

**COMPILATION
OF
SUGGESTED ANSWERS
TO
QUESTIONS
SET AT THE
INSTITUTE'S EXAMINATIONS
MAY, 2007 – NOVEMBER, 2014

INTERMEDIATE (IPC) COURSE

PAPER – 7B: STRATEGIC MANAGEMENT**



**BOARD OF STUDIES
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
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Paper – 7B: Strategic Management
Statement showing allocation of marks in each Examinations

Examination	Chapter 1	Chapter 2	Chapter 3	Chapter 4	Chapter 5	Chapter 6	Chapter 7
May, 2007	2	4	2	14	2	2.5	9.5
November, 2007	2	10	2	4	14	2	2
May, 2008	4	0	6	12	0	14	0
November, 2008	10	6	0	0	0	6	12
June, 2009	4	2	14	2	2	2	10
November, 2009	14	2	2	0	0	2	10
May, 2010	2	6	4	14	2	0	2
November, 2010	0	5	8	11	3	6	9
May, 2011	2	6	1	2	8	14	9
November, 2011	12	9	4	4	16	4	8
May, 2012	9	5	7	6	3	14	13
November, 2012	11	10	6	7	8	9	9
May, 2013	10	6	9	6	7	11	11
November, 2013	6	5	11	7	14	11	6
May, 2014	7	9	7	6	9	13	9
November, 2014	10	8	9	10	6	10	7
Total Marks	105	93	92	105	94	120.5	126.5

Note: The case studies appearing earlier in the examinations have not been considered in preparation of this chart.

CONTENTS

Chapter	Chapter Heading	Page No.
1	Business Environment	1.1 – 1.15
2	Business Policy and Strategic Management	2.1 – 2.11
3	Strategic Analysis	3.1 – 3.15
4	Strategic Planning	4.1 – 4.13
5	Formulation of Functional Strategy	5.1 – 5.14
6	Strategy Implementation and Control	6.1 – 6.16
7	Reaching Strategic Edge	7.1 – 7.15
	Question Papers	1 – 30

Business Environment

Syllabus Covered

General Environment — Demographic, Socio-cultural, Macro-economic, Legal/political, Technological, and Global; Competitive Environment.

Question 1

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

- (a) *The basic objective of a business enterprise is to monitor the environment.* (2 Marks May, 2007)
- (b) *Environmental constituents exist in isolation and do not interact with each other.*
(2 Marks Nov., 2007)
- (c) *“Profit may not be a universal objective but business efficiency is definitely an objective common to all business”.* (2 Marks May, 2008)
- (d) *“Changes of any type are always disquieting, sometimes they may be threatening.”*
(2 Marks May, 2008)
- (e) *The rate and magnitude of changes that can affect organisations are decreasing dramatically.* (2 Marks, June, 2009)
- (f) *A business, even if it continually remains passive to the relevant changes in the environment, would still grow and flourish.* (2 Marks Nov., 2009)
- (g) *There is both opportunity and challenge in ‘Change’.* (2 Marks Nov., 2009)
- (h) *Globalization means different things to different people.* (2 Marks May, 2010)
- (i) *The term PESTLE analysis is used to describe a framework for analyzing the micro-environmental factors.* (2 Marks May, 2011)
- (j) *The process of strategy avoids matching potential of the organization with the environment opportunities.* (2 Marks, Nov., 2011)

Answer

- (a) **Incorrect:** Monitoring environment is ancillary to basic objectives of a business enterprise. It is imperative for organisations to create and retain customers. Organisational objectives may include survival, stability, growth, profitability and like.

1.2 Strategic Management

Organisations monitor the changes in the environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength.

- (b) **Incorrect:** Environmental constituents such as economic, legal, society, technology and other macro and micro elements are interwoven through complex and haphazard linkages. These constituents comprise of multitude of forces that are inter-related and inter-dependent. They are termed as environment as they are outside the main periphery of business but may affect its functioning directly or indirectly.
- (c) **Correct:** It is generally asserted that business enterprises are primarily motivated by the objective of profit. Organizations pursue multiple objectives rather than a single objective in which business efficiency is a very useful operational objective. Many organizations, particularly charitable and non-government do not aim for making profits. But in general, all organizations aim for optimum utilization of resources and economy in operational costs.
- (d) **Incorrect:** Favourable changes either in the external environment or internal environment are not threatening and/or disquieting. Changes that are initiated by the management to bring improvements in its working are not always disquieting. However, sometimes changes can be threatening especially for old and weak organizations with risk averse and stodgy managers.
- (e) **Incorrect:** No, the reality is just the other way round. Business environment especially after globalisation and liberalisation is witnessing changes that are fast paced and have far-reaching implications for businesses. This is true for economic, political, technological, legal, and socio-cultural factors. This has created strong pressures on organization for proactive adaptation to environmental changes for survival growth and competitive edge.
- (f) **Incorrect:** Businesses function within a whole gamut of relevant environment and have to negotiate their way through it. A successful business has to identify appraise and respond to various opportunities and threats in its environment. The extent to which the business thrives depends upon the manner in which it interacts with environmental situations or constraints. A business remaining passive to changes in its environment is destined to gradually fade away into oblivion.
- (g) **Correct:** It is said that change is inevitable, especially in the context of business environment. Changes in the business environment from time to time throw up new issues before businesses. A right perspective of such new issues is to view them both as challenges and opportunities - challenge because appropriate action is called for and, opportunity because it opens up new potentials for the future plans that would lead to prosperous business.
- (h) **Correct:** Globalization refers to the process of integration of the world into one huge market. Such unification calls for removal of all trade barriers among countries.

Globalization is an opportunity for organizations to expand their markets and reach out to different customers. Globalization can also have other meanings. For some it is a new paradigm - a set of fresh beliefs, working methods, and economic, political and socio-cultural realities in which the previous assumptions are no longer valid. For developing countries, it means integration with the world economy.

- (i) **Incorrect:** The term PESTLE Analysis is used to describe a framework for analysis of macro environmental factors. It involves identification of political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making.
- (j) **Incorrect:** In the process of strategic management an organisation continuously scan its relevant environment to identify various opportunities and threats. Organisations keen to grow and expand often look for promising opportunities that match their potential. Such opportunities become a good stepping stone for achieving the goals of the organisation.

Question 2

Can a change in the elected government affect the business environment? Explain briefly in 2-3 sentences. (2 Marks, June 2009)

Answer

The type of government running a country is a powerful influence on business. Businesses are highly guided and influenced by government actions. Change in the elected government relates to the change in political environment. To an extent, even legal environment may change with the changes in the Government. It has a strong bearing on the conduct of business as it leads to significant changes in the economic policies and the regulatory framework. It generally reflects the political ideology of the political party or alliances. The government's policy of promoting select sectors further impacts the functioning of business organizations.

Businesses are affected by the factors such as political stability, the political ideology and practices of the ruling party, the purposefulness and efficiency of governmental agencies, the extent and nature of governmental intervention in the economy and the industry, Government policies (fiscal, monetary, industrial, labour and export-import policies), specific legal enactments and framework and so on.

Question 3

Write Short notes on the following

- (a) *Role of Global Industries. (3 Marks, May 2012)*
- (b) *Characteristics of a Global Company. (3 Marks, Nov., 2012)*
- (c) *Explain the meaning of Demographic Environment. (1 Mark, Nov., 2012)*

1.4 Strategic Management

Answer

- (a) The term global industry specifically means an industry where a firm's competitive position in one country is affected by its position in other countries. A global industry is one that by operating in more than one country gains R&D, production, marketing and financial advantages in its costs and reputation that are not available to purely domestic competitors. The global business organisation views the world as one market, minimises the importance of national boundaries, sources material, raises capital and markets wherever it can do the job best. The industries reveals global pattern in today's world include automobiles, television sets, commercial aircrafts and boats, sporting equipment, watches, clothing, semiconductors, copiers and also the transfer of funds.
- (b) In simple economic terms, globalization refers to the process of integration of world into one huge market. At the company level, globalization means two things:
- (i) the company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries and
 - (ii) it also means ability to compete in domestic markets with foreign competitors.
- The global company views the world as one market minimizing the importance of national boundaries. A global company has three attributes:
- (a) It is a conglomerate of multiple units located in different parts of the globe but all linked with common ownership.
 - (b) Multiple units draw a common pool of resources such as money, credit, patents, trade name, etc.
 - (c) The units respond to common strategy.
- (c) The term demographics denote characteristics of population in an area, district, country or in world. Some of the demographic factors have great impact on the business. Factors such as general age profile, sex ratio, income, education, growth rate affect the business with different magnitude.

Question 4

What is meant by a Global Company? Explain briefly different strategic approaches for Globalisation by a Company. (4 + 6 = 10 Marks, Nov., 2008)

Answer

In simple economic terms globalization refers to the process of integration of world into one huge market. At the company level globalization means two things: (a) the company commits itself heavily with several manufacturing locations around the world and offers products in several diversified industries and (b) it also means ability to compete in domestic markets with foreign competitors.

A company which goes global is also called a Multinational Company (MNC). The global company views the world as one market minimizes the importance of national boundaries. A global company has three attributes:

- (i) It is a conglomerate of multiple units located in different parts of the globe but all linked with common ownership.
- (ii) Multiple units draw a common pool of resources such as money, credit, patents, trade name, etc.
- (iii) The units respond to common strategy.

Strategic approaches:

International economic dynamics accompanied by geographical changes have changed the paradigm of global business. A firm / company which wishes to go global will be guided by the following four types of strategies:

- (i) **Multi-domestic strategy:** A multi-domestic strategy focuses on competition within each country in which the firm operates. This Strategy is adopted when a company tries to achieve a high level of local responsiveness by matching their products and services offerings to national conditions prevailing in the countries they operate in. The organization attempts to extensively customize their products and services according to the local conditions of different countries.
- (ii) **Global strategy:** A global strategy assumes more standardization of products across country boundaries. Under this strategy, the company tries to focus on a low cost structure by leveraging their expertise in providing certain products and services and concentrating the production of these standard products and services at a few favourable locations around the world. Competitive strategy is centralized and controlled by the home office.
- (iii) **Transnational strategy:** Many large multinational firms, particularly those with many diverse products, may use a multi-domestic strategy with some product lines and a global strategy with others. A transnational strategy seeks to combine aspects of both multi-domestic and global strategies. Thus there is emphasizes on both local responsiveness and global integration and coordination. Although the transnational strategy is difficult to implement, environmental trends are causing multinational firms to consider the needs for both global efficiencies and local responsiveness.

When a firm adopts one or more of the above strategies, the firm would have to take decisions on the manner in which it would commence international operations. The decision as to how to enter a foreign market can have a significant impact on the results. Expansion into foreign markets can be achieved through following options:

- ◆ Exporting.
- ◆ Licensing/ Franchising.

1.6 Strategic Management

- ◆ Joint Venture.
- ◆ Foreign Direct Investment.

Question 5

How would you analyse the meaning and importance of Efficiency and Profitability as objectives of business? (4 Marks, Nov., 2012)

Answer

Enterprises pursue multiple objectives rather than a single objective. In general, we may identify a set of different business objectives pursued by a large cross-section of enterprises. Efficiency and profitability are two of the important objectives of any business. Efficiency is the relationship between input and output whereas profitability is the relationship between profits and investments.

Efficiency: Business enterprise seek efficiency in rationally choosing appropriate means to achieve their goals, doing things in the best possible manner and utilising resources in a most suitable combination. In a sense, efficiency is an economic version of the technical objective of productivity – designing and achieving suitable input output ratios of funds, resources, facilities and efforts. Efficiency is a very useful operational objective.

Profitability: It is generally asserted that private enterprises are primarily motivated by the objective of profit. Some may go even further and emphasise that profit is the sole motive of business enterprises. All other objectives are facilitative objectives and are meant to be serve the profit motive. It is pointed out that private business enterprises are operated on behalf of and for the benefit of the owners who have assumed the business risk of investing their funds.

Question 6

Elaborate the characteristics of Business Environment with reference to Decision Making.

(3 Marks, Nov., 2011)

“Business environment exhibits many characteristics.” Explain.

(3 Marks, Nov., 2013)

Answer

Decision making is a managerial process and function which is greatly influenced by the broad characteristics of business environment. Business environment exhibits many characteristics. These characteristics are:

- ◆ **Environment is complex:** The environment consists of a number of factors, events, conditions and influences arising from different sources. All these do not exist in isolation but interact with each other to create entirely new sets of influences. It is difficult to comprehend at once the factors constituting a given environment. All in all, environment is a complex that is somewhat easier to understand in parts but difficult to grasp in totality.
- ◆ **Environment is dynamic:** The environment is constantly changing in nature. Due to the

several varied influences operating; there is dynamism in the environment causing it to continuously change its shape and character.

- ◆ **Environment is multi-faceted:** What shape and character an environment assumes depends on the perception of the observer. A particular change in the environment, or a new development, may be viewed differently by different observers. This is frequently seen when the same development is welcomed as an opportunity by one company while another company perceives it as a threat.
- ◆ **Environment has a far reaching impact:** The environment has a far reaching impact on organizations. The growth and profitability of an organization depends critically on the environment in which it exists. Any environment change has an impact on the organization in several different ways.

Question 7

How would you argue that modern enterprises pursue multiple objectives and not a single objective? (4 Marks, May, 2014)

Answer

Objectives are organizations performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organizations performance and progress.

Today, organizations are capable of achieving multiple objectives and they focus on different objectives rather than a single objective. In general, we may identify a set of business objectives being pursued by the business. These may relate to profitability, productive efficiency, growth, technological dynamism, stability, self-reliance, survival, competitive strength, customer service, financial solvency, product quality, diversification, employee satisfaction and welfare, and so on. Organizations need to balance these objectives in an appropriate manner.

Question 8

"Environment is the sum of several External and Internal forces that affect the functioning of business." Explain. (3 Marks, May, 2012)

Answer

Business environment in which an organization exists can be broadly divided into two parts: the external and the internal. Since the environment is complex and has multiple elements of it helps to understand it better. External environmental factors are largely beyond the control of individual enterprise and are dynamic in the sense that they keep on changing. These are technological, physical, political and socio-cultural. Internal environment is the environment that has a direct impact on the business and is within the control of the entrepreneurs. These are internal management, machinery, methods of production, etc.

1.8 Strategic Management

Question 9

Describe two environmental changes that you expect to have a major impact on the industry:

(i) Retail Industry

(ii) Automobile Industry

(iii) Education Industry

(3 Marks, May, 2012)

Answer

All the environmental forces impact industries in varying degree. Over a period of time these may change and oscillate between dominant factors and insignificant factors. Given below number of factors (not two) have been included.

(i) Retail Industry:

- Macro environmental factors such as Technological, Economic, Demographic, Social, Legal and political.
- Rapid change in production process and product innovation.
- Foreign Direct Investment and policies thereon.
- Changes in Direct and indirect taxes
- Inflation, interest rates.
- Changes in employment / labour laws.
- Change in attitude towards health.
- Developments in IT can help in support supply chain management, logistics and transportation.

(ii) Automobile Industry:

- Macro environmental factors such as Technological, Economic, Demographic, Social, Legal and political.
- New research and development.
- Anti- pollution pressures. Use of eco-friendly cars.
- Use of alternative fuels.
- Population growth and age mix
- Rural urban ratio.
- Changes in family structure.
- Changes in income levels.
- Changes in Import & Excise Duties.

- Foreign Direct Investment.
 - Financing facilities at low interest rates.
- (iii) Education Industry:
- Macro environmental factors such as Technological, Economic, Demographic, Social, Legal and political.
 - Changes in government Policies Proposed Higher Education and Research outlays.
 - Privatization of Higher Education.
 - Availability of soft loans for higher / professional education.
 - Attitude towards education.
 - Mobility of students.
 - Income.
 - Job opportunities.

Question 10

What do you mean by micro environment of business? Explain its elements. (7 Marks, May, 2013)

Answer

The environment of business can be categorised into two broad categories micro-environment and macro-environment. Micro-environment is related to small area or immediate periphery of an organization. Micro-environment influences an organization regularly and directly. Developments in the micro environment have direct impact on the working of organizations. Micro environment includes the company itself, its suppliers, marketing intermediaries, customer markets and competitors. The elements of micro environment are specific to the said business and affects its working on short term basis.

- ◆ **Consumers / Customers:** Customers who may or may not be consumers are the people who pay money to acquire organisational products and services. Consumer is the one who ultimately consumes or uses the product or services. The marketer has to closely monitor and analyse the changes in the consumer tastes and preferences and their buying habits. Consumer occupies the central position in the market.
- ◆ **Competitors:** Competitors are the other business entities that compete for resources as well as markets. A study of the competitive scenario is essential for the marketer, particularly threats from competition.
- ◆ **Organization:** Individuals occupying different positions or working in different capacities in organizations consists of individuals who come from outside. They have different and varied interests. An organization has several non-specific elements in form of individuals and groups that may affect its activities. Owners, board of directors and employees form part of organisation.

