



CA INTER

VIGHNAHARTA

LIST FOR

STRATEGIC

MANAGEMENT

**MOST IMPORTANT
QUESTIONS with
ANSWERS**

By: Vinit Mishra Sir



ॐ गं गणपतये नमः



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INDEX

S.NO.	CHAPTER NAME	PAGE NO.
1.	INTRODUCTION TO STRATEGIC MANAGEMENT	01 - 05
2.	STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT	06 - 10
3.	STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT	11 - 15
4.	STRATEGIC CHOICES	16 - 20
5.	STRATEGY IMPLEMENTATION AND EVALUATION	21 - 26

INTRODUCTION TO STRATEGIC MANAGEMENT

Division A - Multiple Choice Questions

- (1) **Strategy is a game plan used for which of the following?**
- (a) To take market position
 - (b) To attract and satisfy customers
 - (c) To respond to dynamic and hostile environment
 - (d) All of the above
- (2) **Which of the following is correct?**
- (a) Strategy is always pragmatic and not flexible
 - (b) Strategy is not always perfect, flawless and optimal
 - (c) Strategy is always perfect, flawless and optimal
 - (d) Strategy is always flexible but not pragmatic
- (3) **Strategy is –**
- (a) Proactive in action
 - (b) Reactive in action
 - (c) A blend of proactive and reactive actions
 - (d) None of the above
- (4) **Reactive strategy can also be termed as—**
- (a) Planned strategy
 - (b) Adaptive strategy
 - (c) Sound strategy
 - (d) Dynamic strategy
- (5) **Formulation of strategies and their implementation in a strategic management process is undertaken by –**
- (a) Top level executives
 - (b) Middle level executives
 - (c) Lower level executives
 - (d) All of the above
- (6) **Which of the following are responsible for formulating and developing realistic and attainable strategies?**
- (a) Corporate level and business level managers
 - (b) Corporate level and functional level managers
 - (c) Functional managers and business level managers
 - (d) Corporate level managers, business level managers and functional level managers
- (7) **Which of the following managers' role is to translate the general statements/strategies into concrete strategies of their individual businesses –**
- (a) Supervisor
 - (b) Functional Manger
 - (c) CEO of the company

(d) All of the above

(8) Which statement should be created first and foremost?

(a) Strategy

(b) Vision

(c) Objectives

(d) Mission

ANSWER (MCQ Based Questions)

(1)	(d)	(2)	(b)	(3)	(c)	(4)	(b)	(5)	(d)	(6)	(d)
(7)	(b)	(8)	(b)								

Division B - Descriptive Questions

Question - 1

Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years.

Analyse the position of Ramesh Sharma in light of limitations of strategic Management.

ANSWER

Ramesh Sharma is facing declining sales on account of large-scale shift of customers to online stores.

While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success.

There are limitations attached to strategic management as follows:

- Environment under which strategies are made is **highly complex and turbulent**.
- Entry of online stores, a new kind of competitor brought a different dimension to selling consumer durables.
- Online stores with their size power could control the market and offer stiff competition to traditional stores.
- Another limitation of strategic management is that it is **difficult to predict** how things will shape-up in future.
- Ramesh Sharma, although managing strategically failed to see how online stores will impact the sales.
- Although, strategic management is a **time-consuming process**, he should continue to manage strategically. The challenging times require more efforts on his part.
- **Strategic management is costly**. Ramesh Sharma may consider engaging experts to find out preferences of the customers and attune his strategies to better serve them in a customized manner. Such customized offerings may be difficult to match by the online stores.
- The stores owned by Ramesh Sharma are much smaller than online stores. It is very difficult for him to visualize how online stores will be moving strategically.

Question - 2

Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked his way of leadership and are assured that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company.

Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making.

ANSWER

- Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.
- This is so because functional managers like Dharam Singh are closer to the customers/suppliers/ operations than the typical general manager is.
- A functional manager may generate important ideas that subsequently may become major strategies for the company.
- Thus, it is important for general managers to listen closely to the ideas of their functional managers and involve them in decision making.
- An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business level plans, and if they are involved in formulation, the clarity of thoughts while implementation can benefit too.
- Thus, the approach of Cylcix Corporate management is not right.
- They should involve Dharam Singh, as well as other functional managers too in strategic management.

Question - 3

ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it.

ANSWER

- The role of Chief Executive Officer pertains to corporate level.
- The corporate level of management consists of the Chief Executive Officer (CEO) and other top-level executives.
- These individuals occupy the apex of decision making within the organization.

The role of Chief Executive Officer (Top Management/Corporate Level Managers) is to:

1. Oversee the development of strategies for the whole organization;
2. Defining the mission and goals of the organization;
3. Determining what businesses it should be in;
4. Allocating resources among the different businesses;
5. Formulating, and implementing strategies that span individual businesses;
6. providing leadership for the organization;
6. Ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
7. Managing the divestment and acquisition process.

Question - 4

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

ANSWER

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

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

Are there any limitations attached to strategic management in organizations? Discuss.

ANSWER

The presence of strategic management cannot counter all hindrances and always achieve success. There are limitations attached to strategic management.

