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- ✓ Based on the Institute's New Module
- ✓ Updated Outline of the Chapters
- ✓ OFUs for Understanding Technical Concepts
- ✓ Compiled Question Bank : Theoretical, RTP and MCQs
- ✓ All Answers in Point Form - Easy to grasp & understand
- ✓ Simple and Lucid Language



CA CS Amit Tated
FCA, CS, DISA



**For C.A. Intermediate
Strategic Management**

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Preface

It gives me immense pleasure to present the Seventh Revised (New Syllabus) edition of Strategic Management. This edition has updated syllabus which is applicable from MAY 2024 and onwards.

This book has everything which student may require to understand, remember and reproduce SM. The book has been developed keeping in mind the technicality of the subject to bring it at a student's grasping level.

This book will suffice to go with institute language as well as understanding the concepts.

In recent exam papers we saw that the questions asked are more practical. Thus, students need to understand the concepts and logical reasoning of the Chapter. Only mugging-up shall not suffice to score in this subject.

For Class Work students can refer Amit Tated YouTube Channel.

(Tera Course Mera Guidance)



Every effort has been made to avoid any errors and omissions in this book. Despite all the efforts we believe some errors might have crept in. The students are welcome to point out any errors / suggestions.

Best wishes,

Amit Tated
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October, 2023

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CHAPTER - 1

INTRODUCTION TO STRATEGIC MANAGEMENT

1. TEST YOUR KNOWLEDGE

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 Manager*

(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*

9. *Strategic management enables an organization to _____, instead of companies just responding to threats in their business environment.*

(a) *be proactive*

(b) *determine when the threat will subside*

(c) *avoid the threats*

(d) *defeat their competitors*

10.	Read the following three statements:
(i)	Strategies have short-range implications.
(ii)	Strategies are action oriented.
(iii)	Strategies are rigidly defined.
	From the combinations given below select an alternative that represents statements that are true:
(a)	(i) and (ii)
(b)	(i) and (iii)
(c)	(ii) and (iii)
(d)	(i), (ii) and (iii)
11.	What involves formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives?
(a)	Strategy formulation
(b)	Strategy evaluation
(c)	Strategy implementation
(d)	Strategic management
12.	Strategic management allows an organization to be more
(a)	Authoritative
(b)	Participative
(c)	Commanding
(d)	Proactive
	Answers to Multiple Choice Questions
1.	d
2.	b
3.	c
4.	b
5.	d
6.	d
7.	b
8.	b
9.	a
10.	a
11.	d
12.	d
2.	SCENARIO BASED QUESTIONS
1.	Mr. Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feel good brand of cosmetics.

XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may be formulated by Raj.

Ans. Feelgood brand of cosmetics may have following vision and mission:

Vision: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. Mr. Raj should aim to position "Feelgood cosmetics" as India's beauty Care Company. It may have vision to be India 'largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.

Mission: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company:

Mr. Raj may identify mission in the following lines:

- ◆ To be in the business of cosmetics to enhance the lives of people, give them confidence to lead.
- ◆ To protect skin from harmful elements in environment and sun rays.
- ◆ To produce herbal cosmetics using natural ingredients.

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

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

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

If organisational resources permit, it is better to be proactive rather than reactive.

Being proactive in aspects such as introducing new products will give you an advantage in the mind of customers.

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

3. 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.

Ans. 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 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.

4. 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.

Ans. 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 Cyclix Corporate management is not right. They should involve Dharam Singh, as well as other functional managers too in strategic management.

5. 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.

Ans. 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;
7. ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
8. managing the divestment and acquisition process.

3. DESCRIPTIVE QUESTIONS

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

Ans. 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.

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

Ans. 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.

3. Explain the difference between three levels of strategy formulation.

Ans. 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.

4. "Strategy is partly proactive and partly reactive." Discuss.

Ans. 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.

4. ADDITIONAL MCQ'S

1. Ever Grand Group is a diversified company active in a wide range of business lines, including Financial Services, Fertilizers, Information Technology enabled Services (ITeS), FMCG and Real Estate. The Board of Directors understand the need of the hour and are determined to further develop the ITeS business, whereby they want better allocation of human resources and provision of industry-best customer services. To achieve the same, they have suggested implementation of specific business strategies but the managers are facing difficulties in allocating the responsibility for implementation of the business strategy amongst them. You being a management expert, indicate the appropriate persons responsible for translating general statements and business strategies pertaining to the ITeS Strategic Business Unit (SBU) and ensure a smooth implantation.

- (a) Corporate level managers
- (b) Functional level managers
- (c) General level managers
- (d) Business level managers

2. Velvet Limited is a full-service airline. The company is making the following decisions:
(i) Should a 'no-frills', 'low-fare' subsidiary be set-up?
(ii) If it is set-up, how should the cabin staff be recruited?
Which of the above decisions will be taken by corporate level managers?

- (a) Only (i)
- (b) Only (ii)
- (c) (i) & (ii)
- (d) Neither (i) nor (ii)

3.	<i>Which of the following is correct?</i>
(a)	<i>Strategy is always pragmatic and not flexible</i>
(b)	<i>Strategy is not always perfect, flawless and optimal</i>
(c)	<i>Strategy is always perfect, flawless and optimal</i>
(d)	<i>Strategy is always flexible but not pragmatic</i>
4.	<i>Reactive strategy can also be termed as-</i>
(a)	<i>Planned strategy</i>
(b)	<i>Adaptive strategy</i>
(c)	<i>Sound strategy</i>
(d)	<i>Dynamic strategy</i>
5.	<i>Formulation of strategies and their implementation in a strategic management process is undertaken by-</i>
(a)	<i>Top level executives</i>
(b)	<i>Middle level executives</i>
(c)	<i>Lower -level executives</i>
(d)	<i>All of the above</i>
6.	<i>Which of the following are responsible for formulating and developing realistic and attainable strategies?</i>
(a)	<i>Corporate level and business level managers</i>
(b)	<i>Corporate level and functional level managers</i>
(c)	<i>Functional managers and business level managers</i>
(d)	<i>Corporate level managers, business level managers and functional level managers</i>
7.	<i>Strategic management enables an organization to _____ instead of companies just responding to threats in their business environment.</i>
(a)	<i>be proactive</i>
(b)	<i>determine when the threat will subside</i>
(c)	<i>avoid the threats</i>

(d)	<i>defeat their competitors</i>
8.	<i>What involves formulating, implementing and evaluating cross- functional decisions that enable an organization to achieve its objectives?</i>
(a)	<i>Strategy formulation</i>
(b)	<i>Strategy evaluation</i>
(c)	<i>Strategy implementation</i>
(d)	<i>Strategic management</i>
9.	<i>Strategic management allows an organization to be more</i>
(a)	<i>Authoritative</i>
(b)	<i>Participative</i>
(c)	<i>Commanding</i>
(d)	<i>Proactive</i>
10.	<i>Drishti Care is a not-for profit eye hospital and research centre. Which one of the following statements is likely to relate to Drishti Care's vision, rather than its mission statement?</i>
(a)	<i>Drishti Care places patient care before all else</i>
(b)	<i>Drishti Care will be the global leader in cutting edge eye surgery</i>
(c)	<i>Drishti Care offers the highest level of patient care throughout country</i>
(d)	<i>Drishti Care consultants strive to continually improve surgical techniques</i>
11.	<i>An organisation during its strategy planning envisaged entire situation and created a strategy framework. But in mean time after implementation, it realised that its framework is not effective in certain unique unplanned situations. What could be the reason for such ineffectiveness?</i>
(a)	<i>Strategy is "partly proactive and Partly reactive"</i>
(b)	<i>Lack of analysis and proper planning</i>
(c)	<i>Strategy is highly reactive and highly proactive</i>
(d)	<i>Improper creation of strategic framework</i>

12.	<i>The philosophical base of strategic management falls within the concept of</i>
(a)	<i>Strategic Intent</i>
(b)	<i>Portfolio Analysis</i>
(c)	<i>Globalisation</i>
(d)	<i>Vision Statement</i>
13.	<i>Meba Ltd. had a huge capacity of 40,000 Kilo Litres production of Kerosene Oil, and they were able to achieve 90% of it almost always, while the teams were also aware that they can achieve 100% capacity with very less efforts, but always kept margins. Further, the business team was planning to setup two more plants of 20,000 Kilo Litre capacity each in the next five years. This was a welcomed move from state governments as well. From the above, which of the following aspects of the objective has not been given much importance?</i>
(a)	<i>They should be clear and quantifiable</i>
(b)	<i>They should be concise</i>
(c)	<i>They should be challenging</i>
(d)	<i>They should provide standard for comparative appraisal</i>
14.	<i>Members of Infinite Care, an NGO, have met and determined that they need to formulate a philosophical basis for their activities. Thereby they have come up with a statement:- "Provide children till age 12, living in homeless or low-income situations, with the essential items they need to thrive - at home, at school and at play" Identify the area of strategic intent, which the members have stated?</i>
(a)	<i>Vision</i>
(b)	<i>Business definition</i>
(c)	<i>Goal and Objective</i>
(d)	<i>Mission</i>
15.	<i>The following is the message of a CEO to all his divisional heads: It is significant to understand the persisting need for developing new vistas of work, and that, of course, is preceded by the acute need for the ability to adapt the everchanging external world.</i>

We, at Krom Limited, have identified that embracing to digital technology is where our future lies, and we shall all pledge to make this transition a successful choice which will definitely entail a few organizational changes.”

The underlying message of the CEO in your opinion is that of a:

- (a) Business mission statement*
- (b) Business definition statement*
- (c) Strategic objective statement*
- (d) Strategic transformational leadership statement*

16. Which of the following statements is true?

- (a) Business policy is for small companies and strategy is for big companies.*
- (b) Policy is a subset of strategy*
- (c) Policy is made by corporate managers and strategy is made by business level managers*
- (d) Policy talks about what do, and strategy talks about how to do.*

17. In which phase of strategic management are annual objectives especially important?

- (a) Formulation*
- (b) Control*
- (c) Evaluation*
- (d) Implementation*

18. Specific results an organisation seeks to achieve in pursuing its basic mission are:

- (a) Strategies*
- (b) Rules*
- (c) Objectives*
- (d) Policies*

19. During what stage of strategic management are a firm's specific internal strengths and weaknesses determined?

- (a) Formulation*
- (b) Implementation*

(c)	<i>Evaluation</i>
(d)	<i>Feedback</i>
20.	<i>Which of these basic questions should a vision statement answer?</i>
(a)	<i>What is business of firm's?</i>
(b)	<i>Who are competitors?</i>
(c)	<i>Where we are to go?</i>
(d)	<i>What are organisational capabilities?</i>
21.	<i>What are the means by which long term objectives will be achieved?</i>
(a)	<i>Policies</i>
(b)	<i>Opportunities</i>
(c)	<i>Vision</i>
(d)	<i>Strategies</i>
22.	<i>What is the first step in the comprehensive strategic-management model?</i>
(a)	<i>Developing vision and mission statements</i>
(b)	<i>Performing external audits</i>
(c)	<i>Measuring and evaluating performance</i>
(d)	<i>Establishing long-term objectives</i>
23.	<i>Developing vision and mission, identifying an organisation's external opportunities and threats, and determining internal strengths and weaknesses are:</i>
(a)	<i>SBU planning</i>
(b)	<i>Strategy formulation</i>
(c)	<i>Strategy implementation</i>
(d)	<i>Business process reengineering</i>
24.	<i>Questions such as "What is our business?" and "who are our customers?" are required to be answered in company's:</i>
(a)	<i>Objectives</i>

- (b) Plan
- (c) Policy document
- (d) Mission statement

ANSWER KEY

Question No.	Answer
1	(b) Functional level managers
2	(a) Only (i)
3	(b) Strategy is not always perfect, flawless and optimal
4	(b) Adaptive strategy
5	(d) All of the above
6	(d) Corporate level managers, business level managers and functional level managers
7	(a) be proactive
8	(d) Strategic management
9	(d) Proactive
10	(b) Drishti Care will be the global leader in cutting edge eye surgery
11	(a) Strategy is "partly proactive and Partly reactive"
12	(a) Strategic Intent
13	(c) They should be challenging
14	(d) Mission
15	(b) Business definition statement
16	(d) Policy talks about what do, and Strategy talks about how to do
17	(d) Implementation
18	(c) Objectives
19	(a) Formulation
20	(c) Where we are to go?
21	(d) Strategies
22	(a) Developing vision and mission statements
23	(b) Strategy formulation
24	(d) Mission statement

CHAPTER - 2

STRATEGIC ANALYSIS EXTERNAL ENVIRONMENT

1. TEST YOUR KNOWLEDGE

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

Answers to Multiple Choice Questions

1. c 2. d 3. a 4. a

5. c 6. b 7. c 8. b

2. SCENARIO BASED 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.

Ans. 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 of 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.

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?

Ans. 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.

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?

Ans. 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.