1.10 Strategic Management

- ◆ **Market:** The market is larger than customers. The market is to be studied in terms of its actual and potential size, its growth prospect and also its attractiveness. The marketer should study the trends and development and the key success factors of the market.
- ◆ **Suppliers:** Suppliers form an important component of the micro environment. The suppliers provide raw materials, equipment, services and so on. Suppliers with their own bargaining power affect the cost structure of the industry. They constitute a major force, which shapes competition in the industry.
- ◆ **Market Intermediaries:** Intermediaries bridge the gap between the organisations and customers. They are in form of stockist, wholesalers and retailers. They exert considerable influence on the business organizations. In many cases the consumers are not aware of the manufacturer of the products they buy. They buy product from the local retailers or big departmental stores.

Question 11

A business enterprise is a sub-system of the larger environmental system."Discuss the relationship between the organization and its business environment. (3 Marks, May, 2013)

Answer

A business does not function in isolation, rather, it acts as a sub-system of its environment consisting of society, economy, laws, competitors and so on. Business draws certain inputs from environment in form of resources and information and transforms them into outputs. The relationship between the organization and its environment may be discussed in terms of interactions between them that can be broadly outlined as below:

- ◆ **Exchange of information:** The organization scans the external environmental variables, their behaviour and changes, generates important information and uses it for its planning, decision-making and control purposes. On the other hand, the organization itself transmits information to several external agencies either voluntarily, inadvertently or legally.
- ◆ **Exchange of resources:** The organization receives inputs — finance, materials, manpower, equipment etc., from the external environment. It sustains itself by employing the above inputs for involving or producing output of products and services. The organization is also dependent on the external environment for disposal of its output of products and services to a wide range of clientele.
- ◆ **Exchange of influence and power:** The external environment holds considerable power over the organization both by virtue of its being more inclusive as also by virtue of its command over resources, information and other inputs. The external environment is also in a position to impose its will over the organization. Governmental control, competitors, customers, suppliers, investors etc., exercise considerable power and influence over the organization. In turn, the organization itself is sometimes in a position to wield power and

influence over the external environment by virtue of its command over resources and information.

Question 12

Assume that you are an entrepreneur who has an intense desire to get into the business. What types of information relating to macro environment would you need to determine external opportunities and threats? (3 Marks, May, 2014)

Answer

Macro environment mainly consists of economic, technological, political, legal and socio-cultural elements. For an entrepreneur it is important to identify those factors that are likely to affect the new business. Each of the elements can have a bearing on the opportunities and the threats.

Particularly, he should scan the relevant changes that have happened in recent past that can provide competitive edge. For example, a technological innovation in the production process can be opportunity. Incentives such as cheaper land, tax free periods can be other form of opportunities. Entrepreneur has to identify such opportunities that can be capitalized to enter markets or provide an edge over the competitors. Entrepreneur has to also take care as these opportunities can also act as threats when competitors are able to exploit them.

Question 13

Distinguish between Micro Environment and Macro Environment (4 Marks, Nov., 2011)

Answer

The business environment consists of both the macro environment and the micro environment. Following are the differences between the two:

- ◆ The micro environment refers to the forces that are very close to the company and affect its ability to do routine functions. Macro environment refers to all forces that are part of the larger periphery and distantly affect organization and micro environment.
- ◆ Micro environment includes the company itself, its suppliers, marketing intermediaries, customer markets and competitors. Whereas macro environment includes demography, economy, natural forces, technology, politics, legal and socio-cultural.
- ◆ The elements of micro environment are specific to the said business and affects it's working on short term basis. The elements of macro environment are general environment and affect the working of all the firms in an industry.

Question 14

You have been hired as a consultant by a company to advise it on factors it need to consider for environmental scanning. Explain briefly these factors. (3 Marks, Nov., 2014)

1.12 Strategic Management

Answer

Organizational environment consists of both external and internal factors. Environment must be scanned so as to determine development and forecasts of factors that will influence organizational success. The factors that need to be considered are explained below:

- **Events:** Events are important and specific happenings in the internal or external organisational environment which can be observed and tracked.
- **Trends:** Trends are grouping of similar or related events that tend to move in a given direction, increasing or decreasing in strength or frequency of observation.
- **Issues** are the current concerns that arise in response to events and trends. Identifying an emerging issue is more difficult.
- **Expectations** are the demands made by interested groups in the light of their concern for issues.

Question 15

In your view what are the Key Success Factors for operating in a competitive market place?

(3 Marks, Nov., 2014)

Answer

KSFs are the rules that shape whether a company will be financially and competitively successful. Important key success factors for operating in competitive markets are:

- ◆ Cost structure of the market.
- ◆ The price sensitivity of the market.
- ◆ Technological structure of the market.
- ◆ The existing distribution system of the market.
- ◆ Is the market mature?

Question 16

Write a short note on Strategic responses to business environment.

(4 Marks, Nov., 2014)

Answer

The business organization and its many environments have innumerable interrelationships that at times it becomes difficult to determine exactly where the organization ends and where its environment begins. It is also difficult to determine exactly what business should do in response to a particular situation in the environment. Strategically, the businesses should make efforts to exploit the opportunity and avoid the threats.

In this context following are the approaches:

- (i) **Least resistance:** Some businesses just manage to survive by way of coping with their changing external environments. They are simple goal-maintaining units. They are very

passive in their behaviour and are solely guided by the signals of the external environment. They are not ambitious but are content with taking simple paths of least resistance in their goal-seeking and resource transforming behaviour.

- (ii) **Proceed with caution:** At the next level, are the businesses that take an intelligent interest to adapt with the changing external environment. They seek to monitor the changes in that environment, analyse their impact on their own goals and activities and translate their assessment in terms of specific strategies for survival, stability and strength. This is a more sophisticated strategy than to wait for changes to occur and then take corrective-adaptive action.
- (iii) **Dynamic response:** At a still higher sophisticated level, are those businesses that regard the external environmental forces as partially manageable and controllable by their actions. Their feedback systems are highly dynamic and powerful. They not merely recognise and ward off threats; they convert threats into opportunities. They are highly conscious and confident of their own strengths and the weaknesses of their external environmental 'adversaries'. They generate a contingent set of alternative courses of action to be picked up in tune with the changing environment.

Question 17

Explain the factors that affect the strength of competitive pressures from substitute products.

(3 Marks, Nov., 2012)

Answer

Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. With regards to substitute products, factors such as prices, easy availability, and how best they are able to satisfy the needs of customers, determine the amount of competition through them. 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. 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.

Question 18

Industry is a composite of competitive pressures in five areas of the overall market. Briefly explain the competitive pressures.

(3 Marks, Nov., 2011)

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

(10 Marks, Nov., 2009)

Answer

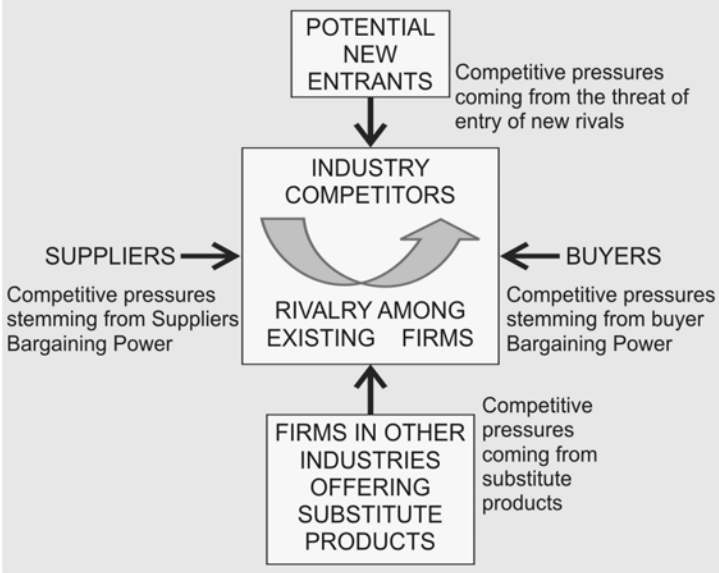
Five forces model of Michael Porter is a powerful and widely used tool for systematically diagnosing the significant competitive pressures in the market and assessing their strength

1.14 Strategic Management

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:

1. **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.
2. **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.
3. **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.
4. **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.
5. **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.



2

Business Policy and Strategic Management

Syllabus Covered

Meaning and nature; Strategic management imperative; Vision, Mission and Objectives; Strategic levels in organizations.

Question 1

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

- (a) *Strategy is a substitute for Sound, Alert and Responsible management. (2 Marks, Nov., 2008)*
- (b) *Strategic management is not needed in non-profit Organisations. (2 Marks, Nov., 2008)*
- (c) *All strategies emerge from Corporate vision. (2 Marks, Nov., 2008)*
- (d) *Strategic management is a bundle of tricks and magic. (2 Marks, June, 2009)*
- (e) *Developing annual objectives & short-term strategies that are compatible with the selected set of long-term objectives are one of the major task of strategic management. (2 Marks, May 2012)*
- (f) *A company's strategy has always to be proactive in nature. (2 Marks, Nov., 2013)*
- (g) *Strategic vision and mission statements are needed only by large business houses. (2 Marks, Nov., 2014)*

Answer

- (a) **Incorrect** – Strategy is not 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** – 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.

- (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:** No, Strategic management is not a bundle of tricks and magic. It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it can not be stated that a strategy is a trick or magic. Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.
- (e) **Correct:** A strategic manager has to set the long term objectives, future oriented plans by appreciating the competitive environment. Without bifurcating grand strategies and long-term objectives into annual objectives and short-term strategies, implementation of the strategies is not possible. Dividing objectives, into annual plans help to move forward in a systematic manner.
- (f) **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 also required.
- (g) **Incorrect:** Every organization whether it is large or small requires strategic vision and mission statements. Organisations irrespective of their size face similar business environment and have to sail through competition. Small organizations have to plan strategies for their survival in the market where large organizations are also present.

Question 2

- (a) *Fill in the blanks in the following statements with the most appropriate word:*
- (i) *"In the factory, we make cosmetics. In the drugstore, we sell _____.(1 Mark Nov., 2010)*
- (ii) *Vision is always _____oriented. (1 Mark, Nov., 2010)*
- (iii) *The corporate mission is an expression of the _____of the firm. (1 Mark, May, 2011)*
- (iv) *Strategic Management is not a box of tricks or a bundle of techniques. It is analytical thinking and _____of resources to action. (1 Mark, Nov., 2011)*
- (b) *Explain the meaning of the following concepts:*
- (i) *Corporate Strategy (1 Mark, May, 2011)*
- (ii) *Strategic Vision (1 Mark, Nov., 2011)*

2.3 Strategic Management

Answer

- (a) (i) Hopes.
(ii) Future.
(iii) Growth ambition.
(iv) Commitment.
- (b) (i) **Corporate strategy** is basically the growth design of the firm; it spells out the growth objective - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages.
- (ii) 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.

Question 3

Briefly answer the following questions in 2-3 sentences each:

- (a) *What is a mission statement?* (2 Marks, May, 2007)
- (b) *State the points that may be considered while writing a mission statement of a Company.* (2 Marks, Nov., 2009)
- (c) *State the points that may be considered while writing a mission statement of a Company.* (2 Marks, Nov., 2009)
- (d) *'Shared Vision and 'Vision Shared'.* (2 Marks, May, 2010)

Answer

- (a) 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.
- (b) 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.

- (i) To establish the special identity of the business - one that typically distinct it from other similarly situated companies.

- (ii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
 - (iii) Good mission statements should be unique to the organisation for which they are developed.
 - (iv) The mission of a company should not be to make profit surpluses may be required for survival and growth, but can not be mission of company.
- (c) 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.

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 - (iv) The mission of a company should not be to make profit surpluses may be required for survival and growth, but cannot be mission of company.
- (d) Individuals in organisations relate themselves with the vision of their organisations in different manner. When the individuals are able to bring organisational vision close to their hearts and minds they have "shared vision". Shared vision is a force that creates a sense of commonality that permeates the organization and gives coherence to diverse activities. However, 'vision shared' shows imposition of vision from the top management. It may demand compliance rather than commitment. For success of organisations having shared vision is better than vision shared.

Question 4

What is Strategic Management? What benefits accrue by following a strategic approach to managing? (5 + 5 = 10 Marks, Nov., 2007)

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.

Strategic management starts with developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business

2.5 Strategic Management

portfolio (to allow management to utilise all facets of the organisation), and functional plans (plans to carry out daily operations from the different functional disciplines).

The overall objective of strategic management is two fold:

- ◆ To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- ◆ To guide the company successfully through all changes in the environment.

The following are the benefits of strategic approach to managing:

- ◆ 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.
- ◆ Strategic management provides framework for all the major business 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.
- ◆ 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.
- ◆ Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps 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 5

Write short note on Importance of Strategic Management.

(4 Marks, May, 2011 & 3 Marks, May, 2013)

Briefly explain the importance of Strategic Management.

(3 Marks, May, 2012)

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:

- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates 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.

- 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.
- 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.
- It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

Question 6

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

(3 Marks, Nov., 2012)

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 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.

Question 7

What is Corporate Strategy? How would you argue that 'corporate strategy' ensures the correct alignment of the firm with its environment'?

(4 Marks, Nov., 2012)

Answer

Corporate strategy helps an organisation to achieve and sustain success. It is basically concerned with the choice of businesses, products and markets. It is often correlated with the growth of the firm.

Corporate strategy in the first place ensures the growth of the firm and its correct alignment with the environment. Corporate strategies are concerned with the broad and long-term questions of what businesses the organization is in or wants to be in, and what it wants to do

2.7 Strategic Management

with those businesses. They set the overall direction the organization will follow. It serves as the design for filling the strategic planning gap. It also helps to build the relevant competitive advantages. A right fit between the firm and its external environment is the primary contribution of corporate strategy. Basically the purpose of corporate strategy is to harness the opportunities available in the environment and countering the threats embedded therein. With the help of corporate strategy, organizations match their unique capabilities with the external environment so as to achieve its vision and mission.

Question 8

What does corporate strategy ensure? Explain.

(3 Marks, May, 2014)

Answer

Corporate strategy in the first place ensures the growth of the firm and ensures the correct alignment of the firm with its environment. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages. It works out the right fit between the firm and its external environment. Basically the purpose of corporate strategy is to harness the opportunities available in the environment, countering the threats embedded therein.

Corporate strategy brings methodical responses to the environment. Strategy is the opposite of adhoc responses to the changes in the environment in competition, consumer tastes, technology and other variables. It amounts to long-term, well thought-out and prepared responses to the various environment forces.

Question 9

Distinguish between The Three Levels of Strategy Formulation.

(3 Marks, Nov., 2010)

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.

Question 10

What are the major stages in the strategic management process? (3 Marks, May, 2014)

Answer

The major stages in the strategic management process are:

- (i) Develop vision and mission statements
- (ii) Perform internal and external audit
- (iii) Establish long-term objectives
- (iv) Generate, evaluate, and select strategies
- (v) Implement strategies considering management issues
- (vi) Implement strategies marketing, finance, accounting, R&D, MIS issues
- (vii) Measure and evaluate performance

Question 11

You are appointed as a Strategic Manager by XYZ Co. Ltd. Being a Strategic Manager what should be your tasks to perform? (3 Marks, Nov., 2011)

Answer

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

For this purpose, his tasks will include:

- 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.
- Providing leadership for the organization.

Question 12

What is Strategic Decision Making? Briefly explain the major dimensions of strategic decisions. (1 + 3 =4 Marks, Nov., 2011)

Discuss the major dimensions of strategic decisions. (3 Marks, Nov., 2013)

2.9 Strategic Management

Answer

Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during their day-to-day working. The major dimensions of strategic decisions are given below:

The major dimensions of strategic decisions are given below:

- ◆ **Strategic issues require top-management decisions:** Strategic issues involve thinking in totality of the organizations and also there is lot of risk involved and hence required to be considered by the top management.
- ◆ **Strategic issues involve the allocation of large amounts of company resources:** They may require huge financial investment to venture into a new area of business or the organization may require huge number of manpower with new set of skills in them.
- ◆ **Strategic issues 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.
- ◆ **Strategic issues are future oriented:** Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- ◆ **Strategic issues usually have major multifunctional or multi-business consequences:** As they involve organization in totality they affect different sections of the organization with varying degree.
- ◆ **Strategic issues 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.

Question 13

How strategic decisions differ in nature from other routine decisions taken in day-to-day working of an organization? Explain. (3 Marks, Nov., 2014)

Answer

Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:

- ◆ Strategic issues require top management decisions.
- ◆ Strategic issues involve the allocation of large amounts of company resources.
- ◆ Strategic issues are likely to have a significant impact on the long term prosperity of the firm.

- ◆ Strategic issues are future oriented.
- ◆ Strategic issues usually have major multifunctional or multi-business consequences.
- ◆ Strategic issues necessitate consideration of factors in the firm's external environment.

