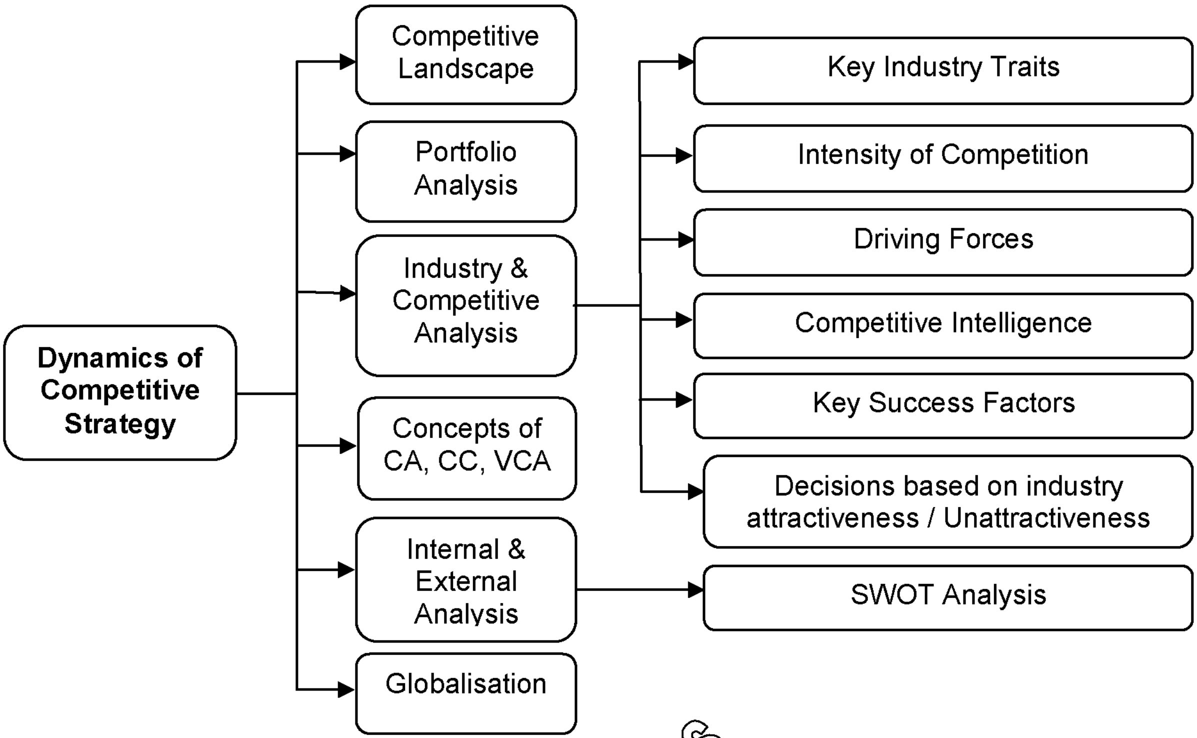
2. DYNAMICS OF COMPETITIVE STRATEGY



Q.No.1. Competitive Strategy (B) (NEW SM) (For student self-study)

1. A competitive strategy will be developed after analyzing several external environmental factors. For e.g. economic and technical factors are the major factors, as they can create opportunities and threats for the organisation.
2. The expectations of the society are also an important factor to determine the competitive strategy.
3. A firm must identify its position relative to the competitors in the market.
4. The objective of a competitive strategy is to generate competitive advantage, increase market share and beat competition. A competitive strategy consists of moves to:
   a) Attract customers.
   b) Withstand competitive pressures.
   c) Strengthen market position.
5. A firm must have competitive advantage to compete in the market. Competitive advantage comes from a firm's ability to perform activities more effectively than its rivals.

SIMILAR QUESTION:

1. Having a competitive advantage is necessary for a firm to compete in the market. How can we achieve competitive advantage in the market?

A. Same as above.

Q.No.2. Write short notes on Competitive Landscape (=situation) or Environment. (A)
(NEW SM, RTP M18, MTP- M18)

1. **MEANING:**
   a) Competitive landscape is a business analysis which identifies direct or indirect competitors.
   b) It is about identifying and understanding competitors' vision, mission, core values, niche market, strengths and weaknesses.

c) Understanding of competitive landscape requires an application of "competitive intelligence".

d) It helps in formulating and implement effective strategies that will improve firm's competitive advantage.

2. STEPS TO UNDERSTAND THE COMPETITIVE LANDSCAPE:

a) **Identify the competitor:** The first step is to identify the competitors and collect data about their market shares. This answers the question: Who are the competitors?

b) **Understand the competitors:** Once the competitors are identified, we have to understand their products and services, by referring to market research reports, internet, newspapers, social media, industry reports, and various other sources. This answers the question: What are their product and services?

c) **Determine the strengths of the competitors:** This involves answering the following questions:

   i) What are their financial positions?

   ii) What gives them cost and price advantage?

   iii) What are they likely to do next?

   iv) How strong is their distribution network?

   v) What are their human resource strengths?

d) **Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. This answers the question: Where are they lacking?

e) **Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what competitors not offering and what our firm can do to fill in the gaps. This answers the questions:

   i) What will the business do with this information?

   ii) What improvements does the firm need to make?

   iii) How can the firm exploit the weaknesses of competitors?

3. *For e.g.*[1]

SIMILAR QUESTIONS:

1. **Suresh Singhania is the owner of an agri-based private company in Sangrur, Punjab. His unit is producing puree, ketchups and sauces. While its products have significant market share in the northern part of country, the sales are on decline in last couple of years. He seeks help of a management expert who advises him to first understand the competitive landscape. Explain the steps to be followed by Suresh Singhania to understand competitive landscape? (RTP M18)**

2. **Explain the steps to understand the competitive landscape? (MTP M18)**

3. **Crafting a competitive strategy requires analysis of competitive situation employing the technique of competitive intelligence. What are the steps to examine the competitive situation?**

A. Refer 2nd point in the above answer.

[1] Hyundai is an important player in the Indian Automobiles (car) market. The company has achieved success year after year since its entry into the Indian market where Maruti has been the industry leader. Hyundai has a deep understanding of its competitive landscape where Tata motors, Mahindra & Mahindra, Toyota, Honda, Ford etc. are competing besides Maruti. To succeed in the competitive environment, it brings out new cars and improved models of existing cars every year to cater to various segments of customers.

INDUSTRY AND COMPETITIVE ANALYSIS

Q.No.3. List out the factors to be considered in Industry and Competitive Analysis? (C) (RTP M13) (For student self study)

INDUSTRY & COMPETITIVE ANALYSIS:

a) Industry and competitive analysis can be done using a set of concepts and techniques to get a clear picture on some key Industrial factors.

b) It provides a way of thinking strategically about any industry's overall situation.

c) It helps to conclude whether the industry is attractive investment or not.

d) It involves examining business in the context of wider environment.

e) It aims at developing insight in several issues. Analyzing these issues helps to understand a firm's surrounding environment.

f) It forms as the basis for matching its strategy to the changing industry conditions and competitive realities.

A BUSINESS FIRM SHOULD CONSIDER THE FOLLOWING FACTORS IN ITS INDUSTRY AND COMPETITIVE ANALYSIS:

a) Key industry traits i.e. dominant economic features of the industry.

b) Nature and strength (i.e. intensity) of the competition

c) Triggers (i.e. driving forces) of industry change

d) Identifying the companies that are in the strongest / weakest positions i.e. Market position

e) Expected strategic moves of rivals i.e. Competitive intelligence

f) Key Factors for competitive success or Key Success Factors

g) Prospects and financial attractiveness of the industry i.e. Industry's profit outlook

SIMILAR QUESTION:

1. An organization wants to start a new business and would like to understand the structure of the competition in the industry. Identify the factors that it should analyse?

A. Students have to briefly explain the factors in the above question.

Q.No.4. State the factors to be considered in analyzing the Key Industry Traits/ dominant economic features of the industry?

INTRODUCTION: Industries differ significantly in their basic character and structure. Industry and competitive analysis begins with knowing an overview of the industry's dominant economic features.