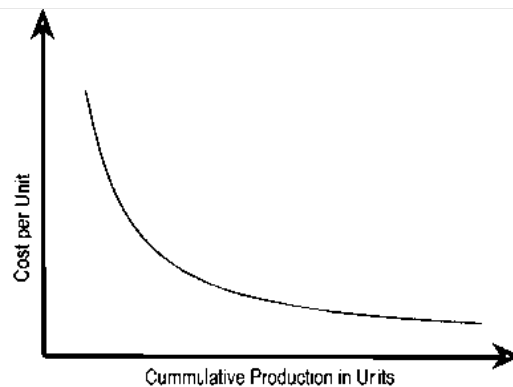
An advantage that Baby Turtle has is even though the material required has no substitutes, but it used to make many other products and thus there are many other

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.

3. DESCRIPTIVE QUESTIONS

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

Ans. 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.

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

Ans. 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

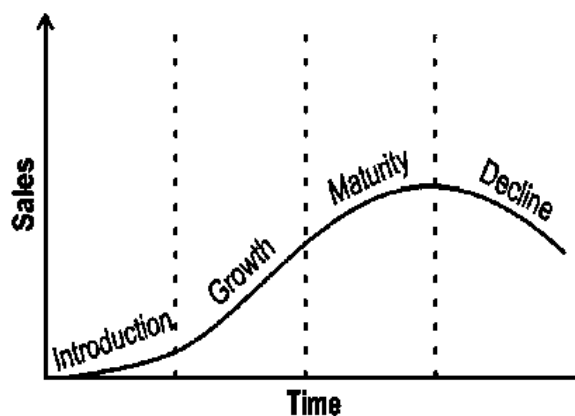
through the four successive stages.

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.



Product Life Cycle

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.

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

Ans. 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 coming 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.

4. ADDITIONAL MCQ'S

1. ABC Ltd. has identified that all three of its main products are at the maturity phase of the product life cycle. Which of the following is ABC Ltd. likely to be experiencing due to this?
- (a) High, but declining sales
 - (b) Growing numbers of competitors
 - (c) Product diversification and differentiation strategies
 - (d) Adoption of price skimming strategies
2. During which stage of the Product Life Cycle will marketing strategies need to concentrate on differentiating a product from competing products, building brand loyalty and offering incentives to attract competitor's customers to switch?
- (a) Decline
 - (b) Growth
 - (c) Maturity
 - (d) Introduction

3.	<p>Training Co. operates a network of accounting training centres throughout Europe, the US and Australia. The business intends to enter developing markets in order to drive growth and has now decided to enter India which is 7,500 kilometres from the Training Co.'s UK headquarters. The Board has suggested that it will require externally focused management information to move into India. Which of the following is an external factor(s) that the Board should consider while implementing its strategy?</p> <p>(a) Key local rivals and their strengths and weaknesses</p> <p>(b) Courses are suitable for this market</p> <p>(c) Timing of the courses (Public holidays, religious festivals, etc to be avoided)</p> <p>(d) All of the above</p>
4.	<p>Nicole has inherited a restaurant from her uncle. The restaurant had been under-performing and was closed six months ago. Nicole wants to begin a new restaurant in the premises with a new name and new cuisine.</p> <p>The following are primary activities of the value chain that Nicole should consider except:</p> <p>(a) In bound logistics: side of local, high quality produce for ingredients</p> <p>(b) Outbound logistics: consider delivery of the bound to table</p> <p>(c) Marketing: Presentation of meals</p> <p>(d) Technology: Advanced cooking equipment</p>
5.	<p>A newspaper is planning for the next five years. Which of the following demographic influence(s) should it consider as part of its external environment analysis?</p> <p>(i) Tax on newspapers</p> <p>(ii) Import of raw materials will suffer if domestic currency weakens</p> <p>(iii) Increased mobility around the world requires different language version</p> <p>(iv) Carbon emissions from the use and products of paper - newspaper</p> <p>(a) (iii) & (iv)</p> <p>(b) Only (iii)</p> <p>(c) Only (iv)</p> <p>(d) (ii), (iii), (iv)</p>

6.	<i>Y Mart super market is planning for the next five years. Which of the following economic influences should it consider?</i>
(i)	<i>Unemployment rate</i>
(ii)	<i>Internet ordering</i>
(iii)	<i>Animal welfare</i>
(iv)	<i>Consumer legislation</i>
(v)	<i>Population size</i>
(vi)	<i>Interest rates</i>
(a)	<i>(i) & (vi)</i>
(b)	<i>(i), (iv) & (vi)</i>
(c)	<i>(iv) & (vi)</i>
(d)	<i>(i), (iii), (iv), (vi)</i>
7.	<i>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.</i>
(a)	<i>Maturity</i>
(b)	<i>Introduction</i>
(c)	<i>Growth</i>
(d)	<i>Decline</i>
8.	<i>X-Olympus is a gaming software company specializing in developing games for Z Box and GameStation-4. The company is facing stiff competition due to saturation of market and price wars, which h excessively favor and highlight their dependence on gaming console manufacturers. Thereby, the company desires to establish a competitive advantage over industry rivals by enhancing the gaming experience by expanding into Edge-Cloud Gaming Service on a monthly subscription basis. This service offering does not require dedicated gaming consoles yet provide customers game streaming in 4K resolution with an ample range of games to select from. This move is expected to insulate X-Olympus from price wars and provide a competitive advantage. Kindly identify which of the Michael Porter's forces and generic strategies perfectly suits X-Olympus?</i>

- (a) Threat of new entrants, Focus strategy
- (b) Rivalry amongst existing players, Differentiation strategy
- (c) Bargaining power of suppliers, Focus strategy
- (d) Threat from substitutes, Cost leadership strategy

9. The directors of Blaina Packaging Co. (BPC), a well-established manufacturer of cardboard boxes is considering whether to enter the cardboard tube market. Cardboard tubes are purchased by customers and these products are of various sizes, ranging from large tubes which are used for carpets to small tubes which are used for films and paper. Another company, Plastic tubes Co. (PTC), produces narrow, but increasing, range of plastic tubes which are capable of housing small products such as film and paper-based products. This is considered as which of the following Porter's force for BPC?

- (a) Threat of new entrant
- (b) Threat of substitutes
- (c) Bargaining power of customers
- (d) Bargaining power of suppliers

10. Which of the following is not Michael Porter's five competitive forces?

- (a) New entrants
- (b) Rivalry among existing firms
- (c) Bargaining power of unions
- (d) Bargaining power of suppliers

11. Suppliers can command bargaining power over a firm when:

- 1. The products are crucial to the buyer
- 2. Large number of substitutes are available
- 3. Suppliers erect high switching costs
- 4. Suppliers are more concentrated than their buyers. All above explain the reasons except:

- (a) (1)
- (b) (2)

(c) (3)

(d) (4)

ANSWER KEY

<i>Question No.</i>	<i>Answer</i>
<i>1</i>	<i>(c) Product diversification and differentiation strategies</i>
<i>2</i>	<i>(c) Maturity</i>
<i>3</i>	<i>(d) All of the above</i>
<i>4</i>	<i>(d) Technology: Advanced cooking equipment</i>
<i>5</i>	<i>(b) Only (iii)</i>
<i>6</i>	<i>(a) (i) & (vi)</i>
<i>7</i>	<i>(b) Introduction</i>
<i>8</i>	<i>(b) Rivalry amongst existing players, Differentiation strategy</i>
<i>9</i>	<i>(b) Threat of substitutes</i>
<i>10</i>	<i>(c) Bargaining power of unions</i>
<i>11</i>	<i>(b) (2)</i>

CHAPTER - 3

STRATEGIC ANALYSIS INTERNAL ENVIRONMENT

1. TEST YOUR KNOWLEDGE

MULTIPLE CHOICE QUESTIONS

1. The goal of SWOT analysis is to ___ the organization's opportunities and strengths while ___ its threats and ___ its weaknesses.
- a. avoid; neutralizing; correcting
 - b. exploit; neutralizing; correcting
 - c. avoid; capitalizing; neutralizing
 - d. exploit; avoiding; ignoring
2. SWOT analysis is an evaluation of the organization's _____ weaknesses and its _____ opportunities and threats.
- a. external; internal
 - b. internal; internal
 - c. external; external
 - d. internal; external
3. 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
4. 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

5.	Internal _____ are activities in an organization that are performed especially well.
a.	Opportunities
b.	Competencies
c.	Strengths
d.	Management
6.	'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
7.	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
8.	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)
9.	What are the three different bases given by Michael Porter's Generic Strategies to gain competitive advantage?
a.	differentiation, integration and compensation

b.	<i>integration, focus and differentiation</i>
c.	<i>compensation, integration and focus</i>
d.	<i>cost leadership, differentiation and focus</i>
10.	<i>A firm successfully implementing a differentiation strategy would expect:</i>
a.	<i>Customers to be sensitive to price increases.</i>
b.	<i>To charge premium prices.</i>
c.	<i>Customers to perceive the product as standard.</i>
d.	<i>To automatically have high levels of power over suppliers.</i>

Answers to Multiple Choice Questions

1.	<i>b</i>	2. <i>d</i>	3. <i>d</i>	4. <i>b</i>	5. <i>c</i>
6.	<i>c</i>	7. <i>c</i>	8. <i>d</i>	9. <i>d</i>	10. <i>b</i>

2. SCENARIO BASED QUESTIONS

1.	<i>Rohit Sodhi runs a charitable organisation for promotion of sports in the country. His organisation conducts regular free training camps for youths interested in playing cricket, football, hockey, badminton and so on. Many of his trainees have reached national level contests. Rohit noticed that with success of IPL (Cricket) tournament there is an increasing trend to extend similar format in other sports as well. He wishes to know how the development is going help sports and to which industries it will offer opportunities and threats.</i>
Ans.	<i>With the success of IPL, league matches are taking place in other sports as well. These are held in a grandeur manner between several teams. For example, league matches in magnificent manner now take place in Football, Kabaddi and Hockey in India. These events are profit and entertainment driven. These are going to help sports in India by generating interest in sports, making them more popular, increasing quality of competition and bringing money into sports.</i>
	<i>A number of entities and processes are involve in these events from various industries offering opportunities and threats to them. An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position. On the</i>

other hand, a threat is an unfavourable condition in the organisation's environment which causes a risk for, or damage to, the organisation's position. An opportunity is also a threat in case internal weaknesses do not allow organization to take their advantage in a manner rival can. It will offer opportunity and threats to the following:

Opportunities

- ◆ Stadia
- ◆ Manufacturers of sports goods
- ◆ Media Industry - Sports channels / television, advertisers.
- ◆ Hotel Industry linking events with their offerings.

Threats

- ◆ Entertainment industry engaged in TV serials, cinema theatres, Entertainment theme parks as competitors will be fighting for the same viewers/target customers.
- ◆ Event Management organisation engaged in non-sports events.

2. 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.

Ans. 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:

- ◆ Identify the competitive characteristics that differentiate firms in the industry typical variables that 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).

- ◆ Plot the firms on a two-variable map using pairs of these differentiating characteristics.
- ◆ Assign firms that fall in about the same strategy space to the same strategic group.
- ◆ Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

3. Mohan has joined as the new CEO of XYZ Corporation and aims to make it a dominant technology company in the next five years. He aims to develop competencies for managers for achieving better performance and a competitive advantage for XYZ Corporation. Mohan is well aware of the importance of resources and capabilities in generating competitive advantage.

Discuss the four major characteristics of resources and capabilities required by XYZ Corporation to sustain the competitive advantage and its ability to earn profits from it.

Ans. XYZ Corporation is aiming to transform into a dominant technology company under the leadership of Mohan, the new CEO. He aims to develop competencies for managers for achieving better performance and a competitive advantage for the corporation. Mohan is also well aware of the importance of resources and capabilities in generating and sustaining the competitive advantage. Therefore, he must focus on characteristics of resources and capabilities of the corporation.

The sustainability of competitive advantage and a firm's ability to earn profits from it depends, to a great extent, upon four major characteristics of resources and capabilities which are as follows:

- ◆ **Durability:** The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources and capabilities deteriorate. In industries where the rate of product innovation is fast, product patents are quite likely to become obsolete. Similarly, capabilities which are the result of the management expertise of the CEO are also vulnerable to his or her retirement or departure. On the other hand, many consumer brand names have a highly durable appeal.
- ◆ **Transferability:** Even if the resources and capabilities on which a competitive advantage is based are durable, it is likely to be eroded by competition from rivals. The ability

of rivals to attack position of competitive advantage relies on their gaining access to the necessary resources and capabilities. The easier it is to transfer resources and capabilities between companies, the less sustainable will be the competitive advantage which is based on them.

- ◆ **Imitability:** If resources and capabilities cannot be purchased by a would-be imitator, then they must be built from scratch. How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based? This is the true test of imitability. Where capabilities require networks of organizational routines, whose effectiveness depends on the corporate culture, imitation is difficult.
- ◆ **Appropriability:** Appropriability refers to the ability of the firms owners to appropriate the returns on its resource base. Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives the returns on these resources.

4. 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.

Ans. 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.

5. 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.

Ans. 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.

6. 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.

Ans. 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.

7. 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.

Ans. 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.

8. 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 "Mota Shoe company"? State its advantages.