These can be explained in the following lines:

- Environment is **highly complex** and turbulent.
- It is **difficult to understand** the complex environment and exactly pinpoint how it will shape-up in future.
- The organisational estimate about its future shape may **awfully go wrong and** jeopardise all strategic plans.
- Strategic management is a **time-consuming process**.
- Organisations spend a **lot of time in preparing**, communicating the strategies that may impede daily operations and negatively impact the routine business.
- Strategic management is a **costly process**. Strategic management adds a lot of expenses to an organization.
- Expert strategic planners need to be engaged, efforts are made for **analysis of external and internal** environments devise strategies and properly implement.
- These can be really **costly for organisations with limited resources**.
- In a competitive scenario, where all organisations are trying to move strategically, it **is difficult to clearly estimate the competitive responses** to a firm's strategies.

Question - 6

Explain the difference between three levels of strategy formulation.

ANSWER

- A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these.
- There are three levels of strategy in management of business-corporate, business, and functional.
- The corporate level of management consists of the chief executive officer and other top-level executives. These individuals occupy the apex of decision making within the organization.
- The role of corporate-level managers is to oversee the development of strategies for the whole organization.
- This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses and so on rests at the Corporate Level.
- The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers.
- A business unit is a self-contained division with its own functions - For example, finance, production, and marketing.
- The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
- Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on.
- Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.

Question - 7

“Strategy is partly proactive and partly reactive. “Discuss.

ANSWER

- Strategy is partly proactive and partly reactive.
- In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner.
- However, in reality no company can forecast both internal and external environment exactly.
- Everything cannot be planned in advance.
- It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.
- There can be significant deviations between what was visualized and what actually happens.
- Strategies need to be attuned or modified in the light of possible environmental changes.
- There can be significant or major strategic changes when the environment demands.
- Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

STRATEGIC ANALYSIS: EXTERNAL ENVIRONMENT

Division A - Multiple Choice Questions

- (1) **KSFs stand for:**
- (a) Key strategic factors
 - (b) Key supervisory factors
 - (c) Key success factors
 - (d) Key sufficient factors
- (2) **Competitive Landscape requires the application of –**
- (a) Competitive advantage
 - (b) Competitive strategy
 - (c) Competitive acumen
 - (d) Competitive intelligence
- (3) **The term PESTLE analysis is used to describe a framework for analyzing:**
- (a) Macro Environment
 - (b) Micro Environment
 - (c) Both Macro and Micro Environment
 - (d) None of above
- (4) **'Attractiveness of firms' while conducting industry analysis should be seen in-**
- (a) Relative terms
 - (b) Absolute terms
 - (c) Comparative terms
 - (d) All of the above
- (5) **What is not one of Michael Porter's five competitive forces?**
- (a) New entrants
 - (b) Rivalry among existing firms
 - (c) Bargaining power of unions
 - (d) Bargaining power of suppliers
- (6) **Which of the following constitute Demographic Environment?**
- (a) Nature of economy i.e. capitalism, socialism, Mixed
 - (b) Size, composition, distribution of population, sex ratio
 - (c) Foreign trade policy of Government
 - (d) Economic policy i.e. fiscal and monetary policy of Government
- (7) **All are elements of Macro environment except:**
- (a) Society
 - (b) Government
 - (c) Competitors

(d) Technology

(8) The emphasis on product design is very high, the intensity of competition is low, and the market growth rate is low in the _____ stage of the industry life cycle.

(a) Maturity

(b) Introduction

(c) Growth

(d) Decline

ANSWER (MCQ Based Questions)

(1)	(c)	(2)	(d)	(3)	(a)	(4)	(a)	(5)	(c)	(6)	(b)	(7)	(c)	(8)	(b)
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Division B - Descriptive Questions

Question - 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.

ANSWER

Steps to understand the competitive landscape:

(i) **Identify the competitor:**

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

(ii) **Understand the competitors:**

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

(iii) **Determine the strengths of the competitors:**

What is the strength of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers? Why do customers give them their business?

(iv) **Determine the weaknesses of the competitors:**

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

(v) **Put all of the information together:**

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

Question - 2

Eco-carry bags Ltd., a recyclable plastic bags manufacturing, and trading company has seen a potential in the ever-growing awareness around hazards of plastics and the positive outlook of the society towards recycling and reusing plastics.

A major concern for Eco-carry bags Ltd. are paper bags and old cloth bags. Even though they are costlier than recyclable plastic bags, irrespective, they are being welcomed positively by the consumers.

Identify and explain that competition from paper bags and old cloth bags fall under which category of Porter's Five Forces Model for Competitive Analysis?

ANSWER

- Eco-carry bags Ltd. faces competition from paper bags and old cloth bags and falls under Threat of Substitutes force categories in Porter's Five Forces Model for Competitive Analysis.
- Paper and cloth bags are substitutes of recyclable plastic bags as they perform the same function as plastic bags. 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.

Question - 3

Baby Turtle is a children's clothing brand that has been created a new age demand for washable diapers. The major benefit for the brand has been that not many companies have shown interest in the product, thinking it is not viable, however, customers, majorly working mothers are loving their product. The core material needed for production is also used in many other water proofing products in various industries. Baby Turtle sources this material from a renowned supplier at comparatively low prices. Which of the five forces of competitive pressure would Baby Turtle experience due to above setup and what are major factors that create such pressure for a product? Do you think Baby Shark has an advantage in some way to fight off this pressure?