MEANING OF INDUSTRY: *Industry is "a consortium/ group 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.*

THE FACTORS TO BE CONSIDERED IN ANALYZING AN INDUSTRY'S ECONOMIC FEATURES ARE FAIRLY STANDARD AND ARE GIVEN BELOW:

a) Size and nature of market

b) Scope of competitive rivalry (local, regional, national, international, or global).

c) Market growth rate and position in the business life cycle (early development, rapid growth and takeoff, early maturity, maturity, saturation and stagnation, decline).

d) Number of rivals and their relative market share.

e) The <u>number of buyers</u> and their relative sizes. Whether and to what extent industry rivals have integrated backward and/or forward?

f) The types of <u>distribution channels</u> used to access consumers.

g) The <u>pace of technological change</u> taking place in both production process innovation and new product introductions.

h) Whether the products and services of <u>rival firms</u> are highly differentiated, weakly differentiated, or essentially identical.

i) Whether organisation can achieve economies of scale in purchasing, manufacturing, transportation, marketing, or advertising?

j) Whether key industry participants are <u>clustered</u> in a particular location (e.g., lock industry in Aligarh. Sarees and diamonds in Surat, information technology in Bangalore), or scattered across a wide geographical area?

k) Capital requirements and the <u>ease of entry and exit.</u>

l) Whether <u>industry profitability</u> is above/below par?

m) *Whether organisation can achieve <u>economies of scale</u> in purchasing, manufacturing, transportation, marketing, or advertising or not?*

Domestic Airlines industry in India is one of the least profitable industries.

n) *Whether certain industry activities are characterized by <u>strong learning and experience curve effects</u> ("learning by doing") such that unit costs decline as cumulative output grows?*

<u>SIMILAR QUESTIONS:</u>

1. Write a short note on industry **(OLD PM)**

A. Refer meaning in the above answer.

2. Explain the dominant economic features of the industry?

A. Same as above.

3. All industries are not alike, there are many factors especially economic factors which differ from industry to industry which determine the profitability of the industry and analyzing those factors helps a firm to take right decisions while crafting its competitive strategy. List out the dominant economic features to be considered.

A. Same as above.

Q.No.5. Explain the concept of Driving Forces / Triggers of Change. (A)
(NEW SM, RTP M17, M16 - 3M)

1. <u>MEANING:</u>

a) The dominant forces that have the <u>biggest influence on the changes</u> that take place in the <u>industry's structure</u> and competitive environment are called Driving Forces of industry's change (or) Drivers or Triggers.

b) Many events can be considered as driving forces. Some are specific to a particular industry, while others may affect different industries simultaneously.

2. <u>SOME EXAMPLES OF COMMON DRIVING FORCES PREVAILING IN THE INDUSTRY ARE</u>:

	Item	*Example*
a)	Internet, new E-commerce opportunities and threats	Introduction of e- ticket facilities and their effect on travel booking agents.

b)	Increasing Globalization	Emerging of BPO opportunities
c)	Changes in the long-term industry growth rate	Growth rate in software industry
d)	Product Innovation	New product versions and utilities in mobile phones, pocket computers, etc.
e)	Entry and Exit of major firms	Entry of Reliance into Retail Industry
f)	Diffusion of technical know-how across more Companies / countries	Patents for turmeric, paddy seeds, etc.
g)	Changes in cost structure and efficiency	New production processes, technologies, reduction in the manual efforts, etc.

3. **STEPS INVOLVED IN THE ANALYSIS:** Analysing the driving forces involve
   a) Identifying the driving forces, and
   b) Assessing their impact on the industry.

SIMILAR QUESTIONS:

1. 'These are the factors which create drastic changes in an industry.' What are they? Explain.

A. Refer 1st Point in above answer and write any two examples from the above.

2. "Driving forces have an effect on the industry and the firm". Explain?

3. Industry and competitive conditions change because forces are in motion that creates incentives or pressures for changes. In this context write about the triggers of change which have a significant effect on the industry that the firm operates in.

A. Same as above.

Q.No.6. What is strategic group & what are the areas of similarity among companies in a strategic group? (A) (OLD PM, RTP N11, M15, N14 - 3M)

1. **MEANING:**
   a) A strategic group is a cluster of competitor firms with similar competitive approaches or strategies and positions in the market.
   b) They compete more directly with one another than with other firms in the same industry.
   c) An industry contains only one strategic group if all firms follow identical strategies and have comparable market positions.
   d) On the other hand, there will be as many number of strategic groups as there are competitors, if each competitor pursues a unique/ different competitive approach.
2. **AREAS OF SIMILARITY:** Companies in the same strategic group may have similarity in any one or more of the following areas:

a) Product - lines	**d)** Distribution and Marketing Channels
b) Product Attributes	**e)** Technological Approaches
c) Price / Quality Range	**f)** Services and Technical Assistance to Buyers

SIMILAR QUESTIONS:

1. What is a Strategic Group? (M 08 - 2M, RTP – M13)

A. Refer 1st Point in above answer

2. Explain 'Strategic Groups'. (OLD PM)

A. Refer 1st Point in above answer

3. A Strategic Group consists of rival firms with similar competitive approaches and positions in the market. (T/ F) (M 13 - 2M)

A. Refer fast track material

Q.No.7. Write short notes on Strategic Group Mapping & what are the steps to be taken while constructing a strategic group map for an industry? (A) (OLD PM, M17 - 3M, M12 - 2M, MTP M18)

1. **MEANING:**
   - **a)** Strategic group mapping is an analytical tool for comparing the market positions of each firm separately or for grouping them into like positions. When an industry has so many competitors, it is not practical to examine each competitor in-depth.
   - **b)** An industry contains only one strategic group when all sellers pursue similar strategies and have comparable market positions.
   - **c)** It involves plotting firms on a two-variable map using pairs of differentiating characteristics such as price/quality range; geographic coverage and so on
2. **STEPS IN STRATEGIC GROUP MAPPING:** The steps for constructing a strategic group map and deciding which firms belong to which strategic group are as follows:

Step	Description
1	Identify the competitive characteristics that differentiate firms in the industry. They are: price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full).
2	Plot the firms on a two-variable map, using pairs of differentiating characteristics.
3	Classify firms that follow the same strategy into one strategic group.
4	Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

SIMILAR QUESTIONS:

1. **Explain the meaning of 'Strategic Group Mapping.' (RTP M15, M11 - 1M, M12 - 2M)**

A. Refer 1st point in the above answer.

2. **How can you analyse the relative market positions of rivals in an industry? Explain.**

A. Refer 2nd point in the above answer.

3. **'When applied this technique automatically the various players in an industry would be classified into different groups.' Explain.**

A. Refer 2nd point in the above answer.

4. **What steps would you take to construct a "Strategic Group Map' for an industry?**

A. Write the meaning of 'strategic group' and write the steps of the above answer. **(OLD PM, M15 - 3M)**

5. **How should the Market position of rivals / competitors be analysed?**

A. Same as above

6. **Mr. Banerjee is head of marketing department of a manufacturing company. His company is in direct competition with thirteen companies at national level. He wishes to study the market positions of rival companies by grouping them into like positions. Name the tool that may be used by Mr. Banerjee? Explain the procedure that may be used to implement the technique. (MTP- M18)**

A. A tool to study the market positions of rival companies by grouping them into like positions is strategic group mapping. Grouping competitors is useful when there are many competitors such that it is not practical to examine each one in-depth. In the given scenario there are thirteen competitors. A strategic group consists of those rival firms which have similar competitive approaches and positions in the market. The procedure for constructing a strategic group map and deciding which firms belong in which strategic group is as follows: + write down the 4 steps given in the 2nd point in the above answer.

Q.No.8. Write short notes on "Competitive Intelligence" / Likely Strategic Moves of Rivals. (C)

1. A business organization can't win the competitive battle unless it pays attention on what competitors are doing.
2. A company can outperform its rivals only by monitoring their actions, understanding their strategies and anticipating their next moves.
3. As in sports, scouting the opposition is essential.
4. Competitive Intelligence is the knowledge about
   - **a)** The strategies that rivals are developing,
   - **b)** Their latest moves,
   - **c)** Their resource strengths and weaknesses, and
   - **d)** The plans they have announced.
5. It is essential to anticipate the actions they are likely to take next and the probable impact of their moves on company's own strategic moves.
6. Competitive Intelligence can help a company to decide whether to defend against the moves of its rivals or to offend them.

