



6.	Drishti Care is a not-for profit eye hospital and research center. Which one of the following statements is likely to relate to Drishti Care's vision, rather than its mission statement?
	(a) Drishti Care places patient care before all else (b) Drishti Care will be the global leader in cutting edge eye surgery (c) Drishti Care offers the highest level of patient care throughout country (d) Drishti Care consultants strive to continually improve surgical techniques
7.	Imagine you are part of a strategic planning team for a company. As you work on defining the company's identity and its current business scope, which of the following elements primarily concentrates on answering the question, "Who we are and what we do?"
	(a) Mission statement (b) Vision statement (c) Goals and Objectives (d) Purpose
8.	Which statement should be created first and foremost?
	(a) Strategy (b) Vision (c) Objectives (d) Missionu
9.	Mr. Prakash and Mr. Pal are partners in a thriving business venture. Recently, they have become aware of their employees' dissatisfaction with their working conditions. Mr. Prakash believes that the situation should be dealt with before the employees explode. Mr. Pal, on the other hand, believes that if the employees have an outburst, then they will handle it. Mr. Prakash and Mr. Pal business philosophy is:
	(a) Reactive, Proactive (b) Reactive, Reactive (c) Proactive, Proactive (d) Proactive, Reactive
10.	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
11.	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



12.	<p>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?</p>
	<p>(a) Vision (b) Business definition (c) Goal and Objective (d) Mission</p>
13.	<p>Functional level managers are concerned with _____</p>
	<p>(a) Strategies that are responsible for the operations of specific business (b) Strategies that span multiple businesses (c) Strategies that are specific to particular country (d) Strategies that encourage a favourable attitude toward change</p>
14.	<p>Which of the following managers' role is to translate the general statements/ strategies into concrete strategies of their individual businesses-</p>
	<p>(a) Supervisor (b) Functional Manager (c) CEO of the company (d) All of the above</p>
15.	<p>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?</p>
	<p>(a) Only {i} (b) Only {ii} (c) {i} & {ii} (d) Neither {i} nor {ii}</p>
16.	<p>The philosophical base of strategic management falls within the concept of _____</p>
	<p>(a) Strategic Intent (b) Portfolio Analysis (c) Globalisation (d) Vision Statement</p>
17.	<p>Greg was heading the Global Biscuits SBU for Jonky's Ltd. and he got an email congratulating him for being promoted as the head of entire business of Jonky's in India. Which of the following statements is true about Greg's position? (i) Greg was a business level manager but now he is a corporate level manager (ii) Greg was a functional level manager but now he is a corporate level manager (iii) Greg was a business level manager and now also he is a business level manager Greg was a corporate level manager and now also he is a corporate level manager</p>
	<p>(a) Greg was a business level manager but now he is a corporate level manager (b) Greg was a functional level manager but now he is a corporate level manager (c) Greg was a business level manager and now also he is a business level manager</p>



(d) Greg was a corporate level manager and now also he is a corporate level manager

18. 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?

- (a) Strategy is partly proactive and partly reactive.
- (b) Lack of analysis and proper planning.
- (c) Strategy is highly reactive and highly proactive.
- (d) Improper creation of strategic framework.

19. Mr. Parek sharing with his friend in an informal discussion that he has to move very cautiously in his organization as the decisions taken by him have organisation wide impact and involve large commitments of resources. He also said that his decisions decide the future of his organisation. Where will you place Mr. Parek in the organizational hierarchy?

- (a) Middle Level
- (b) Low Level
- (c) Top Level
- (d) None of the above

20. Dee Limited is an international clothing retailer. The company is making the following decisions:

- (i) Should another range of shops be established?
 - (ii) Should the company float more share capital?
 - (iii) How will the premises be fitted out for the new range of shops?
- Which of the above decisions will be taken by corporate level managers?

