes - Personal Selling, Advertising, Publicity and Sales promotion

The traditional concept of 4Ps is also expanded further with more Ps such as, people, physical evidence and process. Under the dynamics of market all the Ps are extremely important so as to build and sustain a competitive advantage over the rivals.

f) Successful implementation of any project needs additional funds. What are the different sources of raising funds and their impact on the financial strategy which you as a Financial Manager will consider?

Answer:-

Successful strategy implementation often requires additional capital. Besides net profit from operations and the sale of assets, two basic sources of capital for an organization are debt and equity. Being a financial manager to determine an appropriate mix of debt and equity in a firm's capital structure can be vital to successful strategy implementation. Fixed debt obligations generally must be met, regardless of circumstances. This does not mean that stock issuances are always better than debt for raising capital. If ordinary stock is issued to finance strategy implementation; ownership and control of the enterprise are diluted. This can be a serious concern in today's business environment of hostile takeovers, mergers, and acquisitions.

The major factors regarding which strategies have to be made by a financial manager are: capital structure; procurement of capital and working capital borrowings; reserves and surplus as sources of funds; and relationship with lenders, banks and financial institutions. Strategies related to the sources of funds are important since they determine how financial resources will be made

available for the implementation of strategies. Organizations have a range of alternatives regarding the sources of funds. While one company may rely on external borrowings, another may follow a policy of internal financing.

g) Explain the strategic role of Human Resources Manager in the following areas:

a) Facilitation of Change

b) Building Core Competency

c) Development of Work Ethics and Culture

Answer:-

i) **Facilitation of change:** The Human resource will be more concerned with substance rather than form, accomplishments rather than activities, and practice rather than theory. The personnel function will be responsible for furthering the organization not just maintaining it. Human resource management will have to devote more time to promote changes than to maintain the status quo.

ii) **<u>Building core competency</u>:** The human resource manager has a great role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. If the business is organized on the basis of core competency, it is likely to generate competitive advantage. Because of this reason, many organizations have restructured their businesses by divesting those businesses which do not match core competence.

iii) **<u>Development of works ethics and culture</u>:** As changing work ethic requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. Flexible starting and quitting times for employees may be necessary. Focus will shift from extrinsic to intrinsic motivation. A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among people and to encourage creative ideas by the people. Far reaching changes with the help of technical knowledge will be required for this purpose.

h) "Evaluating the worth of a business is central to strategy implementation." In the light of this statement, explain the methods that can be used for determining the worth of a business.

Answer:-

It is true that evaluating the worth of a business is central to strategy implementation. There are circumstances where it is important to evaluate the actual worth of the business. These circumstances can be wide and varied. At a higher level they may include acquisition, merges or diversification. They may also include other situations such as fixing of share price in an issue. Acquisition, merger, retrenchment may require establishing the financial worth or cash value of a business to successfully implement such strategies.

Various methods for determining a business's worth can be grouped into three main approaches.

a) **<u>Net worth or stockholders' equity</u>:** Net worth is the total assets minus total outside liabilities of an organisation.

b) **<u>Future benefits to owners through net profits</u>:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.

c) **<u>Market-determined business worth</u>:** This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.

i) Explain any three prominent areas where Human Resource Manager can play a strategic role.

Answer:-

The prominent areas where the human resource manager can play strategic role are as follows:

a) **Providing purposeful direction:** The human resource manager must be able to lead people and the organization towards the desired direction involving people right from the beginning. The most important task of a HR manager is to ensure that the objectives of an organization are internalized by each individual working in the organization. Objectives of an organization state the very purpose and justification of its existence.

b) **Building core competency:** The human resource manager has a great role to play in developing core competency by the firm. A core competence is a unique strength of an organization which may not be shared by others. This may be in the form of human resources, marketing capability, or technological capability. If the business is organized on the basis of core competency, it is likely to generate competitive advantage. Because of this reason, many organizations have restructured their businesses by divesting those businesses which do not match core competence. Organization of business around core competence implies leveraging the limited resources of a firm. It needs creative, courageous and dynamic leadership having faith in organization's human resources.

c) **Creating competitive advantage:** Creating and maintaining a competitive advantage in the globalized market is the object of any organization. There are two important ways a business can achieve a competitive advantage over the others. The first is cost leadership which means the firm aims to become a low cost leader in the industry. The second competitive strategy is differentiation under which the firm seeks to be unique in the industry in terms of dimensions that are highly valued by the customers. Putting these strategies into effect carries a heavy premium on having a highly committed and competent workforce.

d) **Facilitation of change:** The human resource manager will be more concerned with substance rather than form, accomplishments rather than activities, and practice rather than theory. The HR function will be responsible for furthering the organization not just maintaining it. Human resource manager will have to devote more time to promote changes than to maintain the status quo.

e) **Managing workforce diversity:** In modern organizations, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female workers, young and old workers, educated and uneducated workers, unskilled and professional employee, etc. Moreover, many organizations also have people of different castes, religious and nationalities. The workforce in future will comprise more of educated and self conscious workers. They will ask for higher degree of participation and avenues for fulfilment. Money will no longer be the sole motivating force for majority of the workers. Non-financial incentives will also play an important role in motivating the workforce.

f) **Empowerment of human resources:** Empowerment means authorizing every member of an organization to take up his/her own destiny realizing his/her full potential. It involves giving more power to those who, at present, have little control what they do and little ability to influence the decisions being made around them.

g) **Development of works ethic and culture:** Greater efforts will be needed to achieve cohesiveness because employees will have transient commitment to groups. As changing work ethic requires increasing emphasis on individuals, jobs will have to be redesigned to provide challenge. Flexible starting and quitting times for employees may be necessary.

Focus will shift from extrinsic to intrinsic motivation. A vibrant work culture will have to be developed in the organizations to create an atmosphere of trust among the employees and to encourage creative ideas by them.

j) Distinguish between Logistic Management and Supply Chain Management.

Answer:-

Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management and supply/ demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

k) State the factors of human resource that influence on employee's competence.

Answer:-

Human resource management has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. The following points should be kept in mind as they can have a strong influence on employee competence:

a) **Recruitment and selection**: The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.

b) **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.

c) **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counselling, coaching or training.

d) **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

l) Write short note on Production System.

Answer:-

Production System is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

Strategy implementation would have to take into account the production system factors as they involve decisions which are long-term in nature and influence not only the operations capability of an organisation but also its ability to implement strategies and achieve objectives.

m) How would you argue that Research and Development Personnel are important for effective strategy implementation?

Answer:-

Research and Development (R&D) personnel can play an integral part in strategy implementation. These individuals are generally charged with developing new products and improving old products in a way that will allow effective strategy implementation. R&D employees and managers perform tasks that include transferring complex technology, adjusting processes to local raw materials, adapting processes to local markets, and altering products to particular tastes and specifications.

Strategies such as product development, market penetration, and concentric diversification require that new products be successfully developed and that old products be significantly improved. But the level of management support for R&D is often constrained by resource availability.

Question 4

What is meant by Functional strategies? In term of level, where will you put them? Are functional strategies really important for business?

Answer:-

Once higher level corporate and business strategies are developed, management need to formulate and implement strategies for each functional area. For effective implementation, strategists have to provide direction to functional managers regarding the plans and policies to be adopted. In fact, the effectiveness of strategic management depends critically on the manner in which strategies are implemented. Strategy of one functional area can not be looked at in isolation, because it is the extent to which all the functional tasks are interwoven that determines the effectiveness of the major strategy.

Functional area strategy such as marketing, financial, production and human resource are based on the functional capabilities of an organisation. For each functional area, first the major sub areas are identified and then for each of these sub functional areas, contents of functional strategies, important factors, and their importance in the process of strategy implementation is identified.

In terms of the levels of strategy formulation, functional strategies operate below the SBU or business-level strategies. Within functional strategies there might be several sub-functional areas. Functional strategies are made within the higher level strategies and guidelines therein that are set at higher levels of an organisation. Functional managers need guidance from the business strategy in order to make decisions.

Operational plans tell the functional managers what has to be done while policies state how the plans are to be implemented.

Major strategies need to be translated to lower levels to give holistic strategic direction to an organisation. Functional strategies provide details to business strategy & govern as to how key activities of the business will be managed. Functional strategies play two important roles. Firstly, they provide support to the overall business strategy. Secondly, they spell out as to how functional managers will work so as to ensure better performance in their respective functional areas. The reasons why functional strategies are really important and needed for business can be enumerated as follows:

a) The development of functional strategies is aimed at making the strategies- formulated at the top management level-practically feasible at the functional level.

b) Functional strategies facilitate flow of strategic decisions to the different parts of an organisation.

c) They act as basis for controlling activities in the different functional areas of business.

d) The time spent by functional managers in decision-making is reduced as plans lay down clearly what is to be done and policies provide the discretionary framework within which decisions need to be taken.

e) Functional strategies help in bringing harmony and coordination as they remain part of major strategies.

f) Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Question 5

What do you mean by financial strategy of an organization? How the worth of a business is evaluated?