SIMILAR QUESTIONS:

1. **'A company can outperform its rivals only by monitoring their actions and understanding their strategies.' Elaborate.**
2. **'Unless a business organization pays attention to what competitors are doing, it ends up flying blind into competitive battle.' Elaborate.**
3. **Explain the concept of "Likely Strategic Moves of Rivals"?**

A. Same as above.

Q.No.9. What are Key Success Factors for Competitive Success? (A)
(NEW SM, OLD PM, RTP M12, MTP N17, N15, N14 - 3M, N18- 3M)

1. MEANING:
   - **a)** Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the marketplace.
   - **b)** Some of the important areas in which a business firm may have key success factors are:

• Particular Strategic elements in production, marketing etc. • Product attributes, • Resources,	• Core Competencies, and • Competitive capabilities, • Favourable business outcomes

   - **c)** Key Success factors are so important that all firms in the industry must pay close attention to them.
   - **d)** They are the prerequisites for industry success and they serve as the rules that shape whether a company will be financially and competitively successful.

3. ***EXAMPLE:***[2]
4. *Managers should understand the industry situation well, to know what is more important to competitive success and what is less important.*

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[2] Activity	KSFs	Purpose
Apparel/Garment Manufacturing	Appealing Designs & Colour Combinations.	Increased Buyer Interest.
	Low-cost Manufacturing Efficiency.	Competitive Pricing & Profit Margin.

5. *A company which can understand industry KSFs can gain competitive advantage*
   a) *By training its strategy on industry KSFs and*
   b) *Dedicate its energies to become distinctively better than rivals on one or more KSFs.*
6. *Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change.*
7. *In very rare cases an industry may have more than three or four key success factors at any one time. Even among these three or four, one or two usually out rank the others in importance. So, Managers shall not include factors that have only minor importance on their list of key success factors.*

SIMILAR QUESTIONS:

1. **What are the Key Success Factors?**

A. Refer 1st point in the above answer.

2. **What do you understand by Key Success Factors?** **(OLD PM)**

A. Refer 1st point in the above answer.

3. **In your view what are the Key Success Factors for operating in a competitive market place?** **(N14 - 3M)**
4. **Examine the significance of KSFs for competitive success.** **(N18- 3M)**
5. **The industry's KSFs as cornerstones for the company's strategy for gaining competitive advantage. Explain about KSF's in detail.**

A. Same as above.

Q.No.10. Explain the process of identifying the Key Success Factors of an industry? (A)
(NEW SM, OLD PM, N15 - 3M)

MEANING OF KEY SUCCESS FACTORS: Refer the above question.

PROCESS OF IDENTIFYING KEY SUCCESS FACTORS: Answers to the following three questions help to identify an industry's Key Success Factors:

a) On what basis do customers choose between the competing brands of sellers? What product attributes are crucial in influencing their behaviour?
b) What resources and competitive capabilities a seller needs to be successful?
c) What does it take for sellers to achieve a sustainable competitive advantage?

SIMILAR QUESTIONS:

1. **Key Success Factors (KSFs) are the rules that shape whether a company will be financially and competitively successful? Do you agree with this statement? How to identify an industry's key success factors?** **(OLD PM, N15 - 3M)**

A. Refer 1st & 2nd points in the previous question and refer the concept of Process in this question.

Q.No.11. How does the prospects and financial attractiveness of an industry be analyzed? (B)
(RTP M16)

1. The final step of industry and competitive analysis is to use the results of analysis of previous six issues to draw conclusions about the relative attractiveness or unattractiveness of the industry, both short-term and long-term.
2. Company strategists have to assess the industry outlook carefully, deciding whether industry and competitive conditions present an attractive business opportunity for the organization or whether its growth and profit prospects are low.

3. THE IMPORTANT FACTORS ON THE BASIS OF WHICH SUCH CONCLUSIONS ARE DRAWN ARE:

a) The industry's growth potential.

b) Whether competition currently permits adequate profitability and whether competitive forces will become stronger or weaker.

c) Whether industry profitability will be favourably or unfavourably affected by the prevailing driving forces.

d) The competitive position in the industry and whether its position is likely to grow stronger or weaker.

e) The potential of the company to capitalize on the vulnerabilities of rivals

f) Whether the company is able to defend against or counteract the factors that make the industry unattractive.

g) The degrees of risk and uncertainty in the industry's future.

h) The severity of problems faced by the industry as a whole.

i) Whether continued participation in this industry enables the firm to be successful in other industries in which it may have business interests.

4. If an industry's overall profit prospects are above average, the industry can be considered attractive; if its profit prospects are below average, it is unattractive.

5. *Attractiveness is relative, not absolute. An industry may appear unattractive to weak competitors while the same industry may appear attractive to strong competitors.*

SIMILAR QUESTIONS:

1. Strategists need to assess the industry outlook carefully to decide on attractiveness of business. Discuss the factors to base such assessment and decisions. (RTP - M16)

2. Company strategists are obligated to assess the industry outlook carefully, deciding whether industry and competitive conditions present an attractive business opportunity for the organisation or whether its growth and profit prospects are gloomy. In this context explain how the attractiveness of an industry can be analysed.

A. Same as above.

Q.No.12. What are the Possible Decisions based on Industry Attractiveness / Unattractiveness? (C)

Probable Decisions if the Industry is "Attractive"	Probable Decisions if the Industry is "Unattractive"
1. Strengthen the Long-term Competitive Position in the Business. **2.** Expand Sales Efforts. **3.** Invest in Additional Facilities and Equipment as needed.	**1.** Invest Cautiously. **2.** Look for ways to protect the Long-term Competitiveness and Profitability. **3.** Acquire smaller firms if the price is right. **4.** Diversification into more attractive businesses.

SIMILAR QUESTIONS:

1. An assessment of industry's attractiveness leads to making some strategic decisions. List out the probable decisions that are taken based on industry's attractiveness/ unattractiveness.

A. Refer above answer.

CONCEPTS OF CA, CC & VCA

Q.No.13. Define the term Competitive Advantage? (B) (OLD PM, RTP- M15, N15, MTP- Oct18)

a) Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors.

b) It is the ability to offer buyers something different and thereby providing more value for money.

c) It is the result of a successful strategy.

d) This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry.

e) Competitive advantage may be in the form of low cost relationship in the industry or being unique in the industry in the areas that are widely valued by customers and the society.

SIMILAR QUESTIONS:

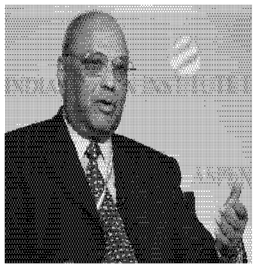
1. Strategic management involves development of competencies that managers can use to achieve better performance and a competitive advantage for their organization. What is competitive advantage?

A. Same as above.

Q.No.14. Write short notes on Core Competencies. (A) (OLD PM)

Introduction: C.K. Prahlad and Gary Hamel have introduced the concept of Core Competence.

MEANING:



C.K. Prahlad, the late Indian management guru is popularly known as the father of the concept of core

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

b) Core competencies are those capabilities that serve as a source of competitive advantage for a firm.

c) A Core competence is defined as a combination of several skills and techniques rather than individual skill or separate technique. It is created by superior integration of technological, physical and human resources. They represent distinctive skills as well as intangible, invisible, intellectual assets and cultural capabilities.

d) In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.

Identification Tests: A core competence is identified by following tests

a) Scarcity Test: It is the primary test.

b) Leverage or Extendibility Test: Does it provide access to a wide variety of markets?

c) Value Enhancement Test: Does it make significant contribution to the perceived customer benefits of the end product?

d) Imitability Test: Can it be imitated? Does it reduce the threat of imitation by competitors?

e) Durability Test.

Examples:

Notes: *(For academic interest)*

1. *Honda's Know how in engines result in superior fuel efficiency, less noise and vibration is its core competence and enabled it to enter into various products like cars, 2 wheelers, lawn movers, generators etc. Its dealer network is also its core competence.*

2. *Maruthi Suzuki has a core competence for its dealer network and after sales service.*

3. *HUL possess number of core competencies including its superior product technology, brand building skills (successfully adopted international brands like Lux, Close-Up etc. to Indian market.), wide spread distribution network and low cost supply chain.*

4. *Sony has a core competence in miniaturization. It can make any product tiny (very small size).*

5. *Canon has its core competence in optics, imaging and micro processor controls; they together lend common advantage in products as diverse as copiers, laser printers, cameras and image scanners.*

6. *IBM's core competence was in mainframe computers which in fact is responsible for the development of personal computers.*

<u>SIMILAR QUESTIONS:</u>

1. **'Value for Money' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the 'Value for Money' retail chain. (RTP N18)**

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

Q.No.15. Define the term Value Chain Analysis (VCA) (A)
(NEW SM, OLD PM, RTP- M13, M14, N17- 3M)

1. Value chain analysis is a means of <u>describing the activities</u> within and around an organization, and relating them to an assessment of the competitive strength of an organization (or its ability to provide value-for-money products or services).
2. **VCA involves two basic steps:** Identifying separate activities and assessing the value added from each one of them.
3. One of the key aspects of value chain analysis is the recognition that <u>organizations are much more than a random collection of machines, money and people</u>. These resources are of no value if they cannot help to produce goods and services which creates value to the final customer.