- (a) Only (i)
- (b) Only (ii)
- (c) (i) & (ii)
- (d) (ii) & (iii)

1.	(a)	2.	(b)	3.	(a)	4.	(b)	5.	(c)
6.	(b)	7.	(a)	8.	(b)	9.	(d)	10.	(a)
11.	(d)	12.	(d)	13.	(a)	14.	(d)	15.	(a)
16.	(a)	17.	(a)	18.	(a)	19.	(c)	20.	(c)

Descriptive Questions

Q.N.	Questions
1.	<p>"The strategic management cannot counter all hindrances and always achieve success for an organization." Do you agree with this statement? Give arguments in support of your answer.</p> <p>Yes, it is true that the presence of strategic management cannot counter all hindrances and always achieve success for an organization. This is on account of complex multiple forces acting on business organization and limiting its success.</p> <p>These limitations are on account of following factors:</p> <ul style="list-style-type: none"> • 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 – particularly to small and medium organisations. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. • Competition is unpredictable. In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.
2.	<p>"Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives." In the light of this statement, discuss the elements of strategic intent.</p> <p>Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve. It is a statement that provides a perspective. Strategic intent gives an idea of what the organization desires to attain in future. Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.</p> <p>Elements of strategic management are as follows:</p> <p>(i) Vision: Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.</p> <p>(ii) 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. A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and role in society.</p>



- (iii) **Business Definition:** It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices.
- (iv) **Business Model:** Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financial details. Rival firms, operating in the same industry rely on the different business model due to their strategic choice.
- (v) **Goals and Objectives:** These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan. However, in practice, no distinction is made between goals and objectives and both the terms are used interchangeably.

3. “Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management.” Considering this statement, explain major benefits of strategic management.

Each organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following the process of strategic management. Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:

- Strategic management helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides frameworks for all major business decisions of an enterprise such as on businesses, products, markets, organizational structures, etc.
- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

4. Why an organisation should have a mission? What considerations are to be kept in mind while writing a good mission statement of a company?

Organization should have a mission on account of the following reasons:

- To ensure unanimity of purpose within the organization.
- To develop a basis, or standard, for allocating organizational resources.
- To provide a basis for motivating the use of the organization’s resources.
- To establish a general tone or organizational climate.

- To serve as a focal point for those who can identify with the organization’s purpose and direction.
- To facilitate the translation of objective and goals into a work structure involving the assignment of tasks to responsible elements within the organization.
- To specify organizational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

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

- (i) To establish the special identity of the business - one that typically distinct it from other similarly positioned companies.
- (ii) Good mission statements should be unique to the organisation for which they are developed.
- (iii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.

5. ‘Strategic Management is not a panacea for all the corporate ills, it has its own pitfalls which can’t counter all hindrances and always achieve success’.

It is true that the strategic management is not a panacea for all corporate ills. This is on account of complex multiple forces acting on business organization and limiting its success.

These limitations are on account of following factors:

- 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 – particularly to small and medium organisations. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement.
- Competition is unpredictable. In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

6. What are the characteristics which must be possess by objectives, to be meaningful to serve the intended role?

Objectives with strategic focus relate to outcomes that strengthen an organization’s overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- Objectives should define the organization’s relationship with its environment.
- Objectives should be facilitative towards achievement of mission and purpose.
- Objectives should provide the basis for strategic decision-making.
- Objectives should provide standards for performance appraisal.
- Objectives should be understandable.
- Objectives should be concrete and specific.



- Objectives should be related to a time frame.
- Objectives should be measurable and controllable.
- Objectives should be challenging.
- Different objectives should correlate with each other.
- Objectives should be set within constraints.

7. What is strategic vision?

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

8. Briefly explain the importance of strategic management.

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

- It helps organizations to be more proactive rather than reactive in dealing with its future. It facilitates the organisations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point – what it is trying to do. Also provides framework for all major business decisions of an enterprise such as a decision on businesses, products, markets, organization structures, etc.
- It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
- It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

9. Can Marketers alone can deliver superior value to customers.

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

10. Mathew & Sons Ltd. is a diversified business entity having business operations across the globe. Presently, Mr. Mathew is the CEO of Mathew & Sons Ltd. He is going to retire in next 4 months, so he has decided to change the company's leadership and hand over the pedals to his elder son



Marshal. Marshal is a highly educated with an engineering degree from USA. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Marshal as CEO of Mathew & Sons Ltd.

Marshal, to be an effective strategic leader of Mathew & Sons Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape. He 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.

11. Distinguish between vision and mission statement.

A Mission statement tells you the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance. On the other hand, a vision statement outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

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

1. The vision states the future direction while the mission states the ongoing activities of the organisation.
2. The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
3. A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful.

12. Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly.

A company's mission statement is typically focused on its present business scope — "who we are and what we do"; mission statements broadly describe an organization's present capability, customer focus activities and business makeup. An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation. It helps organisation to set its own special identity, business emphasis and path for



development. Mission amplifies what brings the organization to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation.

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

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.