Answer:-

The financial strategies of an organization are related to several finance/ accounting concepts considered to be central to strategy implementation. These are: acquiring needed capital/sources of fund, developing projected financial statements/budgets, management/ usage of funds, and evaluating the worth of a business.

Various methods for determining a business's worth can be grouped into three main approaches which are as follows:

i) **Net worth or stockholders' equity:** Net worth is the total assets minus total outside liabilities of an organisation.

ii) **Future benefits to owners through net profits:** These benefits are considered to be much greater than the amount of profits. A conservative rule of thumb is to establish a business's worth as five times the firm's current annual profit. A five-year average profit level could also be used.

iii) **Market-determined business worth:** This, in turn, involves three methods. First, the firm's worth may be based on the selling price of a similar company. The second approach is called the price-earnings ratio method whereby the market price of the firm's equity shares is divided by the annual earnings per share and multiplied by the firm's average net income for the preceding years. The third approach can be called the outstanding shares method whereby one has to simply multiply the number of shares outstanding by the market price per share and add a premium.

Question 6

What do you understand by the term marketing mix? Discuss its various Components.

Answer:-

Marketing mix forms an important part of overall competitive marketing strategy. The marketing mix is the set of controllable marketing variables that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything that the firm can do to influence the demand for its product. These variables are often referred to as the "4 Ps." The 4 Ps stand for product, price, place and promotion. An effective marketing program blends all of the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to consumers. The 4 Ps are from a marketer's angle. When translated to buyers angle they may be termed as 4 Cs. Product may be referred as customer solution, price as customer cost, place as convenience and promotion as communication.

Components of Marketing Mix

a) **Product** stands for the "goods-and-service" combination the company offers to the target market. Strategies are needed for managing existing product over time adding new ones and dropping failed products. Strategic decisions must also be made regarding branding, packaging and other product features such as warrantees. Products and markets are infinitely dynamic.

Products can be differentiated on the basis of size, shape, colour, packaging, brand names, after-sales service and so on. Organizations seek to hammer into customers' minds that their products are different from others. It does not matter whether the differentiation is real or imaginary. Quite often the differentiation is psychological rather than physical. It is enough if customers are persuaded to believe that the marketer's product is different from others.

Organizations formalize product differentiation through 'brand names'. The products' and even firms' image is built around brand through advertising and other promotional strategies. Customers tend to develop strong brand loyalty for a particular product over a period of time.

b) **Price** stands for the amount of money customers have to pay to obtain the product. Necessary strategies pertain to the location of the customers, price flexibility, related items within a product line and terms of sale. The price of a product is its composite expression of its value and utility to the customer, its demand, quality, reliability, safety, the competition it faces, the desired profit and so on.

For a new product pricing strategies for entering a market needs to be designed.

In pricing a really new product at least three objectives must be kept in mind.

• Making the product acceptable to the customers.

• Producing a reasonable margin over cost.

• Achieving a market that helps in developing market share.

For a new product an organization may either choose to skim or penetrate the market. In *skimming* prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive but sensitive to the novelty of the new product. For example call rates of mobile telephony were set very high initially. Even the incoming calls were charged. Since the initial offtake of the product is low, high price, in a way, helps in rationing of supply in favour of those who can afford it. In penetration firm keeps a temptingly low price for a new product which itself is selling point. A very large number of the potential consumer may be able to afford and willing to try the product.

c) **Place** stands for company activities that make the product available to target consumers. One of the most basic marketing decision is choosing the most appropriate marketing channel. Strategies should be taken for the management of channel(s) by which ownership of product is transferred from producers to customers and in many cases, the system(s) by which goods are moved from where they are produced to where they are purchased by the final customers. Strategies applicable to the middleman such as wholesalers and retails must be designed.

The distribution policies of a company are important determinants of the functions of marketing. The decision to utilize a particular marketing channel or channels sets the pattern of operations of sales force.

d) **Promotion** stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. In addition promotional strategies must be adjusted as a product move from an earlier stages from a later stage of its life.

Modern marketing is highly promotional oriented. Organizations strive to push their sales and market standing on a sustained basis and in a profitable manner under conditions of complex direct and indirect competitive situations. Promotion also acts as an impetus to marketing. It is simultaneously a communication, persuasion and conditioning process. There are at least four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

• **Personal Selling**: Personal selling is one of the oldest forms of promotion. It involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them. In personal selling, oral communication is made with potential buyers of a product with the intention of making a sale. It may initially focus on developing a relationship with the potential buyer, but end up with efforts for making a sale. Personal selling suffers from a very high costs as sales personnel are expensive. They can physically attend only one customer at a time. Thus it is not a cost-effective way of reaching a large number of people.

• **Advertising**: Advertising is a non-personal, highly flexible and dynamic promotional method. The media for advertisings are several such as pamphlets, brochures, newspapers, magazines, hoardings, display boards, radio, television and internet. Choice of appropriate media is important for effectiveness of the message. The media may be local, regional, or national. The type of the message, copy, illustration are a matter of choice and creativity. Advertising may be directed towards consumers, middlemen or opinion leaders. Advertising is likely to succeed in promoting the sales of an organization but its effectiveness in respect to the expenditure can not be directly measured. Sales is a function of several variables out of which advertising is only one.

- **Publicity**: Publicity is also a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skillfully seek to promote themselves and their product without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly. Thus it is a way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

- **Sales promotion**: Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales.

Expanded Marketing Mix:

Typically, all organizations use a combination of 4 Ps in some form or the other. However, the above elements of marketing mix are not exhaustive. It is pertinent to discuss a few more elements that may form part of an organizational marketing mix strategy. They have got more currency in recent years. Growth of services has its own share for the inclusion of newer elements in marketing. A few included later Ps are as follows:

- **People:** all human actors who play a part in delivery of the market offering and thus influence the buyer's perception, namely the firm's personnel and the customer.

- **Physical evidence:** the environment in which the market offering is delivered and where the firm and customer interact.

- **Process:** the actual procedures, mechanisms and flow of activities by which the product / service is delivered.

Question 7

What is supply chain management? Is it same as logistics management? Discuss.

Answer:-

Meaning of Supply Chain management: The term supply chain refers to the linkages between suppliers, manufacturers and customers. Supply chains involve all activities like sourcing and procurement of material, conversion, and logistics. Planning and control of supply chains are important components of its management. Naturally, management of supply chains include closely working with channel partners – suppliers, intermediaries, other service providers and customers.

Supply chain management is defined as the process of planning, implementing, and controlling the supply chain operations. It is a cross-functional approach to managing the movement of raw materials into an organization and the movement of finished goods out of the organization toward the end-consumer who are to be satisfied as efficiently as possible. It encompasses all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of- consumption. Organizations are finding that they must rely on the chain to successfully compete in the global market.

Modern organizations are striving to focus on core competencies and reduce their ownership of sources of raw materials and distribution channels. These functions can be outsourced to other business organizations that specialize in those activities and can perform in better and cost effective manner. In a way organizations in the supply chain do tasks according to their core-competencies. Working in the supply chain improve trust and collaboration amongst partners and thus improve flow and management of inventory.

Is logistic management same as supply chain management? Supply chain management is an extension of logistic management. However, there is difference between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management, supply/demand planning. Although these activities also form part of Supply chain management, the latter has different components. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management includes more aspects apart from the logistics function. It is a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price. It reduces costs of organizations and enhances customer service.

Question 8

Discuss the major steps in implementing supply chain management system in a business organization.

Answer:-

Successful implementing supply management systems require a change from managing individual functions to integrating activities into key supply chain processes. It involves collaborative work between buyers and suppliers, joint product development, common systems and shared information. A key requirement for successfully implementing supply chain will be network of information sharing and management. The partners need to link together to share information through electronic data interchange and take decisions in timely manner.

Implementing and successfully running supply chain management system will involve:

a) **Product development:** Customers and suppliers must work together in the product development process. Right from the start the partners will have knowledge of all. Involving all partners will help in shortening the life cycles.Products are developed and launched in shorter time and help organizations to remain competitive.

b) **Procurement:** Procurement requires careful resource planning, quality issues, identifying sources, negotiation, order placement, inbound transportation and storage. Organizations have to coordinate with suppliers in scheduling without interruptions. Suppliers are involved in planning the manufacturing process.

c) **Manufacturing:** Flexible manufacturing processes must be in place to respond to market changes. They should be adaptive to accommodate customization and changes in the taste and preferences. Manufacturing should be done on the basis of just-in-time (JIT) and minimum lot sizes. Changes in the manufacturing process be made to reduce manufacturing cycle.

d) **Physical distribution:** Delivery of final products to customers is the last position in a marketing channel. Availability of the products at the right place at right time is important for each channel participant. Through physical distribution processes serving the customer become an integral part of marketing. Thus, supply chain management links a marketing channel with customers.

e) **Outsourcing:** Outsourcing is not limited to the procurement of materials and components, but also include outsourcing of services that traditionally have been provided within an organization. The company will be able to focus on those activities where it has competency and everything else will be outsourced.

f) **Customer services:** Organizations, through interfaces with the company's production and distribution operations, develop customer relationships so as to satisfy them. They work with customer to determine mutually satisfying goals, establish and maintain relationships. This in turn help in producing positive feelings in the organization and the customers.

g) **Performance measurement:** There is a strong relationship between the supplier, customer and organisation. Supplier capabilities and customer relationships can be correlated with a firm performance. Performance is measured in different parameters such as costs, customer service, productivity and quality.