<u>SIMILAR QUESTIONS:</u>

1. **Define the term Value Chain. (M07 - 2M)**

A. Same as above.

2. **Write short note on Value Chain Analysis. (N17 - 3M)**
3. **Value chain analysis was originally introduced as an accounting analysis. Write about value chain analysis.**

A. Same as above.

Q.No.16. How are business activities classified for VCA purpose? (A)
(NEW SM, OLD PM, N08 - 2M, N13 - 3M)

Porter classified business activities into: (1) Primary or Line Activities and (2) Support Activities.

<u>PRIMARY ACTIVITIES:</u> The **Primary Activities** of an organisation are grouped into -

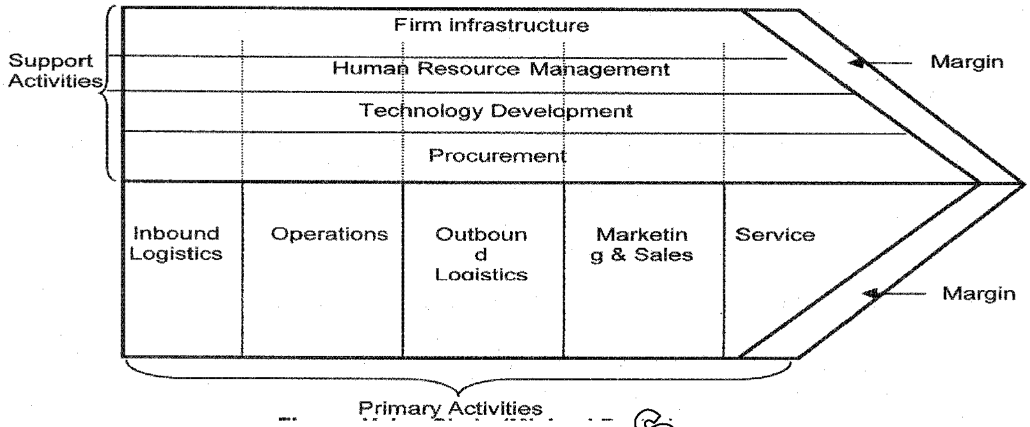
1. **Inbound Logistics** are the activities concerned with receiving, storing and distributing the inputs to the product/service. This include materials handling, stock control, transport, etc.

2. **Operations** convert these inputs into final product or service, e.g. manufacturing, packaging, assembly, testing, etc.

3. **Outbound Logistics** collect, store and distribute the product to customers. *For tangible products, this would include warehousing, materials handling, transport, etc. In case of services, this involves arrangements for bringing customers to the service if it is a fixed location (e.g. sports events).*

4. **Marketing and Sales** provide the means whereby consumers/users are made aware of the product / service and are able to purchase it. These include sales administration, advertising, selling, etc.

5. **Services** are all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.



(VCA is like a Fish Bone Diagram)

SUPPORT ACTIVITIES: These are activities that support primary activities. Each of these groups of primary activities are linked to support activities. These can be divided into four types:

1. **Procurement:** This refers to the process of acquiring various resource inputs to the primary activities (not to the resources themselves).

2. **Technology Development:** All value activities have a 'technology', it is know-how. The key technologies may be concerned directly with the product (e.g. R&D product design) or with processes (e.g. process development) or with a particular resource (e.g. raw materials improvements).

3. **Human Resource Management:** This is an important area which is required in all primary activities. It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organization.

4. **Infrastructure:** The systems of planning, finance, quality control, information management, etc. are crucially important to an organization's performance in its primary activities

SIMILAR QUESTIONS:

1. **Components of Value Chain.** **(N08 - 2M)**

A. It is sufficient to list out all the above activities and no need to explain them.

2. **Porter argued that an understanding of strategic capability must start with an identification of the separate value activities. List out the separate value creation activities suggested by Michael porter.**

A. Same as above.

PORTFOLIO ANALYSIS

Q.No.17. Define the term Portfolio / business portfolio (B) (NEW SM)

HUL is maintaining more than 150 products in its portfolio.

1. A business portfolio is a collection of businesses and products that make up the company.
2. The best Business Portfolio is the one that best fits the company's strengths and weaknesses, to the opportunities and threats in the environment.

Q.No.18. What do you mean by Portfolio Analysis (in the context of Strategic Management)? (NEW SM, N12 - 2M, RTP M13, M15)

1. In the context of Strategic Management, Portfolio analysis can be defined as a set of techniques that facilitate in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.
2. Portfolio analysis is a tool by which management identifies and evaluates various businesses, product-lines, business units and investments of the company and the returns expected / obtained from them.
3. In order to design the business portfolio, the business must analyse its current business portfolio and decide which business should receive more, less (or) no investment. Depending upon analyses businesses may develop growth strategies for adding new products or businesses to the portfolio.

Q.No.19. Advantages of Portfolio Analysis (A) (NEW SM, N12 - 2M)

1. HELPS IN THE CHANNELISATION OF RESOURCES: Portfolio approach helps a multi-product, multi-business firm to channelise its resources (at the corporate level) to the businesses that have greater potential. **For e.g**. a diversified company may divert resources from its cash-rich businesses to more prospective ones that have scope for faster growth so that the company achieves its corporate level objectives in an optimum manner.
2. FACILITATES STRATEGY FORMULATION: Based on the portfolio analysis, firms will develop growth strategies for adding new products or businesses to the portfolio. The strategy may relate to Stability or Expansion or Retrenchment or an appropriate combination thereof.

SIMILAR QUESTIONS:

1. **Portfolio Analysis helps the strategists in identifying and evaluating various businesses of a company. Explain. (N12 - 2M)**

A. Same as above.

Q.No.20. Write short notes on SBU. (A) (RTP N16, M14 - 3M, N12 - 2M, MTP M18)

STRATEGIC BUSINESS UNIT (SBU): Analyzing portfolio begins with first identifying the key businesses or strategic business units (SBUs) of the company.

a) MEANING:

i) SBU is a unit of the company that has separate vision and objectives, and which can be planned independently from other businesses of the company.

ii) SBU can be a company division, or a product line within a division, or even a single product or brand.

- **iii)** SBUs are common in organisations that are located in multiple countries with independent manufacturing and marketing setups.

b) **CHARACTERISTICS:** SBU

- **i)** Is a single business or collection of related businesses that can be planned separately.
- **ii)** Has its own set of competitors.
- **iii)** Has a manager who is responsible for strategic planning and profit.

c) **ANALYSIS:** After identifying SBUs the company has to assess their attractiveness and decide how much support each SBU requires.

SIMILAR QUESTIONS:

1. Write a short note on the characteristics of a Strategic Business unit (SBU). (MTP M18)

A. Refer a) & b) points in the above answer.

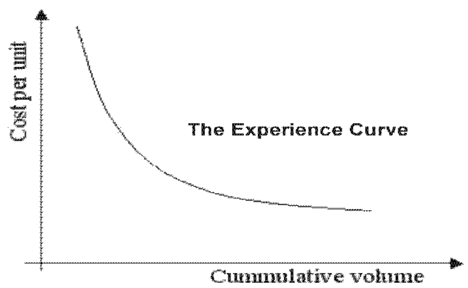
2. Identification of key businesses is the starting point of making portfolio analysis. How can we identify the key businesses?