14. What is Strategic management and what are overall objectives of Strategic Management

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 objectives of strategic management are two-fold:

- ◆ To create competitive advantage (something unique and valued by the customer), so that the company can outperform the competitors in all aspects of organisational performance.
- ◆ To guide the company successfully through all changes in the environment. That is to react in the right manner.

15. What do you understand by the term "Management"?

The term 'management' is used in two senses, such as:

(a) It is used with reference to a key group in an organisation in-charge of its affairs. In relation to an organisation, management is the chief organ entrusted with the task of making it a purposeful and productive entity, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, material, and technology, which are then combined into a functioning whole.



(b) The term 'Management' is also used with reference to a set of interrelated functions and processes carried out by the management of an organization (the key group of individuals mentioned in point (a) to attain its objectives). These functions include Planning, Organising, Directing, Staffing and Control.

The functions or sub-processes of management are wide-ranging but closely interrelated. They range all the way from determination of the goals, design of the organisation, mobilisation and acquisition of resources, allocation of tasks and resources among the personnel and activity units and installation of control system to ensure that what is planned is achieved.

Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. Influence is backed by power, competence, knowledge and resources. Managers formulate organisational goals, values and strategies, to cope with, to adapt and to adjust themselves with the behaviour and changes in the environment.

**CASE STUDIES**

16. 'ALBELA' Foods and 'JustBE' Foods are successfully competing chain of restaurants in India. ALBELA' s are known for their innovative approach, which has resulted in good revenues. On the other hand, JustBE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuring strict lockdown had an adverse impact on both the companies. Realizing its severity and future consequences. ALBELA, foods immediately chalked out its post lockdown strategies, which include initiatives like:
- (a) Contactless dining
 - (b) New category of foods in the menu for boosting immunity
 - (c) Improving safety measures and hygiene standards
 - (d) Introducing online food delivery app
- Seeing the positive buzz around these measures taken by ALBELA Food, JustBE Foods also thinks to introduce these measures.
- (i) Identify the strategic approach taken by 'ALBELA' Foods and 'JustBE' Foods.
 - (ii) Discuss these strategic approach.
 - (iii) Which strategic approach is better and why?

(i) 'ALBELA' foods is proactive in its approach. On the other hand, 'JustBE' foods is reactive in its approach.

(ii) • Proactive strategy is planned strategy. While continuing with the previously initiated business approaches that are working well, the newly launched managerial initiatives aim to strengthen the company's overall position and performance. These are outcomes of management's analysis and strategic thinking about the company's situation and its conclusions about the positioning of the company in the marketplace. If done well, it helps the company to effectively compete for buyer patronage.

- Reactive strategy is an adaptive reaction to changing circumstances. It is not always possible for a company to fully anticipate or plan for changes in the market. There is also a need to adapt strategy as new learnings emerge about which pieces of strategy are working well and which aren't. By itself also, the management may hit upon new ideas for improving the current strategy.

(iii) In reference to the given case, proactive strategy seems to be better because ALBELA foods had been able to utilise available opportunities, reduce adverse impact, enhance the demand for product and is also able to avail the first mover advantage.

17. 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.

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 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.

18. A owner of medium size factory in Aligarh manufacturing hardware consisting handles, hinges, tower bolts and so on has a staff of about 200 in his organisation. One of the leading brand of Hardware seller in India is rebranding and selling the material from his factory. The owner believes in close supervision and takes all major and minor decisions in the organisation. Do you think the owner should take all decisions himself? What kind of decisions should be taken by person at the level of owner of a medium size factory .

Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational, i.e., which relate to general day -to-day operations. They may also be strategic in nature.

A owner manager at the top level should concentrate on strategic decisions. These are higher level decisions having organisation wide implications. The major dimensions of strategic decisions are as follows:

- Strategic decisions require top-management involvement as they involve thinking in totality of the organization.
- Strategic decisions involve significant commitment of organisational resources.
- Strategic decisions necessitate consideration of factors in the firm’s external environment.
- Strategic decisions are likely to have a significant impact on the long-term prosperity of the firm. Strategic decisions are future oriented.
- Strategic decisions usually have major multifunctional or multi-business consequences.

19. Kamal Sweets Corner, a very popular sweets shop in Ranchi, was facing tough competition from branded stores of packaged sweets and imported goods. The owners realised that their business reduced by 50% in the last six months, and this created a stressful business environment for them. To find a solution, they consulted a business consultant to help them develop a strategy to fight competition and sustain their century old family business. The business consultant advised them to innovate a new snack for the public and market it as a traditional snack of the region. The owners liked the idea and developed a new snack called Dahi Samosa, which very quickly became popular amongst the public and it helped regain the lost business of Kamal Sweets Corner.