ANSWER

Baby Turtle would experience, Bargaining Power of Suppliers, as a competitive pressure for their washable diaper product.

This is because the core material for production is sourced from a single supplier, who is renowned and in a position to create pressure in terms of prices.

Further, other factors that lead to such pressure are:

1. Their products are crucial to the buyer and substitutes to the material required for production are not available.
2. Suppliers can manipulate switching cost as the brand is in inception stage and making margins are important.

An advantage that Baby Turtle has is even though the material required has no substitutes, but it used to make many other products and thus there are many other suppliers who can provide that material.

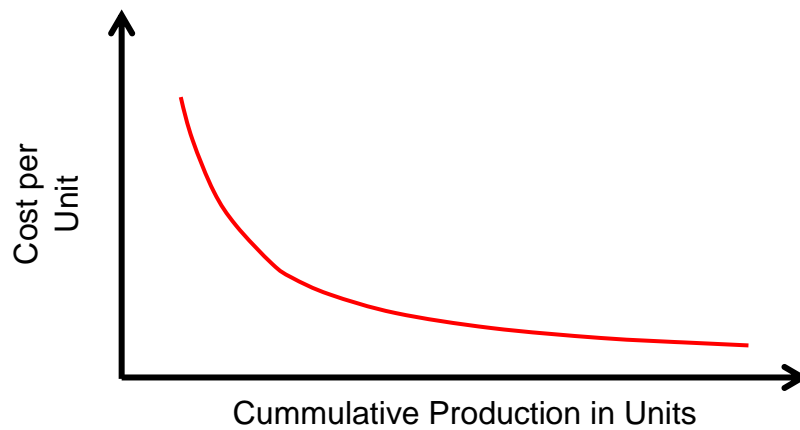
It might affect operations in short term but will help to fight off the pressure created by existing supplier.

Question - 4

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

ANSWER

- Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work.
- Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production.
- It is represented diagrammatically as shown in the next page.



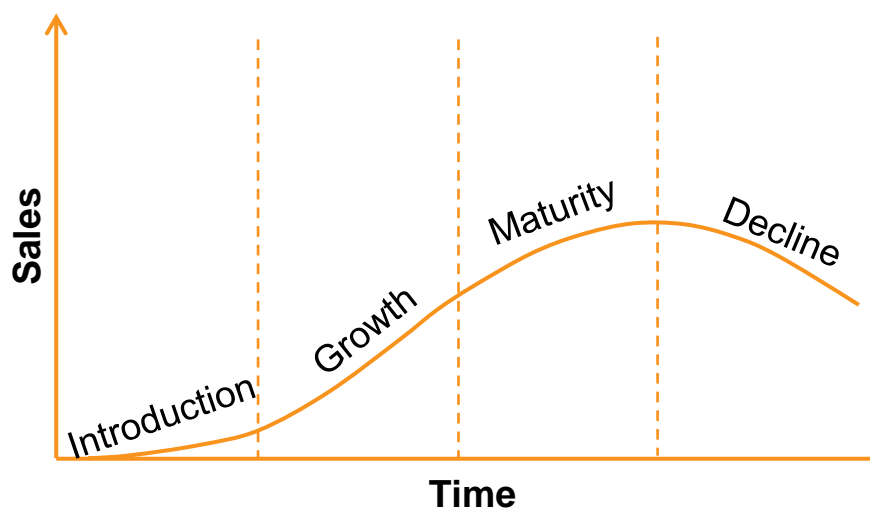
- The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage.
- Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.
- The concept of experience curve is relevant for a number of areas in strategic management.
- For instance, experience curve is considered a barrier for new firms contemplating entry in an industry.
- It is also used to build market share and discourage competition.

Question - 5

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

ANSWER

- Product Life Cycle is an important concept in strategic choice and S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages.
- The first stage of PLC is the introduction stage in which competition is almost negligible, prices are relatively high and markets are limited. The growth in sales is also at a lower rate.
- The second stage of PLC is the growth stage, in which the demand expands rapidly, prices fall, competition increases and market expands.
- The third stage of PLC is the maturity stage, where in the competition gets tough and market gets stabilized. Profit comes down because of stiff competition.
- The fourth stage is the declining stage of PLC, in which the sales and profits fall down sharply due to some new product replaces the existing product.



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

Question - 6

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

ANSWER

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

This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

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

STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT

Division A - Multiple Choice Questions

- (1) **External opportunities and threats are usually;**
- (a) The minor cause of organizational demise or success
 - (b) Least important for CEOs and the board of directors
 - (c) Not as important as internal strengths and weaknesses
 - (d) Largely uncontrollable activities outside the organization
- (2) **The sustainability of competitive advantage and a firm's ability to earn profits from its competitive advantage depends upon:**
- (a) Durability, reliability, transferability, approximately
 - (b) Appropriability, durability, transferability, imitability
 - (c) Transferability, imitability, reliability, approximately
 - (d) Imitability, durability, reliability, appropriability
- (3) **Internal _____ are activities in an organization that are performed especially well.**
- (a) Opportunities
 - (b) Competencies
 - (c) Strengths
 - (d) Management
- (4) **'Strategic group mapping' helps in –**
- (a) Identifying the strongest rival companies
 - (b) Identifying weakest rival companies
 - (c) Identifying weakest and strongest rival companies
 - (d) None of the above
- (5) **In Michael Porter's generic strategy _____ emphasizes producing standardized products at a very low per unit-cost for consumers who are price sensitive.**
- (a) Cheap leadership
 - (b) Inferior product leadership
 - (c) Cost leadership
 - (d) Cost benefit
- (6) **Differentiation Strategy can be achieved by following measures:**
1. **Match products with tastes and preferences of customers.**
 2. **Elevate the performance of the product.**
 3. **Rapid product innovation**
- Which of the above is true:**
- (a) (1) and (2)
 - (b) (1) and (3)
 - (c) (2) and (3)