Ans·	<p>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.</p> <p>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.</p>
i·	<p>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.</p>
ii·	<p>Buyers: They do not negotiate for price as they get special features and also, they have fewer options in the market.</p>
iii·	<p>Suppliers: Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.</p>
iv·	<p>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.</p>
v·	<p>Substitutes: Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.</p>
9·	<p>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?</p>
Ans·	<p>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:</p>
(i)	<p>Developing personal and cordial relations with the customers.</p>
(ii)	<p>Providing home delivery with no additional cost.</p>
(iii)	<p>Developing a system of speedy delivery that can be difficult to match by online</p>

	sellers. Being in central part of city, he can create a network to supply at wider locations in the city.
(iv)	Having extended working hours for convenience of buyers.
(v)	Providing easy credit or a system of monthly payments to the patients consuming regular medicines.
10.	<p>'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.</p>
Ans.	<p>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.</p>
11.	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?
Ans.	<p>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.</p>
◆	<p>Strength: Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.</p>

- ◆ **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.
 - ◆ **Opportunity:** An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.
 - ◆ **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.

3. ADDITIONAL MCQ'S

1. ABC is a marketing consultancy business. ABC's most recent corporate analysis has identified that three new businesses have recently entered its market and started aggressively targeting ABC's key client. As part of ABC's corporate analysis, these three new businesses would be a
- (a) Strength
 - (b) Opportunity
 - (c) Weakness
 - (d) Threat
2. NS is the market leader in sportswear in Beeland, selling a variety of sportswear products. The board has recently instituted a review of the competitive position of NS by commissioning a SWOT analysis.
- Match the columns in respect of the following elements of SWOT analysis:

<i>Column A</i>	<i>Column B</i>
(1) Excellent brand awareness of NS	(i) Strength
(2) New product to be introduced by NS in the market for new sport at the world championship	(ii) Weakness
(3) Child labour scandal in the sportswear industry which may cause a negative impact on the image of NS due to growth of social media	(iii) Opportunities
(4) Loss of key brand ambassador of NS	(iv) Threats

(a) (1)-(iii), (2)-(i), (3)-(ii), (4)-(iv)

(b) (1)-(i), (2)-(ii), (3)-(iii), (4)-(iv)

(c) (1)-(i), (2)-(iii), (3)-(iv), (4)-(ii)

(d) (1)-(i), (2)-(iii), (3)-(ii), (4)-(iv)

3. An advertising company has 12 staff - 4 of whom are joint owners. It has a strong client base across many industries such as healthcare, training, publishing and sports. However, it has never taken working capital management and the financial side of the business seriously even to the extent that it can never be sure that the clients are billed properly. It now has a chance to bid for a new large, national contract from a major company.

Match the columns in respect of the following elements of SWOT analysis:

<i>Column A</i>	<i>Column B</i>
1. Tender for a major contract	a. Strength
2. Rival companies in the industry trying to pitch for and recruit the key staff	b. Weakness
3. Well diversified client portfolio	c. Opportunities
4. High level of receivables	d. Threats

(a) 1-a, 2-b, 3-c, 4-d

(b) 1-c, 2-d, 3-a, 4-b

(c) 1-c, 2-b, 3-a, 4-b

(d) 1-a, 2-d, 3-c, 4-b

4. We have heard countless, heart breaking stories from companies that are facing immense pressure on their cash flow due to the economic crisis brought on by the COVID-19 pandemic. To adapt to the changing environment, companies should undertake SWOT analysis. Which of the following is a "Threat" affecting the companies?

- (a) Customer are likely to cut back on discretion any expenditure and may move to lower cost rivals
- (b) Loss of key staff
- (c) Tender for new client
- (d) Both a & b

5. Match the core competencies for the following industry:

1.	Automobile Industry	A.	Styling, efficient dealer network performance
2.	Food Processing Industry	B.	Reputation, innovative new policies
3.	Life Insurance Industry	C.	Right mix available in each store, pricing
4.	Super Market Industry	D.	Health Aspects, New Product development, good distribution channel

- (a) 1-A, 2-D, 3-B, 4-C
- (b) 1-D, 2-A, 3-C, 4-B
- (c) 1-A, 2-B, 3-C, 4-D
- (d) 1-B, 2-C, 3-D, 4-A

6. AB is a supermarket chain operating in North India. Currently, AB is seeking to enhance its shareholder value as its main objective.

Therefore, the SWOT analysis can be used to identify how the business can build on its strengths and take corrective action for its weakness.

Match the columns in respect of the following elements of SWOT analysis:

(i) Well established in the North	(A) Strength
(ii) Not much opportunity for further organic growth in the North	(B) Weakness
(iii) Reduction in competitiveness as well as losing market share due to recent merge of two rivals	(C) Opportunities
(iv) Possibility of increasing the use of debt, in turn resulting in lower costs as debt is cheaper than equity	(D) Threats

- (a) (i) - A, (ii) - B, (iii) - D, (iv) - C
 (b) (i) - C, (ii) - D, (iii) - A, (iv) - B
 (c) (i) - A, (ii) - C (iii), - B (iv), - D
 (d) (i) - C, (ii) - D, (iii) - B (iv), - A

7. Adolf Play Sportswear sells a variety of sportswear under its own well-known brand name. In order to have detailed strategies for the company's objectives, which of the following cannot be considered as a "Strength" as per SWOT analysis?

- (a) High market share
 (b) Excellent brand awareness
 (c) Strong revenue growth (compared to industry average of 10%)
 (d) Possibility of new product to be introduced in the market for new sport at the world championship

8. A good business strategy is formulated based on an organisations'

- (a) Weaknesses and Strengths
 (b) Opportunities and Threats
 (c) Both (a) and (b)
 (d) Top Management's decisions

9. 'Strategic group mapping' helps in-

- (a) Identifying the strongest rival companies

(b)	<i>Identifying weakest rival companies</i>
(c)	<i>Identifying weakest and strongest rival companies</i>
(d)	<i>None of the above</i>
10.	<i>“Competitor’s Differentiation’, Customer Value’ and ‘Application of Competitiveness’ are the three important areas of:</i>
(a)	<i>Value chain analysis</i>
(b)	<i>Business process re-engineering</i>
(c)	<i>Competitor analysis</i>
(d)	<i>Core competencies</i>
11.	<i>The goal of SWOT analysis is to _____ the organization's opportunities and strengths while _____ its threats and _____ its weaknesses.</i>
(a)	<i>avoid; neutralizing; correcting</i>
(b)	<i>exploit; neutralizing; correcting</i>
(c)	<i>avoid; capitalizing; neutralizing</i>
(d)	<i>exploit; avoiding; ignoring</i>
12.	<i>External opportunities and threats are usually:</i>
(a)	<i>the minor cause of organizational demise or success</i>
(b)	<i>least important for CEOs and the board of directors</i>
(c)	<i>not as important as internal strengths and weaknesses</i>
(d)	<i>largely uncontrollable activities outside the organization</i>
13.	<i>The sustainability of competitive advantage and a firm’s ability to earn profits from its competitive advantage depends upon:</i>
(a)	<i>Durability, reliability, transferability, approximately</i>
(b)	<i>Appropriability, durability, transferability, imitability</i>
(c)	<i>Transferability, imitability, reliability, approximately</i>
(d)	<i>Imitability, durability, reliability, appropriability</i>

14.	Anything that a firm does especially well compared to rival firms is referred to as _____.
(a)	Competitive advantage
(b)	Comparative advantage
(c)	Opportunity cost
(d)	Sustainable advantage
15.	Marketing and sales of Hindustan Unilever Limited and Low operating cost by Walmart are examples of what?
(a)	Competitive Advantage
(b)	Core Competency
(c)	Strategic Planning
(d)	Key Performance Indicators (KPIs)
16.	Strategic group mapping is a tool to:-
(a)	Identify the strongest competitor
(b)	Identify weakest and strongest competitors
(c)	Identify new entrants
(d)	Identify the weakest competitors
17.	Sanjivni Pharmaceuticals Limited manufacturers a cough syrup Zenus. It has modified Zenus syrup, claiming that the Zenus cough syrup is sugar-free, and the consumer will not feel drowsiness after consuming this cough syrup. Consumers found this product as unique. The sales of Zenus cough syrup have increased as expected. The price of this sugar-free syrup is higher by 20% than the earlier syrup. Identify the strategy adopted by Sanjivni Pharmaceuticals Limited.
(a)	Focus strategy
(b)	Best cost provider strategy
(c)	Differentiation strategy
(d)	Cost leadership strategy

18.	<i>Trekking Poles is a small company based in the Himalayan ranges in India. It is known in the region for its hill walking sticks. Trekking Poles sell specialist walking equipment in their small shop at the foot of the mountains. They do not have a website yet have been able to sell their products at premium prices. Which of the following one of Porter's generic strategies best fits Trekking Poles?</i>
(a)	<i>Cost leadership</i>
(b)	<i>Differentiation</i>
(c)	<i>Focused cost leadership</i>
(d)	<i>Focused differentiation</i>
19.	<i>Perscopter, a manufacturer of private helicopter offers unique features that fulfill the demands of a narrow market. It competes in market based on its uniqueness and custom-oriented private helicopters. Perscopter provides limited number of high-end helicopters with ultimate features. Which business strategy is being followed by Perscopter?</i>
(a)	<i>Differentiation</i>
(b)	<i>Focused cost leadership</i>
(c)	<i>Cost leadership</i>
(d)	<i>Focused differentiation</i>
20.	<i>In Michael Porter's generic strategy _____ emphasizes on producing standardized products at a very low per unit-cost for consumers who are price sensitive.</i>
(a)	<i>Cheap leadership</i>
(b)	<i>Inferior product leadership</i>
(c)	<i>Cost leadership</i>
(d)	<i>All the above</i>
21.	<i>Differentiation Strategy can be achieved by following:</i>
1.	<i>Match products with tastes and preferences of customers</i>
2.	<i>Elevate the performance of the product</i>
3.	<i>Rapid product innovation.</i>

Which of the above is true:

- (a) (1) and (2)
- (b) (1) and (3)
- (c) (2) and (3)
- (d) (1), (2) and (3)

22. What are the three different bases of consideration 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

23. 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

24. Best-cost provider strategy involves providing customers more value for the money by emphasizing on:

- (a) Low cost and low quality difference
- (b) Low cost and better quality difference
- (c) High cost and low quality difference
- (d) High cost and better quality difference

25. The Niche strategy is the best way to enter a:

- (a) New market
- (b) Growing market
- (c) Matured market
- (d) None of the above

26.	<i>A famous restaurant enjoys full occupancy during the lunch and dinner time for last few months. In fact, many customers go back as they have to wait for their turn. Between 15:00 hours to 18:00 hours, the occupancy rate is near to nil. To raise the footfalls of customers during this lean time, the owner offers a discount of 20% on total bill if a customer comes in these 3 hours. Which type of marketing strategy does the restaurant follow to attract the customers in the lean period?</i>
(a)	<i>Differential Marketing</i>
(b)	<i>Synchro-marketing</i>
(c)	<i>Place Marketing</i>
(d)	<i>Concentrated Marketing</i>
27.	<i>DMart sells fast moving consumer goods at wholesale prices to retail customers, is a strategy of?</i>
(a)	<i>Market Penetration</i>
(b)	<i>Cost Differentiation</i>
(c)	<i>Cost Leadership</i>
(d)	<i>Market Development</i>
28.	<i>The process of creating, maintaining, and enhancing strong, value- laden relationships with customers and other stakeholder is:</i>
(a)	<i>Social marketing</i>
(b)	<i>Augmented marketing</i>
(c)	<i>Direct marketing</i>
(d)	<i>Relationship marketing</i>
29.	<i>The marketing strategy which is used to reduce or shift the demand is:</i>
(a)	<i>Enlightened marketing</i>
(b)	<i>Synchro-marketing</i>
(c)	<i>Place marketing</i>
(d)	<i>Demarketing</i>

ANSWER KEY

Question No.	Answer
1	(d) Threat
2	(c) (1)-(i), (2)-(iii), (3)-(iv), (4)-(ii)
3	(b) 1-c, 2-d, 3-a, 4-b
4	(d) Both a & b
5	(a) 1-A, 2-D, 3-B, 4-C
6	(a) (i) - A (ii) - B (iii) - D (iv) - C
7	(d) Possibility of new product to be introduced in the market for new sport at the world championship
8	(c) Both (a) and (b)
9	(c) Identifying weakest and strongest rival companies
10	(d) Core competencies
11	(b) exploit; neutralizing; correcting
12	(d) largely uncontrollable activities outside the organization
13	(b) Appropriability, durability, transferability, imitability
14	(a) Competitive advantage
15	(b) Core Competency
16	(b) Identify weakest and strongest competitors
17	(c) Differentiation strategy
18	(d) Focused differentiation
19	(d) Focused differentiation
20	(c) Cost leadership
21	(d) (1), (2) and (3)
22	(d) cost leadership, differentiation and focus
23	(b) To charge premium prices
24	(b) Low cost and better-quality difference
25	(c) Matured market
26	(b) Synchro-marketing
27	(c) Cost Leadership
28	(d) Relationship marketing
29	(d) Demarketing

CHAPTER - 4

STRATEGIC CHOICE

1. TEST YOUR KNOWLEDGE

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
 - (iv) 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

9. If suppliers are unreliable or too costly, which of these strategies may be appropriate?

- a. Horizontal integration

- b. Backward integration
- c. Market penetration
- d. Forward integration

Answers to Multiple Choice Questions

1. c 2. b 3. b 4. d 5. a
 6. b 7. b 8. b 9. b

2. SCENARIO BASED QUESTIONS

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.