One of the very crucial importance of strategic management was used by the business consultant to help the owners of Kamal Sweets Corner. Which one could it be? Also, was this strategy Reactive or

Proactive? According to you who are more beneficial in general parlance?

The strategy used here was of developing a competitive advantage via product which helped Kamal Sweets Corner regain their lost business. This is also one of the major importance cum advantage of strategic management, that is helps to develop core competencies and competitive advantages to overcome competition.



This strategy was a Reactive strategy. Wherein, the owners saw their business fall to 50% of revenue and then seeking a strategic advisory. They did not plan proactively as to when the new shops were already opening. They reacted only when the business started to lose up.

Generally, it is always beneficial to develop strategies proactively, so that the dip in businesses is small and manageable, and even if they are huge, the management has ample time to fix it.

20. 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

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

If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers. At the same time, crafting a strategy involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge -a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods.

21. "A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies." Do you agree with the statement? Give reasons.

Yes, a business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies.

In planned strategy, organisations will analyse possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a pre-determined 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 visualised and what actually happens. 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.

22. 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 Feelgood 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.

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's 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.

23. 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.

Ramesh Sharma is facing declining sales on account of large-scale shift of customers to online stores. While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success.

There are limitations attached to strategic management as follows:

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

24. 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.

Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.



This is so because functional managers like Dharam Singh are closer to the customers/suppliers/operations than the typical general manager is. A functional manager may generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional managers and involve them in decision making.

An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business level plans, and if they are involved in formulation, the clarity of thoughts while implementation can benefit too.

Thus, the approach of Cylcix Corporate management is not right. They should involve Dharam Singh, as well as other functional managers too in strategic management.





2

CHAPTER

STRATEGIC ANALYSIS: - EXTERNAL ENVIRONMENT

ICAI MCQs

Q.N.	Questions
1.	<p>Halder & Sons have invested in latest technology in terms of latest printing machines from Germany and Israel. But recent advent of internet has posed a big threat to their printing business as majority of their clients have now turned to more environment friendly options. They are not able to sell off their machines which are now redundant. What condition are they facing right now?</p> <p>(a) Improper market analysis (b) Exit Barriers (c) Paralysis of Strategic Vision (d) Weak SWOT Analysis</p>
2.	<p>Raju started a samosa stall in a local market and the existing momos and bhelpuri stall owners started creating problems for him. This is an example of-</p> <p>(a) Bargaining power of suppliers (b) Threat of new entrants (c) Substitute products (d) Nature of rivalry in industry</p>
3.	<p>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?</p> <p>(a) Decline (b) Growth (c) Maturity (d) Introduction</p>
4.	<p>X-Olympus is a gaming software company specializing in developing games for ZBox 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?</p> <p>(a) Threat of new entrants (b) Rivalry amongst existing players (c) Bargaining power of suppliers (d) Threat from substitutes</p>





5.	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
6.	Which of the following statement is not a factor influencing socio-cultural environment?
	(a) Family structure and changes in it, attitude towards and within the family, and family values. (b) Educational levels, awareness and consciousness of rights, and work ethics of members of society. (c) Opportunities arising out of technological innovation. (d) Role of women in society, position of children and adolescents in family and society.
7.	The strategic landscape of healthcare sector around the world is changing rapidly because of_____
	(a) Doctors Educational Interests (b) Indian Nurses going to abroad (c) Internet and Technological advancement (d) Patients being more aware
8.	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
9.	A company can reduce the threat of substitutes by:
	(a) Increasing product differentiation (b) Lowering prices (c) Expanding into new markets (d) Strengthening supplier relationships
10.	The bargaining power of buyers is high when:
	(a) There are few buyers in the market (b) There are many sellers in the market (c) Buyers have limited information about the product (d) Buyers have many alternatives
11.	The emphasis on product design is very high, the intensity of competition is low, and the market growth rate is low in the stage of the industry life cycle.
	(a) Maturity (b) Introduction (c) Growth (d) Decline