Question 9 *(RTP May 2018)*

Ronit Roy has started a new business of manufacturing washing powder. Make a plan for him to promote his product.

Answer:-

Promotion stands for activities that communicate the merits of the product and persuade target consumers to buy it. Strategies are needed to combine individual methods such as advertising, personal selling, and sales promotion into a coordinated campaign. Modern marketing is highly promotional oriented.

Ronit needs to cover four major direct promotional methods or tools – personal selling, advertising, publicity and sales promotion. They are briefly explained as follows:

a) **Personal selling:** Personal Selling involves face-to-face interaction of sales force with the prospective customers and provides a high degree of personal attention to them. In personal selling, oral communication is made with potential buyers of a product with the intention of making a sale.
Ronit may engage a sales team to reach potential customers, explain the benefits of the product and make a sale.
While personal selling is highly effective it suffers from very high costs as sales personnel are expensive. Considering the product is a new launch in a competitive environment having a sales team would be essential.

b) **Advertising:** Advertising is a non-personal, highly flexible and dynamic promotional method. Ronit needs to advertise washing powder through hoardings, display boards particularly near the point of sale. He may also consider having advertisements through handouts, newspapers, magazines and internet. Television and radio are costly alternatives that may be considered according to his budget.

c) **Publicity:** Publicity is also a non-personal form of promotion similar to advertising. He may organize a launch party where journalists are invited. I t is way of reaching customers with negligible cost. Basic tools for publicity are press releases, press conferences, reports, stories, and internet releases. These releases must be of interest to the public.

d) **Sales promotion:** Sales promotion is an omnibus term that includes all activities that are undertaken to promote the business but are not specifically included under personal selling, advertising or publicity. Ronit may offer free trial packs to generate interest in the product. Activities like discounts, contests, money refunds, installments, kiosks, exhibitions and fairs constitute sales promotion. All these are meant to give a boost to the sales. Sales promotion done periodically may help in getting a larger market share.

Question 10 *(RTP May 2018)*

State the factors of human resource that have influence on employee's competence.

Answer:-

Human resource management has been accepted as a strategic partner in the formulation of organization's strategies and in the implementation of such strategies through human resource planning, employment, training, appraisal and reward systems. The following points should be kept in mind as they can have a strong influence on employee competence:

a) **Recruitment and selection:** The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.

b) **Training:** The workforce will be more competent if employees are well trained to perform their jobs properly.

c) **Appraisal of performance:** The performance appraisal is to identify any performance deficiencies experienced by employees due to lack of competence. Such deficiencies, once identified, can often be solved through counselling, coaching or training.

d) **Compensation:** A firm can usually increase the competency of its workforce by offering pay, benefits and rewards that are not only attractive than those of their competitors but also recognizes merit.

Question 11 *(RTP Nov 2018)*

Rohit Bhargava is the Managing Director of Smooth and Simple Pvt Ltd. The company established in 2011, with 35 employees grew very fast to become an organisation with 335 employees in the year 2016. With the increase in size Rohit started facing difficulty in managing things. Many a times he finds that personnel at the functional level are not in sync with the strategies of the top. He felt that strategies need to be segregated into viable plans and policies that are compatible with each other and communicated down the line.

Why does Rohit need to segregate the strategies into functional plans? Discuss.

Answer:-

Rohit Bhargava needs to break higher level strategies into functional strategies for implementation. These functional strategies, in form of Marketing, Finance, Human Resource, Production, Research and Development help in achieving the organisational objective. The reasons why functional strategies are needed can be enumerated as follows:

a) Functional strategies lay down clearly what is to be done at the functional level. They provide a sense of direction to the functional staff.

b) They are aimed at facilitating the implementation of corporate strategies and the business strategies formulation at the business level.

c) They act as basis for controlling activities in the different functional areas of business.

d) They help in bringing harmony and coordination as they are formulated to achieve major strategies.

e) Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Question 12 *(RTP Nov 2018)*

What are the objectives that must be kept in mind while designing a pricing strategy of a new product?

Answer:-

For a new product pricing strategies for entering a market needs to be designed. In pricing a really new product at least three objectives must be kept in mind.

a) Making the product acceptable to the customers.
b) Producing a reasonable margin over cost.
c) Achieving a market that helps in developing market share.

For a new product an organization may either choose to skim or penetrate the market. In skimming prices are set at a very high level. The product is directed to those buyers who are relatively price insensitive but sensitive to the novelty of the new product. For example call rates of mobile telephony were set very high initially. Even the incoming calls were charged. Since the initial off take of the product is low, high price, in a way, helps in rationing of supply in favour of those who can afford it.

In penetration pricing firm keeps a temptingly low price for a new product which itself is selling point. A very large number of the potential customers may be able to afford and willing to try the product.

Ch 7 :- Organization and Strategic Leadership

Question 1

Explain the following concepts:

a) Strategic Business Unit

b) Network structure.

Answer:-

a) A Strategic Business Unit (SBU) is a unit of the company that has a separate mission and objectives which can be planned independently from other company businesses. SBU can be a company division, a product line within a division or even a single product/brand, specific group of customers or geographical location. The SBU is given the authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives.

b) Network structure is a more radical organizational design. The network structure could be termed as 'non-structure' as it virtually eliminates in-house business functions and outsource many of them. A corporation organized in this manner is a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

Question 2

State with reasons which of the following statements is correct / incorrect:

a) Strategies may require changes in organizational structure.

b) SBU concept facilitates multi-business operations.

c) Culture promotes better strategy execution.

d) An organisation's culture is always an obstacle to successful strategy implementation.

e) Corporate culture is always identical in all the organisations.

Answer:-

a) **Correct:** Strategies may require changes in structure as the structure dictates how resources will be allocated. Structure should be designed to facilitate the strategic pursuit of a firm and, therefore, should follow strategy. Without a strategy or reasons for being, companies find it difficult to design an effective structure.

b) **Correct:** Organizing business along SBU lines and creating strategic business units has become a common practice for multi-product/service and global organizations. It is a convenient and intelligent grouping of activities along distinct businesses and has replaced the conventional groupings. SBU facilitates strategic planning, gaining product-related/market-related specialization, gaining cost-economies and more rational organizational structure.

c) **Correct:** Strong culture in an organisation promotes good strategy execution when there's fit and hurt execution when there's negligible fit. A culture grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution.

d) **Incorrect:** A company's culture is manifested in the values and business principles that management preaches and practices. The beliefs, vision, objectives and business approaches and practices underpinning a company's strategy may be compatible with its culture or may not. When they are compatible the culture becomes a valuable ally in strategy implementation and execution.

e) **Incorrect:** Every company has its own organisational culture. Each has its own business philosophy and principles, its own ways of approaching to the problems and making decisions, its own work climate, work ethics, etc. Therefore, corporate culture need not be identical in all organisations. However, every organisation over a period of time inherits and percolates down its own specific work ethos and approaches.

Question 3

Briefly answer the following questions:

a) How can a corporate culture be both strength and weakness of an organisation?

Answer:-

The most important phenomenon which often distinguishes one organisation with another is its corporate culture. Corporate culture refers to a company's values, beliefs, business principles, traditions, and ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers.

i) **As a strength**: Culture can facilitate communication, decision making and control and instil cooperation and commitment. An organization's culture could be strong and cohesive when it conducts its business according to clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organisation.

ii) **As a weakness**: Culture, as a weakness can obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterised as weak when many sub- cultures exists, few values and behavioural norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty and sense of identity.

b) Write a short note on the advantages of SBU structure.

Answer:-

SBU is any part of a business organization which is treated separately for strategic management purposes. The concept of SBU is helpful in creating an SBU organizational structure. It is discrete element of the business serving product markets with readily identifiable competitors and for which strategic planning can be concluded. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Its advantages are:

i) Establishing coordination between divisions having common strategic interests.

ii) Facilitates strategic management and control on large and diverse organizations.

iii) Fixes accountabilities at the level of distinct business units.

iv) Allows strategic planning to be done at the most relevant level within the total enterprise.

v) Makes the task of strategic review by top executives more objective and more effective.

vi) Helps allocate corporate resources to areas with greatest growth opportunities.

c) Write a short note on importance of corporate culture.

Answer:-

A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility is very conducive to successful execution of a strategy of delivering superior customer service.

A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy. All this makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to success.

d) Explain briefly the role of culture in promoting better strategy execution.

Answer:-

Strong culture promotes good strategy execution when there's fit and impels execution when there's negligible fit. A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility. This is very conducive to successful execution of a strategy of delivering superior customer service.

A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

e) 'A network structure is suited to unstable environment.' Elaborate.

Answer:-

Network structure is a more radical organizational design. The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them. An organisation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks. The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response. Instead of having salaried employees, it may contract with people for a specific project or length of time. Long-term contracts with suppliers and distributors replace services that the company could provide for itself.

f) Briefly describe the impact of corporate culture on an organization.