- (d) (1), (2) and (3)
- (7) **What are the three different bases given by Michael Porter's Generic Strategies to gain competitive advantage?**
- (a) Differentiation, integration and compensation
 (b) Integration, focus and differentiation
 (c) Compensation, integration and focus
 (d) Cost leadership, differentiation and focus
- (8) **A firm successfully implementing a differentiation strategy would expect:**
- (a) Customers to be sensitive to price increases.
 (b) To charge premium prices.
 (c) Customers to perceive the product as standard.
 (d) To automatically have high levels of power over suppliers.

ANSWER (MCQ Based Questions)

(1)	(d)	(2)	(b)	(3)	(c)	(4)	(c)	(5)	(c)	(6)	(d)	(7)	(d)	(8)	(b)
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Division B - Descriptive Questions

Question - 1

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

ANSWER

- The Airlines industry faces stiff competition.
- However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy.
- A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.
- Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules.
- The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving.
- Apart from conveniences, the facility will provide time flexibility.
- Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.
- Chartered services in airlines can have both business and private use.
- Personalized tourism packages can be provided to those who can afford it.

Question - 2

Gennex is a company that designs, manufactures and sells computer hardware and software. Gennex is well known for its innovative products that has helped the company to have advantage over its competitors. It also

spends on research and development and concerned with innovative softwares. Often the unique features of their product, that are not available with their competitors helps them to gain competitive advantage. Gennex using the strategy is consistently gaining its position in the industry over its competitors.

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

ANSWER

- According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus.
- Porter called these base generic strategies.
- Gennex has opted differentiation strategy. Its products are designed and produced to give the customer value and quality.
- They are unique and serve specific customer needs that are not met by other companies in the industry.
- Highly differentiated and unique hardware and software enables Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.
- Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.
- The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

Question - 3

Sohan and Ramesh are two friends who are partners in their business of making biscuits. Sohan believe in making profits through selling more volume of products. Hence, he believes in charging lesser price to the customers. Ramesh, however, of the opinion that higher price should be charged to create an image of exclusivity and for this, he proposes that the product to undergo some change.

Analyse the nature of generic strategy used by Sohan and Ramesh.

ANSWER

- Considering the generic strategies of Porter there are three different bases: cost leadership, differentiation and focus.
- Sohan and Ramesh are contemplating pricing for their product.
- Sohan is trying to have a low price and high volume is thereby trying for cost leadership.
- Cost leadership emphasizes producing standardised products at a very low per unit cost for consumers who are price sensitive.
- Ramesh desires to create perceived value for the product and charge higher prices. He is trying to adopt differentiation.
- Differentiation is aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price insensitive.

Question - 4

Infant care is a successful store chain that caters products for expectant mothers and new moms. They offer everything from nursing classes to strollers, toys, infant clothes, diapers and baby furniture. Due to a one-stop shop for infants, they are charging a premium for its products.

Identify and explain how the strategy adopted by infant care.

ANSWER

- Infant care is opting for differentiation strategy.
- A one-stop shop is a benefit for this type of customers, seeking convenience in a time.
- Infant care is catering the products only related to an infant that is perceived by the customers as unique.
- Because of differentiation, the Infant care is charging a premium for its product.

Question - 5

A century-old footwear company “Mota Shoes” had an image of being the footwear choice for formal occasions. In an attempt to reinvent its brand, it tied up with a foreign footwear giant “Buffrine” to manufacture and sell its Hideseek brand in the country. Putting its best foot forward, it launched extra soft, casual and relaxed footwear for young. Aiming at a brand and image makeover the “Mota Shoes” decided to price the Hide Seek products at premium.

What kind of Michael Porter business level Strategy is being used by “Mata Shoe company”? State its advantages.

ANSWER

- Mota shoes is trying to use differentiation.
- This strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.
- The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.
- Because of differentiation, the business can charge a premium for its product.

A differentiation strategy has definite advantages as it may help to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

- Rivalry:** Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.
- Buyers:** They do not negotiate for price as they get special features and also, they have fewer options in the market.
- Suppliers:** Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.
- New entrants:** Innovative features are expensive to copy. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
- Substitutes:** Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

Question - 6

Rohit Patel is having a small chemist shop in the central part of Ahmedabad. What kind of competencies Rohit can build to gain competitive advantage over online medicine sellers?

ANSWER

- Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies. A small chemist shop has a local presence and functions within a limited geographical area.
- Still, it can build its own competencies to gain competitive advantage.