Question 14

What tips can you offer to write a 'right' Mission Statements? (4 Marks, May, 2010)

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:

- ◆ Good mission statements are highly personalized – unique to the organization for which they are developed.
- ◆ One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development.
- ◆ 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.
- ◆ Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
- ◆ The mission should not be to make profit.

Question 15

Mission statement of a company focuses on the question:

'Who we are' and 'What we do'. Explain briefly. (3 Marks, May, 2014)

Answer

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. 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. It helps organisation to set its own special identity, business emphasis and path for development. Mission amplifies what brings the firm to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business firm.

In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

2.11 Strategic Management

Question 16

State the three elements of a strategic vision. (3 Marks, Nov., 2012)

Explain the elements of strategic vision. (3 Marks, May, 2013)

Answer

A strategic vision steers an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and moulds organizational identity. The three elements of a strategic vision are:

1. Coming up with a mission statement that defines what business the company is presently in and conveys the essence of "Who we are and where we are now?"
2. Using the mission statement as basis for deciding on a long-term course making choices about "Where we are going?"
3. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.

Question 17

"A strategic vision is a road map of a company's future." Comment. Draft a strategic vision statement of any well known national level Educational Institution you are familiar with.

(3 Marks, Nov., 2014)

Answer

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.

The vision of ICAI is - World's leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.

3

Strategic Analysis

Syllabus covered

Situational Analysis – SWOT Analysis, TOWS Matrix, Portfolio Analysis – BCG Matrix.

Question 1

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

- (a) "Industry is a grouping of dissimilar firms". (2 Marks, May, 2008)
- (b) The purpose of SWOT analysis is to rank organizations (2 Marks, June, 2009)
- (c) PLC is an S shaped curve. (2 Marks June, 2009)
- (d) Portfolio analysis helps the strategists in identifying and evaluating various businesses of a company. (2 Marks, Nov., 2012)
- (e) A strategic group consists of rival firms with similar competitive approaches and positions in the market. (2 Marks, May, 2013)
- (f) An industry can have more than one strategic group. (2 Marks, Nov., 2014)

Answer

- (a) **Incorrect:** Industry is a consortium of firms whose products or services have homogenous attributes or are close substitutes such that they compete for the same buyer. For example, all paper manufacturers constitute the paper industry.
- (b) **Incorrect:** 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.
- (c) **Correct:** Product Life cycle (PLC) which is a graphical depiction of sales over time is an 'S' shaped curve with four stages – introduction, growth, maturity and decline. The pattern is shared by all product group and families though the duration for each phase is different in each case. Identification of PLC stages for a product/service offers useful insights for marketing management.
- (d) **Correct:** A business portfolio is a collection of businesses and products that make up the organisation. Portfolio analysis is a tool by which management identifies and evaluates its various businesses. In portfolio analysis top management views its product lines and

3.2 Strategic Management

business units as a series of investments from which it expects returns. The best business portfolio is the one that best fits its strengths and weaknesses to the opportunities and threats in the environment. Through portfolio analysis, organisations are able to compare its various businesses and categorize them in various strata as promising, growing, without good future and so on.

- (e) **Correct:** A strategic group consists of those rival firms that have similar competitive approaches and positions in the market. Organisations in the same strategic group can resemble one another in any of the several ways: they may have comparable product-line breadth, sell in the same price/quality range, emphasize the same distribution channels, use essentially the same product attributes to appeal to similar types of buyers, depend on identical technological approaches, or offer buyers similar services and technical assistance.
- (f) **Correct:** An industry contains only one strategic group when all sellers pursue essentially identical strategies and have comparable market positions. At the other extreme, there are as many strategic groups as there are competitors when each rival pursues a distinctively different competitive approach and occupies a substantially different competitive position in the marketplace.

Question 2

- (a) *Fill in the blanks in the following statements with the most appropriate word:*
Product Life Cycle portrays the distinct _____ in the sales history of a product.
(1 Mark, Nov., 2010)
- (b) *Explain the meaning of the Strategic Group Mapping.* (1 Mark, May, 2011), (1 Mark, May, 2012)
- (c) *Market penetration refers to a _____ where the business focuses on selling existing products into existing market.* (1 Mark, May, 2012)
- (d) *Explain the meaning of Market Penetration.* (1 Mark, May, 2012)
- (e) *Explain the meaning of ADL Matrix.* (1 Mark, Nov., 2012)

Answer

- (a) Stages.
- (b) **Strategic group mapping** is a technique for displaying the different markets or competitive positions that rival firms occupy in the industry. A strategic group is a cluster of firms in an industry with similar competitive approaches and market positions. An industry contains only one strategic group when all sellers pursue essentially identical strategies and have comparable market positions.
- (c) **Growth Strategy.**
- (d) **Market penetration** is 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. Penetration might require greater spending on advertising or personal selling.

- (e) **ADL Matrix:** The ADL matrix which has derived its name from Arthur D. Little is a portfolio analysis method that is based on product life cycle. The approach forms a two dimensional matrix based on stage of industry maturity and the firms competitive position, environmental assessment and business strength assessment.

Question 3

Briefly answer the following questions in 2-3 sentences each:

- (a) *In B.C.G. matrix for what the metaphors like stars, cows and dogs are used?*
(2 Marks, May, 2007)
- (b) *What are forward and backward integration?* (2 Marks, May, 2007)
- (c) *Explain the term star in the context of BCG matrix.* (2 Marks, Nov., 2007)
- (d) *Growth phase of product life cycle.* (2 Marks, May, 2008)
- (e) *Strategic groups.* (2 Marks, May, 2008)
- (f) *Discuss the relevance of Tows Matrix in strategic planning process.* (2 Marks, Nov., 2009)

Answer

- (a) The BCG growth-share matrix is a popular way to depict different types of products or SBU as follows:
- Stars are products or SBUs with high market share in a market which is growing rapidly.
 - Cash Cows are low-growth, high market share businesses or products.
 - Question Marks are low market share business in high-growth markets.
 - Dogs are low-growth, low-share businesses and products.
- (b) Organisations may enter into new business that is related to its existing business. The firm remains vertically within the same process. Sequentially, it 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.
- (c) **Star in BCG Matrix:** BCG growth-share matrix is a simple way to portray an organisation's portfolio of investments. Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company. The matrix is based on combinations of relative market share of the products or SBUs and their market growth rate.

Stars, a position in the matrix, are characterised by high market share and high growth rate. They are products or SBUs that are growing rapidly. They also need heavy

3.4 Strategic Management

investment to maintain their position and finance their rapid growth potential. Business organisations that enjoy star positions have best opportunities for expansion and growth.

- (d) Product life cycle (PLC) is a concept that describes a product's four major life stages, i.e., introduction, growth, maturity and decline in terms of sales, profits, customers, competitors and marketing emphasis. As the product finds market acceptance in introduction stage, it gradually enters the 'Growth' stage. During growth stage there is an exponential rise of the volumes accepted by the market. Many new entrants join the industry and then fight for market share. In this stage consolidation and concentration begins. Profits increase and mass marketing is done with product differentiation.
- (e) Strategic groups are conceptually defined clusters of competitors that share similar strategies and therefore compete more directly with one another than with other firms in the same industry. Strong economic compulsions often constrain these firms from switching one competitive posture to another. Any industry contains only one strategic group when all firms essentially have identical strategies and have comparable market positions. At the other extreme, there are as many strategic groups as there are competitors when each rival pursues a distinctively different competitive approach and occupies a substantially different competitive position in the market place.
- (f) 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 is not undermining the SWOT analysis.

Question 4

Write short notes on elements considered for situational analysis. (4 Marks, May, 2012)

Answer

The elements considered for situational analysis are as follows:

- ◆ **Environmental factors:** What external and internal environmental factors are there that needs to be taken into account. This can include economic, political, demographic or sociological factors that have a bearing on the performance.
- ◆ **Opportunity and issue analysis:** What are the current opportunities that are available in the market, the main threats that business is facing and may face in the future, the

strengths that the business can rely on and any weaknesses that may affect the business performance.

- ◆ **Competitive situation:** Analyze main competitors of organisation: Who are they, what they up to are, how they compare. What are their competitive advantages?
- ◆ **Distribution situation:** Review the distribution situation - how are the products moving through channels.
- ◆ **Product situation:** The details about current product. The details about current product may be divided into parts such as the core product and any secondary or supporting services or products that also make up what you sell. It is important to observe this in terms of its different parts in order to be able to relate this back to core client needs.

Question 5

Explain the significance of SWOT analysis.

(3 Marks, May, 2014)

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. SWOT analysis helps managers to craft business model that will allow a company to gain a competitive advantage. Key reasons for SWOT analyses are:

- ◆ It provides a logical framework for systematic identification of issues having bearing on the business situation, generation of alternative strategies and the choice of a strategy.
- ◆ It presents a comparative account of both external and internal environment in a structured form where it is possible to compare external opportunities and threats with internal strengths and weaknesses.
- ◆ It guides the strategist in strategy identification. It guides the strategist to think of overall position of the organization that helps to identify the major purpose of the strategy under focus.

Question 6

To which industries the following development offers opportunities and threats? ‘

The number of nuclear families, where husband and wife both are working, is fast increasing’.

(3 Marks, Nov., 2010)

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.

3.6 Strategic Management

Different developments in the environment can offer different opportunities and threats to businesses.

In the social environment, there is growth of nuclear families that is away from the joint family system. Often both husbands and wife are working. Having double income increases their spending capacity. Such developments bring direct opportunities to different businesses such as ready to eat food, eateries, fast to cook items, dish washers, washing machines, crèches for children and so on. Indirect opportunities exist for other lifestyle products. At the same time, such development also acts as a threat to traditional raw food suppliers, kitty party organizers and so on.

Question 7

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."

(3 Marks, Nov., 2014)

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. So financial opportunity are for:

- Stadiums.
- Sports Industry.
- Manufactures of sports items.
- Media Industry – Sports channels / television, advertisers. It is also threat to entertainment industry as competitors will be fighting for same viewers.
- Tourism and hotel Industry.
- Event Management.

Question 8

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

(4 Marks, May, 2013)

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 Wehrich 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
	Strategic Options	
Environmental opportunities (and risks)	SO : Maxi – Maxi	WO : Mini – Maxi
Environmental threats	ST : Maxi – Mini	WT : Mini – Mini

The TOWS Matrix is a relatively simple 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.

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 strategies developed need to overcome organizational weaknesses if existing or emerging opportunities are to be exploited to maximum.

WT (Mini-Mini): WT is a position that any firm will try to avoid. An organization facing external threats and internal weaknesses may have to struggle for its survival.

Question 9

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

(3 Marks, Nov., 2012) (4 Marks, May, 2014)

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.

3.8 Strategic Management

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 10

Write short notes on Product Life Cycle.

(4 Marks, Nov., 2013)

Answer

Product Life Cycle is a useful concept for guiding strategic choice. Product Life Cycle is an S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction, growth, maturity and decline.

Introduction Stage: The first stage of PLC is the introduction stage in which competition is almost negligible, prices are relatively high and markets are limited.

Growth Stage: The second phase of PLC is growth stage. In the growth stage, the demand expands rapidly, prices fall, competition increases and market expands. The customer has knowledge about the product and shows interest in purchasing it.

Maturity Stage: The third phase of PLC is maturity stage. In this stage, the competition gets tough and market gets stabilised. Profit comes down because of stiff competition. At this stage organisations may work for maintaining stability.

Decline Stage: In the declining stage of PLC, the sales and profits fall down sharply due to some new product replaces the existing product. So a combination of strategies can be implemented to stay in the market either by diversification or retrenchment.

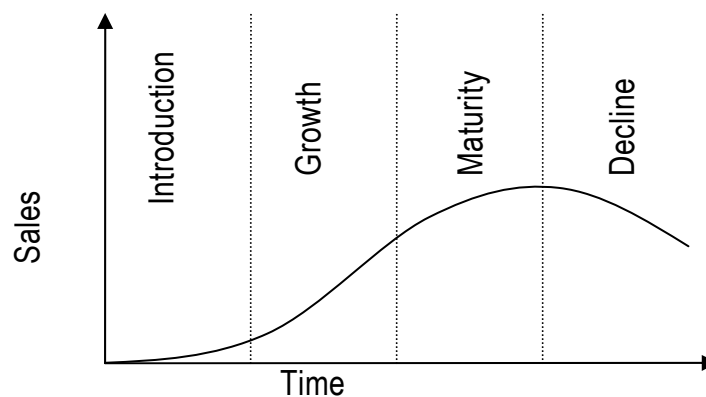


Figure: Product Life Cycle

Question 11

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		

(4 Marks, May, 2010)

From the following information relating to X Ltd. company, prepare BCG Matrix and also analyse it.

Product	Revenues (in ₹)	Percent Revenues	Profit (in ₹)	Percent Profit	Percentage Market Share	Percentage Industry Growth Rate
A	60 Crore	48	1200 Lakh	48	80	+ 15
B	40 Crore	32	500 Lakh	20	40	+ 10
C	20 Crore	16	750 Lakh	30	60	- 20
D	05 Crore	04	50 Lakh	02	05	- 10
Total	125 Crore	100	2500 Lakh	100		

(4+3 = 7 Marks, Nov., 2013)

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 X Ltd., its four products are placed in the BCG matrix as follows:

3.10 Strategic Management

		Relative Market Share	
		High	Low
Market Growth Rate	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. It falls in the Star category and is in the best position with high relative market share and a high industry growth rate. This product has the best opportunities for expansion. It will require heavy investment to maintain its present position.

Product B. It is a question mark product that has a relatively low market share, yet competes in a high growth industry. This product will also need lot of cash to hold its share. If unattended, it is capable of becoming a cash trap.

Product C. It is a cash cow for the business, has a relatively high market share competing in an industry with negative growth rate. The company should take advantage of its present position that may be difficult to maintain in the long run. Currently it needs less investment to maintain its market share.

Product D. It is presently placed in the Dog category, is in the worst position as it has relatively a low market share and competes in an industry with negative growth rate. This product does not have much future. It should be minimized by means of divestment or liquidation.

Question 12

In the light of BCG Growth Matrix state the situation under which the following strategic options are suitable:

- (i) Build
- (ii) Hold
- (iii) Harvest
- (iv) Divest

(4 × 1 = 4 Marks, Nov., 2011)

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.

Question 13

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

(5 + 5 = 10 Marks, June, 2009)

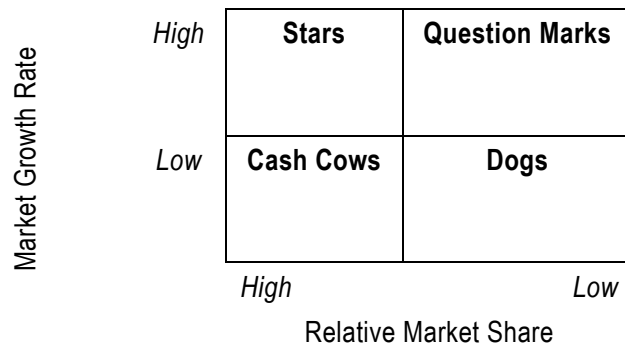
Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units or major product lines. The BCG growth-share 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:

- 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.

Thus the BCG matrix depicts four quadrants as per following:

3.12 Strategic Management



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:

- 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.
- 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.
- 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.
- 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.

- Build with the aim for long-term growth and strong future.
- Hold or preserve the existing market share.
- Harvest or maximize short-term cash flows.
- 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 14

Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options. (4 Marks, Nov., 2014)

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 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

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 current company products. 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 15

"The Ansoff's product market growth matrix is a useful tool that help businesses their product and market growth strategy." Elucidate this statement. (3 Marks, May, 2013)

3.14 Strategic Management

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. This matrix further helps to analyse different strategic directions. According to Ansoff there are four strategies that organisation might follow. These options for strategies are summarised below and shown in the matrix drawn under:

- ◆ **Market Penetration:** Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets.
- ◆ **Market Development:** Market development refers to a growth strategy where the business seeks to sell its existing products into new markets.
- ◆ **Product Development:** Product development refers to a growth strategy where business aims to introduce new products into existing markets.
- ◆ **Diversification:** Diversification refers to a growth strategy where a business markets new products in new markets.

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

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

Ansoff's Product Market Growth Matrix

Question 16

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.*

(4 Marks, Nov., 2014)

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. 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.

4

Strategic Planning

Syllabus Covered

Meaning, stages, alternatives, strategy formulation.

Question 1

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

- (a) *The first step of strategy formulation in strategic management model is to undertake internal analysis.* (2 Marks, May, 2007)
- (b) *Retrenchment implies downsizing of business.* (2 Marks, May, 2007)
- (c) *Acquisition is a strategy.* (2 Marks, Nov., 2007)
- (d) *A company's strategy has always to be proactive in nature.* (2 Marks, Nov., 2008)
- (e) *Stability strategy is not a 'do-nothing' strategy.* (2 Marks, May, 2014)

Answer

- (a) **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.
- (b) **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.
- (c) **Correct:** An acquisition is a 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.