Answer:-

Corporate culture refers to values, beliefs, business principles, traditions, ways of operating, and internal work environment. An organization's culture is either an important contributor or an obstacle to successful strategy execution. The beliefs, vision, objectives, business approaches and practices underpinning a company's strategy may be compatible with its culture or not. When they are, the culture becomes a valuable ally in strategy implementation and execution. When the culture is in conflict with some aspect of the company's direction, performance targets or strategy, the culture becomes a stumbling block that impedes successful strategy implementation and execution.

A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution.

g) Write short notes on the characteristics of strategic business unit (SBU)

Answer:-

Strategic Business Unit (SBU) is a unit of the company that has a separate mission and objectives and which can be planned independently from other businesses of the orgnanisation. The three most important characteristics of SBU are:

i) It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly stand alone from the rest of the organization.

ii) It has its own set of competitors.

iii) It has a manager who has responsibility for strategic planning and profit performance. He has control of profit-influencing factors.

h) What steps would you suggest to change a company's problem culture?

Answer:-

Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instill ones that are more strategy-supportive.

i) The first step is to diagnose which facets of the present culture are strategy supportive and which are not.

ii) Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.

iii) The talk has to be followed swiftly by visible, aggressive actions to modify the culture-actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

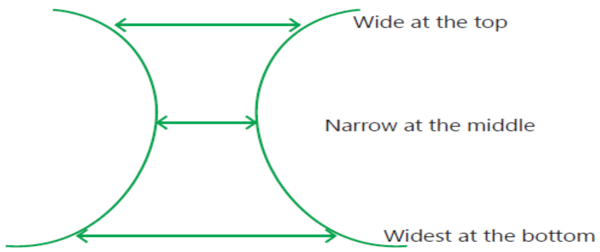
The menu of culture-changing actions includes revising policies and procedures, altering incentive compensation, recruiting and hiring new managers and employees, replacing key executives, communication on need and benefit to employees and so on.

i) What is an 'hour glass structure'? How can this structure benefit an organization?

Answer:-

In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level.

Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities.



Hourglass Organization Structure

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly.

j) 'To coordinate more complex organizational functions, companies should abandon the simple structure in favour of the functional structure' Discuss.

Answer:-

Simple organizational structure is most appropriate usually in those small organisations that follow single business strategy and offer a line of products in a single geographic market. When a small organisation grows, its complexities also tend to grow which necessitates the companies to abandon the simple organisation structure which it has been adopting hitherto and move towards structures like functional organisational structure. A typical simple organization structure is often owner driven with small number of employees.

Functional structure groups tasks and activities by business function, such as production, marketing, finance, research and development and is generally headed by Chief Executive Officer or Managing Director. Besides being simple and inexpensive, a functional structure also promotes specialization, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making. At the same time with the passage of time and overall growth much more complex organisational structures exist in business world. However, dividing organization according to functional lines is invariably found at some level or the other.

k) Distinguish between Transformational Leadership Style and Transactional Leadership Style.

Answer:-

Difference between transformational and transactional leadership

i) Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization. Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc.

ii) Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their cycles, poorly performing organisations, when there is a need to inspire a company to embrace major changes. Transactional leadership style can be appropriate in static environment, in growing or mature industries and in organisations that are performing well.

iii) Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non-achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.

l) What are the different responsibilities of a strategic leader?

Answer:-

A Strategic leader has several responsibilities, including the following:

i) Making strategic decisions.

ii) Formulating policies and action plans to implement strategic decision.

iii) Ensuring effective communication in the organisation.

iv) Managing human capital (perhaps the most critical of the strategic leader's skills).

v) Managing change in the organisation.

vi) Creating and sustaining strong corporate culture.

vii) Sustaining high performance over time.

Question 4

What do you mean by strategic leadership? What are two approaches to leadership style?

Answer:-

Strategic leadership is the ability of influencing others to voluntarily make decisions that enhance prospects for the organisation's long-term success while maintaining short-term financial stability. It includes determining the firm's strategic direction, aligning the firm's strategy with its culture, modelling and communicating high ethical standards, and initiating changes in the firm's strategy, when necessary. Strategic leadership sets the firm's direction by developing and communicating a vision of future and inspire organization members to move in that direction. Unlike strategic leadership, managerial leadership is generally concerned with the short-term, day-to- day activities.

Two basic approaches to leadership can be transformational leadership style and transactional leadership style.

Transformational leadership style use charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

Transactional leadership style focuses more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current practices. Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

Transactional leadership style may be appropriate in static environment, in growing or mature industries, and in organizations that are performing well. The style is better suited in persuading people to work efficiently and run operations smoothly.

Question 5

Discuss the leadership role played by the managers in pushing for good strategy execution.

Answer:-

A strategy manager has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker, policy enforcer, and head cheerleader. Managers have five leadership roles to play in pushing for good strategy execution:

a) Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.

b) Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.

c) Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.

d) Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.

e) Pushing corrective actions to improve strategy execution and overall strategic performance.

Question 6

Define corporate culture. Also, elucidate the statement "Culture is a strength that can also be a weakness".

Answer:-

The phenomenon which often distinguishes good organizations from bad ones could be summed up as 'corporate culture'. Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers. Culture affects not only the way managers behave within an organization but also the decisions they make about the organization's relationships with its environment and its strategy.

"Culture is a strength that can also be a weakness". This statement can be explained by splitting it in to two parts.

Culture as a strength: As a strength, culture can facilitate communication, decision- making & control and create cooperation & commitment. An organization's culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organization.

Culture as a weakness: As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterized as weak when many subcultures exist, few values and behavioral norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment and loyalty with the organisation.

Question 7 *(RTP May 2018)*

Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in execution of strategy.

Answer:-

Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for good strategy execution:

a) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.

b) Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.

c) Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.

d) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.

e) Pushing corrective actions to improve strategy execution and overall strategic performance.

Question 8 *(RTP May 2018)*

Define Entrepreneur. What are the characteristics of an entrepreneur?

Answer:-

An entrepreneur is an individual who conceives the idea of starting a new venture, takes all types of risks, not only to put the product or service into reality but also to make it an extremely demanding one. An entrepreneur is one who:

a) Initiates and innovates a new concept.

b) Recognises and utilises opportunity.

c) Arranges and coordinates resources such as man, material, machine and capital.

d) Faces risks and uncertainties.
e) Establishes a startup company.
f) Adds value to the product or service.
g) Takes decisions to make the product or service a profitable one.
h) Is responsible for the profits or losses of the company.

Question 9 *(RTP Nov 2018)*

KaAthens Ltd., a diversified business entity having business operations across the globe. The company leadership has just changed as Mr. D. Bandopadhyay handed over the pedals to his son Aditya Bandopadhyay, due to his poor health. Aditya is a highly educated with an engineering degree from IIT, Delhi. However, being very young he is not clear about his role and responsibilities,

In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company.

Answer:-

Aditya Bandopadhyay, an effective strategic leader of KaAthens Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.

A Strategic leader has several responsibilities, including the following:

a) Making strategic decisions.
b) Formulating policies and action plans to implement strategic decision.
c) Ensuring effective communication in the organisation.
d) Managing human capital (perhaps the most critical of the strategic leader's skills).
e) Managing change in the organisation.
f) Creating and sustaining strong corporate culture.
g) Sustaining high performance over time.

Question 10 *(RTP Nov 2018)*

Davis and Lawrence have proposed three distinct phases to develop matrix structure. Explain.

Answer:-

For development of matrix structure; Davis and Lawrence have proposed three distinct phases:

a) **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.

b) **Product/brand management:** If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.

c) **Mature matrix:** The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager.

Ch 8 :- Strategy Implementation and Control

Question 1

State with reasons which of the following statements is correct / incorrect:

a) Primarily, strategy formulation is an operational process and strategy implementation is an intellectual process.

b) Business Process Reengineering (BPR) means partial modification or marginal improvement in the existing work processes.

c) BPR is an approach to maintain the existing growth of an organization.

d) Benchmarking and Business Process Reengineering are one and the same.

e) Benchmarking is a remedy for all problems faced by organizations.

Answer:-

a) **Incorrect:** Strategy formulation is primarily an intellectual process and strategy implementation is primarily an operational process. Strategy formulation is based on strategic decision-making which requires analysis and thinking while strategy implementation is based on strategic as well as operational decision- making which requires action and doing.

b) **Incorrect:** Business Process Reengineering does not mean any partial modification or marginal improvement in the existing work processes. On the other hand, it is an approach to unusual enhancement in operating efficiency through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes. It involves forgetting how work has been done so far and deciding how best it can be done now.

c) **Incorrect:** BPR is an approach to unusual enhancement in operating efficiency through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involve examination of the basic processes.

d) **Incorrect:** Benchmarking relates to setting goals and measuring productivity based on best industry practices. The idea is to learn from the practices of competitors and others to improve the firm's performance. On the other hand, business process reengineering relates to analysis and redesign of workflows and processes both within and between the organizations.

e) **Incorrect:** Benchmarking is an approach of setting goals and measuring productivity based on best industry practices and is a process of continuous improvement in search for competitive advantage. However, it is not panacea for all problems. Rather, it studies the circumstances and processes that help insuperior performance. Better processes are not merely copied. Efforts are made to learn, improve and evolve them to suit the organizational circumstances.