Ans. 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 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.

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?

Ans. 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.

Stage 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 organization 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.

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?

Ans. 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.

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, polyster, 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.

Ans. Soft Cloth Ltd. is facing internal as well as external challenges. The external environment is in economic recession and the organization is facing cash crunch. The company needs to work on retrenchment/turnaround strategy. The strategy is suitable in case 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 through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems.

These steps result in different kinds of retrenchment strategies. 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.

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.

Ans. 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.

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.

Ans. 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. to 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.

3. DESCRIPTIVE QUESTIONS

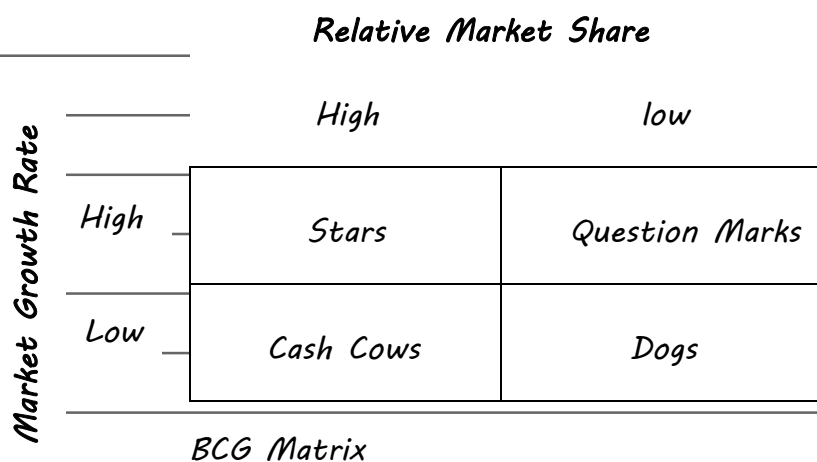
1. Describe the construction of BCG matrix and discuss its utility in strategic management.

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

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

- ◆ The vertical axis represents market growth rate and provides a measure of market attractiveness.
- ◆ The horizontal axis represents relative market share and serves as a measure of company's strength in the market.

Thus, the BCG matrix depicts quadrants as shown in the following table:



Different types of business represented by either products or SBUs can be classified

for portfolio analyses through BCG matrix. They have been depicted by meaningful metaphors, namely:

- (a) **Stars** are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.
 - (b) **Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.
 - (c) **Question Marks**, sometimes called problem children or wildcats, are low market share business in high-growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.
 - (d) **Dogs** are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimised by means of divestment or liquidation.
- The BCG matrix is useful for classification of products, SBUs, or businesses, and for selecting appropriate strategies for each type as follows.
- (a) Build with the aim for long-term growth and strong future.
 - (b) Hold or preserve the existing market share.
 - (c) Harvest or maximize short-term cash flows.
 - (d) Divest, sell or liquidate and ensure better utilization of resources elsewhere.
- Thus, BCG matrix is a powerful tool for strategic planning analysis and choice.

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

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

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

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

Product A is in best position as it has a high relative market share and a high industry growth rate. On the other hand, product B has a low relative market share, yet competes in a high growth industry. Product C has a high relative market share but competes in an industry with negative growth rate. The company should take

advantage of its present position that may be difficult to sustain in long run. Product D is in the worst position as it has a low relative market share and competes in an industry with negative growth rate.

3. Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options.

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

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

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

Ansoff's Product Market Growth Matrix

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

Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets. It is achieved by making more sales to present customers without changing products in any major way.

Market development refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for the existing products of the company.

Product development refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering

modified or new products to current markets.

Diversification refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

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

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

- (i) A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.
- (ii) A business giant in hotel industry decides to enter into dairy business.
- (iii) One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.
- (iv) A renowned auto manufacturing company launches ungeared scooters in the market.

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

- (i) **Market Penetration:** A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on selling existing products into existing markets.
- (ii) **Diversification:** A business giant in hotel industry decides to enter into dairy business. It refers to a growth strategy where a business markets new products in new markets.
- (iii) **Market Development:** One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to sell its existing products into new markets.
- (iv) **Product Development:** A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where business aims to introduce new product into existing markets.

4.	ADDITIONAL MCQ'S
1.	A beverage company has more than 500 soft drink brands, but none of them is anywhere close to its premium brand One Sip in awareness, revenue and profits. As per BCG's Matrix, One Sip brand for the beverage company is?
(a)	Star
(b)	Dog
(c)	Cash cow
(d)	Question mark
2.	Baba Pvt. Ltd has seventeen factories, nine of which they recently gave to other producers on lease. This has increased their cash inflows to a great extent, and they are enjoying this surplus by investing the same in financial assets. Such a strategy can be termed as which of the following?
(a)	Divest
(b)	Harvest
(c)	Hold
(d)	Build
3.	In context to BCG matrix, which of the following statements is not correct?
(a)	The BCG assumes that all products will grow and mature
(b)	The BCG can be used to examine a company's current product portfolio
(c)	A company with only cash cows and dogs has limited long-term prospects
(d)	All of the above
4.	Catalyst Polymers, a textile producing firm, has witnessed unprecedented sales growth in the last few years due to favorable market conditions abroad. As a result, the company diversified its activities to Chemical Manufacturing, Steel Forging and Metal Dye Manufacturing. The investment in steel forging in particular has not been successful due to strict environmental laws enacted by the Government. The said strategic business unit (SBU) though generates enough cash to sustain but does not have much future and sometimes requires cash for survival. Consequently, the management has

engaged an expert in the field to help them classify the SBUs. Employing the Boston Consulting Group (BCG) Growth-Share Matrix, the expert advised the company to disinvest or liquidate Steel Forging SBU. Classify the Steel Forging SBU into the most appropriate matrix.

- (a) Star
- (b) Cash cow
- (c) Question mark
- (d) Dog

5. Spark Pvt. Ltd., an automobile seat manufacturing company has been witnessing superior growth compared to its competitors due to management's greater emphasis on quality of production. In the previous Board Meeting, the management has decided to expand the existing business. The CEO will be travelling to south-east Asia and Africa for identifying new geographical places and new product dimensions and will try to establish new distribution channels to attract new customers abroad. Based on the Igor Ansoff's product market growth matrix, identify which of the growth strategy the company is employing in the current case.

- (a) Market penetration
- (b) Product development
- (c) Market development
- (d) Diversification

6. The Specialist Clothing Company (SCC) is a manufacturer of a wide range of clothing. Fashion is one of the five divisions of SCC. Fashion is operating in a market with high growth and is a market leader. By the next year, it is predicted to have 10% of the market share in a growing market. Fashion should be classified as which of the following according to the BCG matrix.

- (a) Star
- (b) Dog
- (c) Cash cow
- (d) Question mark

7. Freshy Drinks provides fruit juices to a number of super market chains that sell them under their own label. Its marketing manager explains, 'We' have got a large number of products. Our freshly squeezed orange juice is doing fine (high market share). The market for orange juice appears to be matured (low growth). We've got advanced production and bottling equipment and long-term contracts with some of major growers. Which position best fits the "orange juice product" as per BCG matrix?

- (a) Cash cow
- (b) Question mark
- (c) Star
- (d) Dog

8. T Ltd. is a Delhi based super market, which has grown from a position where 30 years ago it had a revenue of around ₹ 50 crores p.a. to a position today where revenue exceeds ₹ 5000 crores p.a. and profit exceed ₹ 1000 crores p.a. It has achieved this growth through a combination of strategies many of which can be plotted on to the Ansoff matrix?

	Existing products	New products
Existing markets	A	C
New markets	B	D

- (i) Expansion into clothing and electrical sales
- (ii) 24-hour opening
- (iii) Selling its products on internet
- (iv) Overseas expansion

- (a) A-(ii) D-(ii) B-(iii) C-(iv)
- (b) B-(i) C-(ii) A-(iii) D-(iv)
- (c) C-(i), A-(ii) D-(iii) B-(iv)
- (d) D-(i) B-(ii) C-(iii) A-(iv)

9. GE Nine-cell matrix is based on:

- (a) Market attractiveness and business strength
- (b) Market growth rate and business strength

	(c) <i>Market attractiveness and relative market share</i>
	(d) <i>Market growth rate and relative market share</i>
10.	<i>Strategic group mapping is a tool to:-</i>
	(a) <i>Identify the strongest competitor</i>
	(b) <i>Identify weakest and strongest competitors</i>
	(c) <i>Identify new entrants</i>
	(d) <i>Identify the weakest competitors</i>
11.	<i>A Ltd. has recently decided to install a new IT system to improve the efficiency of its payroll function. A Ltd. believes this will reduce the cost of running the payroll system by 20%. Which one of the following levels of strategy is the above IT system most closely linked to?</i>
	(a) <i>Corporate level</i>
	(b) <i>Functional level</i>
	(c) <i>Business level</i>
	(d) <i>Strategic level</i>
12.	<i>Dee Limited is an international clothing retailer. The company is making the following decisions:</i>
	(i) <i>Should another range of shops be established?</i>
	(ii) <i>Should the company float more share capital?</i>
	(iii) <i>How will the premises be fitted out for the new range of shops?</i>
	<i>Which of the above decisions will be taken by corporate level managers?</i>
	(a) <i>Only (i)</i>
	(b) <i>Only (ii)</i>
	(c) <i>(i) & (ii)</i>
	(d) <i>(ii) & (iii)</i>
13.	<i>General public is discerning from buying air conditioning units based on the Health Ministry guidelines regarding emergence of a contagious viral pandemic. Consequently,</i>

Nebula Pvt Ltd, a manufacturer of evaporation coils used in air conditioning units has faced significant loss in working capital due to sharp fall in demand. The company conducted financial assessment and developed a workable action plan based on short and long term financial needs. But for immediate needs, an emergency plan has been implemented. It includes selling scrap, asset liquidation and overheads cost reduction. Further, to avoid any such untoward event in future, they plan to diversify into newer business areas along with its core business. Identify the strategy opted by M/s. Nebula Pvt Ltd?

- (a) Retrenchment strategy*
- (b) Liquidation strategy*
- (c) Turnaround strategy*
- (d) Divestment strategy*

14. Stylish Fabric Ltd., a clothes manufacturer is buying up a chain of retail outlets to differentiate its clothes from those of its competitors through branding. This gives an opportunity for higher margins. Stylish Fabric Ltd. will also be able to produce clothes as the shop demands them (JIT) leading to reductions in inventory levels. Which strategy has Stylish Fabric Ltd. adopted?

- (a) Backward integration*
- (b) Forward integration*
- (c) Conglomerate diversification*
- (d) Horizontal integrated diversification*

15. Beta Company, a car manufacturer is buying up a supplier so that it gets a dedicated supplier with both guaranteed quality and price. The material could be manufactured when required by Beta Company leading to lower inventory levels. Which strategy has Beta Company adopted?