12.	Competitive landscape requires the application of-				
	<table border="0"> <tr> <td>(a) Competitive advantage</td> <td>(b) Competitive strategy</td> </tr> <tr> <td>(c) Competitive acumen</td> <td>(d) Competitive intelligence</td> </tr> </table>	(a) Competitive advantage	(b) Competitive strategy	(c) Competitive acumen	(d) Competitive intelligence
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(a) Macro Environment	(b) Micro Environment				
(c) Both Macro and Micro Environment	(d) None of above				
14.	<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 ii. Import of raw materials will suffer if domestic currency weakens iii. Increased mobility around the world requires different language version iv. Carbon emissions from the use and products of paper – newspaper</p>				
	<table border="0"> <tr> <td>(a) (iii) & (iv)</td> <td>(b) Only {iii}</td> </tr> <tr> <td>(c) Only (iv)</td> <td>(d) (ii), (iii), (iv)</td> </tr> </table>	(a) (iii) & (iv)	(b) Only {iii}	(c) Only (iv)	(d) (ii), (iii), (iv)
(a) (iii) & (iv)	(b) Only {iii}				
(c) Only (iv)	(d) (ii), (iii), (iv)				
15.	<p>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?</p>				
	<table border="0"> <tr> <td>(a) Threat of new entrant</td> <td>(b) Threat of substitutes</td> </tr> <tr> <td>(c) Bargaining power of customers</td> <td>(d) Bargaining power of suppliers</td> </tr> </table>	(a) Threat of new entrant	(b) Threat of substitutes	(c) Bargaining power of customers	(d) Bargaining power of suppliers
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(c) Bargaining power of customers	(d) Bargaining power of suppliers				
16.	All are elements of Macro environment except:				
	<table border="0"> <tr> <td>(a) Society</td> <td>(b) Government</td> </tr> <tr> <td>(c) Competitors</td> <td>(d) Technology</td> </tr> </table>	(a) Society	(b) Government	(c) Competitors	(d) Technology
(a) Society	(b) Government				
(c) Competitors	(d) Technology				
17.	The process of strategic management can be made effective by building_____				
	<table border="0"> <tr> <td>(a) Product advantage</td> <td>(b) Market advantage</td> </tr> <tr> <td>(c) Competitive advantage</td> <td>(d) Price advantage</td> </tr> </table>	(a) Product advantage	(b) Market advantage	(c) Competitive advantage	(d) Price advantage
(a) Product advantage	(b) Market advantage				
(c) Competitive advantage	(d) Price advantage				
18.	Which of the following is not an example of socio-cultural environment?				
	<table border="0"> <tr> <td>(a) Role of women in society</td> <td>(b) Rising income</td> </tr> <tr> <td>(c) Family structure</td> <td>(d) Educational levels</td> </tr> </table>	(a) Role of women in society	(b) Rising income	(c) Family structure	(d) Educational levels
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19. KSFs stand for:

- (a) Key strategic factors
- (b) Key supervisory factors
- (c) Key success factors
- (d) Key sufficient factors

20. 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?

- (a) Key local rivals and their strengths and weaknesses
- (b) Courses are suitable for this market.
- (c) Timing of the courses (Public holidays, religious festivals, etc to be avoided)
- (d) All of the above

1.	(b)	2.	(b)	3.	(c)	4.	(b)	5.	(b)
6.	(c)	7.	(c)	8.	(a)	9.	(a)	10.	(d)
11.	(b)	12.	(d)	13.	(a)	14.	(b)	15.	(b)
16.	(c)	17.	(c)	18.	(c)	19.	(c)	20.	(d)

DESCRIPTIVE QUESTIONS

Q.N.	Questions
1.	<p>Buyers of an industry's products or services can sometimes exert considerable pressure on the company. In the light of the five forces as propagated by Michael Porter explain this force. Also state as to when this leverage is evident.</p> <p>Bargaining Power of Buyers: This is another force that influences the competitive condition of an industry. This force becomes heavier depending on the possibility of buyers forming groups or cartels. Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or even informally and exert pressure on the producer. The bargaining power of the buyers influences not only the prices that the producer can charge but also influences costs and investments of the producer. This is because powerful buyers usually bargain for better services which involves more investment on the part of the producer.</p> <p>Buyers of an industry's products or services can sometimes exert considerable pressure on existing firms to secure lower prices or better services. This leverage is particularly evident when;</p> <ul style="list-style-type: none"> (i) Buyers have full knowledge of the source(s) of products and their substitutes. Thus, challenging the price being charged by producers. (ii) They spend a lot of money on the industry's products i.e. they are big buyers. Thus, in a position to demand favourable terms of contract. (iii) The industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.
2.	<p>"The bargaining power of suppliers determines an industry's attractiveness and profitability." Discuss.</p> <p>Quite often, suppliers too, exercise considerable bargaining power over purchasing companies. The more specialised the offering from the supplier, greater may be its clout. Further, when the suppliers are limited in number, they may openly exhibit their bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry, and therefore, an industry's attractiveness and profitability. Suppliers can influence the profitability of an industry in a number of ways. Suppliers can command bargaining power over a firm when;</p> <ul style="list-style-type: none"> (i) Their products are crucial to the buyer and substitutes are not available. (ii) They can erect/ensure high switching costs. (iii) They are more concentrated than their buyers. Less suppliers, more buyers.
3.	<p>What are the factors which determine the nature of rivalry in an industry?</p> <p>The intensity of rivalry in an industry is a significant determinant of an industry's attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus, can directly affect the profitability. "The more intensive the rivalry, the less attractive is the industry". Rivalry among competitors tends to be cutthroat and an industry's profitability is low when;</p> <ul style="list-style-type: none"> (i) An industry has no clear leader. Therefore, continuous war for leadership.