Rohit Patel can build competencies in the areas of:

- Developing personal and cordial relations with the customers.
- Providing home delivery with no additional cost.
- Developing a system of speedy delivery that can be difficult to match by online sellers. Being in central part of city, he can create a network to supply at wider locations in the city.
- Having extended working hours for convenience of buyers.
- Providing easy credit or a system of monthly payments to the patients consuming regular medicines.

Question - 7

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

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

ANSWER

- A core competence is a unique strength of an organization which may not be shared by others.
- Core competencies are those capabilities that are critical to a business achieving competitive advantage.
- In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.
- A core competency for a firm is whatever it does is highly beneficial to the organisation.
- 'Value for Money' is the leader on account of its ability to keep costs low.
- The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors.
- The core competency in this case is derived from the company's ability to generate large sales volume, allowing the company to remain profitable with low profit margin.

Question - 8

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

ANSWER

- An important component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats.
- The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as SWOT analysis.
 - (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.
 - (b) **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.
 - (c) **Opportunity:** An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.
 - (d) **Threat:** A threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position.
- SWOT analysis helps managers to craft a business model (or models) that will allow a company to gain a competitive advantage in its industry (or industries).
- Competitive advantage leads to increased profitability, and this maximizes a company's chances of surviving in the fast-changing, competitive environment.

Key reasons for SWOT analysis are:

- It provides a logical framework.
- It presents a comparative account.
- It guides the strategist in strategy identification.

STRATEGIC CHOICES

Division A - Multiple Choice Questions

- (1) Which strategy is implemented after the failure of turnaround strategy?
- (a) Expansion strategy
 - (b) Diversification strategy
 - (c) Divestment strategy
 - (d) Growth strategy
- (2) Retrenchment strategy in the organization can be explained as
- (a) Reducing trenches (gaps) created between individuals.
 - (b) Divesting a major product line or market.
 - (c) Removal of employees from job through the process of reorganization.
 - (d) Removal of employees from job in one business to relocate them in other business.
- (3) An organisation diversifies in backward sequence in the product chain and enters specific product/process to be used in existing products. It is:
- (a) Forward diversification.
 - (b) Vertical diversification.
 - (c) Horizontal diversification.
 - (d) Reactive diversification.
- (4) Corporate strategy includes:
- (i) Expansion and growth, diversification, takeovers and mergers
 - (ii) Vertical and horizontal integration, new investment and divestment areas
 - (iii) Determination of the business lines
- From the combinations given below select a correct alternative:
- (a) (i), and (ii)
 - (b) (i) and (iii)
 - (c) (ii) and (iii)
 - (d) (i) (ii) and (iii)
- (5) Vertical integration may be beneficial when
- (a) Lower transaction costs and improved coordination are vital and achievable through vertical integration.
 - (b) Flexibility is reduced, providing a more stationary position in the competitive environment.
 - (c) Various segregated specializations will be combined.
 - (d) The minimum efficient scales of two corporations are different.
- (6) Stability strategy is a _____ strategy.
- (a) SBU level
 - (b) Corporate level
 - (c) Business level
 - (d) Functional level

(7) Conglomerate diversification is another name for which of the following?

- (a) Related diversification
- (b) Unrelated diversification
- (c) Portfolio diversification
- (d) Acquisition diversification

(8) Diversification primarily helps to:

- (a) Reduce competition
- (b) Reduce risk
- (c) Reduce taxes
- (d) Reduce costs

ANSWER (MCQ Based Questions)

(1)	(c)	(2)	(b)	(3)	(b)	(4)	(d)	(5)	(a)
(6)	(b)	(7)	(b)	(8)	(b)				

Division B - Descriptive Questions

Question - 1

Gautam and Siddhartha, two brothers, are the owners of a cloth manufacturing unit located in Faridabad. They are doing well and have substantial surplus funds available within the business. They have different approaches regarding corporate strategies to be followed to be more competitive and profitable in future.

Gautam is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies. On the other hand, Siddhartha desires to start another unit to produce readymade garments.

Discuss the nature of strategic choices being suggested by the two brothers with reference to the payoffs and the risks involved.

ANSWER

- Gautam wishes to diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification.
- He is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies, which is not related to their existing product.
- In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it is an unrelated diversification.
- In process/ technology/ function, there is no connection between the new products and the existing ones.
- Conglomerate diversification has no common thread at all with the firm's present position.
- On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting vertically integrated diversification/ forward integration.
- The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business.
- In such 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 and moves forward or backward in the chain.
- It enters specific product/process steps with the intention of making them into new businesses for the firm.
- The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.
- Both types of diversifications have their own risks.
- In conglomerate diversification, there are no linkages with customer group, customer marketing functions and technology used, which is a risk.
- In the case of vertical integrated diversification, there is a risk of lack of continued focus on the original business.

Question - 2

XYZ Company is facing continuous losses. There is decline in sales and product market share. The products of the company became uncompetitive and there is persistent negative cash flow. The physical facilities are deteriorating, and employees have low morale. At the board meeting, the board members decided that they should continue the organization and adopt such measures such that the company functions properly. The board has decided to hire young executive Shayamli for improving the functions of the organization. What corporate strategy should Shayamli adopt for this company and what steps need to be taken to implement the strategic choice adopted by Shayamli?