- (d) **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.
- (e) **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 2

- (a) Fill in the blanks in the following statements with the most appropriate word:
- (i) Michael Porter's Generic strategies allow organizations to gain competitive advantages by cost leadership, _____ and focus. (1 Mark, May, 2011)
- (ii) Divestment is a part of rehabilitation and is adopted when a _____ has been attempted but has proved to be unsuccessful. (1 Mark, Nov., 2011)
- (iii) Strategy is a deliberate search for a plan of action that will develop a business _____ and compound it. (1 Mark, May, 2012)
- (b) Explain the meaning of the Combination Strategies. (1 Mark, May, 2011)
- (c) Explain the meaning of Directional Strategies. (1 Mark, May, 2012)
- (d) Explain the meaning of Cost Leadership Strategies. (1 Mark, May, 2012)
- (e) Explain the meaning of Best-cost provider strategy. (1 Mark, Nov., 2012)

Answer

- (a) (i) Differentiation.
 (ii) Turnaround.
 (iii) Competitive Advantage
- (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.
- (c) The corporate strategies a firm can adopt have been classified into four broad categories: stability, expansion, retrenchment, and combination known as directional/grand strategies. They are often called master or business strategies to provide basic direction for strategic actions toward achieving long-term business objectives.
- (d) 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

4.3 Strategic Management

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.

- (e) 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 3

Briefly answer the following question in 2-3 sentences:

- (a) *What is meant by retrenchment strategy?* (2 Marks, May, 2008)
- (b) *Need for Turnaround Strategy* (2 Marks, May, 2010)
- (c) *Grand Strategy Alternative during Recession.* (2 Marks each, May, 2010)
- (d) *What is meant by Concentric diversification?* (2 Marks, Nov., 2007)

Answer

- (a) 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.

- (b) 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 return an underperforming 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.

- (c) Stability strategy is 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.
- (d) **Concentric diversification:** 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.

Question 4

Distinguish between the following:

- (a) *Forward and backward integration.* (2 Marks, June, 2008 & 2009)
- (b) *Top-Down and Bottom-Up Strategic Planning.* (4 Marks, Nov., 2010 & 3 Marks, May, 2013)
- (c) *Concentric Diversification and Conglomerate Diversification*
(3 Marks, Nov., 2011 & 4 Marks, Nov., 2013)
- (d) *Expansion Strategy and Retrenchment Strategy.* (3 Marks, May, 2012)
- (e) *Vertically Integrated Diversification and Horizontally Integrated Diversification.*
(3 Marks, Nov., 2012)
- (f) *Cost Leadership and Differentiation Strategies.* (4 Marks, May, 2014)
- (g) *Divestment strategy and Liquidation strategy.* (4 Marks, Nov., 2014)

Answer

- (a) Forward and backward integration forms 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.

4.5 Strategic Management

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 lessen 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) Top-Down and Bottom-Up Strategic Planning

Strategic planning determines where an organization is going over the next year or more and the ways for going there. The process is organization-wide, or focused on a major function such as a division or other major function. As such strategic planning is a top level management function. The flow of planning can be from corporate to divisional level or vice-versa. There are two approaches for strategic planning - top down or bottom up.

Top down strategic planning describes a centralized approach to strategy formulation in which the corporate centre or head office determines mission, strategic intent, objectives and strategies for the organization as a whole and for all parts. Unit managers are seen as implementers of pre-specified corporate strategies.

Bottom up strategic planning is the characteristic of autonomous or semi-autonomous divisions or subsidiary companies in which the corporate centre does not conceptualize its strategic role as being directly responsible for determining the mission, objectives, or strategies of its operational activities. It may prefer to act as a catalyst and facilitator, keeping things reasonably simple and confining itself to perspective and broader strategic intent.

(c) 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.

(d) 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.

- (e) 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.

- (f) According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. 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.

- (g) 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. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.

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 5

What do you understand by 'Strategy'? Explain the four generic strategies as discussed by Glueck and Jauch. (10 Marks, May, 2007)

4.7 Strategic Management

Answer

Businesses have to respond to a dynamic and often hostile environment for pursuit of their mission. Strategies provide an integral framework for management and negotiate their way through a complex and turbulent external environment. Strategy seeks to relate the goals of the organisation to the means of achieving them.

A company's strategy is the game plan management is using to stake out market position and conduct its operations. A company's strategy consists of the combination of competitive moves and business approaches that managers employ to please customers, compete successfully and achieve organisational objectives.

Strategy may be defined as a long range blueprint of an organisation's desired image, direction and destination what it wants to be, what it wants to do and where it wants to go. Strategy is meant to fill in the need of organisations for a sense of dynamic direction, focus and cohesiveness.

Question 6

Michael E. Porter has suggested three generic strategies. Briefly explain them. What is the basic objective to follow a generic strategy? In what situations can the three strategies be used? Identify the type of strategy used in the following examples:

- (a) *Dell Computer has decided to rely exclusively on direct marketing.*
- (b) *"Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply."*
- (c) *'NDTV', a TV Channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'NDTV' Profit and 'Image'. (3 + 1 + 3 + 3 = 10 Marks, May, 2010)*

Identify the Generic Strategy used in the following examples:

- (i) *Bell Computer has decided to rely exclusively on direct marketing.*
- (ii) *Our basic strategy was to charge a price so low that micro computer makers couldn't do the software internally for that cheaply.*
- (iii) *'MD TV', a TV channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'MD TV' Profit and Image. (3 Marks, November, 2013)*

According to Michael Porter, strategies allow organizations to gain competitive advantages from different bases. Explain these bases as mentioned by Porter. (3 Marks, May, 2013)

Answer

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. These bases form different generic strategies as follows:

Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors.

Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. It concerns with distinguishing a product/service from that of its competitors through unique design features, technological leadership, unique uses of products and attributes like quality, environmental impact and customer service.

Focus means producing products and services that fulfil the specific needs of small groups of consumers. It involves selecting or focussing a market or customer segment in which to operate.

The basic purpose of following a generic strategy is to gain competitive advantage so as to ensure long-time survival and growth.

Situations under which these generic strategies can be used are:

Cost Leadership - When the market is price-sensitive, not much room is left for differentiation. Cost leadership is a better option when buyers do not care much about differences between the brands.

Differentiation – This strategy is suitable when the customers want or can get attracted to specific attribute(s) of the products. It is directed towards creating separate market with a product with different attribute(s). The strategy is useful in a perfectly competitive market where all products look similar.

Focus - Smaller firms may compete on a focus basis. When the customers have distinctive preferences or requirements and the rival firms are not attempting to specialise in the same target segment.

In the given examples the generic strategies that are being followed are given as follows:

- (i) Differentiation: Dell Computers is differentiating on product delivery. Computer market is highly competitive and the products are very similar.
- (ii) Cost Leadership: Keeping the prices low so that microcomputer makers acquire the software rather than developing themselves is a case of cost leadership.
- (iii) Focus. NDTV has identified a profitable area (audience niche) and is focusing on it.

4.9 Strategic Management

The Generic Strategies

According to Glueck and Jauch there are four generic ways in which strategic alternatives can be considered. These are stability, expansion, retrenchment and combinations.

- (i) **Stability strategies:** One of the important goals of a business enterprise is stability to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business.
- (ii) **Expansion Strategy:** Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. It is often characterised by significant reformulation of goals and directions, major initiatives and moves involving investments, exploration and onslaught into new products, new technology and new markets, innovative decisions and action programmes and so on. Expansion includes diversifying, acquiring and merging businesses.
- (iii) **Retrenchment Strategy:** A business organisation can redefine its business by divesting a major product line or market. 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. In business parlance also, retreat is not always a bad proposition to save the enterprise's vital interests, to minimise the adverse environmental effects, or even to regroup and recoup the resources before a fresh assault and ascent on the growth ladder is launched.
- (iv) **Combination Strategies:** Stability, expansion or retrenchment strategies are not mutually exclusive. It is possible to adopt a mix to suit particular situations. An enterprise may seek stability in some areas of activity, expansion in some and retrenchment in the others. Retrenchment of ailing products followed by stability and capped by expansion in some situations may be thought of. For some organisations, a strategy by diversification and/or acquisition may call for a retrenchment in some obsolete product lines, production facilities and plant locations.

Question 7

What is Divestment strategy? When is it adopted?

(3 Marks, Nov., 2012)

Answer

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.

A divestment strategy may be adopted due to various reasons:

- ◆ When a turnaround has been attempted but has proved to be unsuccessful.

- ◆ A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
- ◆ Persistent negative cash flows from a particular business create financial problems for the whole company.
- ◆ Severity of competition and the inability of a firm to cope with it.
- ◆ Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it.
- ◆ A better alternative may be available for investment.

Question 8

What is meant by backward integration? Name any two backward integration strategies that hospitals may pursue. (1 + 2 = 3 Marks, Nov., 2014)

Answer

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 lessen its cost of production.

In case of hospitals there can be number of businesses that can be entered. Following are indicative list of backward integration strategies that hospitals may pursue:

- Drugs and pharmaceuticals – Specific drugs can be manufactured or traded.
- Business of gases required in hospitals – oxygen.
- Pathology labs / diagnostic services. This can be created in-house if not available already. Alternatively, a chain can be started.
- Blood Banks.
- Ambulance services.

Question 9

Explain the meaning of the following strategies and also give suitable examples:

- (i) *Forward Integration*
- (ii) *Backward Integration*
- (iii) *Horizontal Integration*
- (iv) *Conglomerate Diversification*
- (v) *Divestment*
- (vi) *Liquidation*
- (vii) *Concentric Diversification*

(7 × 1 = 7 Marks, Nov., 2010)

4.11 Strategic Management

Answer

Strategy	Meaning	Example
(i) Forward Integration	Gaining ownership or increased control over the next level in the value chain (Manufacturing or intermediaries)	Reliance Industries (owning refineries) diversified into petrol pumps
(ii) Backward Integration	Gaining ownership or increased control over the previous level in the value chain (Manufacturing or suppliers)	An automobile manufactures diversifying into tyre production.
(iii) Horizontal Integration	Seeking ownership or increased control of a firm's competitors	ICICI Bank taking over Bank of Rajasthan
(iv) Conglomerate Diversification	Adding new, unrelated products or services	Yash Birla Group (auto & engineering) decides to enter wellness, solar power and schools.
(v) Divestment	Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.	Godrej Group's withdrawal from the JV with Sara Lee from Africa
(vi) Liquidation	Liquidation strategy is an extreme and unattractive strategy as it involves closing down a firm and selling its assets. It is considered as the last resort when all other options fail.	Those companies whose products are no more in demand sell all their assets.
(vii) Concentric Diversification	In concentric diversification, the new business are added that are linked to the existing businesses through process, technology or marketing.	Kotak Mahindra Bank gets into insurance and asset management businesses.

Question 10

Under what conditions would you recommend the use of Turnaround strategy in an organization? What could be a suitable work plan for this? (5 + 5 = 10 Marks) (May, 2008)

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 those 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.

4.13 Strategic Management

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 11

Write short note on the Expansion through acquisitions and mergers. (3 Marks, Nov., 2014)

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 its 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.

5

Formulation of Functional Strategy

Syllabus covered

Marketing strategy, Financial strategy, Production strategy, Logistics strategy, Human resource strategy.

Question 1

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

- (a) *Functional level constitutes the lowest hierarchical level of strategic management.*
(2 Marks May, 2007)
- (b) *A core-competence is a unique opportunity of an organisation not shared by other.*
(2 Marks Nov., 2007)
- (c) *Tele-shopping is an instance of direct marketing.* (2 Marks Nov., 2007)
- (d) *Production strategy implements, supports and drives higher strategies.* (2 Marks May, 2010)
- (e) *Marketers alone can deliver superior value to customers.* (2 Marks May, 2011)
- (f) *The role of human resource manager is significant in building up core competency of the firm.* (2 Marks, Nov., 2011)

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 fulfil the strategic objectives set by business and corporate-level managers.
- (b) **Incorrect:** Core competencies are unique strengths rather than opportunities of an organisation. They are resources and capabilities that serve as a source of competitive advantage over rivals. In comparison with competitors an organisation is in better position to leverage and take advantage of the core competencies.

5.2 Strategic Management

- (c) **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.
- (d) **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.
- (e) **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 & 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.
- (f) **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.

Question 2

Explain the meaning of the following concepts:

- | | |
|------------------------------|----------------------|
| (i) Relationship Marketing | (1 Mark, May, 2011) |
| (ii) Supply Chain Management | (1 Mark, May, 2011) |
| (iii) Joint Venture | (1 Mark, Nov., 2011) |
| (iv) Service Marketing | (1 Mark, Nov., 2011) |
| (v) Enlightened Marketing | (1 Mark, Nov., 2011) |
| (vi) Person Marketing | (1 Mark, Nov., 2011) |
| (vii) Logistics Strategy | (1 Mark, Nov., 2011) |
| (viii) Production System | (1 Mark, May, 2012) |
| (ix) Differential Marketing | (1 Mark, May, 2012) |
| (x) Demarketing. | (1 Mark, May, 2012) |
| (xi) Synchro-marketing | (1 Mark, Nov., 2012) |

Answer

- (i) **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.
- (ii) **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 organisations and enhances customer service by linkages between suppliers, manufacturers and customers. Supply chain management is an extension of logistics management.
- (iii) A **joint venture** is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets.
- (iv) **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.
- (v) **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.
- (vi) **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.
- (vii) 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.
- (viii) 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.
- (ix) 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.
- (x) 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

5.4 Strategic Management

Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

- (xi) **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 3

Briefly answer the following questions in 2-3 sentences each:

- (a) *Logistics Strategy* (2 Marks, Nov., 2007)
(b) *Enlist the components of marketing mix.* (2 Marks, June, 2009)

Answer

- (a) **Logistics Strategy:** 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.

- (b) **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:
- ◆ **Product:** It stands for the “goods-and-service” combination the company offers to the target market.
 - ◆ **Price:** It stands for the amount of money customers have to pay to obtain the product.
 - ◆ **Place:** It stands for company activities that make the product available to target consumers and include marketing channel, distribution policies and geographical availability.

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

Question 4

Why functional strategies are needed for any business? (3 Marks, Nov., 2013)

Answer

The reasons why functional strategies are really important and needed for business can be enumerated as follows:

- ◆ Functional strategies facilitate flow of strategic decisions to the different parts of an organisation.
- ◆ They act as basis for controlling activities in the different functional areas of business.
- ◆ 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.
- ◆ Functional strategies help in bringing harmony and coordination as they remain part of major strategies.
- ◆ Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Question 5

What is meant by Functional strategies? In term of level where will you put them? Are functional strategies really important for business? (4 + 2 + 4 = 10 Marks, Nov., 2007)

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.

5.6 Strategic Management

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:

- ◆ The development of functional strategies is aimed at making the strategies-formulated at the top management level-practically feasible at the functional level.
- ◆ Functional strategies facilitate flow of strategic decisions to the different parts of an organisation.
- ◆ They act as basis for controlling activities in the different functional areas of business.
- ◆ 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.
- ◆ Functional strategies help in bringing harmony and coordination as they remain part of major strategies.
- ◆ Similar situations occurring in different functional areas are handled in a consistent manner by the functional managers.

Question 6

Write short notes on the Elements of Marketing Mix. (3 Marks, Nov., 2010), (4 Marks, May, 2013)

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.

Question 7

Write a short note on Expanded Marketing Mix. (3 Marks, Nov., 2014)

Answer

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. There are a few more elements that may form part of an organizational marketing mix strategy 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 8

Distinguish between the Social Marketing and Service Marketing. (3 Marks, May, 2014)

Answer

Social Marketing and Service Marketing are marketing strategies primarily with different orientations. Social Marketing refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group. For instance, the publicity campaign for prohibition of smoking or encouraging girl child, etc.

On the other hand, 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.

Question 9

"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.

(4 Marks, May, 2011)

5.8 Strategic Management

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, mergers 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.

- (i) **Net worth or stockholders' equity:** Net worth is the total assets minus total outside liabilities of an individual or a company.
- (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 10

What do you mean by financial strategy of an organization? How the worth of a business is evaluated?
(3 Marks, May, 2013)

Answer

Meaning of the Financial Strategy: 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 to determine the worth of business see the previous answer.

Question 11

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?
(3 Marks, Nov., 2011)

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.

Question 12

Write short note on the Production System.

(3 Marks, May, 2014)

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.

Question 13

What do you mean by Logistic Strategy? What are the different areas to examine while developing a logistic strategy?

(1 + 3 = 4 Marks, Nov, 2013)

Answer

Management of 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.