Question 2

Briefly answer the following questions:

a) Differentiate between strategy formulation and strategy implementation.

Answer:-

Although inextricably linked, strategy implementation is fundamentally different from strategy formulation in the following ways:

Strategy Formulation	Strategy Implementation
• Strategy formulation focuses on effectiveness	• Strategy implementation focuses on efficiency.
• Strategy formulation is primarily an intellectual process.	• Strategy implementation is primarily an operational process.
• Strategy formulation requires conceptual intuitive and analytical skills.	• Strategy implementation requires motivation and leadership skills.
• Strategy implementation requires motivation and leadership skills.	• Strategy implementation requires coordination among the executives at the middle and lower levels.

b) Specify the steps that are needed to introduce strategic change in an organization.

Answer:-

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. For initiating strategic change, three steps can be identified as under:

i) **Recognize the need for change**: The first step is to diagnose facets of the corporate culture that are strategy supportive or not. The idea is to determine where the lacuna lies and scope for change exists.

ii) **Create a shared vision to manage the change**: Objectives and vision of both individuals and organization should coincide. Senior managers need to constantly and consistently communicate the vision not only to inform but also to overcome resistance.

iii) **Institutionalize the change**: Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking or doing things. All these changes should be set up as a practice to be followed by the organization and be able to transfer from one level to another as a well settled practice.

c) Elaborate the interrelationship between strategy formulation and implementation.

Answer:-

Strategy implementation is the managerial exercise of putting a chosen strategy into place. Strategy execution deals with supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results. Strategic implementation is concerned with translating a decision into action.

It involves allocation of resources to new courses of action that need to be undertaken. There may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate system.

It is crucial to realize the difference between the formulation and implementation because both require very different skills. A business organization will be successful only when the strategy formulation is sound and implementation is excellent.

d) What is strategic control? Briefly explain the different types of strategic control?

Answer:-

Strategic Control focuses on the dual questions of whether: (1) the strategy is being implemented as planned; and (2) the results produced by the strategy are those intended.

There are four types of strategic control:

i) **Premise control**: A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.

ii) **Strategic surveillance**: Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

iii) **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.

iv) **Implementation control**: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

e) What are the differences between operational control and management control.

Answer:-

Differences between Operational Control and Management Control are as under:

i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead or mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.

ii) Many of the control systems in organisations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand the basic purpose of management control is the achievement of enterprise goals – short range and long range – in an effective and efficient manner.

f) Write a short note on Implementation Control.

Answer:-

Implementation control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.

ii) **Milestone Reviews.** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

g) Being a strategic professional, analyze and redesign the work flows in the context of business process reengineering.

Answer:-

Business Process Reengineering (BPR) refers to the analysis and redesign of workflows and processes both within and between the organizations. The orientation of the redesign effort is radical. It involves total deconstruction and rethinking of a business process in its entirety. The workflows are studied, appraised and improved in terms of time, cost, output, quality, and responsiveness to customers. The redesign effort aims to simplify and streamline a process by eliminating all extra avoidable steps, activities, and transactions. With the help of redesigning workflows, organizations can drastically reduce the number of stages of work, and improve their performance.

h) "Firms can use benchmarking process to achieve improvement in a diverse range of management functions." Elucidate.

Answer:-

Benchmarking is a process of finding the best practices within and outside the industry to which an organisation belongs. Knowledge of the best practices helps in setting standards and finding ways to match or even surpass own performances with the best performances.

Benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking process to achieve improvement in diverse range of management function such as mentioned below:

i) Maintenance operations
ii) Assessment of total manufacturing costs
iii) Product development
iv) Product distribution
v) Customer services
vi) Plant utilisation levels
vii) Human resource management.

<u>Question 3</u>

What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies?

Answer:-

The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process and it involves a corporate strategy focused on new markets, products, services and new ways of doing business.

To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

a) **Unfreezing the situation:** The process of unfreezing simply makes the individuals or organizations aware of the necessity for change and prepares them for such a change. Lewin proposes that the changes should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering. The management must pave the way for the change by first "unfreezing the situation", so that members would be willing and ready to accept the change.

   Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate. This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organization.

b) **Changing to New situation:** Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.

   - **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.
   - **Identification:** Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.
   - **Internalization:** Internalization involves some internal changing of the individual's thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behaviour in order to succeed in the new set of circumstances.

c) **Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this newly acquired behaviour does not diminish or extinguish.

   Change process is not a one time application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Question 4

What is the rationale behind Business Process Reengineering (BPR)? What steps would you recommend to implement BPR in an organization?

Answer:-

Business Process Reengineering (BPR) is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems. It is revolutionary redesign of key business processes that involves examination of the basic process itself. It looks at the minute details of the process, such as why the work is done, who does it, where is it done and when it is done. BPR refers to the analysis and redesign of workflows and processes both within the organization and between the organization and the external entities like suppliers, distributors, and service providers.

The orientation of redesigning efforts is basically radical. In other words, it is a total deconstruction and rethinking of business process in its entirety, unconstrained by its existing structure and pattern. Its objective is to obtain quantum jump in process performance in terms of time, cost, output, quality, and responsiveness to customers. BPR is a revolutionary redesigning of key business processes. BPR involves the following steps:

a) **Determining objectives:** Objectives are the desired end results of the redesign process which the management and organization attempts to realise. They will provide the required focus, direction, and motivation for the redesign process and help in building a comprehensive foundation for the reengineering process.

b) **Identify customers and determine their needs:** The process designers have to understand customers - their profile, their steps in acquiring, using and disposing a product. The purpose is to redesign business process that clearly provides value addition to the customer.

c) **Study the existing processes:** The study of existing processes will provide an important base for the process designers. The purpose is to gain an understanding of the 'what', and 'why' of the targeted process. However, as discussed earlier, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.

d) **Formulate a redesign process plan:** The information gained through the earlier steps is translated into an ideal redesign process. Formulation of redesign plan is the real crux of the reengineering efforts. Customer focussed redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.

e) **Implement the redesigned process:** It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements. It is the joint responsibility of the designers and management to operationalise the new process.

Question 5

What is Benchmarking? Explain briefly the elements involved in Benchmarking process.

Answer:-

Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. It developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus, benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in diverse range of management functions like product development, customer services, human resources management, etc.

The various steps in Benchmarking Process are as under:

a) **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.

b) **Clearly understanding existing decisions processes:** The step will involve compiling information and data on performance.

c) **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organization or external to them.

d) **Comparison of own process and performance with that of others:** Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements.

e) **Prepare a report and implement the steps necessary to close the performance gap:** A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation.

f) **Evaluation:** Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. They also periodically evaluate and reset the benchmarks in the light of changes in the conditions that impact the performance.

Question 6 *(RTP May 2018)*

Kewal Kapadia is the Managing Director of KK industries located in Kanpur. In a review meeting with the head of finance, Kuldeep Khaitan he said that in the first five years of last decade the company grew between 8-10 percent every year, then the growth rate started falling and in previous year the company managed 1 per cent. Kuldeep replied that the company is facing twin issues, one the strategy is not being implemented as planned; and two the results produced by the strategy are not in conformity with the intended goals. There is mismatch between strategy formulation and implementation. Kewal disagreed and stated that he takes personal care in implementing all strategic plans.

You have been hired as a strategy consultant by the KK Industries. Advise way forward for the company to identify problem areas and correct the strategic approaches that have not been effective.

Answer:-

The company needs to conduct strategy audit.

A strategy audit is needed under the following conditions:

a) When the performance indicators reflect that a strategy is not working properly or is not producing desired outcomes.

b) When the goals and objectives of the strategy are not being accomplished.

c) When a major change takes place in the external environment of the organization.

d) When the top management plans:

- to fine-tune the existing strategies and introduce new strategies and
- to ensure that a strategy that has worked in the past continues to be in-tune with subtle internal and external changes that may have occurred since the formulation of strategies.

Adequate and timely feedback is the cornerstone of effective strategy audit. Strategy audit can be no better than the information on which it is based.

Strategy Audit includes three basic activities:

a) Examining the underlying bases of a firm's strategy,

b) Comparing expected results with actual results, and

Taking corrective actions to ensure that performance conforms to plans.

Question 7 *(RTP May 2018)*

What is Benchmarking? Explain briefly the elements involved in Benchmarking process.

Answer:-

Benchmarking is an approach of setting goals and measuring productivity of firms based on best industry practices or against the products, services and practices of its competitors or other acknowledged leaders in the industry. It developed out of need to have information against which performance can be measured. Benchmarking helps businesses in improving performance by learning from the best practices and the processes by which they are achieved. Thus, benchmarking is a process of continuous improvement in search for competitive advantage. Firms can use benchmarking practices to achieve improvements in diverse range of managerial functions like product development, customer services, human resources management, etc.