A. Same as above.

Q.No.21. Write short notes on Experience Curve. (A)
(NEW SM, OLD PM, RTP N15, N16, N12 - 3M, M14 - 3M, N17- 3M, RTP M18)

a) **MEANING:**

- **i)** The concept is similar to learning curve which explains the efficiency increase gained by workers through repetitive productive work.
- **ii)** The concept of Experience Curve is based on common experience that Average Cost per unit declines as a firm accumulates experience in terms of volume of production.
- **iii)** The implication is that larger firms in an industry would tend to have lower unit costs as compared to those for smaller companies, thereby gaining a competitive cost advantage.
- **iv)** It is an important concept used for applying a portfolio approach.



b) **FACTORS / REASONS:** Experience Curve results from factors like –

- **i)** Learning Effects,
- **ii)** Economies of Scale,
- **iii)** Product Re-design, and
- **iv)** Technological improvements in production.

c) **RELEVANCE:** The concept of experience curve is relevant for a number of areas in strategic management. For example,

- **i)** It is considered as a barrier for new firms which are thinking of entering into the industry.
- **ii)** It is also used to build market share and discourage competition.

SIMILAR QUESTION:

1. Explain the concept of Experience Curve and highlight its relevance in strategic management. (OLD PM, N12 - 3M, RTP M18, MTP M18, MTP N18)

A. Same as above.

Q.No.22. Write short notes on Product Life Cycle (A) (NEW SM, OLD PM, M15 - 4M, N13 - 4M)

PRODUCT LIFE CYCLE: PLC is a useful concept for guiding strategic choice. PLC 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.

a) INTRODUCTION: In this stage the competition is almost negligible, prices are relatively high and markets are limited. Sales grow at a lower rate because of lack of knowledge to the customers.

b) GROWTH: In this 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.

c) MATURITY: 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.

d) DECLINE: In this stage, the sales and profits fall down sharply as 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.

SIGNIFICANCE: The main advantage of PLC is that it can be used to diagnose a portfolio of products (or businesses) in order to establish the stage at which each of them exists. Particular attention is to be paid on the businesses that are in the declining stage. Depending on the diagnosis, appropriate strategy can be chosen.

SIMILAR QUESTIONS:

1. Explain the Growth phase of product life cycle. (OLD PM)

A. 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. + Explain the different aspects of the product in the growth stage.

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

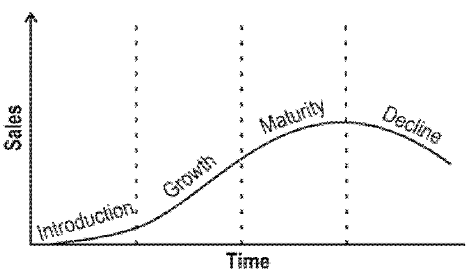
A. Same as above. **(OLD PM, M15 - 4M)**

Q.No.23. Various models of Portfolio Analysis. (C)

1. Boston Consulting Group (BCG) Growth – Share Matrix.
2. General Electric (GE) Matrix.
3. Arthur D. Little (ADL) Matrix.

Q.No.24. BCG Growth- Share Matrix (A) (NEW SM, OLD PM, RTP N11, M12, N14, N16, M09 - 10M, N11 - 4M)

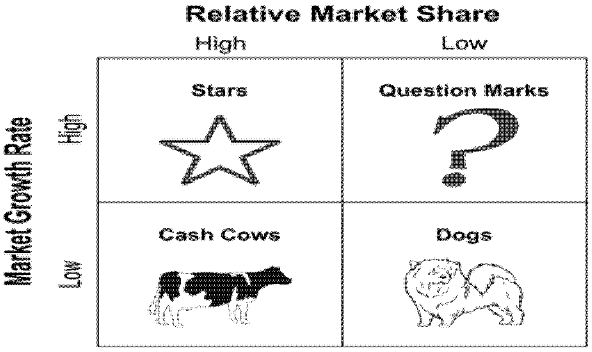
INTRODUCTION:



a) Large companies with number of SBUs face the challenge of allocating resources among them.

b) In early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units or major product lines.

c) The BCG matrix can be used to determine what priorities should be given to the different SBUs of a company.



The Boston Consulting Group is a global management consulting firm and is recognised as one of the most prestigious management

1. **STAGE 1:** Under the BCG approach, a company classifies its different businesses on a two-dimensional Growth - Share matrix. In this matrix:

   a) Vertical axis represents Market Growth Rate and provides a measure of Market Attractiveness.

   b) Horizontal axis represents relative market share and serves as a measure of company strength in the market.

   BCG matrix depicts quadrants as shown in the above diagram:

2. **STAGE 2:** 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 - Products or SBUs that grow rapidly	**a)** Stars can generate their own internal cash flows in view of: **i)** Low cost advantage, **ii)** Large scale economies, **iii)** Cumulative production experience. **b)** Some stars can meet investment requirements from their own internal cash flows while others need additional investments. **c)** They represent best opportunities for expansion.
Cash Cows Low growth, high market share SBUs or products.	**a)** They generate cash and have low costs. **b)** They are established, successful and need less investment to maintain their market share. **c)** In the long run, when the growth rate slows down, Stars become Cash Cows. **d)** They become financial base for the company.
Question Marks or Problem Children or Wild Cats - High growth, low share SBUs or products	**a)** Low market-share business in high-growth markets. **b)** They need heavy investments but have low potential to generate cash. **c)** Question marks if left unattended may become cash traps. **d)** As growth rate is high, increasing the investments should be relatively easier. **e)** Firms have to initiate action to convert "Question Marks" into "Stars" and then to "Cash Cows", when the growth rate reduces.
Dogs - Low growth, low share SBUs & products	**a)** They may generate enough cash to maintain themselves, but do not have much future. **b)** Sometimes they may need cash to survive. **c)** Dogs should be minimised through divestment or liquidation.

3. **STAGE 3:** After classifying the SBUs as above, the role of each SBU is determined on the basis of the following strategies. The four strategies that help to determine the role of SBUs are:

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

b) **Hold (Question Marks):** Here the objective is to preserve market share.

c) **Harvest (Cash Cows):** Here the objective is to increase short-term cash flows, irrespective of long-term effect.

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

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

SIMILAR QUESTIONS:

1. **Describe the construction of BCG Matrix and discuss its utility in Strategic Management.**

A. Same as above. **(OLD PM, J 09-10M)**

2. **How an organization analyses its business portfolio on market growth rate and relative market share? (RTP M13, M15)**

A. Same as above.

3. **In B.C.G. matrix for what the metaphors like stars, cows and dogs are used? (OLD PM)**

A. The BCG growth-share matrix is a popular way to depict different types of products or SBUs 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.

4. **Discuss 'dogs' in BCG Matrix. (OLD PM)**

A. Refer the "dogs" in above matrix.

5. **Explain the term 'star' in the context of BCG matrix. (OLD PM)**

A. Refer the "stars" in above matrix.

6. **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. (OLD PM)**

A. Refer 3rd point in the above answer.

7. **What does the concept of 'question marks' in the context of BCG Growth-share matrix signify? What strategic options are open to a business firm which has some 'question marks' in the portfolio of its businesses? (OLD PM, M15 - 3M)**

A. Refer 'question marks' in the above matrix.

Q.No.25. Explain the General Electric (GE) Model of Portfolio Analysis. ("Stop- Light" Strategy Model) (A) (NEW SM, OLD PM, RTP M14, N14, M16, M16 - 3M)

1. This model was developed by General Electric (GE) Company with the assistance of the consulting firm McKinsey & Company.
2. This model is also known as GE 9-Cell Matrix or General Electric Model.
3. The strategic planning approach in this model has been inspired from traffic control lights.
4. **Factors/ Dimensions:**
   - The General Electric Model is similar to the BCG Growth Share Matrix. This model uses two factors while taking strategic decisions: Business Strength and Market Attractiveness.
   - The vertical axis indicates market attractiveness and the horizontal axis shows the business strength in the industry.