ANSWER

- XYZ Company is facing continuous losses, decline in sales and product market share, persistent negative cash flow, uncompetitive products, declining market share, deterioration in physical facilities, low morale of employees.
- In such a scenario, Shayamli may choose **turnaround strategy** as this strategy attempts to reverse the process of decline and bring improvement in organizational health.
- This is also important as Board has decided to continue the company and adopt measures for its proper functioning.
- For success, Shayamli needs to focus on the short and long-term financing needs as well as on strategic issues.
- During the turnaround, the “product mix” may be changed, requiring the organization to do some repositioning.

A workable action plan for turnaround would involve:

Stage One – Assessment of current problems: In the first step, assess the current problems and get to the root causes and the extent of damage.

State Two – Analyze the situation and develop a strategic plan: Identify major problems and opportunities, 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 organisation to survive.

Stage Four – Restructuring the business: If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Efforts to be made to position the organization for rapid improvement.

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.

Question - 3

Organo is a large supermarket chain. It is considering the purchase of a number of farms that provides Organo with a significant amount of its fresh produce. Organo feels that by purchasing the farms, it will have greater control over its supply chain. Identify and explain the type of diversification opted by Organo?

ANSWER

- Organo is a large supermarket chain.
- By opting backward integration and purchase a number of farms, it will have greater control over its supply chain.
- 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.

Question - 4

With the global economic recession Soft Cloth Ltd. incurred significant losses in all its previous five financial years. Currently, they are into manufacturing of cloth made of cotton, silk, polyester, rayon, lycra and blends. Competition is also intense on account of cheap imports. The company is facing cash crunch and has not been able to pay the salaries to its employees in the current month.

Suggest a grand strategy that can be opted by Soft Cloth Ltd.

ANSWER

- Soft Cloth Ltd. is facing internal as well as external challenges.
- The external environment is economic recession and the organization is facing cash crunch.
- The company needs to work on retrenchment/ turnaround strategy.

The strategy is suitable in cash of issues such as:

- Persistent negative cash flow.
- Uncompetitive products or services
- Declining market share
- Deterioration in physical facilities
- Overstaffing, high turnover of employees, and low morale
- Mismanagement

The company may consider to substantially reduce the scope of its activity.

- This is done though an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems.
- These steps result in different kinds of retrenchment strategies.
- If the organization chooses to focus on ways and means to reverse the process of decline, it adopts a turnaround strategy.
- If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a divestment strategy.
- If none of these actions work, then it may choose to abandon the activities totally, resulting in a liquidation strategy.

Question - 5

X Pvt. Ltd. had recently ventured into the business of co-working spaces when the global pandemic struck. This has resulted in the business line becoming unprofitable and unviable, and a failure of the existing strategy. However, the other businesses of X Pvt. Ltd. are relatively less affected by the pandemic as compared to the recent co-working spaces. Suggest a strategy for X Pvt. Ltd. with reasons to justify your answer.

ANSWER

- It is advisable that divestment strategy should be adopted by X Pvt. Ltd.
- In the given situation where the business of co-working spaces became unprofitable and unviable due to Global pandemic, the best option for the company is to divest the loss-making business.
- Retrenchment may be done either internally or externally.
- Turnaround strategy is adopted in case of internal retrenchment where emphasis is laid on improving internal efficiency of the organization, while divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors.

- In view of the above, the company should go for divestment strategy.

Further, divestment helps address issues like:

1. Persistent cash flows from loss making segment could affect other profit-making segments, which is the case in the given scenario.
2. Inability to cope from the losses, which again is uncertain due to pandemic.
3. Better investment opportunity, which could be the case if X Pvt. Ltd. can invest the money it generates from divestment.

Question - 6

Atrix Ltd. is a company engaged in the designing, manufacturing, and marketing of mechanical instruments like speed meters, oil pressure gauges, and so on. Their products are fitted into two and four wheelers. During the last couple of years, the company has been observing a fall in the market share. This is on account of shift to the new range of electronic instruments. The customers are switching away mechanical instruments that have been the backbone of Atrix Ltd.

As a CEO of Atrix Ltd., what can be the strategic options available with you.

ANSWER

- Atrix is having a product portfolio that is evidently in the decline stage.
- The product is being replaced with the technologically superior product.
- Strategically the company should minimize their dependence on the existing products and identify other avenues for the survival and growth.

As a CEO of Atrix Ltd., following can be the strategic options available with the CEO:

- Invest in new product development and switchover to the new technology. Atrix Ltd. also need time to invest in emerging new technology.
- They can acquire or takeover a competitor provided they have or are able to generate enough financial resources.
- They may also consider unrelated growth and identify other areas for expansion. This will enable Atrix Ltd. spread their risks.
- In longer run, they should divest the existing products. However, they may continue with the existing products in a limited manner for such time there is demand for the product.