The various steps in Benchmarking Process are as under:

a) **Identifying the need for benchmarking:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.

b) **Clearly understanding existing decisions processes:** The step will involve compiling information and data on performance.

c) **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organization or external to them.

d) **Comparison of own process and performance with that of others:** Benchmarking process also involves comparison of performance of the organization with performance of other organization. Any deviation between the two is analysed to make further improvements.

e) **Prepare a report and implement the steps necessary to close the performance gap:** A report on benchmarking initiatives containing recommendations is prepared. Such a report also contains the action plans for implementation.

f) **Evaluation:** Business organizations evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It also periodically evaluates and reset the benchmarks in the light of changes in the conditions that impact the performance.

Question 8 *(RTP Nov 2018)*

Swift Ltd and Quick Ltd are two companies that are in the business of light industrial machines. While Swift is the market leader the sales of Quick has been falling. In the year 2017-18 the market share of the two companies was forty per cent and five per cent respectively. During the last five years the market share of quick reduced from third to sixth position. As an immediate corrective measure top management of Quick decided to emulate the successful standards of Swift Ltd and set them as their own yardsticks. With the help of standards they intended to compare, measure and judge their performance.

What is the strategic tool Quick Ltd is adopting? How is it implemented?

Answer:-

The top management of Quick Ltd is doing benchmarking. The benchmarking helps an organization to get ahead of competition. A benchmark may be defined as a standard or a point of reference against which things may be compared and by which something can be measured and judged. In simple words, benchmarking is an approach of setting goals and measuring productivity based on best industry practices. In recent years, different commercial and non-commercial organizations are discovering the value of benchmarking and are applying it to improve their processes and systems.

Benchmarking processes used by different organisations lack standardization. However, common elements are as follows:

a) **Identifying the need for benchmarking**: This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organizations identify realistic opportunities for improvements.

b) **Clearly understanding existing business processes**: This step will involve compiling information and data on performance. This will include mapping processes.

c) **Identify best processes**: Within the selected framework, best processes are identified. These may be within the same organization or external to it.

d) **Compare own processes and performance with that of others**: While comparing gaps in performance between the organization and better performers is identified. Further, gaps in performance are analysed to seek explanations. Feasibility of making the improvements is also examined.

e) **Prepare a report and Implement the steps necessary to close the performance gap**: A report on the Benchmarking initiatives containing recommendations is prepared. Such a report includes the action plan(s) for implementation.

f) **Evaluation**: A business organization must evaluate the results of the benchmarking process in terms of improvements vis-à-vis objectives and other criteria set for the purpose. It should also periodically evaluate and reset the benchmarks in the light of changes in the conditions that impact its performance.

Question 9 (RTP Nov 2018)

What is Strategy Audit? Explain briefly the criteria for strategy audit given by Richard Rumelt's.

Answer:-

A strategy audit is an examination and evaluation of areas affected by the operation of a strategic management process within an organization.

Richard Rumelt's Criteria for Strategy Audit

a) Consistency: A strategy should not present inconsistent goals and policies. Organizational conflict and interdepartmental bickering are often symptoms of managerial disorder, but these problems may also be a sign of strategic inconsistency. Three guidelines help determine if organizational problems are due to inconsistencies in strategy:

i) If managerial problems continue despite changes in personnel and if they tend to be issue-based rather than people-based, then strategies may be inconsistent.

ii) If success for one organizational department means, or is interpreted to mean, failure for another department, then strategies may be inconsistent.

iii) If policy problems and issues continue to be brought to the top for resolution, then strategies may be inconsistent.

b) Consonance: Consonance refers to the need for strategists to examine sets of trends, as well as individual trends, in auditing strategies. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it. One difficulty in matching a firm's key internal and external factors in the formulation of strategy is that most trends are the result of interactions among other trends. For example, the day-care school/centre came about as a combined result of many trends that included a rise in the average level of education, need for different education pedagogy, increase in income, inflation, and an increase in women in the workforce. Although single economic or demographic trends might appear steady for many years, there are waves of change going on at the interaction level.

c) Feasibility: A strategy must neither overtax available resources nor create unsolvable sub-problems. The final broad test of strategy is its feasibility; that is, can the strategy be attempted within the physical, human, and financial resources of the enterprise? The financial resources of a business are the easiest to quantify and are normally the first limitation against which strategy is audited. It is sometimes forgotten, however, that innovative approaches to financing are often possible. Devices, such as captive subsidiaries, sale-leaseback arrangements, and tying plant mortgages to long-term contracts, have all been used effectively to help win key positions in suddenly expanding industries. A less quantifiable, but actually more rigid, limitation on strategic choice is that imposed by individual and organizational capabilities. In auditing a strategy, it is important to examine whether an organization has demonstrated in the past that it possesses the abilities, competencies, skills, and talents needed to carry out a given strategy.

d) Advantage: A strategy must provide for the creation and/or maintenance of a competitive advantage in a selected area of activity. Competitive advantages normally are the result of superiority in one of three areas: (1) resources, (2) skills, or (3) position.

The idea that the positioning of firm's resources that enhance their combined effectiveness is familiar to military theorists and chess players. Position can also play a crucial role in an organization's strategy. Once gained, a good position is defensible- meaning that it is so costly to capture that rivals are deterred from full -scale attacks. Positional advantage tends to be self-sustaining as long as the key internal and environmental factors that underlie it remain stable. This is why entrenched firms can be almost impossible to unseat, even if their skill levels are only average. Although not all positional advantages are associated with size, it is true that larger organizations tend to operate in markets and use procedures that turn their size into advantage, while smaller firms seek product/market positions that exploit other types of advantage. The principal characteristic of good position is that it permits the firm to obtain advantage from policies that would not similarly benefit rivals without the same position. Therefore, in auditing strategy, organizations should examine the nature of positional advantages associated with a given strategy.

RTP May 2018

1) Brief answers

Briefly answer the following questions:

a) Define strategic management.

Answer:-

The term 'strategic management' refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments where deemed appropriate.

b) What is an opportunity?

Answer:-

An opportunity is a favourable condition in the organization's environment which enables it to consolidate and strengthen its position. An example of opportunity is growing demand for the products or services that are offered by company.

c) How a company can deal with strategic uncertainty?

Answer:-

Strategic uncertainty denotes the uncertainty that has crucial implications for the organisation. An approach to deal with strategic uncertainty is by grouping them into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

d) Explain the meaning of the Combination strategies.

Answer:-

Combination Strategies refer to a mix of different strategies like stability; expansion, diversification or retrenchment to suit particular situations that an enterprise is facing. For instance, a strategy of diversification/acquisition may call for retrenchment in some obsolete product lines.

e) Explain Best-cost provider strategy.

Answer:-

Best-cost provider strategy involves providing customers more value for the money by emphasizing low cost and better quality difference. It can be done:

i) through offering products at lower price than what is being offered by rivals for products with comparable quality and features or

ii) charging similar price as by the rivals for products with much higher quality and better features.

f) Define logistics strategy.

Answer:-

Logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy, it is defining the service levels at which its logistics is smooth and i s cost effective.

g) Explain the concept of Network structure.

Answer:-

Network structure is a newer and somewhat more radical organizational design. The network structure could be termed as 'non-structure' as it virtually eliminates in-house business functions and outsource many of them. A corporation organized in this manner is a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

h) Define Refreezing in Kurt Lewin's change process

Answer:-

Kurt Lewin proposed three phases of the change process – Unfreezing, changing and then refreezing. Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. It may be achieved through continuous reinforcement.

2) Statement type of question (Correct / Incorrect)

State with reasons which of the following statements are correct/incorrect:

a) Strategic management involves huge cost.

Answer:-

Correct: Strategic management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged. Efforts are made for analysis of external and internal environments, devise strategies and properly implement them. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete.

b) Key success factors determine competitive success.

Answer:-

Correct: The purpose of identifying Key Success Factors is to make judgments about things that are more important to competitive success and the things that are less important. To compile a list of every factor that matters even a little bit defeats the purpose of concentrating management attention on the factors truly critical to long- term competitive success.

c) Information gathering and deep analysis can eliminate uncertainty.

Answer:-

Incorrect: Strategic uncertainty is often represented by a future trend or event that has inherent unpredictability. Information gathering and additional analysis is not able to eliminate uncertainty.

d) Turnaround should succeed liquidation strategy.

Answer:-

Incorrect: A retrenchment strategy considered the most extreme and unattractive is liquidation strategy, which involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. In an ideal scenario, turnaround should be attempted first and should precede option of liquidation.

e) Substitutes can also exert significant competitive pressures.

Answer:-

Correct: According to porter's five forces model, a final force that can influence industry profitability is the availability of substitutes for an industry's product. To predict profit pressure from this source, firms must search for products that perform the same, or nearly the same, function as their existing products.

f) Publicity is personal form of promotion.

Answer:-

Incorrect: Publicity is a non-personal form of promotion similar to advertising. However, no payments are made to the media as in case of advertising. Organizations skilfully seek to promote themselves and their products without payment. Publicity is communication of a product, brand or business by placing information about it in the media without paying for the time or media space directly

g) Network Structures eliminate many in-house functions.

Answer:-

Correct: The network structure can be termed a "non-structure" by its virtual elimination of in-house business functions. Many activities are outsourced. A corporation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

h) Strategic surveillance is highly focussed and organised control activity.