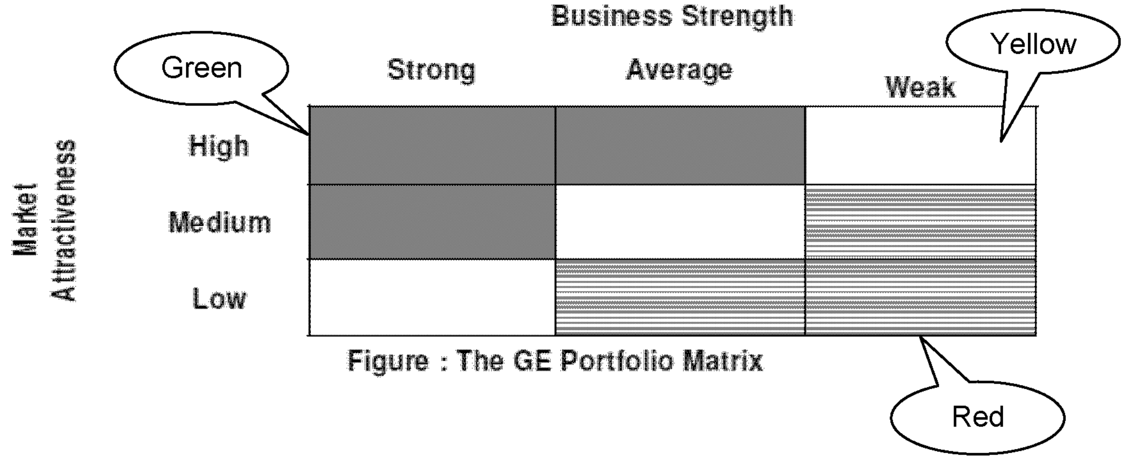


Figure : The GE Portfolio Matrix

5. **Evaluation of SBU:** Each SBU is labeled as high, medium or low, on the above dimensions. *The following criteria are adapted for evaluation of SBU:*

Business strength is measured by considering the typical drivers like:	**The market attractiveness is measured by a number of factors like:**
• Market share. • Market share growth rate. • Profit margin. • Distribution efficiency. • Brand image. • Ability to compete on price and quality. • Customer loyalty. • Production capacity. • Technological capability • Relative cost position. • Management caliber, etc.	• Size of the market. • Market growth rate. • Industry profitability. • Competitive intensity. • Availability of Technology. • Pricing trends. • Overall risk of returns in the industry. • Opportunity for differentiation of products and services. • Demand variability. • Segmentation. • Distribution structure (e.g. retail, direct, wholesale) etc.

6. **Strategy Formulation:** Overall ratings for both dimensions are calculated for each SBU. Appropriate strategy (as indicated in the above matrix) is adopted based on the classification of SBU.

   a) **Green Zone:** If a product falls in the green section, the business is at advantageous position. To reap the benefits, the strategic decision can be to expand, to invest and grow.

   b) **Yellow Zone:** If a product is in the yellow zone, it needs caution and managerial discretion is called for making the strategic choices.

   c) **Red Zone:** If a product is in the red zone, it will eventually lead to losses that would make things difficult for organisations. In such cases, the appropriate strategy should be retrenchment, divestment or liquidation.

SIMILAR QUESTIONS:

1. **Explain the model which has been inspired from traffic control lights. (RTP M14)**
2. **Discuss GE 9 cell matrix. How it is related to traffic control lights? (RTP M16)**
3. **GE matrix can be thought as an extension to BCG matrix. How GE matrix is a betterment to BCG matrix?**

A. Same as above.

Q.No.26. Explain the ADL Matrix. (A) (NEW SM, OLD PM, N12 - 1M, N16 - 6M)

INTRODUCTION:

- Arthur D. Little consulting company developed the ADL matrix in late 1970.
- It is often associated with strategic planning at business unit level. However, it works equally well for a product line or even for a particular product.
- ADL matrix is a method of portfolio analysis based on the concept of product Life cycle (PLC).
- It involves a 2 dimensional matrix based on 2 parameters: The Firm's competitive position & The state of Industry's maturity.
- *Stage of industry maturity is an environmental measure that represents a position in industry's life cycle.*
- *Competitive position is a measure of business strengths that helps in categorization of products or SBU's into one of five competitive positions: dominant, strong, favourable, tenable and weak.*

THE ADL MATRIX AS FOLLOWS:

	Stage of industry maturity			
Competitive position	**Embryonic**	**Growth**	**Mature**	**Ageing**
Dominant	Fast grow. Build barriers. Act offensively.	Fast grow Attend cost leadership Renew Defend position Act offensively	Defend position Attend cost leadership Renew Fast grow Act offensively	Defend position Renew Focus Consider withdrawal
Strong	Differentiate Fast grow	Differentiate Lower cost Attack small firms	Lower cost Focus Differentiate Grow with industry	Find niche Hold niche Harvest
Favourable	Differentiate Focus Fast grow	Focus Differentiate Defend	Focus Differentiate Harvest Find niche Hold niche Turnaround Grow with industry Hit smaller firms	Harvest Turnaround
Tenable	Grow with industry Focus	Hold niche Turnaround Focus Grow with Industry Withdraw	Turnaround Hold niche Retrench	Divest Retrench
Weak	Find niche Catch-up Grow with industry	Turnaround Retrench Niche or withdraw	Withdraw Divest	Withdraw

THE FIRM'S COMPETITIVE POSITION: *It is based on an assessment of the following criteria:*

a) Dominant: *This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.*

b) Strong: *By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitions.*

c) Favourable: *This position, which generally comes about when the industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom.*

d) Tenable: *Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.*

e) Weak: *The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.*

THE STATE OF INDUSTRY MATURITY: *There are 4 categories of industry maturity (also referred to as industry life cycle).*

a) Embryonic: *This is the introduction stage, characterised by rapid market growth, very little competition, new technology, high investment & high prices.*

b) Growth: *The industry continues to strengthen, sales increases, few competitors exist and the company enjoys rewards for bringing a new product to the market.*

c) Mature: *The industry is stable, there is a well established customer base, market share is stable, there are lots of competitors and energy is put to differentiate from competitors.*

d) Aging: *Demand decreases, companies start abandoning the market, the fight for market share among remaining competitors gets too expensive & companies begin leaving or consolidating until the markets demise.*

NOTE: *When you are asked to write a short note on ADL matrix, you need not write about* The Firm's Competitive Position and The State of Industry Maturity *in the above answer.*

SIMILAR QUESTIONS:

1. Explain the meaning of ADL Matrix. **(OLD PM, N12-1M)**

A. Refer the meaning above and list out the 2 parameters (No need to explain them).

2. Describe the various competitive positions and its assessment criteria as per ADL Matrix.

A. Refer the Firm's Competitive Position point in above answer. **(N16 - 3M)**

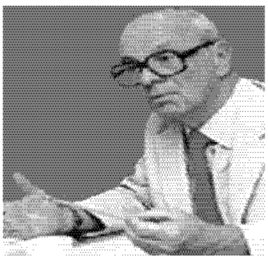
3. List and discuss briefly the four stages of maturity of any one competitive position in ADL Matrix. **(N16 - 3M)**

A. Refer the matrix above.

Q.No.27. Explain the Growth Strategies under Ansoff's Product- Market Growth Matrix. (A) (NEW SM, OLD PM)

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



Igor Ansoff is popularly known as the father of strategic Management. His product- market growth matrix has been very popular.

Strategy	Meaning	Explanation
Market Penetration	To sell Existing Products into Existing Markets	**1.** Market penetration i.e. making more sales to present customers, without changing products in a major way, might require greater spending on advertising or personal selling. **2.** Market Penetration can be achieved by: • Increasing Market Share,

		• Increasing Product Usage/ Utilities, • Increasing the frequency of usage, • Increasing the quantity used, or • Finding new applications for current users.
Market Development	To sell Existing Products into New Markets	**1.** Market development strategy involves identifying and developing new markets for current products of the company. **2.** This strategy may be achieved through: • New Geographical Markets, • New Product Dimensions or Packaging, • New Distribution Channels, • Different Pricing Policies to Attract Different Customers, • Creating New Market Segments.
Product Development	To introduce New Products into Existing Markets	**1.** The company seeks growth by offering modified or new products to current markets. **2.** Product Development can be achieved by: • Adding new features to the product (product refinement), • Developing a new generation product **3.** This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. **4.** Initially the investment is high and requires new technology.
Diversification	To sell New Products in New Markets.	**1.** It involves starting up or acquiring businesses outside the company's current products and markets. **2.** This strategy is risky, because it does not rely on either the company's successful product or its position in already established markets.

SIMILAR QUESTIONS:

1. **Explain the meaning of Market Penetration.** **(M 12 - 2M)**

A. Refer the above answer.

2. **"The Ansoff's Product - Market Growth Matrix is a useful tool that helps businesses to frame their product and market growth Strategy. Elucidate this statement.** **(M13 - 3M, RTP N18)**

A. Write the first 4 lines of the above answer + write the following: Companies should always be looking to the future. Businesses that use the Ansoff matrix can determine the best strategy. The matrix can help them to decide how to do this by demonstrating their options clearly, breaking them down into four strategies, viz., Market Penetration, Market Development, Product Development, Diversification. Determining which of these is best for their business will depend on a number of variables including available resources, infrastructure, market position, location and budget.