A company may develop a number of logistics strategies for specific product lines, specific countries or specific customers because of constant changes in supply chains. There are

5.10 Strategic Management

different areas that should be examined for each company that should be considered and should include:

- ◆ **Transportation:** Does the current transportation strategies help service levels required by the organisation?
- ◆ **Outsourcing:** Areas of outsourcing of logistics function are to be identified. The effect of partnership with external service providers on the desired service level of organisation is also to be examined.
- ◆ **Competitors:** Review the procedures adopted by competitors. It is also to be judged whether adopting the procedures followed by the competitors will be overall beneficial to the organisation. This will also help in identifying the areas that may be avoided.
- ◆ **Availability of information:** The information regarding logistics should be timely and accurate. If the data is inaccurate then the decisions that are made will be incorrect. With the newer technologies it is possible to maintain information on movement of fleets and materials on real time basis.
- ◆ **Strategic uniformity:** The objectives of the logistics should be in line with overall objectives and strategies of the organisation. They should aid in the accomplishment of major strategies of the business organisation.

Question 14

Distinguish between Logistic Management and Supply Chain Management. (4 Marks, Nov., 2012)

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 15

What are the requirements for the successful implementation of supply chain management system? Discuss. (3 Marks, Nov., 2011)

Explain the major steps which are required for the successful implementation of supply chain management in the business organization. (7 Marks, Nov., 2013)

Answer

Successful implementing of supply chain management systems require a change from managing individual functions to integrating activities into key supply chain processes. A key requirement for successfully implementing supply chain will be network of information sharing and management.

The following are the major steps which are required for the successful implementation of Supply Chain Management in business organizations:

1. **Product development:** Customers and suppliers must work together in the product development process. When products are developed and launched in shorter time, it would help organizations to remain competitive.
2. **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 the uninterrupted supplies and also to involve them in planning the manufacturing process.
3. **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. Changes in the manufacturing process be made to reduce manufacturing cycle.
4. **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.
5. **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 ought to focus on those activities where it has competency and everything else will be outsourced.
6. **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 helps in producing positive feelings in the organization and the customers.
7. **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.

5.12 Strategic Management

Question 16

How would you argue that Research and Development Personnel are important for effective strategy implementation?
(3 Marks, Nov., 2014)

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 17

Explain any three prominent areas where Human Resource Manager can play a strategic role.
(3 Marks, Nov., 2012)

Answer

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

1. **Providing purposeful direction:** The human resource management must be able to lead people and the organization towards the desired direction involving people. The management have to ensure harmony between organisational objectives and individual objectives. Objectives are specific aims which must be in the line with the goal of the organization and the all actions of each person must be consistent with them.
2. **Creating competitive atmosphere:** In the present business environment, maintaining competitive position or gains is an important objective of any business. Having a highly committed and competent workforce is very important for getting a competitively advantageous position.
3. **Facilitation of change:** The human resource manager will be more concerned about furthering the organization not just maintaining it. He has to devote more time to promote acceptance of change rather than maintaining the status quo.
4. **Diversion of workforce:** In a modern organization, management of diverse workforce is a great challenge. Workforce diversity can be observed in terms of male and female, young and old, educated and uneducated, unskilled and professional employee and so on. Maintaining a congenial healthy work environment is a challenge for HR Manager. Motivation, maintaining morale and commitment are some of the key task that a HR manager has to perform.

5. **Empowerment of human resources:** Empowerment 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.
6. **Building core competency:** The human resource manager has an important 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. 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.
7. **Development of works ethics and culture:** 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.

Question 18

Explain the strategic role of Human Resources Management in the following areas:

- (i) *Facilitation of Change*
- (ii) *Building Core Competency*
- (iii) *Development of Work Ethics and Culture* (3 x 1 = 3 Marks, Nov., 2011)

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) **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. If the business is organized on the basis of core competency, it is likely to generate competitive advantage. Because of this reason, many organization have restructured their businesses by divesting those businesses which do not match core competence.
- (iii) **Development of works ethics and culture:** 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.

5.14 Strategic Management

Question 19

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

(3 Marks, May, 2014)

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:

- i. *Recruitment and selection:* The workforce will be more competent if a firm can successfully identify, attract, and select highly competent applicants.
- ii. *Training:* The workforce will be more competent if employees are well trained to perform their jobs properly.
- iii. *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.
- iv. *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.

6

Strategy Implementation and Control

Syllabus Covered

Organizational structures; Establishing strategic business units; Establishing profit centers by business, product or service, market segment or customer; Leadership and behavioural challenges.

Question 1

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

- (a) *Strategy follows structure.* (2 Marks, Nov., 2007)
- (b) *"Efficiency and effectiveness mean the same in strategic management".*
(2 Marks, May, 2008)
- (c) *"Resistance to change is an impediment in building of strategic supportive corporate culture".* (2 Marks, May, 2008)
- (d) *An Organisation's culture is always an obstacle to successful strategy implementation.*
(2 Marks, Nov., 2008)
- (e) *SBU concepts facilitate multi-business operations.* (2 Marks, June, 2009)
- (f) *A corporate culture is always identical in all the organisations.* (2 Marks, Nov., 2009)
- (g) *Control systems run parallel with strategic levels.* (2 Marks, Nov., 2010)
- (h) *Culture promotes better execution of strategy.* (2 Marks, Nov, 2013)

Answer

- (a) **Incorrect:** Structures are designed to facilitate the strategic pursuit of a firm and, therefore, follows strategy. Without a strategy or reasons for being, it will be difficult to design an effective structure. Strategic developments may require allocation of resources and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.
- (b) **Incorrect:** Efficiency pertains to designing and achieving suitable input output ratios of funds, resources, facilities and efforts whereas effectiveness is concerned with the organization's attainment of goals including that of desired competitive position. While

6.2 Strategic Management

efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. In general terms, to be effective is to do the right things while to be efficient is to do things rightly.

- (c) **Correct:** Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment. In an organizational effort to build strategic supportive corporate culture resistance can impede its successful implementation and 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) **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.
- (f) **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.
- (g) **Correct:** There are three strategic levels – 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.
- (h) **Correct:** Strong cultures 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.

Question 2

Explain the meaning of the following concepts:

- (i) *Outbound Logistics* (1 Mark, May, 2011)
- (ii) *Value Chain Analysis* (1 Mark, Nov., 2011)

- (iii) *Strategic Business Unit* (1 Mark, Nov., 2012)
 (iv) *Premise control* (1 Mark, Nov., 2012)

Answer

- (i) 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.
- (ii) Value chain analysis refers to separate activities which are necessary to underpin an organization's strategies and are linked together both within and around 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.
- (iii) Strategic Business Unit: 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.
- (iv) Premise control: 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:
- (a) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and regulatory.
- (b) Industry factors such as competitors, suppliers, substitutes.

It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amount of control. Thus, managers are required to select those premises that are likely to change and would severely impact the functioning of the organization and its strategy.

Question 3

Write short notes on the following:

- (a) *Network structure* (4 Marks, Nov., 2010 & 3 Marks, May, 2013)
 (b) *Advantages of SBU Structure.* (3 Marks, May, 2011)
 (c) *Importance of Corporate Culture* (3 Marks, Nov., 2011)
 (d) *Components of a Value chain.* (2 Marks, Nov., 2008) (3 Marks, Nov., 2013)
 (e) *Characteristics of Strategic Business Unit (SBU).* (3 Marks, May, 2014)

6.4 Strategic Management

Answer

- (a) A newer and somewhat more radical organizational design, the network structure is an example of what could 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.

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 through vertical integration. Electronic markets and sophisticated information systems reduce the transaction costs of the marketplace, thus justifying a "buy" over a "make" decision. Rather than being located in a single building or area, an organization's business functions are scattered worldwide.

The organization is, in effect, only a shell, with a small headquarters acting as a "broker", electronically connected to some completely owned divisions, partially owned subsidiaries, and other independent companies. In its ultimate form, the network organization is a series of independent firms or business units linked together by computers in an information system that designs, produces, and markets a product or service.

- (b) **Advantage of SBU Structure:** 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:

- Establishing coordination between divisions having common strategic interests.
- Facilitates strategic management and control on large and diverse organizations.
- Fixes accountabilities at the level of distinct business units.
- Allows strategic planning to be done at the most relevant level within the total enterprise.
- Makes the task of strategic review by top executives more objective and more effective.
- Helps allocate corporate resources to areas with greatest growth opportunities.

- (c) A culture where creativity, embracing change, and challenging the status quo are pervasive themes 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) 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.

Primary Activities are inclusive of:

- ◆ inbound logistics,
- ◆ operations,
- ◆ outbound logistics,
- ◆ marketing and sales; and
- ◆ services.

Supportive Activities relate to:

- ◆ procurement,
- ◆ human resource management,
- ◆ technology development; and
- ◆ infrastructure.

- (e) **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 organisation. The three most important characteristics of SBU are:
- 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.

6.6 Strategic Management

- Has its own set of competitors.
- Has a manager who has responsibility for strategic planning and profit performance. He has control of profit-influencing factors.

Question 4

Distinguish between

(a) *Strategy formulation and Strategy implementation.*

(2 Marks, Nov., 2008) (4 Marks, May, 2011)

Elaborate the interrelationship between strategy formulation and implementation.

(3 Marks, May, 2012)

(b) *Transformational leadership style and traditional leadership style. (4 Marks, May, 2013)*

(c) *Operational Control and Management Control. (3 Marks, Nov., 2013)*

Answer

(a) **Distinction between strategy formulation and strategy implementation:** Although inextricably linked, strategy implementation is fundamentally different from strategy formulation in the following ways:

Strategy Formulation	Strategy Implementation
- It involves the design and choice of appropriate organisational strategies.	- It is the process of putting the various strategies into action of organizations.
- It is positioning forces before the action.	- It is managing forces during the action
- It focuses on effectiveness.	- It focuses on efficiency.
- It is primarily an intellectual process.	- It is primarily an operational process.
- It requires good intuitive and analytical skills.	- It requires special motivation and leadership skills.
- It requires coordination among a few individuals.	- It requires coordination among many individuals.

(b) Difference between Transformational and Traditional leadership style:

1. Traditional leadership borrowed its concept from formal Top-down type of leadership such as in the military. The style is based on the belief that power is bestowed on the leader, in keeping with the traditions of the past. This type of leadership places managers at the top and workers at the bottom of rung of power.

In transformational leadership, leader motivates and empowers employees to achieve company's objectives by appealing to higher ideas and values. They use charisma and enthusiasm to inspire people to exert them for the good of the organization.

2. Traditional leadership emphasizes characteristics or behaviours of only one leader within a particular group whereas transformational leadership provides a space to have more than one leader in the same group at the same time. According to the transformational leadership style, a leader at one instance can also be a follower in another instance. Thus there is element of flexibility in the relationships.
 3. Traditional leadership is more focused in getting the work done in routine environment. Traditional leaders are effective in achieving the set objectives and goals whereas transformational leaders have behavioural capacity to recognize and react to paradoxes, contradictions and complexities in the environment. Transformational leadership style is more focus on the special skills or talents that the leaders must have to practice to face challenging situations. Transformational leaders work to change the organisational culture by implementing new ideas.
 4. In traditional leadership, followers are loyal to the position and what it represents rather than who happens to be holding that position whereas in transformational leadership followers dedicate and admire the quality of the leader not of its position.
- (c) 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 of 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.

Question 5

What do you understand by functional structure?

(3 Marks, May, 2014)

Answer

Functional structure is widely used because of its simplicity and low cost. A functional structure groups tasks and activities by business function.

6.8 Strategic Management

The functional structure consists of a chief executive officer or a managing director and limited corporate staff with functional line managers in dominant functions such as production, accounting, marketing, R&D, engineering, and human resources. Disadvantages of a functional structure are that it forces accountability to the top, minimizes career development opportunities, etc.

Question 6

'A network structure is suited to unstable environment.' Elaborate. (3 Marks, Nov., 2012)

Answer

Network structure is a newer and somewhat 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.

Question 7

Define value chain and analyse its role in strategic implementation (2½ Marks, May, 2007)

Answer

Value Chain: Value chain facilitates procurement of whole range of inputs that are required to produce a product or service so that the process can be performed in an integrated and optimum manner. Vendors, transporters, and buyers are the components of the value chain and share the benefits of such chains.

Value chain recognises organisations as more than a random collection of machines, money and people. These resources are of no value unless deployed into activities and organised into routines and systems which ensure that products or services are produced which are of value to the final consumer/user.

Question 8

"Management of internal linkages in the value chain could create competitive advantage in a number of ways". Briefly explain. (4 Marks, Nov., 2014)

Answer

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

- 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.
- 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 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.
- 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.
- 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 9

What are the different responsibilities of a strategic leader? (3 Marks, Nov., 2013)

Answer

A strategic leader has several responsibilities, including the following:

- ◆ Environment Scanning.
- ◆ Dealing with the diverse and cognitively competitive situations.
- ◆ Managing human capital.
- ◆ Effectively managing the company's operations.
- ◆ Sustaining high performance over time.
- ◆ Willing to make candid, courageous, and yet pragmatic decisions.
- ◆ Decision-making responsibilities that cannot be delegated.
- ◆ Seeking feedback through face-to-face communications.
- ◆ Being spokesman of the organisation.

6.10 Strategic Management

Question 10

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

(4 Marks, May, 2014)

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:

1. Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.
2. Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.
3. Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.
4. Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.
5. Pushing corrective actions to improve strategy execution and overall strategic performance.

Question 11

What do you mean by strategic leadership? What are two approaches to leadership style? To bring in strategic change which three steps may be initiated? (3+3+4 = 10 Marks, May, 2008)

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.

Whereas, 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 may be appropriate in settled 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.

For initiating strategic change, three steps can be identified as under:

- (i) Recognize the need for change: The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not. This basically means going for environmental scanning involving appraisal of both internal and external capabilities may it be through SWOT analysis and then determine where the lacuna lies and scope for change exists.
- (ii) Create a shared vision to manage change: Objectives and vision of both individuals and organization should coincide. There should be no conflict between them. Senior managers need to constantly and consistently communicate the vision not only to inform but also to overcome resistance through proper communication. Strategy implementers have to convince all those concerned that the change in business culture is not superficial or cosmetic. The actions taken have to be credible, highly visible and unmistakably indicative of management's seriousness to new strategic initiatives and associated changes.
- (iii) Institutionalise the change: This is basically an action stage which requires implementation of changed strategy. 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. Capacity for self-renewal should be a fundamental anchor of the new culture of the firm. Besides, change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be brought to

6.12 Strategic Management

the notice of persons concerned so that the necessary corrective actions are taken. It takes time for the changed culture to prevail.

Question 12

Specify the steps that is needed to initiate & bring changes in the strategic building of any organization. (3 Marks, May 2012)

Write a short note on Steps for initiating a strategic change. (4 Marks, Nov., 2012)

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 which parts of the present corporate culture are strategy supportive and which are not. This basically means going for environmental scanning involving appraisal of both internal and external capabilities and then identify the problems/improvement areas and determine scope for change.
- (ii) Create a shared vision to manage change: Objectives and vision of individuals and organization should coincide. Strategy implementers have to convince all those concerned that the change in business culture is not superficial or cosmetic. The actions taken have to be fully indicative of management's seriousness to new strategic initiatives and associated changes.
- (iii) Institutionalise the change: This is basically an action stage which requires implementation of changed strategy. 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. Besides, change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be appropriately addressed.

Question 13

ABC Ltd. plans to introduce changes in its structure, technology and people. Explain how Kurt Lewin's change process can help this firm. (3 Marks, May, 2011)

Define Strategic Change. Explain the various stages/phases of change process as propounded by Kurt Lewin. (1+3 = 4 Marks, May, 2013)

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.

- (i) **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.
- (ii) **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.
- (iii) **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 new acquired behaviour does not diminish or extinguish.

Change process is not a onetime 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. By the change management process, organizations can better manage the required strategic change. In the given scenario, ABC Ltd may:

- Create awareness on compelling reasons for change.
- Steer the organization on the desired path with wide acceptance.
- Implement and install the necessary changes in the desired manner for the overall benefit of the organisation.
- Aim to stabilize the operation at a higher level of performance.

Question 14

Distinguish between Unfreezing the situation and Refreezing - the two stages of Kurt Lewin change process. (3 Marks, Nov., 2014)

Answer

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. Unfreezing is the process of breaking down the old attitudes and behaviours, customs and

6.14 Strategic Management

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.

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 new acquired behaviour does not diminish or extinguish.

Question 15

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

(4 Marks, May, 2012)

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:

- **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.
- **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.
- **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.
- **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.

Question 16

Explain briefly the role of culture in promoting better strategy execution. (4 Marks, May, 2012)

Answer

Strong cultures promote good strategy execution when there's fit and hurt 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 work environment where the culture matches the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one's job.

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.

Question 17

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

(3 Marks, May, 2011)

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.

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 principle and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organisation.

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.

Question 18

Briefly describe the impact of corporate culture on an organization. (3 Marks, May, 2014)

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,

6.16 Strategic Management

performance targets or strategy, the culture becomes a stumbling block that impedes successful strategy implementation and execution.

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.

Question 19

What steps would you suggest to change a company's problem culture? (3 Marks, Nov., 2014)

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 instil ones that are more strategy-supportive.

- ◆ The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
- ◆ Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
- ◆ 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.