STRATEGY IMPLEMENTATION AND EVALUATION

Division A - Multiple Choice Questions

- (1) _____ leadership style may be appropriate in turbulent environment.
- (a) Transactional
 - (b) Transformational
 - (c) Autocratic
 - (d) None of these
- (2) An organizational structure with constricted middle level is:
- (a) Divisional Structure
 - (b) Network Structure
 - (c) Hour Glass Structure
 - (d) Matrix Structure
- (3) You are the head of operations of a company. When you focus on total or aggregate management functions in the sense of embracing the integrated activities of a complete department et al, you are practicing: -
- (a) Strategic Control
 - (b) Management control
 - (c) Administrative Control
 - (d) Operations Control
- (4) Which of the following would be chosen by the core strategist to implement operational control: -
- (a) Premise Control
 - (b) Special Alert Control
 - (c) Implementation Control
 - (d) Budgetary Control
- (5) Compliance, Identification and Internalization are the three processes involved in:
- (a) Refreezing
 - (b) Defreezing
 - (c) Changing behaviour patterns
 - (d) Breaking down old attitudes
- (6) Which one is NOT a type of strategic control?
- (a) Operational control
 - (b) Strategic surveillance
 - (c) Special alert control
 - (d) Premise control

ANSWER (MCQ Based Questions)

(1)	(b)	(2)	(c)	(3)	(b)	(4)	(d)	(5)	(c)	(6)	(a)
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Division B - Descriptive Questions

Question - 1

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

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

ANSWER

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

A Strategic leader has several responsibilities, including the following:

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

Question - 2

Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors.

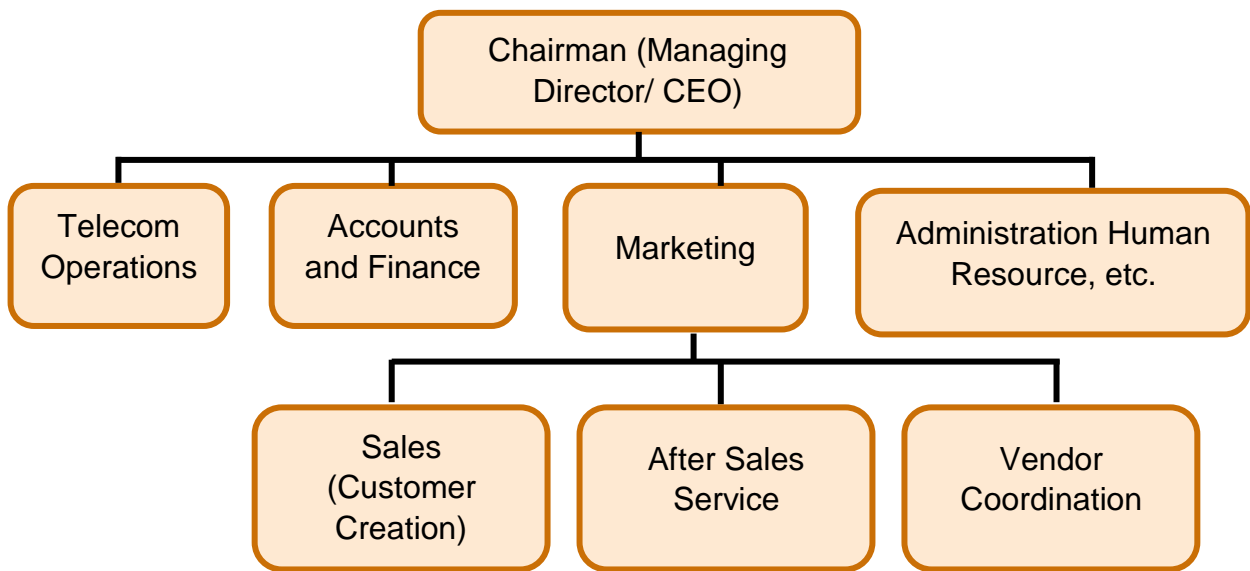
Draw the organization structure Manoj should implement in his organization and name it.

ANSWER

Manoj has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional area that are desired in the organisational structure.

Further there is inherent need to have a department for the management of telecom services/operations.

Thus, the functional structure in the telecom business of Manoj can be as follows:



Question - 3

Moonlight Private Limited deals in multi-products and multi-businesses. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its product or businesses. As a strategic manager, suggest the type of structure best suitable for Moonlight Private Limited and state its benefits.

ANSWER

- It is advisable for Moonlight Private Limited to follow the strategic business unit (SBU) structure.
- Moonlight Private Limited has a multi-product and multi-business structure where, each of these businesses has its own set of competitors.
- In the given case, Strategic Business Unit (SBU) structure would best suit the interests of the company.
- SBU is a part of a large business organization that is treated separately for strategic management purposes.
- It is separate part of large business serving product markets with readily identifiable competitors.
- 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.
- Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units, just as is the case for Moonlight Private Limited.
- SBU structure becomes imperative in an organization with increase in number, size and diversity.

Benefits of SBUs:

1. Establishing coordination between divisions having common strategic interest.
2. Facilitate strategic management and control.
3. Determine accountability at the level of distinct business units.
4. Allow strategic planning to be done at the most relevant level within the total enterprise.
5. Make the task of strategic review by top executives more objective and more effective.
6. Help to allocate resources to areas with better opportunities.

Thus, and SBU structure with its set of advantages would be most suitable for the company with the given diverse businesses having separate identifiable competitors, but a common organizational goal.

Question - 4

Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was

performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem.