- (a) Backward integration*
- (b) Forward integration*
- (c) Conglomerate diversification*
- (d) Horizontal integrated diversification*

16.	<i>An advertisement says, 'Have Roohafza with milk and lassi too'. Which strategy is the company trying to use:</i>
(a)	<i>Market development</i>
(b)	<i>Product development</i>
(c)	<i>Market penetration</i>
(d)	<i>All of the above</i>
17.	<i>Acquisition of IT Company by a steel manufacturer is:</i>
(a)	<i>Business level strategy</i>
(b)	<i>Corporate strategy</i>
(c)	<i>Business decision</i>
(d)	<i>Functional diversification</i>
18.	<i>Which strategy is implemented after the failure of turnaround strategy?</i>
(a)	<i>Expansion strategy</i>
(b)	<i>Diversification strategy</i>
(c)	<i>Divestment strategy</i>
(d)	<i>Growth strategy</i>
19.	<i>Retrenchment strategy in the organization can be explained as:</i>
(a)	<i>Reducing trenches (gaps) created between individuals</i>
(b)	<i>Divesting a major product line or market.</i>
(c)	<i>Removal of employees from job through the process of reorganization.</i>
(d)	<i>Removal of employees from job in one business to relocate them in other business.</i>
20.	<i>Select the correct statement:</i>
(a)	<i>In general, corporate level decisions are costly to take, involve high risk and have large profit potential.</i>
(b)	<i>In general, corporate level decisions are costly to take, involve low risk and have large profit potential.</i>
(c)	<i>In general, corporate level decisions are costly to take, involve high risk and have low</i>

	<i>profit potential.</i>
(d)	<i>In general, corporate level decisions are cheaper to take, involve low risk and have large profit potential</i>
21.	<i>An organisation diversifies in backward sequence in the product chain and enters specific product/process to be used in existing products. It is:</i>
(a)	<i>Forward diversification</i>
(b)	<i>Vertical diversification</i>
(c)	<i>Horizontal diversification</i>
(d)	<i>Reactive diversification</i>
22.	<i>Corporate strategy includes:</i>
(i)	<i>Expansion and growth, diversification, takeovers and mergers</i>
(ii)	<i>Vertical and horizontal integration, new investment and divestment areas</i>
(iii)	<i>Determination of the business lines</i>
	<i>From the combinations given below select a correct alternative:</i>
(a)	<i>(i), and (ii)</i>
(b)	<i>(i) and (iii)</i>
(c)	<i>(ii) and (iii)</i>
(d)	<i>(i) (ii) and (iii)</i>
23.	<i>Vertical integration may be beneficial when:</i>
(a)	<i>Lower transaction costs and improved coordination are vital and achievable through vertical integration.</i>
(b)	<i>Flexibility is reduced, providing a more stationary position in the competitive environment.</i>
(c)	<i>Various segregated specializations will be combined</i>
(d)	<i>The minimum efficient scales of two corporations are different.</i>
24.	<i>Conglomerate diversification is another name for which of the following?</i>
(a)	<i>Related diversification</i>
(b)	<i>Unrelated diversification</i>

(c) *Portfolio diversification*

(d) *Acquisition diversification*

25. *When two organisations combine to increase their strength and financial gains along with reducing competition is called _____.*

(a) *Hostile takeover*

(b) *Liquidation*

(c) *Merger*

(d) *Acquisition*

26. *The reasons for acquisition are:*

(a) *Increased market power*

(b) *Increased diversification*

(c) *Seizing growth opportunities*

(d) *All of the these*

27. *If suppliers are unreliable or too costly, which of these strategies may be appropriate?*

(a) *Horizontal integration*

(b) *Backward integration*

(c) *Market penetration*

(d) *Forward integration*

28. *A rubber manufacturer starts making shoe soles and gum can be termed as?*

(a) *Conglomerate Diversification*

(b) *Concentric Diversification*

(c) *Horizontal Integration*

(d) *Vertical Integration*

ANSWER KEY

Question No.	Answer
1	(c) Cash cow
2	(b) Harvest
3	(a) The BCG assumes that all products will grow and mature
4	(d) Dog
5	(c) Market development
6	(a) Star
7	(a) Cash cow
8	(c) C-(i), A-(ii) D-(iii) B (iv)
9	(a) Market attractiveness and business strength
10	(b) Identify weakest and strongest competitors
11	(b) Functional level
12	(c) (i) & (ii)
13	(c) Turnaround strategy
14	(b) Forward integration
15	(a) Backward integration
16	(c) Market penetration
17	(b) Corporate strategy
18	(c) Divestment strategy
19	(b) Divesting a major product line or market
20	(a) In general, corporate level decisions are costly to take, involve high risk and have large profit potential.
21	(b) Vertical diversification

22	(d) (i) (ii) and (iii)
23	(a) Lower transaction costs and improved coordination are vital and achievable through vertical integration.
24	(b) Unrelated diversification
25	(c) Merger
26	(d) All of the these
27	(b) Backward integration
28	(b) Concentric Diversification

CHAPTER - 5

STRATEGY IMPLEMENTATION AND EVALUATION

1. TEST YOUR KNOWLEDGE

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.	<i>Compliance, Identification and Internalization are the three processes involved in:</i>
(a)	<i>Refreezing</i>
(b)	<i>Defreezing</i>
(c)	<i>Changing behavior patterns</i>
(d)	<i>Breaking down old attitudes</i>
6.	<i>Which one is NOT a type of strategic control?</i>
(a)	<i>Operational control</i>
(b)	<i>Strategic surveillance</i>
(c)	<i>Special alert control</i>
(d)	<i>Premise control</i>
Answers to Multiple Choice Questions	
1.	<i>b 2. c 3. b 4. d 5. c 6. a</i>
2.	<i>SCENARIO BASED QUESTIONS</i>
1.	<i>Ramesh, is owner of a popular brand of Breads. Yashpal, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ramesh preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Yashpal believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Discuss the difference in leadership style of father and son.</i>
Ans.	<i>Ramesh is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly. On the other hand, Yashpal is follower of transformational leadership style. The style</i>

uses charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

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

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

- (i) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
- (ii) Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
- (iii) Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
- (iv) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.
- (v) Pushing corrective actions to improve strategy execution and overall strategic performance.

3. 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.

Ans. 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:

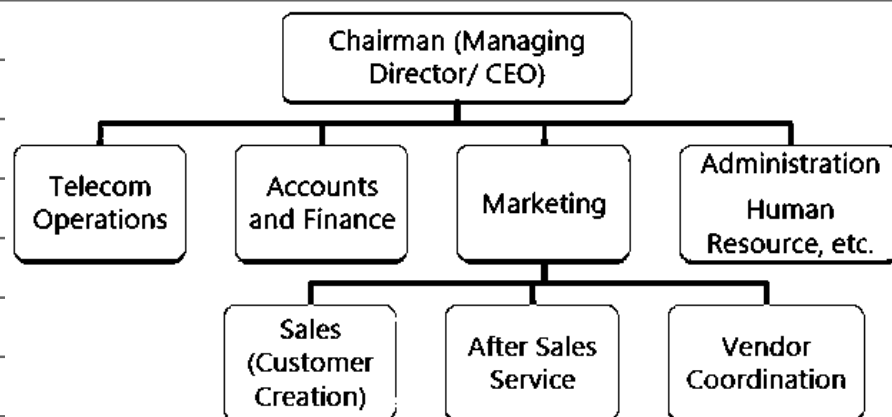
- ◆ Making strategic decisions.
- ◆ Formulating policies and action plans to implement strategic decision.
- ◆ Ensuring effective communication in the organisation.
- ◆ Managing human capital (perhaps the most critical of the strategic leader's skills).
- ◆ Managing change in the organisation.
- ◆ Creating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

4. 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.

Ans. Manoj has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional areas 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:



5. 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.

Ans. 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, an 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.

6.	<p><i>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.</i></p>
Ans.	<p><i>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.</i></p>
	<p><i>The process of control has the following elements:</i></p>
(a)	<p><i>Objectives of the business system which could be operationalized into measurable and controllable standards.</i></p>
(b)	<p><i>A mechanism for monitoring and measuring the performance of the system.</i></p>
(c)	<p><i>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.</i></p>
(d)	<p><i>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.</i></p>
	<p><i>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.</i></p>
3.	<p><i>DESCRIPTIVE QUESTIONS</i></p>
1.	<p><i>What is a strategic business unit? What are its advantages?</i></p>
Ans.	<p><i>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</i></p>

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 unit.
- ◆ 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.

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

Ans. 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.

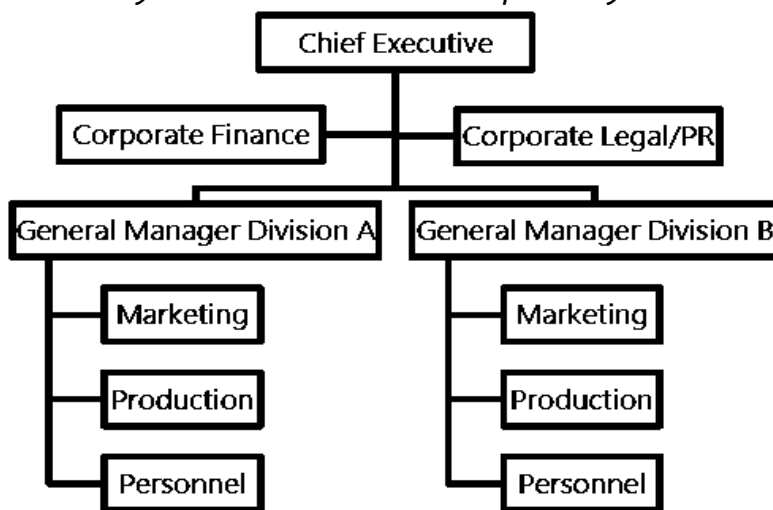


Figure: Divisional Structure

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.

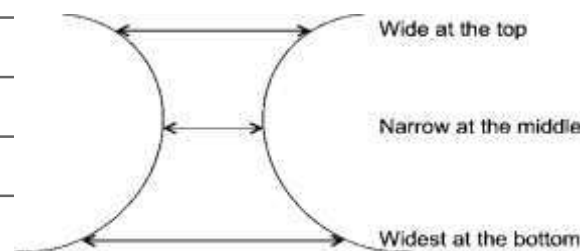
Disadvantages of Divisional Structure

- ◆ **Higher cost:** Owing to following reasons: (i). requires qualified functional specialist at different divisions and needed centrally (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.

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

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

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



Hourglass Organisation Structure

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

4. How can you differentiate between transformational and transactional leaders?

Ans. **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 non-achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.

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

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

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

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

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

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

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

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

6. What are the differences between operational control and management control?

Ans. **Differences between Operational Control and Management Control are as under:**

(i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire

organisation, instead of mere narrowly circumscribed activities of sub-units. **For example**, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.

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

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

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

There are four types of strategic control:

- ◆ **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- ◆ **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- ◆ **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- ◆ **Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

8. What is implementation control? Discuss its basic forms.

Ans. Managers implement strategy by converting major plans into concrete, sequential

actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

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

- (i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) **Milestone Reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

4. ADDITIONAL MCQ'S

1. Strategic Planning is the responsibility of:-

- (a) Corporate level managers
- (b) Operational managers
- (c) Functional managers
- (d) Business level managers

2. Davis and Lawrence have proposed three distinct phases for development of matrix structure. These phases are (1) Cross-functional task forces (2) Product/brand management and (3) _____.

- (a) Market/external management
- (b) Functional matrix
- (c) Mature matrix
- (d) Internal management

3.	<p><i>Delta is an organisation specializing in Information Technology enabled Services (ITeS) and Communications business. Last year, the organisation had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool, using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organisation and assists in quick decision making. The skewed middle level managers now perform cross-functional duties. Which type of organisational structure is the company transitioning into?</i></p>
(a)	<i>Strategic business unit structure</i>
(b)	<i>Matrix structure</i>
(c)	<i>Network structure</i>
(d)	<i>Hourglass structure</i>
4.	<p><i>Abhishek a freelancer writes promotional materials. He decided to collaborate without requiring physical presence of employee, and hired virtual assistants to transcribe voice mail, update his website, and design PowerPoint graphics. What kind of structure is he using for his business?</i></p>
(a)	<i>Functional structure</i>
(b)	<i>Divisional structure</i>
(c)	<i>Network structure</i>
(d)	<i>Multi-divisional structure</i>
5.	<p><i>_____ leadership style may be appropriate in turbulent environment.</i></p>
(a)	<i>Transactional</i>
(b)	<i>Transformational</i>
(c)	<i>Autocratic</i>
(d)	<i>None of these</i>
6.	<p><i>A strategic business unit is a grouping of _____ businesses.</i></p>

(a)	<i>unrelated</i>
(b)	<i>differentiated</i>
(c)	<i>related</i>
(d)	<i>None of these</i>
7.	<i>In strategic management, there are two main styles of leadership. These are transformational and:</i>
(a)	<i>Transparent</i>
(b)	<i>Transitional</i>
(c)	<i>Translational</i>
(d)	<i>Transactional</i>
8.	<i>Select a distinguishing feature between divisional and functional structure?</i>
(a)	<i>Both functional departments and divisional process departments are accountable for profits or revenues.</i>
(b)	<i>Functional departments are not accountable for profits or revenues, whereas divisional process departments are evaluated on these criteria.</i>
(c)	<i>None of functional departments and divisional process departments are accountable for profits or revenues.</i>
(d)	<i>Both the structures are same</i>
9.	<i>Which of the following situation will most likely suit a transformational leader?</i>
(a)	<i>An organization that is in trouble</i>
(b)	<i>A growing organization</i>
(c)	<i>An organization in a stable environment</i>
(d)	<i>An organization at maturity stage of product life cycle</i>
10.	<i>Corporate culture refers to:</i>
(a)	<i>Company's values and beliefs</i>
(b)	<i>Company's business principles</i>
(c)	<i>Internal work environment</i>
(d)	<i>All the above</i>

11.	<i>A corporation organized in network structure is often called</i>
(a)	<i>Virtual organization</i>
(b)	<i>Hierarchical organization</i>
(c)	<i>Structured organization</i>
(d)	<i>Simple organization</i>
12.	<i>Systematic and continuous monitoring of the business environment to verify the accuracy of assumptions on which strategy is built is achieved by?</i>
(a)	<i>Premise Control</i>
(b)	<i>Special Alert Control</i>
(c)	<i>Implementation Control</i>
(d)	<i>Strategic Surveillance</i>
13.	<i>Dr. Raman has been running a nursing home for about twenty two years now, and has gained enormous name for his benevolence in Balram district of Chhattisgarh. Recently, his daughter, Dr. Radhika completed her medicine degree from the United States of America and returned to her hometown to be a part of her father's practice. She has been given the baton to promote modern medicine and retain the local skilled youth in their practice. However, their nursing home's skilled youth has been more inclined to E-Commerce employment opportunities. Dr. Radhika has taken it as a challenge to imbibe the very essence of service in them, by being employed as nurses and caretakers of the ill. This shall be very crucial in growing the practice as desired. Which of the following phases of Kurt Lewin's Model of Change will be most challenging for Dr. Radhika to strategically positioning her father's nursing home?</i>
(a)	<i>Compliance</i>
(b)	<i>Identification</i>
(c)	<i>Internalization</i>
(d)	<i>Transition</i>
14.	<i>The management of Vadakara Limited, hitherto a successful ball valves maker headquartered in Mumbai, is looking to launch a new SBU for its future forward</i>

integration plans abroad in Sudan. The CEO is now faced with the opportunity-cum-challenge to make this foray into Sudan a successful but time-bound business enterprise. The CEO has already asked his India Operations Head to make a study of Sudan's present market conditions and territory specific laws to enable the setup of a local branch office for the proposed SBU. Meantime, the HR manager has come across a promising resume of a person on LinkedIn, a social networking platform on internet, who is currently engaged in a similar Deputy CEO position with another entity. The management is also in touch with a couple of NRI angel investors based out of Singapore, to arrange for venture capital that would be required for this venture. From a strategic management perspective, Vadakara Limited is currently represented by which strategic time phase:

- (a) Strategy formulation phase
- (b) Strategy change phase
- (c) Strategy implementation phase
- (d) Strategy internalization phase

15. GetWellSoon Limited is a health provider and has only large, edge of town hospitals. It is considering setting-up additional small city centre clinics capable of treating less-serious day cases. Which of the following will fall under "Strategy Implementation"?