Answer:-

Incorrect: The strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. It involves casual environmental browsing. Reading financial and other newspapers, business magazines, attending meetings, conferences, discussions and so on. Strategic surveillance, a loose form of strategic control, is capable of uncovering information relevant to strategy.

3) <u>Short notes</u>

Write short notes on the following:

a) Strategy is partly proactive and partly reactive

Answer:-

It is true that strategies are partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly. Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.

There can be significant deviations between what was visualized and what actually happens. Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

b) Advantages of Cost leadership strategy

Answer:-

A cost leadership strategy may help to remain profitable in the presence of rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

i) **Rivalry** – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits.

ii) **Buyers** – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.

iii) **Suppliers** – Cost leaders are able to absorb greater price increases before it must raise price to customers.

iv) **Entrants** – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.

v) **Substitutes** – Low cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

c) Production system

Answer:-

Production System is concerned with the capacity, location, layout, product or service design, work systems, degree of automation, extent of vertical integration, and such factors. Strategies related to production system are significant as they deal with vital issues affecting the capability of the organisation to achieve its objectives.

Strategy implementation would have to take into account the production system factors as they involve decisions which are long-term in nature and influence not only the operations capability of an organisation but also its ability to implement strategies and achieve objectives.

d) Implementation control

Answer:-

Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

Monitoring strategic thrusts: Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.

Milestone reviews. All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

4) Differences between the two concepts

Distinguish between the following:

a) Inbound logistics and outbound logistics

Answer:-

Inbound logistics are the activities concerned with receiving, storing and distributing the inputs to the product/service. It includes all activities such as materials handling, stock control, transport, etc.

Outbound logistics relate to collection, storage and distribution of the product to customers. It includes all activities such as storage/warehousing of finished goods, order processing, scheduling deliveries, operation of delivery vehicles, etc.

b) Transformational and transactional leadership

Answer:-

Transformational leadership style use charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

On the other hand, transactional leadership style focus more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current practices. Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leadership style is more suitable in settled environment, in growing or mature industries, and in organizations that are performing well.

c) Mergers and acquisitions

Answer:-

Merger and acquisition in simple words are defined as a process of combining two or more organizations together.

Some organizations prefer to grow through mergers. Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

When one organization takes over the other organization and controls all its business operations, it is known as acquisitions. In this process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, one that is financially stronger and bigger establishes it power. The combined operations then run under the name of the powerful entity. A deal in case of an acquisition is often done in an unfriendly manner, it is more or less a forced association.

d) Vision and Mission

Answer:-

The vision describes a future identity while the Mission serves as an on-going and time-independent guide.

The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, and relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.

A mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

RTP Nov 2018

1) Brief answers

Briefly answer the following questions:

a) Define the role of corporate level managers.

Answer:-

Corporate-level managers participate in strategic decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

b) Define key success factors (KSFs).

Answer:-

An industry's key success factors (KSFs) are those things or strategic elements that affect industry members' ability to prosper in a market place. For a business organization within an industry, it may include, cost structure, technology, distribution system and so on. It is correct to state that the KSFs help to shape whether a company will be financially and competitively successful.

c) What is strategic vision?

Answer:-

A strategic vision delineates organisation's aspirations for the business, providing a panoramic view of the position where the organisation is going. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity.

A strategic vision is a roadmap of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

d) Explain the meaning of the combination strategies.

Answer:-

Combination strategies refer to a mix of different strategies like stability; expansion, diversification or retrenchment to suit particular situations that an enterprise is facing. For instance, a strategy of diversification/acquisition may call for retrenchment in some obsolete product lines.

e) Explain the meaning of cost leadership strategy.

Answer:-

A number of cost elements affect the relative attractiveness of generic strategies. A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead cost, and waste reduction. The low cost leadership should be such that no competitors are able to imitate so that it can result in sustainable competitive advantage to the cost leader firm.

f) Define logistics strategy.

Answer:-

Logistics is a process that integrates the flow of supplies into, through and out of an organization to achieve a level of service that facilitate movement and availability of materials in a proper manner. When a company creates a logistics strategy, it is defining the service levels at which its logistics is smooth and is cost effective.

g) Explain strategic business unit (SBUs).

Answer:-

A strategic business unit (SBU) is a unit of the company that has a separate mission and objectives which can be planned independently from other company businesses. SBU can be a company division, a product line within a division or even a single product/brand, specific group of customers or geographical location. The SBU is given the authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives.

h) Explain premise control.

Answer:-

A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors:

i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and regulatory.

ii) Industry factors such as competitors, suppliers, substitutes.

2) <u>Statement type of question (Correct / Incorrect)</u>

State with reasons which of the following statements are correct/ incorrect:

a) Control systems run parallel with strategic levels.

Answer:-

Correct: There are three strategic levels in an organisation – corporate, business and functional. Control systems are required at all the three levels. At the top level, strategic controls are built to check whether the strategy is being implemented as planned and the results produced by the strategy are those intended. Down the hierarchy management controls and operational controls are built in the systems. Operational controls are required for day-to-day management of business.

b) Competitive strategy is designed to help firms achieve competitive advantage.

Answer:-

Correct: Competitive strategy is designed to help firms achieve competitive advantage. Having a competitive advantage is necessary for a firm to compete in the market. Competitive advantage comes from a firm's ability to perform activities more effectively than its rivals.

c) For a small entrepreneur vision and mission are irrelevant.

Answer:-

Incorrect: Entrepreneur, big or small has to function within several influences from external forces. Competition in different form and different degree is present in all kind and sizes of business. Even entrepreneur with small businesses can have complicated environment. To grow and prosper they need to have clear vision and mission.

d) Stability strategy is not a 'do-nothing' strategy.

Answer:-

Correct: Stability strategies are implemented by approaches wherein few functional changes are made in the products or markets. It is not a 'do nothing' strategy. It involves keeping track of new developments to ensure that the strategy continues to make sense. This strategy is typical for mature business organizations. Some small organizations will also frequently use stability as a strategic focus to maintain comfortable market or profit position.

e) Porter's five forces model considers new entrants as a significant source of competition.

Answer:-

Correct: Porter's five forces model considers new entrants as major source of competition. The new capacity and product range that the new entrants bring in throw up new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.

f) Tele-shopping is an instance of direct marketing.

Answer:-

Correct: Direct marketing is done through various advertising media that interact directly with customer. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom or postal systems.

g) Strategies may require changes in organizational structure.

Answer:-

Correct: Strategies may require changes in structure as the structure dictates how resources will be allocated. Structure should be designed to facilitate the strategic pursuit of a firm and, therefore, should follow strategy. Without a strategy or reasons for being, companies find it difficult to design an effective structure.

h) Benchmarking and business process reengineering are one and the same.

Answer:-

Incorrect: Benchmarking relates to setting goals and measuring productivity based on best industry practices. The idea is to learn from the practices of competitors and others to improve the firm's performance. On the other hand, business process reengineering relates to analysis and redesign of workflows and processes both within and between the organizations.

3) Short notes

Write short notes on the following:

a) Importance of strategic management.

Answer:-

Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

i) It helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates the organisations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.

ii) It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.

iii) It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.

iv) It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.

v) Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

b) SWOT analysis.

Answer:-

SWOT analysis is a tool used by organizations for evolving strategic options for the future. The term SWOT refers to the analysis of strengths, weaknesses, opportunities and threats facing a company. Strengths and weaknesses are identified in the internal environment, whereas opportunities and threats are located in the external environment.

i) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.

ii) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.

iii) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.

iv) **Threat:** An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

c) Essentials of a strategic vision.

Answer:-

Essentials of a strategic vision:

i) The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.

ii) Forming a strategic vision is an exercise in intelligent entrepreneurship.

iii) A well-articulated strategic vision creates enthusiasm among the members of the organisation.

iv) The best-worded vision statement clearly illuminates the direction in which organization is headed.

d) Importance of corporate culture.

Answer:-

A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy. A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility is very conducive to successful execution of a strategy of delivering superior customer service.

A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy. All this makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish. Employees are stimulated to take on the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to success.

4) <u>Differences between the two concepts</u>

Distinguish between the following:

a) Forward integration and backward integration.

Answer:-

Forward and backward integration form part of vertically integrated diversification. In vertically integrated diversification, firms opt to engage in businesses that are vertically related to the existing business of the firm. The firm remains vertically within the same process. While diversifying, firms opt to engage in businesses that are linked forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm.

Backward integration is a step towards creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lower its cost of production. On the other hand, forward integration is moving forward in the value chain and entering business lines that use existing products. Forward integration will also take place where organisations enter into businesses of distribution channels.

b) Cost leadership and differentiation strategies.

Answer:-

Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.

c) Operational control and management control.

Answer:-

Differences between operational control and management control are as under:

The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead or mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.

Many of the control systems in organisations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is the achievement of enterprise goals – short range and long range – in an effective and efficient manner.

d) Logistic management and supply chain management.