7

Reaching Strategic Edge

Syllabus Covered

Business Process Reengineering, Benchmarking, Total Quality Management, Six Sigma, Contemporary Strategic Issues.

Question 1

State with reasons the following statement is correct / incorrect:

- (a) *The main focus of six sigma is on the shareholders.* (2 Marks, May, 2007)
- (b) *Strategic management is not needed in non-profit organisations.* (2 Marks, Nov., 2008)
- (c) *Benchmarking and Business process Reengineering are one and the same.*
(2 Marks, May, 2010)
- (d) *Not-for-profit organizations are not required to have a strategy.* (2 Marks, Nov., 2010)
- (e) *E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains.* (2 Marks, May, 2012)
- (f) *Benchmarking is a remedy for all problems faced by organizations.* (2 Marks, Nov., 2012)
- (g) *Total Quality Management (TQM) focuses on preventing rather than detecting defects.*
(2 x 2 = 4 Marks, May, 2013)
- (h) *Six sigma efforts target following main areas:*
 - (x) *Improving customer satisfaction.*
 - (y) *Reducing wastage*
 - (z) *Reducing defects* (2 x 2 = 4 Marks, May, 2014)

Answer

- (a) **Incorrect:** Although any business action may result directly or indirectly in creation/erosion of shareholders wealth, the main focus of six sigma is on delivering value to the customers. Six sigma aims in improving customer satisfaction. Primarily, six sigma means maintenance of the desired quality in processes and end products. It also means taking systematic and integrated efforts toward improving quality and reducing cost.

7.2 Strategic Management

- (b) **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.
- (c) **Incorrect:** Benchmarking relates to setting goals and measuring productivity based on best industry practices. The idea is to learn from competitors and others to improve their own performance. On the other hand business process reengineering relates to analysis and redesign of workflows and processes both within and between the organizations.
- (d) **Incorrect:** Similar to commercial organizations, 'not-for-profit' organizations must also have a strategy. It is required to give it direction, focus and efficient utilization of resources. In many 'not-for-profit' organizations surpluses are important for their survival and growth.
- (e) **Correct:** The impact of e-commerce technology on industry and company value chains is profound, paving the way for fundamental changes in the ways business is conducted both internally, and with suppliers and customers. Using the network to link the customers and the suppliers enables just-in-time delivery, reducing inventory costs and allowing production to match demand.
- (f) **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 in superior performance. Better processes are not merely copied. Efforts are made to learn, improve and evolve them to suit the organizational circumstances.
- (g) **Correct:** TQM is a management philosophy that seeks to prevent poor quality in products and services, rather than simply to detect and sort out defects. A little precaution before a crisis occurs is preferable to a lot of fixing up afterward. This also saves cost and time.
- (h) **Correct:** Primarily Six Sigma means maintenance of the desired quality in processes and end products. It is a highly disciplined process that helps in developing and delivering near-perfect products and services. Improvements in these areas usually represent dramatic cost savings to businesses, as well as opportunities to retain customers, capture new markets, and build a reputation for top performing products and services.

Question 2

- (a) *Fill in the blanks in the following statements with the most appropriate word:*
 - (i) *The orientation of the redesign effort refers to a total _____ and rethinking of entire business process. (1 Mark, May, 2011)*
 - (ii) *Benchmarking is process of continuous improvement in search for _____ advantage. (1 Mark, Nov., 2011)*
 - (iii) *Total Quality Management is a people focused management system that aims at*

continual increase in _____ at continually lower real cost. (1 Mark, May, 2012)

(b) Explain the meaning of the following concepts:

(i) Business Process Re-engineering (1 Mark, May, 2011)

(ii) Six sigma (1 Mark, Nov., 2012)

Answer

(a) (i) Deconstruction.

(ii) Competitive.

(iii) Customer Satisfaction

(b) (i) **Business process reengineering** refers to the analysis and redesign of workflows and processes both within and between the organisations – it is a total deconstruction and rethinking of a business process in its entirety, unconstrained by its existing structure and pattern. It is an approach to unusual improvement in operating effectiveness through the redesigning of critical business processes and supporting business systems.

(ii) Six sigma is a highly disciplined process that helps in developing and delivering near-perfect products and services. It strives to meet and improve organizational outputs in terms of quality, cost, scheduling, manpower, new products and so on. It works continuously towards revising the current standards and establishing higher ones. It means taking systemic and integrated efforts towards improving quality and reducing cost.

Question 3

Define Business Process Re-engineering. Briefly outline the steps therein.

(4 + 6 = 10 Marks, June, 2009)

OR

What is the rationale behind Business Process Reengineering (BPR)? What steps would you recommend to implement BPR in an organization? (7 Marks, May, 2014)

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.

7.4 Strategic Management

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:

1. **Determining objectives and framework:** Objectives are the desired end results of the redesign process which the management and organization attempts to achieve. This will provide the required focus, direction, and motivation for the redesign process. It helps in building a comprehensive foundation for the reengineering process.
2. **Identify customers and determine their needs:** The 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 added value to the customer.
3. **Study the existing process:** The existing processes will provide an important base for the redesigners. The purpose is to gain an understanding of the ‘what’, and ‘why’ of the targeted process. However, some companies go through the reengineering process with clean perspective without laying emphasis on the past processes.
4. **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 focused redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
5. **Implement the redesign:** 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 4

Being a strategic professional, analyze and redesign the work flows in the context of business process reengineering. (3 Marks, May, 2012)

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.

Question 5

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

(3 + 7 = 10 Marks, Nov., 2008)

What is Benchmarking? What are the elements involved in Benchmarking process?

(1 + 3 = 4 Marks, May, 2011)

Answer

Benchmarking is an approach of setting goals and measuring productivity based on best industry practices. It is 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 the process of continuous improvement in search of competitive advantage. It measures company's products, services and practices against those of its competitors or other acknowledged leaders in the industry.

The Benchmarking process elements: Some of the common elements of benchmarking process are as under.

- (i) **Identifying the need for benchmarking process:** This step will define the objectives of the benchmarking exercise. It will also involve selecting the type of benchmarking. Organisations identify realistic opportunities for improvements.
- (ii) **Clearly understanding existing business processes:** This will involve compiling information and data on performance. This will include mapping processes also. Information and data is collected by different methods for example, interviews, visits and filling of questionnaires.
- (iii) **Identify best processes:** Within the selected framework best processes are identified. These may be within the same organisation or outside of them.
- (iv) **Comparison of own processes and performance with that of others:** Benchmarking process also involves comparison of performance of the organisation with performance of other organisation. Any deviation between the two is analysed to make further improvements.
- (v) **Prepare a report and implement the steps necessary to close the gap in performance:** A report on benchmarking initiatives containing recommendations is prepared. Such report also contains the action plans for implementation.
- (vi) **Evaluation:** Business organisations evaluate the results of 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 influence the performance.

7.6 Strategic Management

Question 6

“Firms can use benchmarking process to achieve improvement in diverse range of management functions.” Elucidate. (3 Marks, Nov., 2013)

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:

1. maintenance operations,
2. assessment of total manufacturing costs,
3. product development,
4. product distribution,
5. customer services,
6. plant utilisation levels; and
7. human resource management.

Question 7

Define each of the following and analyse its role in strategic implementation:

(1) *B.P.R.*

(2) *ERP*

(3) *Benchmarking*

(3 × 2½ = 7½ Marks, May, 2007)

Answer

- (1) **BPR:** BPR stands for business process reengineering. It refers to the analysis and redesign of workflows both within and between the organisation and the external entities. Its objective is to improve performance in terms of time, cost, quality, and responsiveness to customers. It implies giving up old practices and adopting the improved ones. It is an effective tool of realising new strategies.

Improving business processes is paramount for businesses to stay competitive in today's marketplace. New technologies are rapidly bringing new capabilities to businesses, thereby raising the strategical options and the need to improve business processes dramatically. Even the competition has become harder. In today's market place, major changes are required to just stay even.

- (2) **ERP:** ERP stand for enterprise resource planning which is an IT based system linking isolated information centers across the organisation into an integrated enterprise wide

structured functional and activity bases. ERP is successor to MRP systems (material requirements and manufacturing resource planning systems). ERP is used for strengthening the procurement and management of input factors.

Modern ERP systems deliver end-to-end capabilities to support the entire performance management of an organisation. It helps in consolidated financial reporting, financial management, planning, budgeting, performance management and so on.

- (3) **Benchmarking:** It is a process of finding the best practices within and outside the industry to which an organisation belongs. Knowledge of the best helps in standards setting 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 like maintenance operations, assessment of total manufacturing costs, product development, product distribution, customer services, plant utilisation levels and human resource management

Question 8

Briefly Define T.Q.M in 2-3 sentences.

(2 Marks, Nov., 2007)

Answer

Total Quality Management: TQM or Total Quality Management is a people-focused management system that aims at continual increase in customer satisfaction at continually lower real cost. There is a sustained management commitment to quality and everyone in the organisation and the supply chain is responsible for preventing rather than detecting defects.

TQM is a total system approach (not a separate area or program) and an integral part of high-level strategy. It works horizontally across functions and departments, involves all employees, top to bottom, and extends backward and forward to include the supply chain and the customer chain. TQM stresses learning and adaptation to continual change as keys to organizational success.

Question 9

Distinguish between the TQM and Traditional Management Practices.

(3 Marks, May, 2011)

Answer

Total Quality Management is different from traditional management practices, requiring changes in organisational processes, beliefs and attitudes, and behaviours. '*Traditional management*' means the way things are usually done in most organisations in the absence of a TQM focus. The nature of TQM differs from common management practices in many respects. Some of the key differences are as follows:

- (i) **Strategic Planning and Management:** Quality planning and strategic business planning is indistinguishable in TQM. Customer satisfaction, defect rates and process cycle times

7.8 Strategic Management

receive very high attention on TQM which is not the case in traditional management.

- (ii) **Changing Relationships with customers and suppliers:** Distinguishable, innovation is essential to meet and exceed customers' needs. In TQM quality is defined as product and services. Traditional management places customers outside of the enterprises and within the domain of marketing and sales.
- (iii) **Organizational Structure:** TQM is also distinguishable as it views enterprise as a system of interdependent processes. Every process contains sub-processes and is also contained within a higher process.
- (iv) **Organizational Change:** In TQM the environment in which the enterprise interacts is considered to be changing constantly. Management's job, therefore, is to provide the leadership for continual improvement and innovation in processes and systems, products, and services. TQM recognises the inevitability of external change and focuses on shaping the future.
- (v) **Teamwork:** In TQM, individuals cooperate in team structure such as quality circles, steering committees, and self-directed work teams. Departments work together toward system optimization through cross-functional teamwork.
- (vi) **Motivation and Job Design:** TQM managers provide leadership and motivation rather than overt intervention in the processes of their subordinates who are viewed as process managers rather than functional specialists.

Question 10

Elaborate the following principles that guide the Total Quality Management Philosophy:

- (i) *Universal Quality Responsibility*
- (ii) *Preventing Rather than Detecting Defects*
- (iii) *Continuous Improvement and Learning* (3 Marks, May, 2012)

Answer

- (i) **Universal quality responsibility:** TQM requires that everyone takes responsibility for quality. The responsibility for quality is not restricted to an organization's quality assurance department, but is a guiding philosophy shared by everyone in an organization.
- (ii) **Preventing rather than detecting defects:** TQM is a management philosophy that seeks to prevent poor quality in products and services, rather than simply to detect and sort out defects. This saves cost, time and wastages.
- (iii) **Continuous improvement and learning:** TQM adopts a philosophy of continuous improvement in all areas. Improvement and learning need to be embedded in the way an organization operates. They should be a regular part of daily work, seeking to eliminate problems at their source.

Question 11

What is Six Sigma? How is it different from other quality programs? Explain in brief themes of Six Sigma. (2 + 2 + 6 = 10 Marks, Nov., 2009)

Write a short note on Six Sigma

(3 Marks, Nov., 2013)

Answer

Primarily Six sigma means maintenance of the desired quality in processes and end products. It means taking systemic and integrated efforts toward improving quality and reducing cost.

It is a highly disciplined process that helps in developing and delivering near-perfect products and services. It strives to meet and improve organizational goals on quality, cost, scheduling, manpower, new products and so on. It works continuously towards revising the current standards and establishing higher ones. Six sigma has its base in the concept of probability and normal distribution in statistics. Six sigma strives that 99.99966% of products manufactured are defect free.

Six sigma efforts target three main areas:

- ◆ Improving customer satisfaction
- ◆ Reducing cycle time
- ◆ Reducing defects

Six sigma and other quality programs

Six sigma is improvement over other quality programmes:

- (i) Six sigma is customer focused. It strives to provide better satisfaction to the customer owning the product.
- (ii) Six sigma is a total management commitment and philosophy of excellence, process improvement and the rule of measurement.
- (iii) Six sigma induces changes in management operations - new approaches to thinking, planning and executing to achieve results.
- (iv) Six sigma combines both leadership and grassroots energy and involvement for its success.

Six themes of six sigma

The critical elements of six sigma can be put into six themes as follows:

- ◆ **Theme one** – *genuine focus on the customer*: Companies launching six sigma often to find that how little they really understand about their customers. In six sigma, customer focus becomes the top priority. For example, the measures of six sigma performance begin with the customer. Six sigma improvements are defined by their impact on customer satisfaction and value.

7.10 Strategic Management

- ◆ **Theme two – data and fact-driven management:** Six sigma takes the concept 'of "management by fact" to a new, more powerful level. Despite the attention paid in recent years to improved information systems, knowledge management, and so on, many business decisions are still being based on opinions, assumptions and gut feeling. Six sigma discipline begins by clarifying what measures are key to gauging business performance and then gathers data and analyzes key variables. Problems are effectively defined, analyzed, and resolved. Six sigma also helps managers to answer two essential questions to support data-driven decisions and solutions.
 - What data/information is really required?
 - How to use the data/information for maximum benefit?
- ◆ **Theme three – processes are where the action is** Designing products and services, measuring performance, improving efficiency and customer satisfaction and so on. Six sigma positions the process as the key vehicle of success. One of the most remarkable breakthroughs in Six Sigma efforts to date has been convincing leaders and managers. Process may relate to build competitive advantage in delivering value to customers.
- ◆ **Theme four – proactive management:** In simple terms, being proactive means acting in advance of events rather than reacting to them. In the real world, though, proactive management means making habits out of what are, too often, neglected business practices: defining ambitious goals and reviewing them frequently, setting clear priorities, focusing on problem prevention rather than fire-fighting, and questioning why we do things instead of blindly defending them.

Far from being boring or overly analytical, being truly proactive is a starting point for creativity and effective change. Six sigma, encompasses tools and practices that replace reactive habits with a dynamic, responsive, proactive style of management.
- ◆ **Theme five – boundaryless collaboration:** "Boundarylessness" is one of Jack Welch's mantras for business success. Years before launching six sigma, GE's chairman was working to break barriers and to improve teamwork up, down, and across organizational lines. The opportunities available through improved collaboration within companies and with vendors and customers are huge. Billions of dollars are lost every day because of disconnects and outright competition between groups that should be working for a common cause: providing value to customers.
- ◆ **Theme six – drive for perfection; tolerate failure:** Organizations need to make efforts to achieve perfection and yet at the same time tolerate failure. In essence, though, the two ideas are complementary. No company will get even close to six sigma without launching new ideas and approaches-which always involve some risk. Six sigma cannot be

Question 12

"Three key characteristics of Six Sigma separate it from other quality programs of the past,"
Explain these characteristics. (3 Marks, May, 2013)

Answer

Three key characteristics that separate Six Sigma from other quality programs of the past.

1. Six Sigma is customer focused. While moving towards Six Sigma it is almost an obsession to keep external customer needs in plain sight, driving the improvement effort.
2. Six Sigma projects produce major returns on investment. Six Sigma can help in improving the returns. A satisfied customer brings loyalty. Defects lead to increased costs and complaints. Ideally, an organisation wants to avoid any defects leading to increased cost and reduced customer satisfaction. Thus, six sigma helps a company to save more money by delivering near perfect products and services.
3. Six Sigma changes how management operates. Six Sigma is much more than improvement project. Senior executives and leaders throughout a business are learning the tools and concepts of Six Sigma: new approaches to thinking, planning, and executing to achieve results. In a lot of ways, Six Sigma is about putting into practice the notions of working smarter, not harder.

Question 13

Distinguish between DMAIC and DMADV Methodology of Six Sigma. (4 Marks, May, 2012)

Answer

For implementing six sigma, there are two separate key methodologies for existing and new processes. They are known as DMAIC and DMADV.

DMAIC is an acronym for five different steps used in six sigma - Define, Measure, Analyze Improve, and control. DMAIC methodology is directed towards improvement of existing product, process or service.