- (1) Acquiring and fitting out clinics
 - (2) Hiring and/or transferring staff
 - (3) Publicity, so that patients know where and when to go
 - (4) Liaison with general practitioners and the main hospitals
- (a) Only (d)
 - (b) (b) & (d)
 - (c) (a), (b) & (d)
 - (d) (a), (b), (c) & (d)

16. Aditya Swaroop is the head of operations of Bindal & Sons private limited. He is focussing on total or aggregate management functions in the sense of embracing the integrated activities of a complete department. He assures the resources are obtained

and used effectively and efficiently in the accomplishment of the organisation's objectives. He is practicing as: -

- (a) Strategic control
- (b) Management control
- (c) Administrative control
- (d) Operations control

17. After an earnest attempt to bring in a strategic change in your organization, you the operational head of XYZ Ltd, succeeded but still your organization couldn't achieve the desired competitive position in the market. Out of the following what could be the reason?

- (a) Strategy formulation
- (b) Strategy model
- (c) Strategy implementation
- (d) Strategy decision

18. As a strategist, what is your understanding of how strategies are put into action?

- (a) Strategies are statements of Intent realized through Implementation.
- (b) Strategies are statements of Intent that are automatically activated.
- (c) Strategies, by themselves, lead into action.
- (d) By strategy formulation and not through implementation.

19. The employees of XYZ Ltd have been facing problems regarding the difference between the understanding of strategy formulation and strategy implementation. In order to address this problem, you, the president operations, made four groups and asked each group to write in points their understanding of the same. The following points were compiled from their knowing of strategy formulation and implementation.

- (1) Strategy formulation focuses on efficiency while strategy implementation focuses on effectiveness.
- (2) Strategy formulation requires motivation and leadership skills while strategic implementation require conceptual intuitive and analytical skills.

- (3) Strategy formulation is an intellectual process while strategy implementation is primarily an operational process.
- (4) Strategy formulation requires coordination between executives at middle and lower level while strategy implementation requires coordination among the executives at the top levels.
Out of the following views, what all needs to be corrected?
- (a) 1,3 & 4
 (b) 1 & 2 & 3
 (c) 1,2 & 4
 (d) 1,2,3 & 4
20. You being the core strategist of your company, entrusted with bringing about strategic change in your company, how will you initiate "unfreezing of the situation"?
- (a) Promoting new ideas throughout the organization
 (b) Promoting compliance throughout the organization
 (c) Promoting change in process throughout the organization
 (d) None of the above
21. 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
22. 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

23.	<i>Compliance, Identification and Internalization are the three processes involved in:</i>
(a)	<i>Refreezing</i>
(b)	<i>Defreezing</i>
(c)	<i>Changing behavior patterns</i>
(d)	<i>Breaking down old attitudes</i>
24.	<i>Which one is not a type of strategic control?</i>
(a)	<i>Operational control</i>
(b)	<i>Strategic surveillance</i>
(c)	<i>Special alert control</i>
(d)	<i>Premise control</i>
25.	<i>The responsibility of efficiency and effectiveness lies with:</i>
(a)	<i>Middle management and operational management</i>
(b)	<i>Top management and operational management</i>
(c)	<i>Operational management and top management</i>
(d)	<i>Operational management and middle management</i>
26.	<i>Which of the following is not true for strategy formulation and implementation matrix?</i>
(a)	<i>Company in square A would focus on implementing the strategy successfully.</i>
(b)	<i>Company in Square B is the idle situation</i>
(c)	<i>Company in square D would focus on readjusting the implementation</i>
(d)	<i>Company in square D would focus on redesigning their strategy.</i>
27.	<i>Which of the following is not one of the issues in strategy implementation?</i>
(a)	<i>Resource allocation</i>
(b)	<i>Project implementation</i>
(c)	<i>Structural implementation</i>
(d)	<i>Market implementation</i>
28.	<i>What is the second phase of Matrix structure proposed by Davis and Lawrence?</i>

- (a) *Cross functional task forces*
- (b) *Product/brand management*
- (c) *Cross fertilized projects*
- (d) *Mature matrix*

29. *When there is impact of strategy implementation on strategy formulation it can be referred as?*

- (a) *Backward Linkages*
- (b) *Forward Linkages*
- (c) *Vertical Linkages*
- (d) *Horizontal Linkages*

ANSWER KEY

Question No.	Answer
1	(a) <i>Corporate level managers</i>
2	(c) <i>Mature matrix</i>
3	(d) <i>Hourglass structure</i>
4	(c) <i>Network structure</i>
5	(b) <i>Transformational</i>
6	(c) <i>Related</i>
7	(d) <i>Transactional</i>
8	(b) <i>Functional departments are not accountable for profits or revenues, whereas divisional process departments are evaluated on these criteria.</i>
9	(a) <i>An organization that is in trouble</i>
10	(d) <i>All the above</i>
11	(a) <i>Virtual organization</i>
12	(a) <i>Premise Control</i>
13	(c) <i>Internalization</i>
14	(a) <i>Strategy formulation phase</i>

15	(d) (a), (b), (c) & (d)
16	(b) Management control
17	(c) Strategy implementation
18	(a) Strategies are statements of intent realized through implementation
19	(c) 1,2 &4
20	(a) Promoting new ideas throughout the organization
21	(b) Management control
22	(d) Budgetary control
23	(c) Changing behavior patterns
24	(a) Operational control
25	(c) Operational management and top management
26	(d) Company in square D would focus on redesigning their strategy
27	(d) Market implementation
28	(b) Product/brand management
29	(a) Backward Linkages

CHAPTER - 6

CASE SCENARIOS

1. Connect Private Limited, a Mumbai based company is launching a smartphone, under the brand name of Poppy. The company recognizes plethora of options that customers have from Chinese manufacturers flooding the smartphone landscape. With recent COVID-19 pandemic hurting the global sentiment towards Chinese products, the company plans to play on the patriotic card and advertise Poppy as the "Desi" smartphone of India.

Strategic Arm of the company undertook an industry analysis and reported, that, budget phone segment was overtaken by the Chinese brands completely, however, the low segment of smartphones was still open for exploration. Thus, the company planned to enter the market with two models, Poppy A and Poppy B, priced at ₹ 4,499 and ₹5,499.

The company is also aware that their product can easily be imitated at same costing as well as pricing, and thus the very essence of their product can be lost. A team of marketing professionals was hired to tackle this issue. The solution they suggested was to take the first mover advantage by spending huge sums in advertising and promotion. Based on sound consciousness of the competition from huge money backed international players, the company decided to manufacture smartphone covers and accessories with the same "desi" tag, along with Poppy Smartphones. This shall help them mitigate the risk of being completely thrown out of business. Consequently, they invested a fairly good amount in manufacturing of these accessories.

The investors made it an objective for the team to reach an annual sales volume of 15,000 handsets and 70,000 pieces of accessories. The accessories sales surpassed the expectations by a fairly good margin. However, Poppy A and Poppy B did not receive the much anticipated response and the leadership decided to reduce the scope and focus purely on accessories business going forward.

With a new focus on accessories production, the "Desi" tag will still play an important part in the success. However, they need to ensure creation of strong barriers to entry for other domestic players, and for that, they have plans to augment the production

Answer Key

Question No.	Answer
1.1	(b) Correct Sequence is (III),(I),(II),(IV)
1.2	(d) Implementation is an operations-oriented activity aimed at shaping the performance of the core businesses of a company. Thus, short term and long term objectives are majorly crucial part of Implementation Phase.
1.3	(a) Retrenchment strategy , is where the organisation reduces the scope of activity to focus on more profitable/suitable businesses.
1.4	(c) Cash cow is the correct answer, as accessories business has low market growth rate but a greater market share. Also, the investment required is low, but it generates cash for the company.
1.5	(d) Economies of scale , as they plan to reduce their per unit cost of production.

2. KingLike WLL, is a construction company based in Dubai, which specializes in residential complexes. It has developed a new concept for the market, Private Vila cum Apartments called "Vilartment". These spaces are designed to suit the increasing demand of married couples wanting to stay with their parents, thus offering more space in a single residential unit.

The company has huge land purchasing power which gives them a competitive advantage over its rivals. Also, the designs are developed by the best in class Italian designers and the same have been patented. Thus, it is very tough to replicate KingLike's properties. This project is positioned as a separate business unit to capture maximum potential of the management. Personnel at different levels have been employed to look after the respective functions of the unit. It is estimated that around 15,000 Vilartments will be constructed within next three years, and, 50% of the total units shall be ready to move into with immediate effect once the construction is completed.

The marketing team has roped in major Bollywood and Hollywood celebrities to perform at the foundation stone ceremony of the Vilartment, scheduled next month. The ceremony will be covered by major global media houses and channels via print and social

media, thus, attracting potential buyers from all over the world.

With everything planned and efficient teams ready to execute, the management is confident of the project's success. The Vilartment shall position KingLike WLL as a leading real estate company in the global market.

Based on the above case scenario, answer the multiple choice questions.

2.1 Igor Ansoff gave a framework which describes the intensification options available to a firm. Which of them did KingLike use for its intensification strategy?

(a) Market penetration

(b) Product development

(c) Market development

(d) Diversification into new products

2.2 Core competency is built on multiple know-hows and is an integration of many resources. As per C.K. Prahalad and Gary Hamel. KingLike has expert teams and huge buying capacity. Which amongst the following is not an areas where core competency is identified?

(a) Customer value

(b) Application of competencies

(c) Market development

(d) Competitor differentiation

2.3 Different personnel have been deployed at respective levels in the project working as a business unit. Answer, Divisional managers and staff are a part of which of the following strategic levels in the organization?

(a) Corporate level

(b) Functional level

(c) Business level

(d) Consultant level

2.4 _____ is the answer to basic question "what business we are and what we do". Many businesses fail to conceptualize this and it requires clarity. The company however has clarity on the same. Fill in the blank with the correct option.

(a) Vision

(b) Mission

(c) Strategy

(d) Planning

2.5 Vilartment shall function as a strategic business unit (SBU), being one of the key businesses of the company. Which of the following is not a characteristic of a strategic business unit?

(a) It is a combination of two or more independent businesses.

(b) The planning for the business is done separately

(c) It has its own set of competitors.

(d) It has its own manager responsible for strategy and profits.

Answer Key

Question No.	Answer
2.1	(b) Product development, Vilartment is a new product in the existing market
2.2	(c) Market development is not an area where core competency is identified
2.3	(c) Divisional managers and staff are a part of business level of an organization
2.4	(b) Mission statement
2.5	(a) It is a combination of two or more independent businesses.

3. LactoQalci is a family run company engaged in the business of manufacturing packaged sweetened pro-biotic milk beverage. The management envisions a potential future in health and fitness industry. It thereby, adopted a new statement "Ensuring Health for Everyone" to uplift company's business makeup and market position.
- LactoQalci introduced a new product for its existing customers, a range of sugar-free milkshakes. The company initiated an advertisement campaign with the tag line "Now enjoy the goodness of LactoQalci in sugar-free milkshakes". It is anticipated to become the most selling product of the company.
- Further, to make the product unique, they adopted a distinctive product packaging design. The milkshake tetra packs came with a 'calories saved' scale printed on them. It was designed to motivate the consumers to a healthier life. As a result, the company was able to sell these milkshakes at a higher price.
- The company saw decent response from the market and were planning to scale up operations, when suddenly, political disturbance in the state pulled down their sales to rock bottom. Several warehouses of the company had to be temporarily shut down. However, Mr. Rohatgi, the passionate operations head of the company, responded swiftly, and reengineered the business processes. He automated inventory management and outsourced logistical support. Small investments in IT infrastructure in troubled times reaped higher returns. The company was able to achieve better than before efficiency at all levels of operations and ensured regular sales.