- (ii) Competitors in the industry are numerous.
- (iii) Competitors operate with high fixed costs. Thus, aiming for better Return on Investment with more fierce tactics.
- (iv) Competitors face high exit barriers, and therefore, continue to fight for market share.
- (v) Competitors have little opportunity to differentiate their offerings.
- (vi) The industry faces slow or diminished growth.

4. **"Understanding the competitive landscape is important to build upon a competitive advantage". Explain.**

Competitive landscape is a business analysis which identifies competitors, either direct or indirect. Competitive landscape is about identifying and understanding the competitors and at the same time, it permits the comprehension of their vision, mission, core values, niche market, strengths and weaknesses.

An in-depth investigation and analysis of a firm's competition allows it to assess the competitors' strengths and weaknesses in the marketplace and helps it to choose and implement effective strategies that will improve its competitive advantage.

Steps to understand the competitive landscape for building competitive advantage are:

- (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 are the strengths of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers? Why do customers give them their business?
- (iv) Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.
- (v) Put all of the information together:** At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthened by the firm.

5. **Discuss in what conditions rivalry among competitors tends to be cut-throat and profitability of the industry goes down.**

The intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus directly affect the profitability. The more intensive the The intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability. The intensity of



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- (vi) The industry faces slow or diminished growth.

6. Economies of scale discourages new entrants.

Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.

7. Explain Porter’s five forces model to how businesses can deal with the competition.

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.

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

Master Data: It is relatively permanent data not expected to change frequently. It may change, but not again and again. All business process modules must use common master data. For example : In accounting systems, there may be following type of master data.

Accounting Master Data – This includes names of ledgers, groups, cost centers, accounting voucher types, etc. E.g. Capital Ledger is created once and not expected to change frequently.



Inventory Master Data – This includes stock items, stock groups, godowns, inventory voucher types, etc. Stock item is something which bought and sold for business purpose, a trading goods. E.g. For a person running a medicine shop, all types of medicines shall be stock items for him/her.

Payroll Master Data – Payroll is a system for calculation of salary and recoding of transactions relating to employees. Master data in case of payroll can be names of employees, group of employees, salary structure, pay heads, etc.

Statutory Master Data – This is a master data relating to statute/law. It may be different for different type of taxes. E.g. Goods and Service Tax (GST), Nature of Payments for Tax Deducted at Source (TDS), etc. This data also shall be relatively permanent. In case of change in tax rates, forms, categories, we need to update/ change our master data.

Non-Master Data: It is a data custody notes which is expected to change frequently, again and again and not a permanent data. E.g. Amounts recorded in each transaction shall be different every time and expected to change again and again. Date recorded in each transaction is expected to change again and again and will not be constant in all the transactions.

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

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:

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- Competitive pressures stemming from buyer bargaining power and seller-buyer Collaboration.

10. Distinguish between cost leadership and differentiation strategies.

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation strategy should be pursued only after a careful study of buyers’ needs and preferences to determine the feasibility of



incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.

11. Examine the significance of KSFs (Key Success Factors) for competitive success.

As industry's Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the market place – the particular strategy elements, product attributes, resources, competencies, competitive capabilities and business outcomes that spell the difference between profit & loss and ultimately, between competitive success or failure. KSFs by their very nature are so important that all firms in the industry must pay close attention to them. They are the prerequisites for industry success, or, to put it in another way, KSFs are the rules that shape whether a company will be financially and competitively successful.

12. Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly.