- ◆ **Define:** To begin with six sigma experts define the process improvement goals that are consistent with the strategy of the organization and customer demands. They discuss different issues with the senior managers so as to define what needs to be done.
- ◆ **Measure:** The existing processes are measured to facilitate future comparison. Six sigma experts collect process data by mapping and measuring relevant processes.
- ◆ **Analyze:** Verify cause-and-effect relationship between the factors in the processes. Experts need to identify the relationship between the factors. They have to make a comprehensive analysis to identify hidden or not so obvious factors.
- ◆ **Improve:** On the basis of the analysis experts make a detailed plan to improve.
- ◆ **Control:** Initial trial or pilots are run to establish process capability and transition to production. Afterwards continuously measure the process to ensure that variances are identified and corrected before they result in defects.

7.12 Strategic Management

DMADV is an acronym for Define, Measure, Analyze, Design, and Verify. DMADV is a strategy for designing new products, processes and services.

- ◆ **Define:** As in case of DMAIC six sigma experts have to formally define goals of the design activity that are consistent with strategy of the organization and the demands of the customer.
- ◆ **Measure:** Next identify the factors that are critical to quality (CTQs). Measure factors such as product capabilities and production process capability. Also assess the risks involved.
- ◆ **Analyze:** Develop and design alternatives. Create high-level design and evaluate to select the best design.
- ◆ **Design:** Develop details of design and optimise it. Verify designs may require using techniques such as simulations.
- ◆ **Verify:** Verify designs through simulations or pilot runs. Verified and implemented processes are handed over to the process owners.

However, in spite of different orientation in two methodologies, conceptually there is overlapping between the DMAIC and DMADV as both are essentially having similar objectives.

Question 14

Write a short note on Internet Technology.

(3 Marks, Nov., 2012)

Answer

The Internet is an integrated network of banks of servers and high-speed computers, digital switches and routers, telecommunication equipments and lines, and individual computers. The backbone of the internet consists of telecommunication lines criss-crossing countries, continents, and the world that allow computers to transfer data in digital form at very high speed.

Internet has made significant changes in the way businesses are being conducted. Communications has become faster, with many interlinkages promoting globalization. While markets have expanded, the competition has also increased manifolds. E-commerce is a new area which has developed on account of internet technology.

Question 15

'The growing use of the internet by businesses and consumers is changing the competitive scenario.' Identify the characteristics of the E-commerce environment doing so.

(7 Marks, Nov., 2010)

Explain in brief, how E-commerce environment has affected the business? (3 Marks, May 2013)

How does the Internet Technology influence an industry's competitive environment? Explain.

(7 Marks, Nov., 2014)

Answer

The impact of the Internet and the rapidly emerging e-commerce environment is substantial and widespread. The advent of the Internet and online networks is changing everything. Growing use of the Internet by businesses and consumers reshapes the economic landscape and alters traditional industry boundaries. Characteristics of E-commerce environment changing competitive scenario are as under:

- (a) The Internet makes it feasible for companies everywhere to compete in global markets. This is true especially for companies whose products are of good quality and can be shipped economically.
- (b) There are new e-Commerce strategic initiatives of existing rivals and new entrants in form of e-commerce rivals. The innovative use of the Internet adds a valuable weapon to the competitive arsenal of rival sellers, giving them yet another way to jockey for market position and manoeuvre for competitive advantage.
- (c) Entry barriers into the e-commerce world are relatively low. Relatively low entry barriers explain why there are already hundreds of thousands of newly formed e-commerce firms, with perhaps millions more to spring up around the world in years to come. In many markets and industries, entry barriers are low enough to make additional entry both credible and likely.
- (d) Increased bargaining power of customers to compare the products, prices and other terms and conditions of rival vendors. Online buyers gain bargaining power because they confront far fewer obstacles to comparing the products, prices, and shipping times of rival vendors.
- (e) Possibility for business organizations to locate the best suppliers across the world to gain cost advantage. The Internet makes it feasible for companies to reach beyond their borders to find the best suppliers and, further, to collaborate closely with them to achieve efficiency gains and cost savings. Organisations can extend their geographic search for suppliers and can collaborate electronically with chosen suppliers to systemise ordering and shipping of parts and components, improve deliveries and communicate speedily and efficiently.
- (f) Internet and PC technologies are advancing rapidly, often in uncertain and unexpected directions. Such changes are often bringing in new opportunities and challenges.
- (g) Faster diffusion of new technology and new idea across the world. Organisations in emerging countries and elsewhere can use the internet to monitor the latest technological developments and to stay abreast of what is transpiring in the developed markets.
- (h) The e-commerce environment demands that companies move swiftly. In the exploding e-commerce world, speed is a condition of survival. New developments occur on one front and then on another occur regularly.
- (i) E-commerce technology opens up a host of opportunities for reconfiguring industry and

7.14 Strategic Management

company value chains. Using the internet to link the orders of customers with the suppliers of components enables just-in-time delivery to manufacturers, slicing inventory costs and allowing production to match demand.

- (j) The Internet can be an economical means of delivering customer service. Organisations are discovering ways to deliver service in a centralised manner – online or through telephone. Thus curtailing the need to keep company personnel at different locations or at the facilities of major customers.
- (k) The capital for funding potentially profitable e-commerce businesses is readily available. In the Internet age, e-commerce businesses have found it relatively easy to raise capital. Venture capitalists are quite willing to fund start-up enterprises provided they have a promising technology or idea, an attractive business model, and a well thoughtout strategic plan
- (l) The needed e-commerce resource in short supply is human talent-in the form of both technological expertise and managerial know-how. While some e-commerce companies have their competitive advantage lodged in patented technology or unique physical assets or brand-name awareness, many are pursuing competitive advantage based on the expertise and intellectual capital of their personnel and on their organizational competencies and capabilities.

Question 16

Write short notes on Role of IT in Business Process Reengineering. (4 Marks, Nov., 2011)

Trace the role of information technology in business process reengineering. (3 Marks, Nov., 2012)

Answer

The Role of IT in BPR: The accelerating pace at which information technology has developed during the past few years had a very large impact in the transformation of business processes. Various studies have conclusively established the role of information technology in the transformation of business processes. Information technology is playing a significant role in changing the business processes during the years to come, has been established beyond doubt.

A reengineered business process, characterized by IT-assisted speed, accuracy, adaptability and integration of data and service points, is focused on meeting the customer needs and expectation quickly and adequately, thereby enhancing his/her satisfaction level. With the help of tools of information technology organizations can modify their processes to make them automatic, simpler, time saving. Thus IT can bring efficiency and effectiveness in the functioning of business.

Question 17

Explain the role of Strategic Management in non-profit organisations. (3 Marks, May, 2013)

Answer

Business organization can be classified as commercial or non-commercial on the basis of the interest they have. 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. Examples of non-commercial organizations can be The Institute of Chartered Accountants of India, municipal corporations, non-governmental organizations such as Help-Age or Child Relief and You. Their main aim is to provide services to members, beneficiaries or public at large.

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 strategic management.

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.

Question 18

Describe briefly the use of Strategic Management techniques in Educational Institutions.

(3 Marks, Nov., 2011)

Answer

Education is considered to be a noble profession. An educational institution often functions as a not-for-profit organization managed by trusts and societies. They include schools, colleges and universities. Being inherently non-commercial in nature, educational organisations do not have cut-throat competition as in case of their commercial counterparts. However, as the number of institutions belonging to both public and private sector are increasing, the competition is gradually rising. Through the use of strategic management techniques such institutions are expected to concentrate attention towards:

- Getting better name and recognition.
- Attracting talented students.
- Designing the curriculum in such a way to provide better citizenry and employability.
- Appointing and retaining quality faculty for teaching.
- Preparing students for the future challenges by capacity building.

Roll No.....

Total No. of Questions-10]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (May, 2010)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Attempt **all** questions.

- | | Marks |
|---|--------------|
| 6. State with reasons which of the following statements is correct or incorrect : | 3×2=6 |
| (a) Globalisation means different things to different people. | |
| (b) Production strategy implements, supports and drives higher strategies. | |
| (c) Benchmarking and Business Process Reengineering are one and the same. | |
| 7. Briefly answer the following : | 3×2=6 |
| (a) Need for Turnaround Strategy | |
| (b) Grand Strategy Alternative during Recession | |
| (c) 'Shared Vision' and 'Vision Shared'. | |
| 8. (i) What tips can you offer to write a 'right' Mission Statement ? | 2×4=8 |

(ii) 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 Rs.)	Percent Revenues	Profits (in Rs.)	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	75 lakh	30	60	- 20
D	50 lakh	4	5 lakh	2	5	- 10
Total	12.5 crore	100	250 lakh	100		

9. Michael E. Porter has suggested three generic strategies. Briefly explain them. What is the basic objective to follow a generic strategy ? In what situations can the three strategies be used ? Identify the type of strategy used in the following examples : **3+1+3**
+3=10
- (a) Dell Computer has decided to rely exclusively on direct marketing.
- (b) "Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply."
- (c) 'NDTV' a TV Channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'NDTV Profit' and 'Image'.
10. Read the following case and answer the questions given at the end :
- Subhiksha (prosperity in Sanskrit) began with a single grocery store at Chennai in 1997. Subhiksha stores increased from 50 in 2000 to 140 by 2002-03 (spread across 30 towns in Tamilnadu) to 670 by 2006-07 to 1650 by September, 2008. Its early success was due to its business model based upon no-frills/deep discount and high level of neighbourhood focus. Its decision in 2004 to go national from a regional player at a rapid pace proved wrong. With the growing

ambition to go national, focus shifted from value to customers to creating valuation for self. The company had recruited all the employees to foray into consumer durables also. Its revenue increased from Rs. 278 crore from 140 stores in 2005 to Rs. 2305 crore in 2008 with a capital base of Rs. 32 crore. Subhiksha's profit after tax for 2007-08 was Rs. 41 crore. It had invested heavily, largely using debt, and paybacks took longer than expected. Repayment of debt had no relationship to cash flow. In the end the company had liabilities of Rs. 900 crore.

Around January, 2009, the company had started to shut down stores pan-India and in February, the top management quit the firm, not just because it defaulted on rentals of its outlets and salaries since October, 2008. Today all the stores are closed. Major suppliers had stopped supplies after it defaulted on payments. It asked its employees to take home groceries; and go on leave without pay. Many employees did not get their salaries. Initially the company was confident to restructure and remain in business.

Indian retail industry comprises of 12 million mom-and-pop stores and kirana stores (many of whom have also started innovating) and unknown number of hawkers in the unorganized sector working on small-sized stores and with low or no rentals and salaries and the organized retailers (market share not more than 5%).

The emergence of a large young population and a growing middle class with strong disposable incomes and credit card culture are the drivers of the organized retail, a mix of two types — ones going in for huge expansion announcements and others following "slow and steady wins the race strategy". The industry operates not on a very hefty margin. The yearly top-line growth is likely to remain around 10-15% as against forecasted 35% this year. Compared with players like Pantaloon, Reliance, More, RPG and even Nilgiri's (which has private equity funding), Subhiksha has no large group's backing (except Shri Azim Premji having 10% stake). The strategy was to raise more debt and keep equity low. During 2006, Subhiksha had a good chance to make an initial IPO or raise private equity money,

but it was in quest of creating higher valuations. Suddenly retail was no longer so hot and the capital tap had gone dry. Due to inability to raise more debt, working capital was diverted to expand. Many of the organized retailers have survived the downturn through transformation in their strategies and tactics. However, one thing is certain that footfalls have declined for the organized retail.

Debt-ridden retailer Subhiksha Trading Services Ltd. has begun its second innings in February, 2010, with the launch of its first cash-and-carry store (the board outside the outlet reads Subhiksha Maligai Arisi Mandi) in Thiruvanmiyur in Chennai — at its first ever retail outlet). "Subhiksha's model will be different this time around and will not directly engage with customers," said an industry source.

Questions :

- | | |
|--|---|
| (a) "To understand the nature of competition certain questions need to be answered." What those questions are ? | 3 |
| (b) Who were the competitors of Subhiksha ? Do you think they were better equipped than it ? | 5 |
| (c) What, where and how the business strategy of Subhiksha might have gone wrong ? | 4 |
| (d) If you were the strategy consultant to the Organised Retailers Association of India, what will you advise to control the cost and convert the threat of dropping footfalls and declining sales into an opportunity ? | 6 |
| (e) How is a Cash-and-carry store different from a Retail store ? Name any other such Cash-and-carry store in India. | 2 |

Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (November, 2010)

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SECTION - A

(Not Included in this Compilation)

SECTION – B

Question No. **8** is compulsory.

Attempt any **Five** questions from the rest.

Marks

8. Read the following case and answer the questions given at the end :

Godrej, still managed by a family board, is a 113-year-old brand and has a great brand value. But younger generation's reaction has been – "it's my parents' or my grandparents' brand. Hence the Group launched a rebranding exercise in 2008, the most visible part being a new logo, uniform across all group companies. It has well diversified businesses – cyclical (property : owning 3000 acres in Mumbai's Vikhroli alone, Ahmedabad, Pune and Kalyan), stable (fast moving consumer goods), rural (Agrovat stores) and urban (organised retail stores-Nature's Basket, domestic appliances and furniture). The group sells fatty acids to tyre manufacturers; animal feed to 1,00,000 farmers; and premium wine in Mumbai and Delhi. Its customers range from five-year olds (nutrine), ageing man (hair dye), to housewives (soaps & locks), IT companies (renting sprawling spaces), to Government of India (like rockets for Chandrayan), and to 50,000 barbers (Godrej dye). But it

abstains in new-age, sunrise industries like health care and information technology.

Godrej Consumer Products Limited (GCPL) has adopted a '3 by 3' strategy, sticking to emerging markets in three regions — Asia, Africa and Latin America as their culture, tastes and even skin colours are quite similar to India and in three categories — personal care, hair-care and insecticides. Since 2005, GCPL has made seven acquisitions, including its biggest acquisition of Indonesia's Megasari Group for 1200 crore, in 2010. "Acquisitions overseas add status and pedigree to brand-owners in the domestic market" says an expert. Prashant Goenka (Emami) questions "When Indian companies such as Dabur, Godrej and Marico can make it big in international markets, why can't Emami?" Anil Chug (Wipro) says, "by having a presence in multiple markets our risk assessment is neutralized". Marico's Harish opines- "the global play has helped Marico expand its footprint and given it another avenue for growth."

Recently Godrej's top honchos toured the hinterlands, an indicator of the renewed focus on consumer. To reach out to new customers, especially in rural India, it has gone in for destructive innovation. The group has been manufacturing refrigerators for more than 50 years, but its penetration has been only 18%. It found out that people do not need a 180 litre fridge due to space and cost constraints. It came out with 'Chotukool' — a square 45 litre minifridge priced at just 3,250. Another example of destructive innovation is the launch of 'U & Us' — a 'by appointment' design studio where customers co-design their furniture as customers see furniture as an extension of their personality. Thus Godrej group is transiting from manufacturing-oriented to consumer oriented.

Questions :

- (i) What are the strengths of Group Godrej ? 3
 - (ii) What are the weaknesses of Group Godrej ? 3
 - (iii) What is the Group Godrej's perception with regard to innovation and consumers now ? 3
 - (iv) Why do firms go global ? 6
9. (a) State with reasons which of the following statements is correct or incorrect : 2×2=4
- (i) Not-for-profit organizations are not required to have a strategy.
 - (ii) Control systems run parallel with strategic levels.
- (b) Fill in the blanks in the following statements with the most appropriate word : 3×1=3
- (i) "In the factory, we make cosmetics. In the drugstore, we sell _____ .
 - (ii) Product Life Cycle portrays the distinct _____ in the sales history of a product.
 - (iii) Vision is always _____ oriented.
10. Explain the meaning of the following strategies and also give suitable examples (one each) : 7
- (i) Forward Integration
 - (ii) Backward Integration
 - (iii) Horizontal Integration
 - (iv) Conglomerate Diversification
 - (v) Divestment

- (vi) Liquidation
 - (vii) Concentric Diversification
11. (a) Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options. 4
- (b) To which industries the following development offers opportunities and threats ?
'The number of nuclear families, where husband and wife both are working, is fast increasing'. 3
12. 'The growing use of the internet by businesses and consumers is changing the competitive scenario.' Identify the characteristics of the E-commerce environment doing so. 7
13. Distinguish between the following :
- (a) Top-Down and Bottom-Up Strategic Planning. 4
 - (b) The Three Levels of Strategy Formulation. 3
14. Write short notes on the following :
- (a) Network structure 4
 - (b) Elements of Marketing Mix 3
-

Roll No.....

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (May, 2011)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. **8** is compulsory.

Attempt any **Five** questions from the rest.

Marks

8. Read the following case and answer the questions given at the end :

Sharp Corporation is a worldwide developer of innovative products and core technologies that play a key role in shaping the future of electronics. As a leader in liquid crystal displays (LCDs) and digital technologies, Sharp offers one of the broadest and most advanced lines of consumer electronics, information products and electronic components, while also creating new network businesses. Sharp Corporation has travelled a long way from an assembler of televisions to a leading TV manufacturer. In its early days as business enterprise, the company was making low quality and low price TVs and was, thus overshadowed by the giants like Sony, Samsung and Matsushita. It was a technology follower in the beginning and was using secondary technology. The brand image, too, was not very high. Sharp, under the leadership of Machida,

went for a brand image makeover by using innovation. The new leader has concentrated on R & D, in addition to enhancing its market coverage.