ANSWER

- Sanya Private Limited deteriorating performance due to poor implementation of plans that is improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards, all point towards weak controls in the organization.
- Implementation of plans cannot assure results unless strong and sufficient controls are put in place.
- The management of the company should focus diligently on developing controls especially in the identified problem areas.

The process of control has the following elements:

- (a) Objectives of the business system which could be operationalized into measurable and controllable standards.
- (b) A mechanism for monitoring and measuring the performance of the system.
- (c) A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.
- (d) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

Above elements of control would ensure a proper check on improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards and ensure a result-oriented implementation of plans.

Question - 5

What is a strategic business unit? What are its advantages?

ANSWER

- A strategic business unit (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.

Advantages of SBU 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.

Question - 6

Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief.

ANSWER

- Divisional structure is that organizational structure which is based on extensive delegation of authority and built on division basis.
- The divisional structure can be organized in one of the four ways: by geographic area, by product or service, by customer, or by process.
- With a divisional structure, functional activities are performed both centrally and in each division separately.

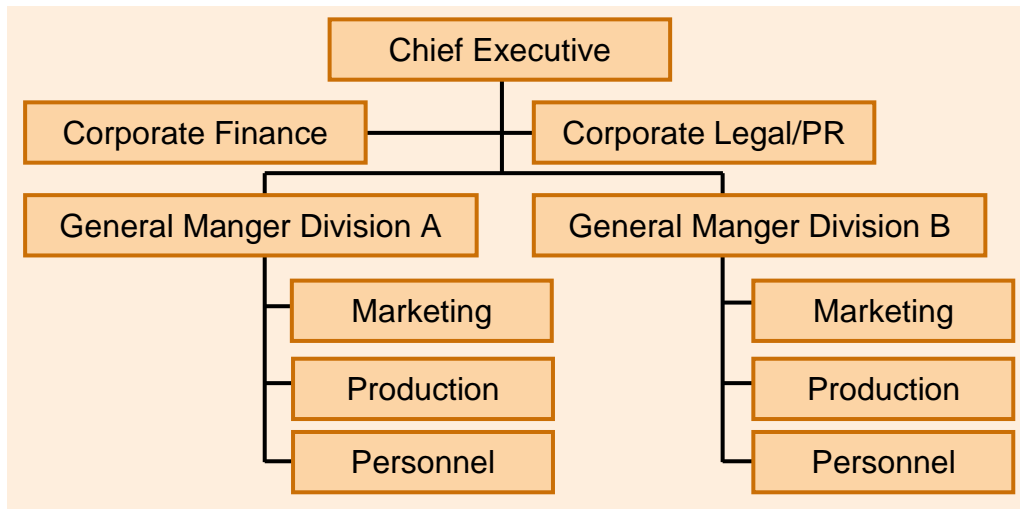


Image: Divisional Structure

Advantages of Divisional Structure

- **Accountability is clear:** Divisional managers can be held responsible for sales and profit levels. Because a divisional structure is based on extensive delegation of authority, managers and employees can easily see the results of their good or bad performances and thus their morale is high.
- **Other advantages:** It creates career development opportunities for managers, allows local control of local situations, leads to a competitive climate within an organization, and allows new businesses and products to be added easily.

Disadvantages of Divisional Structure

- **Higher cost:** Owing to following reasons: (i). requires qualified functional specialist at different divisions and needed contritely (at headquarters); (ii). It requires an elaborate, headquarters -driven control system.
- **Conflicts between divisional managers:** Certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent. Company-wide practices.

Question - 7

What is an 'hourglass structure'? How can this structure benefit an organization?

ANSWER

- In the recent years information technology and communications have significantly altered the functioning of organizations.
- The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.
- Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer.
- The structure has a short and narrow middle management level.
- Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers.
- A shrunken middle layer coordinates diverse lower level activities.

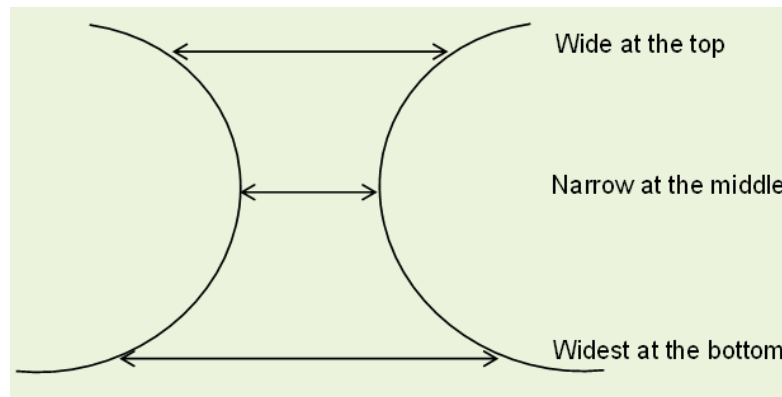


Image: Hourglass

Structure

Organization

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

Question - 8

How can you differentiate between transformational and transactional leaders?

ANSWER

Difference between transformational and transactional leadership

1. Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization.
Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc.
2. Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their cycles, poorly performing organisations, when there is a need to inspire a company to embrace major changes.
Transactional leadership style can be appropriate in static environment, in growing or mature industries and in organisations that are performing well.
3. Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction.
Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and nonachievement.
Transactional leaders focus mainly to build on existing culture and enhance current practices.