A company's mission statement is typically focused on its present business scope — “who we are and what we do”; mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup. An organisation's mission states what customers it serves, what need it satisfies, and what type of product it offers. It is an expression of the growth ambition of the organisation. It helps organisation to set its own special identity, business emphasis and path for development. Mission amplifies what brings the organisation to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation. In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

13. Write short note on "Phases and significance of Product Life Cycle".

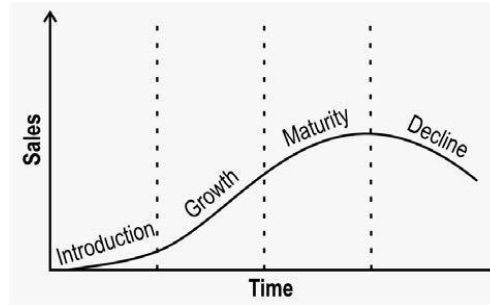
Product Life Cycle (PLC) is a useful concept for guiding strategic choice. Essentially, PLC is S - shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), g rowth (rapid market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift). If businesses are substituted for product, the concept of PLC could work just as well.

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 at a lower rate because of lack of knowledge on the part of customers.

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

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

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



Significance of PLC

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

14. What do you understand by 'Competitive Landscape'? What are steps to understand the competitive landscape?

Competitive landscape is a business analysis which identifies competitors, either direct or indirect. Competitive landscape is about identifying and understanding the competitors and at the same time, it permits the comprehension of their vision, mission, core values, niche market, strengths and weaknesses.

Steps to understand the competitive landscape are:

- (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.
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CASE STUDY

15. There are many companies in the market offering COVID vaccine. Analyse the product in terms of threat of new entrants.

There are three companies offering a vaccine for COVID-19 in India and a fourth company is awaiting approval from authorities.

This product involves huge capital requirements and hence not every existing pharma company is likely to get into the competition. However, once approved for use, the entire world is the target market. This would lead to economies of scale helping the company to recover the investments made. The product differentiation is in terms of the low after effect of the vaccine and the effectiveness of the vaccine in controlling COVID-19. Brand identity is becoming very important with people preferring international brands compared to a home – grown company. Factors like switching cost, access to distribution channels and possibility of aggressive retaliation do not apply at present because governments across the world are controlling these factors and the vaccine has not entered the phase of free competition.

16. Discuss in what conditions rivalry among competitors tends to be cut-throat and profitability of the industry goes down.

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17. The CEO of ABC Enterprises, Mr. Rasik Mehta, had the idea of creating a fitness shake called Robust, which prompted the company to conduct research and development. The company conducted a market survey and feasibility study, which indicated that the idea was feasible and had potential for profitability. Consequently, the product was manufactured, marketed, and launched, which led to its success. As a result, the production of Robust grew, and it became widely available. However, with time, the demand for the product decreased, leading to its obsolescence. Identify and explain the concept highlighted in the above case?





The case highlights the concept of Product Life Cycle (PLC), which outlines the various stages a product goes through, including introduction, growth, maturity and decline. Successful businesses must adapt their strategies to each stage to remain profitable.

Product Life Cycle (PLC) is a useful concept for guiding strategic choice. Essentially, PLC is S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift). If businesses are substituted for product, the concept of PLC could work just as well.

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18. **Pulkit was very confident about cloud kitchen business model, and he bought three real estate spaces in very hideous localities. Later due to government and court orders the cloud kitchens had to be only operated in a well-ventilated space, which made his investment redundant. What aspect of industry competition is Pulkit currently faced as a result of this situation?**

Pulkit may be facing exit barriers due to his investment in the real estate spaces. Exit barriers are factors that make it difficult for a company to exit a particular market or industry. In this case, Pulkit's investment in the real estate spaces may make it difficult for him to exit the cloud kitchen industry or switch to a different business model. If Pulkit is unable to find new spaces or make the necessary renovations, he may be forced to continue operating in the hideous localities, which may impact his brand image and customer experience. This can create an exit barrier for Pulkit as it may be difficult for him to turn to a different business model or exit the industry entirely.

Additionally, Pulkit may have incurred significant sunk costs in the purchase and renovation of the real estate spaces, which can create a further exit barrier. Sunk costs refer to costs that have already been incurred and cannot be recovered. If Pulkit has invested a significant amount of money in the real estate spaces, he may be hesitant to exit the industry or switch to a different business model as it may mean that he has to write off the sunk costs.