Its innovation in liquid crystal display (LCD) technology and developing products featuring LCD's made at the reputed electronics company in Japan. Sharp is now the world's largest manufacturer of LCD TVs. The company has very well succeeded and sustaining its success is a major critical factor : its focus on innovation. Unfortunately, the global economic downturn has hit Sharp worse than the most American Companies. The industry as a whole, and Sharp in particular, realised the fact that only innovation in terms of quality, cost and competitive strength is the main survival factor. At the same time the industry is not unaware of the fact that every new technology will obsolete faster. Average life of every new technology is becoming shorter and shorter.

The ever changing competitive scenario with the global competitors waging to dethrone Sharp and the entry of low cost manufacturers from Asia, have created some of the biggest challenges for Sharp. Newer display technologies with superior quality at a lesser price are emerging in the international market. Sharp has taken the first mover advantage, but is facing competition from the late entrants.

Questions :

- (i) What are the strengths of Sharp Corporation ? 3
- (ii) What are the weaknesses of Sharp Corporation ? 3
- (iii) What should be the next move of Sharp Corporation ? 3
- (iv) Analyse the key success factors for LCD TV Industry. 6

9. (a) State with reasons which of the following statements is correct or incorrect : **2×2=4**
- (i) The term PESTLE analysis is used to describe a framework for analyzing the micro-environmental factors.
 - (ii) Marketers alone can deliver superior value to customers.
- (b) Fill in the blanks in the following statements with the most appropriate word : **3×1=3**
- (i) The orientation of the redesign effort refers to a total _____ and rethinking of entire business process.
 - (ii) The corporate mission is an expression of the _____ of the firm.
 - (iii) Michael Porter's Generic strategies allow organizations to gain competitive advantages by cost leadership, _____ and focus.
10. Explain the meaning of the following concepts : **7×1=7**
- (i) Corporate Strategy
 - (ii) Strategic Group Mapping
 - (iii) Relationship Marketing
 - (iv) Supply Chain Management
 - (v) Out bound Logistics
 - (vi) Business Process Re-engineering
 - (vii) Combination Strategies
11. (a) "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. **4**
- (b) ABC Ltd. plans to introduce changes in its structure, technology and people. Explain how Kurt Lewin's change process can help this firm. **3**
12. (a) What is Benchmarking ? What are the elements involved in Benchmarking process ? **1+3=4**
- (b) How a corporate culture can be both strength and weakness of an organisation ? **3**
13. Distinguish between the following :
- (a) Strategy Formulation and Strategy Implementation. **4**
- (b) TQM and Traditional Management Practices. **3**
14. Write short note on the following :
- (a) Importance of Strategic Management. **4**
- (b) Advantages of SBU Structure. **3**
-

Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (November, 2011)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. **8** is compulsory.

Attempt any **Five** questions from the rest.

	Marks
8. (a) Elaborate the characteristics of Business Environment with reference to Decision Making.	3
(b) Industry is a composite of competitive pressures in five areas of the overall market. Briefly explain the competitive pressures.	3
(c) You are appointed as a Strategic Manager by XYZ Co. Ltd. Being a Strategic Manager what should be your tasks to perform ?	3
(d) 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 ?	3

- (e) Describe briefly the use of Strategic Management techniques in Educational Institutions. 3
9. (a) State with reasons which of the following statements is correct or incorrect : 2×2=4
- (i) The process of strategy avoids matching potential of the organization with the environment opportunities.
- (ii) The role of human resource manager is significant in building up core competency of the firm.
- (b) Fill in the blanks in the following statements with the most appropriate word : 3×1=3
- (i) Strategic Management is not a box of tricks or a bundle of techniques. It is analytical thinking and _____ of resources to action.
- (ii) Benchmarking is a process of continuous improvement in search for _____ advantage.
- (iii) Divestment is a part of rehabilitation and is adopted when a _____ has been attempted but has proved to be unsuccessful.
10. Explain the meaning of the following concepts : 7
- (i) Joint Venture
- (ii) Service Marketing
- (iii) Value Chain Analysis
- (iv) Enlightened Marketing
- (v) Strategic Vision
- (vi) Person Marketing
- (vii) Logistic Strategic

11. (a) In the light of BCG Growth Matrix state the situation under which the following strategic options are suitable : **4×1=4**
- (i) Build
 - (ii) Hold
 - (iii) Harvest
 - (iv) Divest
- (b) Explain the strategic role of Human Resources Management in the following areas : **3×1=3**
- (i) Facilitation of Change
 - (ii) Building Core Competency
 - (iii) Development of Work Ethics and Culture.
12. (a) What is Strategic Decision Making ? Briefly explain the major dimensions of strategic decisions. **1+3=4**
- (b) What are the requirements for the successful implementation of supply chain management system ? Discuss. **3**
13. Distinguish between the following :
- (a) Micro Environment and Macro Environment. **4**
 - (b) Concentric Diversification and Conglomerate Diversification. **3**
14. Write short notes on the following : **4+3=7**
- (a) Role of IT in Business Process Reengineering.
 - (b) Importance of Corporate Culture.
-

Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (May, 2012)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. **8** is compulsory.

Attempt any **Five** questions from the rest.

	Marks
8. (a) "Environment is the sum of several External and Internal forces that affect the functioning of business." Explain.	3
(b) Briefly explain the importance of Strategic Management.	3
(c) Specify the steps that is needed to initiate & bring changes in the strategic building of any organization.	3
(d) Being a strategic professional, analyze and redesign the work force in the context of business process reengineering.	3
(e) Elaborate the interrelationship between strategy formulation and implementation.	3
9. (a) State with reasons which of the following statements is correct or incorrect :	2×2=4

- (i) Developing annual objectives & short-term strategies that are compatible with the selected set of long-term objectives are one of the major task of strategic management.
 - (ii) E-commerce technology opens up a host of opportunities for reconfiguring industry and company value chains.
- (b) Fill in the blanks in the following statements with the most appropriate word : **3×1=3**
- (i) Strategy is a deliberate reach for a plan of action that will develop a business _____ and compound it.
 - (ii) Market penetration refers to a _____ where the business focuses on selling existing products into existing market.
 - (iii) Total Quality Management is a people focused management system that aims at continual increase in _____ at continually lower real cost.
10. Explain the meaning of following concepts : **7×1=7**
- (i) Production System
 - (ii) Differential Marketing
 - (iii) De-marketing
 - (iv) Directional Strategies
 - (v) Cost Leadership Strategies
 - (vi) Market Penetration
 - (vii) Strategic Group Mapping

11. (a) Elaborate the following principles that guide the Total Quality Management Philosophy : **3×1=3**
- (i) Universal Quality Responsibility
 - (ii) Preventing Rather than Detecting Defects
 - (iii) Continuous Improvement and Learning
- (b) What is strategic control ? Briefly explain the different types of strategic control. **1+3=4**
12. (a) Explain briefly the role of culture in promoting better strategy execution. **4**
- (b) Describe two environmental changes that you expect to have a major impact on the industry : **3×1=3**
- (i) Retail Industry
 - (ii) Automobile Industry
 - (iii) Education Industry
13. Distinguish between the following :
- (a) DMAIC and DMADV Methodology of Six Sigma **4**
 - (b) Expansion Strategy and Retrenchment Strategy **3**
14. Write short notes on the following : **4+3=7**
- (a) Elements Considered for Situational Analysis
 - (b) Role of Global Industries
-

Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (November, 2012)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. 8 is compulsory.

Attempt any **Five** questions from the rest.

- | | Marks |
|---|--------------|
| 8. (a) Explain the factors that affect the strength of competitive pressures from substitute products. | 3 |
| (b) "Strategy is partly proactive and partly reactive." Do you agree ? Give reasons for your answer. | 3 |
| (c) What is Divestment strategy ? When is it adopted ? | 3 |
| (d) Explain any three prominent areas where Human Resource Manager can play a strategic role. | 3 |
| (e) 'A network structure is suited to unstable environment.' Elaborate. | 3 |
| 9. (a) State with reasons which of the following statements is correct or incorrect : | 2×2=4 |
| (i) Portfolio analysis helps the strategists in identifying and evaluating various businesses of a company. | |
| (ii) Benchmarking is a remedy for all problems faced by organizations. | |

- (b) State the three elements of a strategic vision. 3
10. Explain the meaning of the following concepts : 7×1=7
- (i) Demographic Environment
 - (ii) Strategic Business Unit
 - (iii) ADL Matrix
 - (iv) Best-cost provider strategy
 - (v) Synchro-marketing
 - (vi) Premise control
 - (vii) Six sigma
11. (a) How would you analyse the meaning and importance of Efficiency and Profitability as objectives of business ? 2+2=4
- (b) Trace the role of information technology in business process reengineering. 3
12. (a) What is Corporate Strategy ? How would you argue that 'corporate strategy ensures the correct alignment of the firm with its environment' ? 1+3=4
- (b) Explain the concept of Experience Curve and highlight its relevance in strategic management. 3
13. Distinguish between the following :
- (a) Logistic Management and Supply Chain Management. 4
 - (b) Vertically Integrated Diversification and Horizontally Integrated Diversification. 3
14. Write short notes on the following :
- (a) Steps for initiating a strategic change. 4
 - (b) Internet Technology. 3
- OR**
- Characteristics of a Global Company. 3
-

Roll No.

Total No. of Questions-14]

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Maximum Marks—100

Information Technology & Strategic Management (May, 2013)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. **8** is compulsory.

Attempt any **Five** questions from the rest.

- | | Marks |
|--|--------------|
| 8. (a) "A business enterprise is a sub-system of the larger environmental system." Discuss the relationship between the organization and its business environment. | 3 |
| (b) What do you mean by financial strategy of an organization ?
How the worth of a business is evaluated ? | 3 |
| (c) According to Michael Porter, strategies allow organizations to gain competitive advantages from different bases. Explain these bases as mentioned by Porter. | 3 |
| (d) "The Ansoff's product market growth matrix is a useful tool that help businesses their product and market growth strategy." Elucidate this statement. | 3 |
| (e) "Three key characteristics of six Sigma separate it from other quality programs of the past." Explain these characteristics. | 3 |
| 9. (a) State with reasons which of the following statements is correct or incorrect : | 2×2=4 |

- (i) A strategic group consists of rival firms with similar competitive approaches and positions in the market.
- (ii) Total Quality Management (TQM) focusses on preventing rather than detecting defects.
- (b) Explain the elements of strategic vision. **3**
10. What do you mean by micro environment of business ? Explain its elements. **7**
11. (a) How is TOWS Matrix an improvement over the SWOT Analysis ? Describe the construction of TOWS Matrix. **2+2=4**
- (b) Explain the role of Strategic Management in non-profit organisations **3**
12. (a) Define Strategic Change. Explain the various stages/phases of change process as propounded by Kurt Lewin. **1+3=4**
- (b) Explain in brief, how E-commerce environment has affected the business ? **3**
13. Distinguish between the following :
- (a) Transformational leadership style and Traditional leadership style. **4**
- (b) Top-down and Bottom-up strategic planning. **3**
14. Write short notes on the following :
- (a) Elements of Marketing Mix. **4**
- (b) Importance of Strategic Management. **3**
- OR**
- Network structure. **3**
-

Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (November, 2013)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. **8** is compulsory.

Attempt any **Five** questions from the rest.

	Marks
8. (a) "Business environment exhibits many characteristics." Explain.	3
(b) What are the different responsibilities of a strategic leader ?	3
(c) "Firms can use benchmarking process to achieve improvement in diverse range of management functions." Elucidate.	3
(d) Why functional strategies are needed for any business ?	3
(e) Discuss the major dimensions of strategic decisions.	3
9. (a) State with reasons which of the following statements is correct or incorrect :	2×2=4
(i) A company's strategy has always to be proactive in nature.	
(ii) Culture promotes better execution of strategy.	
(b) A global company has three characteristics. Explain.	3

10. Explain the major steps which are required for the successful implementation of supply chain management in the business organisation. 7

11. From the following information relating to X Ltd. company, prepare BCG Matrix and also analyse it : 4+3=7

Product	Revenues (in T)	Percent Revenues	Profit (in r)	Percent Profit	Percentage Market Share	Percentage Industry Growth Rate
A	60 Crore	48	1200 Lakh	48	80	+ 15
B	40 Crore	32	500 Lakh	20	40	+ 10
C	20 Crore	16	750 Lakh	30	60	- 20
D	05 Crore	04	50 Lakh	02	05	- 10
Total	125 Crore	100	2500 Lakh	100		

12. (a) Identify the Generic Strategy used in the following examples : 3

- (i) Bell Computer has decided to rely exclusively on direct marketing.
- (ii) Our basic strategy was to charge a price so low that micro computer makers couldn't do the software internally for that cheaply.
- (iii) 'MD TV', a TV channel has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'MD TV' Profit and Image.

(b) What do you mean by Logistic Strategy ? What are the different areas to examine while developing a logistic strategy ? 1+3=4

13. Distinguish between the following :
- (a) Concentric Diversification and Conglomerate Diversification. **4**
 - (b) Operational Control and Management Control. **3**
14. Write short notes on the following :
- (a) Product Life Cycle **4**
 - (b) Components of Value Chain **3**
- OR**
- Six Sigma **3**
-

Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (May, 2014)

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SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. 8 is compulsory.

Attempt any **Five** questions from the rest.

	Marks
8. (a) Mission statement of a company focuses on the question : 'Who we are' and 'What we do'. Explain briefly.	3
(b) State the factors of human resource that influence on employees competence.	3
(c) Assume that you are an entrepreneur who has an intense desire to get into the business. What types of information relating to macro environment would you need to determine external opportunities and threats ?	3
(d) What does corporate strategy ensure ? Explain.	3
(e) Briefly describe the impact of corporate culture on an organization.	3
9. (a) State with reasons which of the following statements are correct or incorrect :	2×2=4
(i) Stability strategy is not a 'do-nothing' strategy.	

- (ii) Six sigma efforts target following main areas :
- (x) Improving customer satisfaction.
 - (y) Reducing wastage
 - (z) Reducing defects
- (b) What are the major stages in the strategic management process ? 3
10. What is the rationale behind Business Process Reengineering (BPR)? What steps would you recommend to implement BPR in an organization? 7
11. (a) Discuss the leadership role played by the managers in pushing for good strategy execution. 4
- (b) What do you understand by functional structure ? 3
12. (a) How would you argue that modern enterprises pursue multiple objectives and not a single objective? 4
- (b) Explain the significance of SWOT analysis. 3
13. Distinguish between the following :
- (a) Cost Leadership and Differentiation Strategies 4
 - (b) Social Marketing and Service Marketing 3
14. Write short notes on the following :
- (a) Experience Curve 4
 - (b) Production System 3
- OR**
- Characteristics of Strategic Business Unit (SBU) 3
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Roll No.

Total No. of Questions-14]

Time Allowed—3 Hours

Maximum Marks—100

Information Technology & Strategic Management (November, 2014)

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be valued.

Answers to **Sections A** and **B** should be given in **separate** sets of answer-books.

SECTION – A

(Not Included in this Compilation)

SECTION – B

Question No. 8 is compulsory.

Attempt any **Five** questions from the rest.

- | | Marks |
|---|--------------|
| 8. (a) You have been hired as a consultant by a company to advise it on factors it need to consider for environmental scanning. Explain briefly these factors. | 3 |
| (b) "A strategic vision is a road map of a company's future." Comment. Draft a strategic vision statement of any well known national level Educational Institution you are familiar with. | 3 |
| (c) In your view what are the Key Success Factors for operating in a competitive market place ? | 3 |
| (d) How would you argue that Research and Development Personnel are important for effective strategy implementation? | 3 |
| (e) What steps would you suggest to change a company's problem culture ? | 3 |
| 9. (a) State with reasons which of the following statements is correct or incorrect : | 2×2=4 |

- (i) Strategic vision and mission statements are needed only by large business houses.
 - (ii) An industry can have more than one strategic group.
- (b) What is meant by backward integration ? Name any two backward integration strategies that hospitals may pursue. **1+2=3**
- 10. How does the Internet Technology influence an industry's competitive environment ? Explain. **7**
- 11. (a) "Management of internal linkages in the value chain could create competitive advantage in a number of ways." Briefly explain. **4**
- (b) How strategic decisions differ in nature from other routine decisions taken in day-today working of an organization ? Explain. **3**
- 12. (a) In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases : **4**
 - (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.
- (b) 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." 3
13. Distinguish between :
- (a) Divestment strategy and Liquidation strategy. 4
 - (b) Unfreezing the situation and Refreezing — the two stages of Kurt Lewin change process. 3
14. Write short notes on the following :
- (a) Strategic responses to business environment. 4
 - (b) Expansion through acquisitions and mergers. 3
- OR**
- Expanded Marketing Mix. 3
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