3. **Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options.** **(OLD PM, M10 - 4M)**

4. **ABC Ltd., the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options.**

A. Same as above.

SWOT ANALYSIS

Q.No.28. Write short note on SWOT ANALYSIS. (A)
(NEW SM, OLD PM, RTP M12, N18, MTP M17, M16, N16-4M, M18- 3M)

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

1. **STRENGTH:** An Inherent Capability of the firm to gain strategic advantage over its competitors.
2. **WEAKNESS:** An Inherent Limitation or Constraint of the firm which creates strategic disadvantage to it.
3. **OPPORTUNITY:** It is a Favourable Condition in the firm's environment which enables it to strengthen its position.
4. **THREAT:** An Unfavourable Condition in the firm's environment which causes a risk for, or damage to the firm's position.

One of the major strengths of Hindustan Unilever Limited (HUL) is its strong advertising and promotion, besides its vast distribution network and superior brand building skills.

HUL's distribution covers over 2 million retail outlets across India directly and its products are available in over 6.4 million outlets in the country. As per Nielsen market research data, two out of three Indians use HUL products.

SIMILAR QUESTIONS:

1. **What is an opportunity?** **(OLD PM)**

A. Refer 3rd point of the above answer + An example of an opportunity is growing demand for the products or services that a company provides.

2. **Write a short note on SWOT analysis.** **(OLD PM)**
3. **For the generation of a series of strategic alternatives or choices, it is necessary to analyse the firm's internal strengths and weaknesses and its external opportunities and threats. In this context write about SWOT Analysis.**

A. Same as above.

Q.No.29. Explain the Significance of SWOT Analysis? (A)
(OLD PM, RTP M12, M16, M14 - 3M, N16 - 4M, M-16)

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

THE SIGNIFICANCE OF SWOT ANALYSIS LIES IN THE FOLLOWING POINTS:

1. **It provides a Logical Framework:** SWOT analysis provides a logical framework for systematic analysis of issues having influence on the business situation, generation of alternative strategies and the choice of a strategy.

2. **<u>It presents a Comparative Account:</u>**

   a) SWOT analysis presents the information about both <u>external and internal environment</u> in a structured form where it <u>is possible to compare</u> external opportunities and threats with internal strengths and weaknesses.

   b) *Some patterns or combinations can be, high opportunities and high strengths, high opportunities and low strengths, high threats and high strengths, high threats and low strengths.*

3. **<u>It guides the strategist in Strategy Identification:</u>**

   a) It is natural that a strategist faces a problem when his organization <u>cannot be matched</u> in the four patterns.

   b) It is possible that the organization may have several <u>opportunities</u> and some <u>serious threats</u>.

   c) In such situation, SWOT analysis guides the strategist to think of <u>overall position</u> of the organization that helps to identify a suitable strategy.

Potential Resource Strengths and Competitive Capabilities A	Potential Resource Weaknesses and Competitive Deficiencies B
Potential Company Opportunities C	Potential External Threats to Company's Well-Being D

External Elements	Internal Elements: Organizational strengths	Internal Elements: Organizational weaknesses
Environmental opportunities (and risks)	SO Maxi-Maxi	WO Mini-Maxi
Environmental threats	ST Maxi-Mini	WT Mini-Mini

SWOT Analysis: What to look for in sizing up

Strengths, Weaknesses, Opportunities, and Threats

<u>SIMILAR QUESTIONS:</u>

1. **What is the purpose of SWOT Analysis? Why is it necessary to do a SWOT Analysis before selecting a particular strategy for a business organization? (OLD PM)**

A. Refer 28th question + Meaning & Side headings of the above question

2. **A CEO of a company recently attended a seminar on strategic management. He is quite enthusiastic but does not understand how to use SWOT analysis for his Company. Act as a consultant and advise him on how to use SWOT analysis to formulate business strategies. (RTP N16)**

A. As a consultant of a company, first of all the CEO will be explained about the concept and significance of SWOT analysis. + Refer above two questions.

After explaining the concept and significance of SWOT analysis, the CEO of the company should be asked to undertake the SWOT analysis of his company for knowing the strengths, weaknesses, opportunities, and threats. Further, he should be asked to compare external opportunities and threats with internal strengths and weaknesses of his company for crafting suitable strategy which matches with the company's overall objectives.

3. **What is SWOT analysis? Discuss its significance? (RTP M16)**

A. Refer above two questions.

4. **Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization? (MTP N18)**

A. Write the answer of Q. no.28+ the starting paragraph and the 3 points in the answer of Q. no. 29 (no need to explain them.)

Q.No.30. How can TOWS Matrix be used for analyzing strategic situation of a company? (A)
(NEW SM, OLD PM, RTP N14, M15, M13 - 4M)

TOWS MATRIX:

1. Through SWOT analysis organisations identify their strengths, weaknesses, opportunities and threats. While conducting the SWOT Analysis managers are often not able to come to a conclusion about the strategic alternatives that are relevant to them.
2. Heinz Weihrich developed a matrix called TOWS matrix by matching strengths and weaknesses of an organization with the external opportunities and threats.
3. The incremental benefit of the TOWS matrix lies in systematically identifying relationships between these factors and selecting strategies on their basis. Thus, TOWS matrix has a wider scope when compared to SWOT analysis. TOWS analysis is an action tool whereas SWOT analysis is a planning tool.
4. It is a useful technique that helps in brainstorming and generating alternative strategies.
5. It helps strategic managers to design various corporate level strategies such as growth, stability or retrenchment strategies as well as business level strategies.
6. **ALTERNATE STRATEGIC CHOICES:** Through TOWS matrix four distinct alternative kinds of strategic choices can be identified as given below:
   a) **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.
   b) **ST (Maxi-Mini):** ST is a position in which a firm strives to minimize the existing or emerging threats through its strengths.
   c) **WO (Mini-Maxi):** The strategies need to be developed to overcome organizational weaknesses and to exploit the emerging opportunities to the maximum.
   d) **WT (Mini-Mini):** WT is a position that any firm would like to avoid. An organization facing external threats and internal weaknesses may have to struggle for its survival.
7. *By using TOWS Matrix, one can intelligently look at how best one can take the advantage of the opportunities open to him, at the same time that how he can minimize the impact of weaknesses and protect oneself against threats.*

SIMILAR QUESTIONS:

1. **Write short notes on TOWS matrix?**

A. Same as above.

2. **Describe the construction of Tows Matrix.** **(M13-2M)**

A. Refer 6th point in the above answer

3. **Explain how TOWS Matrix can generate strategic options within external and internal environment.** **(RTP M15)**

A. Same as above

4. **What is TOWS Matrix. How is TOWS Matrix an improvement over the SWOT Analysis? Describe the construction of TOWS Matrix.** **(OLD PM, M13-4M, RTP N14)**

A. Same as above.

5. **Discuss the relevance of TOWS Matrix in the strategic planning process. (OLD PM, N09 - 2M)**

A. Refer the first 5 points in the above answer.

6. **While conducting the SWOT Analysis managers are often not able to come to terms with the strategic choices that the outcomes demand. In this context what is the significance of TOWS matrix?**

A. Same as above.

GLOBAL ENVIRONMENT

Q.No.31. Write short notes on Global Environment. (C)

Today's competitive environment requires that companies must analyse global environment as it is also rapidly changing.

FACTORS OF GLOBAL ENVIRONMENT THAT SHOULD BE ASSESSED INCLUDE:

a) Potential Positive and Negative impact of Significant International Events. For e.g. sports meet or terrorist attack

b) Identification of changing and emerging global markets. This includes shifts in the newly industrialised countries in Asia that may imply the opening of new markets for products or increased competition from emerging globally competitive companies in countries such as South Korea and China.

c) Differences between cultural and institutional attributes of individual global markets.

Q.No.32. Nature of Globalisation (A) (NEW SM, OLD PM, RTP N14)

1. **MEANING OF GLOBALISATION:**
   a) Globalization means several things for several people. 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.
   b) In simple economic terms, 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. Even political and geographical barriers become irrelevant.
2. **EFFECTS OF GLOBALIZATION:** 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.