Based on the above case scenario, answer the multiple choice questions.

3-1	Introducing Sugar-Free milkshakes by LactoQalci, falls under which Product-Market strategy as given by Ansoff?
	(a) Product development (b) Market penetration
	(c) Market development (d) Diversification
3-2	Which of the Michael Porter's Generic Strategies was adopted by LactoQalci to gain competitive advantage?
	(a) Cost leadership strategy (b) Differentiation strategy
	(c) Focussed cost leadership strategy (d) Focussed differentiation strategy
3-3	Which strategic intent is expressed in the statement "Ensuring Health for Everyone" by LactoQalci?
	(a) Vision (b) Mission (c) Goals and Objectives (d) Business definition
3-4	What kind of leadership did Mr. Rohatgi portray to pull out LactoQalci from the sudden disruption?
	(a) Transactional leadership (b) Transformational leadership
	(c) Transparent leadership (d) Translational leadership

Answer Key

Question No.	Answer
3-1	(a) The company desires to introduce new products into existing markets which is covered under Product development.
3-2	(b) To make the product unique the company also adopted a distinctive product packaging design. As a result of which, the company was able to charge a premium for its product. Thus, Differentiation strategy.
3-3	(a) Strategic vision points out management's aspirations for the business and implies the blueprint of the company's future position.
3-4	(b) Transformational leadership is most suitable in turbulent environments, in industries at very start or end of life cycles. Mr. Rohatgi portrayed Transformational leadership

4. After graduating from IIT in computer science, sisters, Shakti and Stuti, following their passion for computers, started "Code Consulting". They faced innumerable survival challenges in a highly dynamic IT market. But with combined efforts of a highly dedicated team of data scientists, their core business of big data analytics gained a prominent market presence.

From inception, Code Consulting has been a women-centric organization. The sisters ensured that women were provided with ample opportunities in the organization. Given the option of Work From Home as mandated by recent legal regulations, majority of the female workforce availed the option. To avoid drop in sales, the sisters expeditiously lead a crisis management team to accommodate adoption of the required technology to meet the changes of time.

Code Consulting, having reached a reputable market standing, was now observing cut-throat competition from foreign giants in its niche. The sisters resolved to make an effort into their long aspired dream to diversify into the innovative market space of 3D printing. Code Consulting, lacking the requisite experience, went for a merger with a startup named "CreatyVT" known for its technical know how. They have a strong skill-based team, but the long-standing startup had relatively small market share in 3D printing arena.

Early on, the management observed that the businesses of big data analytics and 3D printing had distinct markets. So, they split the company into different business units to independently identify their performance. Separation into business units helped in simplifying the control related problems too. Whereas, the challenge to grow the company's market share was successfully met by introducing ingenious 3D printers with easily refillable cartridges. The new product was supported by an aggressive online advertisement campaign. The customers pleased by the products helped reach the desired sales targets in no time.

Having shown a never giving up attitude coupled with wise leadership skills, the business of Code Consulting sustained a turbulent patch and placed itself as a renowned brand in the Indian IT.

Based on the above case scenario, answer the multiple choice questions.

- 4.1 Applying BCG matrix, identify the correct investment category for the new “3D printing” business of Code Consulting, at the time of merger?
 (a) Star (b) Cash cow (c) Dog (d) Question mark
- 4.2 Which strategy has been adopted by Code Consulting to overcome the difficulties of low-market share for its “3D printing” business?
 (a) Dynamic strategy (b) Adaptive strategy
 (c) Intended strategy (d) Sound strategy
- 4.3 Mark the correct growth and expansion strategy employed by Code Consulting in merging with the startup named “CreatyVT”?
 (a) Horizontal merger (b) Vertical merger
 (c) Co-generic merger (d) Conglomerate merger
- 4.4 What has been the rationale behind Code Consulting’s management for treating big data business and 3D printing business amenable to separate strategic treatment?
 (a) The businesses were unrelated (b) The businesses were unmanageable
 (c) The businesses were related (d) The businesses were identical
- 4.5 Which type of strategic control was adopted by Code Consulting when a new legal regulation proposed that women workers shall have the option to work from home?
 (a) Premise control (b) Special alert control
 (c) Strategic surveillance (d) Implementation control

Answer Keys

Question No.	Answer
4.1	(d) Question mark
4.2	(c) Intended strategy
4.3	(c) Co-generic merger
4.4	(a) Unrelated business
4.5	(b) Special alert control

5. In the seventh decade of last century the Banerjee Tasty Teas Ltd (BTTL), engaged in tea plantations in Assam and Darjeeling for more than two decades, began selling packaged tea under the brand name “Mitra” and “Dost”. At the time they had around 32 per cent of market share in the packaged tea segment that was growing

rapidly. Their next competitor had 18 per cent share. In the middle of eighth decade the company launched a chain of eateries selling teas and branded it as "Prakriti". They brewed tea in these eateries by adding goodness of adrak, tulsi and other natural ingredients. Their products were positioned as natural Indian tea with ayurvedic ingredients having health benefit. They positioned it as masala chai clinically proven to enhance immunity and gave a tag line, "Dadi Maa Ke Gharelu Nuskhe". It soon became the favourite chain of eateries, selling India's popular beverage, tea.

In early nineties when liberalization favoured entry of Multinationals in diverse sectors, two companies with their headquarters in USA - Galaxly and Foodtle, leading consumer goods company entered Indian market. The two companies respectively held two major global brands of teas Krypton Breakfast Tea and Argon Grey Tea. Both the global players with their vast pool of financial and other resources, knowledge of multiple markets and experienced professionals were expected to rewrite the history of the Indian Tea business.

BTTL concerned about their future engaged a leading management consultant to take advice on the future course of action. The management consultants after a thorough study and survey in four largest metropolitan cities advised BTTL to exit the market and encash their goodwill. The consultants felt that it would be difficult for BTTL to survive in the tea business in India with the might of new competitors having abundant resources. The BTTL engaged with the two global companies and sold their packaged tea business to Galaxly in the year 1995 with a non-compete clause for 20 years. The brands "Mitra" and "Dost" became property of Galaxly. BTTP retained the eateries and "Prakriti" brand. Galaxly got an edge over Foodtle in Indian Market with instant access to the distribution network. In late 1990's Galaxly reduced production of "Mitra" and "Dost" and focussed to sell their own brands. However, both the new entrants struggled to sell their products in India. Galaxly changed back its focus to "Mitra" and "Dost" in the middle of last decade of the previous century and started gaining edge over Foodtle. In the beginning of new century Galaxly had a market share of 21 per cent and Foodtle had a market share of 13 per cent. There were many other big and small brands that controlled the remaining share.

When the Indian tea market was witnessing a high-profile tussle between the global

giants, Prakriti gained popularity among domestic consumers and increased the number of outlets to 163 located in 78 cities. BTTL riding high on the success of their Prakriti outlets, diversified into the fruit-flavoured beverages segment, with aims to garner significant share in the Indian fruit beverages market. The company launched the brand 'Asli Bursts', and started selling packaged juices in three flavours - mixed fruit, green apple and tangy orange. In the year 2010 the business expanded with the launch of 100% natural Tender Coconut Water. As a result, it became the country's largest health and nutritious drink brand with variety of products under its umbrella. Over time the management of BTTL also changed and is now controlled by the next generation. The new generation, nostalgic about their first product re-entered packaged tea business in the year 2015 with the brand 'swad'. They pursued to cater to broad markets by reducing costs in the areas of procurement, storage and distribution of teas and selling it at attractive prices. However, five years have passed; the brand 'swad' is not able to garner any significant foothold in Indian packaged Tea Market.

Based on the above case scenario, answer the multiple choice questions.

- 5.1 In the 1970's what was the position of BTTL in BCG matrix?
 (a) Stars (b) Cash cows (c) Question marks (d) Dogs
- 5.2 Which of the following are not strength of Galaxly in India in the year 1994?
 (i) Financial resources
 (ii) Krypton breakfast tea brand
 (iii) Strong distribution channel
 (a) ii (b) iii (c) ii and iii (d) i, ii and iii
- 5.3 What is the Micheal Porter business level strategy for the brand 'Swad'?
 (a) Cost leadership (b) Differentiation
 (c) Focussed cost leadership (d) Focussed differentiation
- 5.4 Entry of BTTL in coconut water is:
 (a) Market entry (b) Market development
 (c) Market penetration (d) Product development
- 5.5 Entry of BTTL in eateries with brand name Prakriti is:
 (a) Vertically integrated diversification

(b) Horizontally integrated diversification

(c) Concentric diversification

(d) Conglomerate diversification

Answer Key

Question No.	Answer	
5.1	(a)	Stars - Good market share in growing market
5.2	(c)	ii and iii Neither brand was established in India nor they had distribution channel
5.3	(a)	Cost leadership - Low cost competitive strategy with aim at broad mass market and cost reduction.
5.4	(d)	Product development - Product development involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through establish channels.
5.5	(a)	Vertically integrated diversification - The company is moving forward in the chain by selling teas at eateries.

6. Jalsa Group is a family amusement park developer, based out of Ahmedabad. They have four prime properties in Gujarat; Snake Land, Water World, Ride Road and Habitat Universe.
- Amongst above, Ride Road is the newest. The concept of Ride Road is that people can bring in their vehicles (of all sizes) and race against each other/in teams under expert guidance. The idea is fairly new to Indian market and the group is betting big money on it. Another bet that turned quite well for Jalsa is the Snake Land. The park has an integral design of a jungle with various rides based on snakes and reptiles. It has attracted locals in huge numbers and recently an influx of national tourists has been observed.
- The owners liked a concept they saw on their visit to Indonesia, where people could visit an amusement park and plant vegetables and trees of their liking, and apparently own that particular tree/plant with all its produce being their property. This could have a major environmental benefit vis a vis governmental support to set up the

business. The owners' proposed that this could even be made part of the Water World to revive it back to its glory.

Noting from above, Water World has seen tremendous competition at a national level, and the quality of rides has also deteriorated with new technological designs coming up. To meet the losses being made at Water World, management of Jalsa built Habitat Universe in a close spot, which has been awarded at international level and is seeing slight competition with increasing tourism, as the ticket sales figures are quite high.

The management team in their annual meeting presented the below matrix to the owners, based on which further plans were thought through;

Stars: Snake Land	Question Marks: Ride Road
Cash Cows: Water World	Dogs: Habitat Universe

The owners and team have realised that their differentiating factor at a national level is their ability to observe international trends and implement the same in India. Following which, Jalsa has planned to form an international vigilance committee to find such international trends and give them an Indianess for their business. The Group plans to develop two more properties near Goa in the coming years.

Based on the above case scenario, answer the multiple choice questions.

- 6.1 Mark the statement(s) that are most appropriate.
- (a) Snake Land is in growth stage and Habitat Universe is in maturity stage
 - (b) Snake Land is in growth stage and Water World is in maturity stage
 - (c) Ride Road is in introduction stage and Habitat Universe is in maturity stage
 - (d) Ride Road is in introduction stage and Water World is in declining stage
- 6.2 Formation of International Vigilance Committee is an incidental product of _____ of Jalsa Group?
- (a) Core competency
 - (b) Differentiation strategy
 - (c) Cost leadership
 - (d) Strategy audit
- 6.3 Developing Habitat Universe is what kind of an expansion strategy?
- (a) Vertical diversification
 - (b) Concentric diversification
 - (c) Conglomerate diversification
 - (d) Horizontal diversification
- 6.4 Which of the following is true in the matrix presented at annual meeting with the owners?

(a) Stars: Snake Land and Question Marks: Ride Road

(b) Cash Cow: Water World and Stars: Snake Land

(c) Dogs: Habitat Universe and Question Marks: Ride Road

(d) Question Marks: Ride Road and Cash Cow: Water World

6.5 Clearly SWOT analysis helped the owners' understand their differentiating factor of success, but which factor amongst the below can disrupt their differentiation factor in the long term?

(a) Highly complex environment

(b) Competitive scenario

(c) Both (a) and (b)

(d) SWOT analysis is a fool proof technique, thus nothing would affect

Answer Key

Question No.	Answer	
6.1	(a)	Product life cycle, SL is in growth, WW is declining, RR is intro, HU growth
6.2	(a)	Core competency
6.3	(b)	Concentric diversification
6.4	(a)	Stars: Snake Land and Question Marks: Ride Road
6.5	(c)	Both a and b

7. Medline patient care limited (MPCL) began its business as a small family-run business supplying custom-made hospital furniture and patient care equipment. The company started its operations with meager capital and work force in the year 1990, now having 20 years of experience and expertise, it has grown into a thriving hub of experts specializing in either custom-made, locally sourced or quality imported commercial grade hospital furniture. The company has made a significant name in the field of "patient care equipment" by providing high quality products to its customers. Medline patient care limited (MPCL) has a wide business network throughout India and supply its products to various hospitals, nursing homes and medical colleges. It is well-known for manufacturing Hospital Furniture and Operation Theatre Equipment

(Tables and Lights). Due to sudden plunge in the sales volume, margin of profits and declining market share, the company's CEO called a meeting with Board of Directors and other senior executives. They decided to appoint Mrs. Puri as a new strategy manager.