Answer:-

Supply chain management is an extension of logistic management. However, there are differences between the two. Logistical activities typically include management of inbound and outbound goods, transportation, warehousing, handling of material, fulfillment of orders, inventory management and supply/demand planning. Although these activities also form part of supply chain management, the latter is much broader. Logistic management can be termed as one of its part that is related to planning, implementing, and controlling the movement and storage of goods, services and related information between the point of origin and the point of consumption.

Supply chain management is an integrating function of all the major business activities and business processes within and across organisations. Supply Chain Management is a systems view of the linkages in the chain consisting of different channel partners – suppliers, intermediaries, third-party service providers and customers. Different elements in the chain work together in a collaborative and coordinated manner. Often it is used as a tool of business transformation and involves delivering the right product at the right time to the right place and at the right price.

Question Paper - May 2018

Q 1) **(Marks 5 X 2 = 10)**

a) Explain the concept of Competitive Advantage.

b) Describe the term 'Strategic Vision'.

c) Explain the meaning of Directional Strategy.

d) Explain the meaning of Core Competencies.

e) Describe the term 'Co-generic Merger'.

Q 2) Which of the following statements are 'Correct' and which are 'Incorrect'? Give reasons in brief, for your answer: **(Marks 5 X 2 = 10)**

a) Non–Profit organization do not require strategic Management.

b) Human Resource Manager's role is significant in building up core competency of the firm.

c) Corporate culture is always identical in all the business organisations.

d) Marketing function has no relation with production function.

e) Economies of scale discourage new entrants.

Q 3)

a) XYZ Ltd. Is a Multi – Product Company, suffering from continuous losses since last few years and has accumulated heavy losses which have eroded its net worth.
What strategic option is available to the management of this sick company? Advice with reasons. **(Marks 5)**

b) Ram and Shyam are two brothers engaged in the business of spices. Both have different approaches to management. Ram prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, shyam believes in democratic participative management approach, involving employees to give their best.
Anayse the leadership style followed by Ram and Shyam. **(Marks 5)**

Q 4)

a) Define Strategic Management. Also discuss the limitation of Strategic Management. **(Marks 5)**

b) Describe the principal aspects of strategy – execution process, which are included in most situations. **(Marks 5)**

Q 5)

a) Explain briefly the competitive forces in any industry as identified by Michael Porter. **(Marks 5)**

b) Define the term 'Marketing'. Distinguish between social marketing and service marketing. **(Marks 5)**

Q 6)

a) Explain the concept and need of Strategy Audit. Why is it more difficult in present scenario? **(Marks 7)**

b) Explain different types of strategic control in brief. **(Marks 3)**

Or

Write a short note on SWOT analysis.

Question Paper - Nov 2018

Q 1) **(Marks 5 X 2 = 10)**

a) List the different strategic levels in an organization.

b) Present a diagrammatic representation of a Strategic management model.

c) List the advantages of Strategic Alliances.

d) What do you mean by “Economies of Scale”

e) Define Augmented Marketing. Give two example..

Q 2) Which of the following statements are ‘Correct’ and which are ‘Incorrect’? Give reasons in brief, for your answer: **(Marks 5 X 2 = 10)**

a) Vision is one of the key element of Strategic Intent.

b) Structure has no impact on the strategy of the organization.

c) There is no distinction between Bench Marketing and Business Process Reengineering.

d) Acquiring of ambulance services by a hospital is an example of forward integration strategy.

e) There is no such thing as backward integration.

Q 3)

a) Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors. Draw the organization structure Manoj should implemented in his organization and name it. **(Marks 5)**

b) Sohan and Ramesh are two friends who are partners in their business of making biscuits. Sohan believe in making profits through selling more volume of products. Hence, he believes in charging lesser price to the customers. Ramesh, however of the opinion that higher price should be charged to create an image of exclusivity and for this, he proposes that the product to undergo some change.
Analyse the nature of generic strategy used by Sohan and Ramesh. **(Marks 5)**

Q 4)

a) Describe the corporate culture. Elaborate the statement “Culture is a strength that can also be a weakness” **(Marks 5)**

b) Explain the Marketing Mix in the context of modern marketing. **(Marks 5)**

Q 5)

a) What steps are to be considered for implementing the supply chain management in a business organization? Explain. **(Marks 5)**

b) “Strategy is partly proactive and partly reactive.” Elaborate. **(Marks 5)**

Q 6)

a) Write a short note on strategic change and explain the process of strategic change. **(Marks 7)**

b) Identify three aspects of impact of IT systems on business process reengineering and list three areas where it provides business value. **(Marks 3)**

Or

Examine the significance of KSFs (Key Success Factors) for competitive success.

Multiple Choice Questions

1. Which of these basic questions should a vision statement answer?
a) What is our business?
b) Who are our competitors?
c) Where we are to go?
d) Why do we exist?

2. According to Porter, what is usually the most powerful of the five competitive forces?
a) Rivalry among existing firms
b) Potential development of substitute products
c) Bargaining power of buyers and suppliers
d) Potential entry of new competitors

3. An organization that has a low relative market share position and competes in a slow-growth industry is referred to as a_.
a) Dog
b) Question Mark
c) Star
d) Cash Cows

4. What type of organizational structure do most small businesses follow?
a) Divisional structure
b) Functional structure
c) Hour Glass structure
d) Matrix structure

5. Which section of the SWOT Matrix involves matching internal strengths with external opportunities?
a) The WT cell
b) The SW cell
c) The SO cell
d) The ST cell

6. In evaluating strategies, which one of Rumelt's criteria for evaluating strategies, refers to the need for strategists to examine sets of trends?
a) Consistency
b) Consonance
c) Feasibility
d) Advantage

7. What can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives?
a) Strategy formulation
b) Strategy evaluation
c) Strategy implementation
d) Strategic management

8. An important activity in is taking corrective action.

a) Strategy evaluation
b) Strategy implementation
c) Strategy formulation
d) Strategy leadership

9. Which of the following is not a limitation of SWOT (Strengths, Weaknesses, Opportunity, Threats) analysis?

a) Organizational strengths may not lead to competitive advantage
b) SWOT gives a one-shot view of a moving target
c) SWOT's focus on the external environment is too broad and integrative
d) SWOT overemphasizes a single dimension of strategy

10. The competencies or skills that a firm employs to transform inputs into outputs are:

a) Tangible resources
b) Intangible resources
c) Organizational capabilities
d) Reputational resources

11. The emphasis on product design is very high, the intensity of competition is low, and the market growth rate is low in the stage of the industry life cycle.

a) Maturity
b) Introduction
c) Growth
d) Decline

12. A narrow market focus is to a differentiation-based strategy as a

a) Broadly-defined target market is to a cost leadership strategy
b) Growth market is to a cost-based strategy
c) Technological innovation is to a cost-based strategy
d) Growth market is to a differentiation-based strategy

13. The most probable time to pursue a harvest strategy is in a situation of

a) High growth
b) Decline in the market life cycle
c) Strong competitive advantage
d) Mergers and acquisitions

14. Vertical integration may be beneficial when

a) Lower transaction costs and improved coordination are vital and achievable through vertical integration.
b) Flexibility is reduced, providing a more stationary position in the competitive environment.
c) Various segregated specializations will be combined.
d) The minimum efficient scales of two corporations are different.

15. One of the primary advantages of diversification is sharing core competencies. In order for diversification to be most successful, it is important that

a) The target market is the same, even if the products are very different.

b) The products use similar distribution channels.
c) The methods of production are the same.
d) The similarity required for sharing core competencies must be in the value chain, not in the product.

16. Individual investors are reliant on upon the organisation's managers to
a) Maximize short-term returns in the form of dividends.
b) Add value to their investments in a way that the stockholders could not accomplish on their own.
c) Achieve risk reduction at a lower cost than stockholders could obtain on their own.
d) Diversify the stockholder's investments in order to reduce risk.

17. Horizontal integration is concerned with
a) Production
b) Quality
c) Product planning
d) All of the above

18. Change in company's ---------------- gives rise to problems necessitating a new ---------------- to be made.
a) Structure, Strategy
b) Strategy, Structure
c) Structure, Structure
d) Strategy, Strategy

19. The reasons for acquisition are
a) Increased market power
b) Increased diversification
c) Increased speed to market
d) All of the these

20. Competitive rivalry has the most effect on the firm's _____strategies than the firm's other strategies.
a) Business level
b) Corporate level
c) Functional level
d) All of these

21. A firm successfully implementing a differentiation strategy would expect:
a) Customers to be sensitive to price increases.
b) To charge premium prices.
c) Customers to perceive the product as standard.
d) To automatically have high levels of power over suppliers.

22. Conglomerate diversification is another name for which of the following?
a) Related diversification
b) Unrelated diversification
c) Portfolio diversification
d) Acquisition diversification

23. When to organisations combine to increase their strength and financial gains along with breaking the trade barriers is called-----------

a) Hostile takeover
b) Liquidation
c) Merger
d) Acquisition

24. Internal ______are activities in an organization that are performed especially well.

a) Opportunities
b) Competencies
c) Strengths
d) Management

25. Financial objectives involve all of the following except:

a) Growth in revenues
b) Larger market share
c) Higher dividends
d) Greater return on investment