SIMILAR QUESTIONS:

1. Globalisation means different things to different people. (T/F) (M10 - 2M)

A. Refer 1st point in the above answer.

2. Write short on Globalisation? (RTP N14)

A. Same as above

Q.No.33. What is a Multinational or Global Company? (A)
(NEW SM, OLD PM, N 08 - 4M, N 12, N13, N16 - 3M)

1. **MEANING:**
   a) A Multinational Company (MNC) or a Transnational Company (TNC) is the 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.
   b) A Multi National Company:
      i) Views the world as one market,
      ii) Minimizes the importance of national boundaries, and

iii) Raises its capital and markets its products, wherever it can do the job best.

2. <u>**CHARACTERISTICS OF A GLOBAL COMPANY**</u>:

a) It is a Conglomerate of multiple units (located in different parts of the globe) but all linked by common ownership.

b) Multiple units draw from <u>Common Pool of Resources</u>, such as money, credit, information, patents, trade names and control systems.

c) Inspite of pressure in different nations, the units or divisions of MNC may have common strategy in certain areas.

<u>**SIMILAR QUESTIONS:**</u>

1. Write short notes on Characteristics of a Global Company. (N12 - 3M)

2. A global company has 3 characteristics. Explain. (N13 - 3M)

A. Refer 2nd point in the above answer.

Q.No.34. Explain the reasons necessary for globalization by companies (A)
(RTP M16, M16 - 3M) (For student self- study)

<u>**REASONS FOR GLOBALIZATION:**</u> Major reasons for going global are as follows:

1. The first reason is the <u>need to grow</u>. It is basic need of organisations. Often finding opportunities in the other parts of the globe organisation extend their businesses and globalise.

2. There is <u>rapid shrinking of time and distance</u> across the globe on account of faster communication, speedier transportation, growing financial flows and rapid technological changes.

3. The <u>domestic markets are no longer adequate and rich</u>. For e.g. Japanese have flooded the U.S. market with automobiles and electronics because the home market was not large enough to absorb whatever was produced.

4. <u>To secure a reliable and cheaper source of raw materials, labour etc</u>. For e.g. Hyundai got competent engineers at lower cost, industry friendly Maharashtra Govt. which allowed them to setup a unit in India which supplies spare parts for all Hyundai Cars across the world.

5. Companies set up overseas plants <u>to reduce high transportation costs</u>. For e.g. making a car in Korea & exporting it in Europe & America is expensive & time consuming therefore India as a manufacturing hub for Hyundai proved to be better place.

6. A successful new product does not remain limited to one geographical area or country. It gradually generates demand from other parts of the globe.

7. <u>Justification of foreign investment</u> keeping in view the size of foreign market.

<u>**SIMILAR QUESTIONS:**</u>

1. Elaborate the reasons necessary for the globalization of companies. (M16 - 3M)

2. Write short note on Reasons necessary for globalization of companies. (RTP N15)

3. Why do companies go global?

A. Same as above

APPLICATION ORIENTED QUESTIONS

Q.No.35. 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". (A) (OLD PM, N14 - 3M)

1. An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.
2. 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. The IPL (Cricket) tournament is highly profit and entertainment driven. A number of entities and processes are involved in this IPL type of tournament. IPL (Cricket) type of tournament would offer opportunities/threats to the following industries.
4. **OPPORTUNITIES TO:**
   a) Stadiums.
   b) Sports Industry.
   c) Manufactures of sports items.
   d) Media Industry – Sports channels / television, advertisers.
5. **THREATS TO:**
   a) Entertainment industry like TV serials, cinema theatres, and Entertainment theme parks as competitors will be fighting for the same viewers/target customers.
   b) Tourism and hotel Industry.
   c) Event Management.

Q.No.36. To which industries the following environmental changes will offer opportunities and pose threats (name any two industries in each case)? Give reasons for your answer. (i) Significant reduction in domestic air- fares spanning over a long period (ii) Cut in interest rates by banks. (A) (OLD PM, M15 - 4M)

A. **SIGNIFICANT REDUCTION IN DOMESTIC AIR FARES SPANNING OVER A LONG PERIOD WILL HAVE OPPORTUNITIES AND THREATS AS FOLLOWS:**
   1. **Opportunities:**
      a) Tourism as there would be more demand.
      b) Hotels as travel would be cheaper and there would be more commuters.
   2. **Threats:**
      a) Airlines Industry as there would be squeeze in their profits.
      b) In flight catering as they would face pressure to reduce cost.

B. **CUT IN INTEREST RATES BY BANKS WILL HAVE OPPORTUNITIES AND THREATS AS FOLLOWS:**
   1. **Opportunities:**
      a) Capital intensive infrastructure as the interest cost will come down
      b) Real Estate as demand for property on loan will increase.
   2. **Threats:**
      a) Banking **industry** facing reduction in saving and investments.
      b) Financial services industry in the area of managing funds such as pension funds, mutual funds as their income will recede.

Q.No.37. 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'. (A) (OLD PM, N10 - 3M)

1. **MEANING:**

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

b) Threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position.

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

3. Such developments bring opportunities to different businesses such as

a) ready to eat food, eateries, ready to cook items,

b) dish washers,

c) washing machines,

d) creches for children

e) lifestyle products etc.

4. At the same time, such development also acts as threat to

a) traditional raw food suppliers,

b) kitty party organizers etc.

Q.No.38. In the context of Ansoff's Product- Market Growth Matrix, identify with reasons the type growth strategies followed in the following cases.

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

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

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

d) A renowned auto manufacturing company launches ungeared scooters in the market. (B)

(NEW SM, OLD PM, N 14 - 4M)

The Ansoff's product market growth matrix 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 an organisation might follow.

a) **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.

b) **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.

c) **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.

d) **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.

Q.No.39. What are the objectives of SWOT Analysis? (A) (NEW SM, RTP N15)

In SWOT analysis 'strengths' and 'opportunities' are positive considerations and 'weaknesses' and 'threats' are negative considerations. The basic objectives of conducting SWOT analysis are:

a) To exploit the strengths of the company to achieve its objectives.

b) To identify the shortcomings in the company's present skills and resources and to take necessary corrective steps so that the overall interest of the organisation is protected.

c) To focus on profit making opportunities in the business environment and for identifying threats.

d) To highlight areas within the company, which are strong and might be exploited more and weaknesses, where some defensive planning might be required to prevent the company from downfall.

Q.No.40. Write short notes on the role of Global Industries (B)
(NEW SM, OLD PM, RTP N15, M12 - 3M)

1. 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.
2. A global industry is one that by operating in the context of Strategic Management, Portfolio analysis can be defined as a set of techniques that facilitate in taking strategic decisions with regard to individual products or businesses in a firm's portfolio.
3. The industries that reveal 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.

TEST YOUR KNOWLEDGE

1. Who is popularly known as the father of the concept of 'Competitive Advantage'?
2. Amway, a US Consumer goods firm sells the same products, in the same way in all countries. Name the approach of Amway in global markets.
3. Nestle company sells its products in most countries and manufactures in many. Besides its managers and shareholders are from different Nations. Hence, Nestle Company is known as?
4. Intel, the market leader in computer micro processors insists on computer manufacturing companies to use 'Intel Inside' campaign in their advertisements. Under which one of the five forces of Michael Porter's model can this be discussed as an example?
5. What is the cost that prevents a customer from changing his existing service provider and switching over to a new service provider?
6. Unilever, the parent company of HUL, introduces different products in different countries by centralizing its operational decisions globally. What type of approach is being followed by Unilever?
7. Among the various modes of entry into foreign markets, which one does involve a high risk and substantial amount of an organisation's resources?
8. LG, a South Korean consumer electronics company entered the Indian market by establishing its 100% subsidiary in Noida. What is the name of the mode of entry adopted by LG in India?
9. List out various 'entry barriers' you may encounter, if you want to start a business that manufacturers and markets steel.
10. Products had longer life cycle stages in the past. But, today's products have shorter life cycle stages and are quickly getting outdated. What are the various reasons for this situation?
11. List out the various businesses in ITC's business portfolio.
12. List out the various SBUs of Tata Group
13. In which way is GE matrix an improvement over BCG matrix? Explain
14. Imagine you are a toothpaste manufacturing company. Explain the different ways in which you achieve market penetration?
15. Write an explanatory note on strategic analysis.
16. Why organizations undertake portfolio analysis? **(OLD PM)**

17. Explain the strategic implications of each of the following types of businesses in a corporate portfolio: (a) Stars (b) Question marks (c) Cash cows (d) Dogs. **(OLD PM)**

THE END