As a newly appointed strategy manager, Mrs. Puri has to assess and analyse the business environment and work out on the reasons of declining trends. Mrs. Puri conducted SWOT analysis and observed that the reason of these decreasing trends is increased competition that has emerged over the last three years. For many years, Medline (MPCL) has been known for high quality but now this quality is being matched by the competitors who are able to sell at lower prices.

After analysing the business environment, Mrs. Puri submitted her report to the top level management with the following proposals:

- Focus on technology, innovation, and quality: The expert technology, quality and innovates can earn the confidence of Doctors and the trust of consumers in developing latest Medical Equipments.
- Employee training & development: She advised to train and experts technical staff in our company to produce trouble free products.
- Cost rationalization: Reduction in the cost of production is required.
- Client service, support, and feedback: MPCL understands the importance of "After Sale-Service" to customers and always concentrate on this point.
- Product testing: All products are thoroughly tested before dispatch.

Based on the above case scenario, answer the multiple choice questions.

7-1 After conducting the SWOT analysis by Mrs. Puri in MPCL, she identifies that high quality, custom-made hospital furniture has made a significant name in the field of "patient care equipment" by MPCL. For MPCL, these features of its products are its:
(a) Strength (b) Opportunity (c) Weakness (d) Threat

7-2 MPCL recruits and appoints various employees at their respective levels in the organisation. Identify, the CEO, Board of Directors and other senior executives are a part of which of the following Strategic Levels in the organization?

- (a) Business level (b) Functional level
(c) Corporate level (d) Consultant level

7.3	According to Michael Porter's five forces model, which force came into existence for declining the growth and profits of MPCL?
	(a) Threat of new entrant (b) Threat of substitutes
	(c) Bargaining power of customers (d) Bargaining power of suppliers
7.4	MPCL's market share is declining due to equivalent products being sold by competitors at lower prices. What does this statement reflect?
	(a) It reflects that the cost of production of competitors is lower than MPCL
	(b) It reflects that the competitors are providing cheap products
	(c) It reflects that MPCL has declined the quality of its products
	(d) All of the above
7.5	Competitive advantage leads to superior profitability. Mrs. Puri's report indicates the factors for value creation. Identify the factors by which MPCL can achieve competitive advantage by value creation.
	(a) The expert technology, quality and innovates can earn the confidence.
	(b) Reduction in the cost of production is required
	(c) After Sale-Service to customers and welcome the valuable suggestions from their customers.
	(d) All of the above

Answer Key

Question No.	Answer
7.1	(a) Strength
7.2	(c) Corporate level
7.3	(b) Threat of substitutes
7.4	(a) It reflects that the cost of production of competitors is lower than MPCL
7.5	(d) All of the above

8.	There is a wave of interest from around the globe for an upcoming one of its kind three-day fitness event called DRIPP, organised by Monolith Events LLP. The event is due next year, and the tickets are already sold out. Major attractions are that only organic foods and health drinks shall be available
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throughout the three-day event, free consultations with athletes, training tips and tricks. Competitions with prize money are also up for grabs. A lot of Bollywood Stars and International Celebrities have also shown interest and pledged to visit the event in Goa.

Rishi Bhalla, the Chief Logistics Officer has formed a team of 30 persons to get the right products, from the right place, to the right place at the best possible prices. They have been in conversation with many local vendors for organic products and have an inclination towards local businesses than going for big brand names. The idea is to give maximum profits to the vendors and in doing so the vendors would also have to bear costs of setup and share risks of organising DRIPP. It seems a fair win-win proposition.

Further, Elina Ray, Director of Operations has divided her team into middle managers looking after finance, customer service, supplies, community engagement and IT. They would all report to Elina directly and would be independent in taking decisions for their respective responsibilities. This would ensure an autonomous decentralised management to speed up operations.

The team had been working long hours till January and the business was struck by the pandemic. They have been fortunate enough to keep the ticket buyers, vendors and celebrities on board and even though the preparations have been a challenge in Covid19 times, the team has worked hard to keep things intact and on track.

Assuming the global and domestic travel to normalise by next year, the team at Monolith anticipates many more such events like DRIPP with big event companies joining the party to imitate their concept.

Based on the above case scenario, answer the multiple choice questions.

8.1 Which of the following is untrue about Elina Ray's team?

- (a) They are group of Functional level managers.
- (b) They are aimed at facilitating the business level strategies.
- (c) They would work isolated but work towards core business strategies.
- (d) They would be responsible for control of their respective function.

8.2 Which of the following best describes the vendor engagement for DRIPP?

- (a) Organizational alliance
- (b) Economic alliance

(c) Strategic alliance

(d) Political alliance

8.3 Which of the following is a focal weak point for DRIPP's success if the pandemic allows more time for competitors to conceptualise something similar?

(a) Minimum capital requirement

(b) Inadequate barriers to entry

(c) Easy access to distribution channels

(d) Low switching costs

8.4 Rishi Bhalla's team is formed for which of the following?

(a) Logistics management

(b) Vendor management

(c) Overall operations

(d) Supply chain management

8.5 For an Events Management firm such as Monolith Events LLP the ideal form of organisaitonal structure would be

(a) Hourglass

(b) Matrix

(c) Functional

(d) Divisional

Answer Key

Question No.	Answer
8.1	(c) They would work isolated but work towards core business strategies, as the teams coordinate and work in harmony not isolated
8.2	(b) Economic Alliance
8.3	(b) Inadequate barriers to entry
8.4	(d) Supply Chain Management
8.5	(b) Matrix

9. O-Farm, an organic farm products brand has been operating in India since 2014. It has had a decent history of business with revenue of INR 50 crores in the previous year and a Compound Annual Growth Rate (CAGR) of 11% year on year.

While the company operated on "Kisaan Kalyan" i.e., farmer friendly agenda since its inception, the rough times ahead seem to call for changes. The recent amendments in Agriculture laws, though indirectly related to organic farming, have posed immense threat to how the business operates. The leaders have been proactive in shifting gears and budgeted funds for shifting focus to "Upbhokta Sewa", i.e., customer orientation.

To create newer demands and position themselves against the local farming practice changes, they reached out to West Asian and African Nations for their farm inputs,

just like many other small traders from their segment. Accordingly, they ordered dry fruits from Afghanistan, whole wheat from Nigeria, and citrus fruits from Turkey. This has helped them get raw inputs at cheaper than usual rates and even better contractual terms, thus, reducing input costs and thereby, passing on the surplus margins to customers.

Further, the marketing team roped in big cricket stars and many social media influencers to aware customers about the brand's customer orientation and product benefits. But, as the focus was on minimal spending, the team smartly locked in affiliate marketing terms with the influencers and even celebrities, instead of upfront promotion fee. This also helped in saving a lot of cost initially.

With the changing environment in the Indian subcontinent around agriculture production, the team is confident with its strategic positioning. The sales have been just at the break-even bars for now, and the projected CAGR is 19% year on year, taking the sales volume to 10X in the next 4 years.

Farming has been a respected profitable business with big players as huge as oil companies. Nonetheless, it is complex, as it involves a lot of stakeholders, especially as it still remains a labour intensive industry.

Based on the above Case Scenario, answer the Multiple Choice Questions.

9.1 O-Farm's new strategy implementation as a result of amendment of Agriculture laws by the government, resonates with which of the following statements?

(a) Organisational operations are highly influenced by ripple effect of environmental changes.

(b) Organisational structure is highly influenced by ripple effect of environmental changes.

(c) Organisational operations are not affected by the ripple effect of environmental changes.

(d) Organisational structure can influence the environmental changes.

9.2 The shift of O-Farm from "Kisaan Kalyan" to "Upbhokta Sewa" is a change in?

(a) Mission (b) Vision (c) Promotion (d) Product

9.3 Which of the following was the first and major advantage for O-Farm that helped them achieve Cost Leadership in the market?

(a) Economies of Scale was achieved very early on

(b) Prompt forecast of product's demand

(c) Becoming customer oriented

(d) Well negotiated purchase contracts

9.4 O-Farm's marketing strategy is an example of which of the following marketing strategies?

(a) Person Marketing

(b) Augmented Marketing

(c) Enlightened Marketing

(d) Synchro Marketing

9.5 The brand has achieved cost leadership through multiple strategies, but it would be a constant challenge to sustain this leadership because of which of the following reasons?

(a) Competitors would imitate its modus operandi.

(b) Marketing cost will be huge as volumes increase given its choice of marketing strategy.

(c) Change in Agriculture Laws shall disrupt its supply chain time and gain.

(d) Sales volume will have to outperform its own targets and even that of competitors.

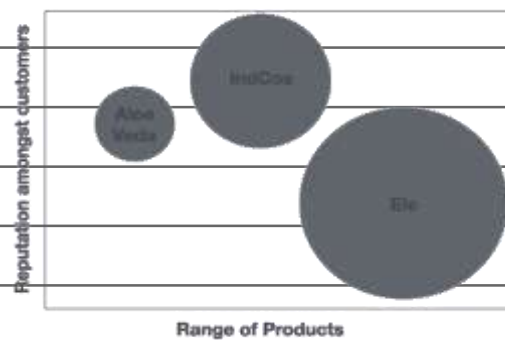
Answer Key

Question No.	Answer
9.1	(a) Organisational operations are highly influenced by ripple effect of environmental changes
9.2	(b) Vision
9.3	(d) Well negotiated purchase contracts
9.4	(c) Enlightened Marketing
9.5	(b) Marketing cost will be huge as volumes increase given its choice of marketing strategy.

10. Aloe Veda, a women run health company has been making innovative products based on Aloe Vera. Their portfolio includes creams, edibles, juices, face masks, and now even hand sanitizers. They have had a simple focus; luring women customers of all ages who care about their personal health and hygiene at prices that the common consumer can afford. The market is growing over the years and even men have shown interest in their products.

However, running the company has not been easy, for big FMCG brands are readily offering similar products with better reach. Mr. Mukesh Bakshi was onboarded to help the company scale up its customer reach and he implemented old school distribution tactics. The distributors were offered better margins, foreign trips and gifts and even profit sharing in some cases. This helped the company shelf Aloe Veda products at most of the retailers. Online business was also ramped up diligently.

Mukesh has been instrumental in achieving targets, but the core team has been a group of close-knit partners who have built the company on trust. And as the business grew, the partners took up individual responsibilities in an autonomous fashion, where



each one of them was responsible for their own segment's operations and process improvement, and collectively driven by positive margins. The policy of "trust all, ask no questions" could be seen at the leadership level.

Figure-1 Strategic Map for Aloe Veda

The company has been aware of its industry and the players therein, with different set of strengths and economic backgrounds, but it wanted to deep dive into some more metrics to get a holistic view of the competition. For that, they reached out to KMGP LLP to project a strategic group mapping for them, based on which they could plan ahead. KMGP LLP prepared the Strategic Map shown in Figure-1.

Business segment of Aloe Veda has been booming industry wide, all they need to focus is on maintaining their values and scaling before it's too late. And of course, keeping an eye on the external business environment shall be crucial too.

Based on the above case scenario, answer the multiple choice questions.

10.1 Mukesh Bakshi, has been leading Aloe Veda from the front with a spear headed strategy on innovating which of the following?

- (a) Product (b) Price (c) Place (d) Promotion

- 10.2 Aloe Veda has been taking up competition with big FMCG brands in which of the following segments?
 (a) Cost Leadership of Supply Chain (b) Differentiation of Product
 (c) Focused Cost Leadership of Product (d) Focused Differentiation of Product
- 10.3 Which important aspect of organisational structure configuration is missing in Aloe Veda?
 (a) Configuration of Intended Roles
 (b) Configuration of Processes
 (c) Configuration of Decision Making
 (d) Configuration of Governance Mechanism
- 10.4 As per strategic group mapping done by the marketing team, which of the following is the biggest threat for Aloe Veda for its niche market?
 (a) Ele
 (b) IndCos
 (c) Strategic group mapping does not tell that clearly
 (d) There are no threats to their niche market
- 10.5 Suppose Aloe Veda asks its customers to plant Aloe Vera plant in their houses to get additional discounts. From Aloe Veda's strategic intent of being environmentally inclined while retaining its customers, much before rivals try to poach them, can be termed as?
 (a) Planned Strategy
 (b) Reactive Strategy
 (c) Adaptive Strategy
 (d) This is not a strategy, it is a marketing gimmick

Answer Key

Question No.	Answer	
10.1	(c)	Place, as distribution is where he has shown smart initiatives
10.2	(c)	Focused Cost Leadership of Product
10.3	(d)	Configuration of Governance Mechanism
10.4	(b)	IndCos, as higher reputation
10.5	(a)	Planned Strategy, as it is a new initiative being part of existing intent, and Planned Strategy is a Proactive Strategy, thus planting Aloe Vera plants is a proactive strategy

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