Therefore, Pulkit may be facing exit barriers due to his investment in the real estate spaces, which may make it difficult for him to adapt to the new requirements or exit the industry entirely.

19. **Rajiv Arya is owner of an electrical appliance company that specializes in manufacturing of domestic vacuum cleaners. There are four other manufacturers with similar products and sales**



volume. Current rival firms also own a number of patents related to the product. The supplier base for procurement of raw material is also very large as there are multiple suppliers. Identify Porter's Five Forces that may be classified as significant for the company? Explain.

The competitive rivalry will be a significant force in case of company of Rajiv Arya as all the rivals are similar in sizes and are manufacturing similar products. It is difficult for any single manufacturer to dominate the market. Large number of patents will make it difficult for new entrants to break into the market. Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.

There is no information relating to substitutes and bargaining power of customers in the information given in scenario. However, a domestic vacuum cleaner will directly compete with other options such as house maids. Availability of house maids at low cost can significantly disturb the sales of products.

Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.

20. 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.

Steps to understand the competitive landscape:

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

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

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

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

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

21. 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?

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.

22. 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?

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

CHAPTER

STRATEGIC ANALYSIS: - INTERNAL ANALYSIS

ICAI MCQs

Q.N.	Questions								
1.	<p>What is the primary purpose of strategic group mapping in strategic management?</p> <p>(a) To identify key competitors in the industry (b) To determine the market share of each competitor (c) To categorize firms with similar strategic characteristics and competitive positions (d) To calculate the industry's growth rate</p>								
2.	<p>Match the core competencies for the following industry:</p> <table border="0"> <tr> <td>1. Automobile Industry</td> <td>A. Styling, efficient network performance</td> </tr> <tr> <td>2. Food Processing Industry</td> <td>B. Reputation, innovation, new policies</td> </tr> <tr> <td>3. Life Insurance Industry</td> <td>C. Right mix available at each store, pricing</td> </tr> <tr> <td>4. Super Market Industry</td> <td>D. Health Aspects, Product development, distribution channel</td> </tr> </table> <p>(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</p>	1. Automobile Industry	A. Styling, efficient network performance	2. Food Processing Industry	B. Reputation, innovation, new policies	3. Life Insurance Industry	C. Right mix available at each store, pricing	4. Super Market Industry	D. Health Aspects, Product development, distribution channel
1. Automobile Industry	A. Styling, efficient network performance								
2. Food Processing Industry	B. Reputation, innovation, new policies								
3. Life Insurance Industry	C. Right mix available at each store, pricing								
4. Super Market Industry	D. Health Aspects, Product development, distribution channel								
3.	<p>'Strategic group mapping' helps in-</p> <p>(a) Identifying the strongest rival companies (b) Identifying weakest rival companies (c) Identifying weakest and strongest rival companies (d) None of the above</p>								
4.	<p>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 - provide a competitive advantage. Kindly identify which of the Michael Porter's forces and generic strategies perfectly suits X-Olympus?</p> <p>(a) Strength (b) Opportunity (c) Weakness</p>								



(d) Threat

5. **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

6. **In case of home appliances, the concept of offering additional customer services and benefits to the customers, can be considered as**

- (a) Social Marketing
- (b) Augmented Marketing
- (c) Concentrated Marketing
- (d) Differential Marketing

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. **The merging of analysis of Internal and External factors influencing th organsiation strategy is _____**

- (a) Complete Studies
- (b) Organsiational Behaviour & Theory
- (c) Definitional Analysis
- (d) SWOT Analysis

9. **Which of the following is a potential limitation of strategic group mapping?**

- (a) It does not provide insights into competitive advantages.
- (b) It cannot account for changes in market conditions.
- (c) It may oversimplify the complexity of industry dynamics.
- (d) It is not useful for benchmarking against industry standards.

10. **"Competitor's Differentiation', Customer Value' and 'Application of Competitiveness' are the three important areas**

- (a) Value chain analysis
- (b) Business process re-engineering
- (c) Competitor analysis
- (d) Core competencies

11. **The marketing strategy which is used to reduce or shift the demand is:**

- (a) Enlightened marketing
- (b) Synchro-marketing
- (c) Place marketing
- (d) Demarketing



12. 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.
- | | |
|--|-------------------|
| 1. Tender for a project | (a) Strength |
| 2. Rival companies in industries trying to recruit key staff | (b) Weakness |
| 3. Well Diversed client portfolio | (c) Opportunities |
| 4. High Level of receivables | (d) Threats |

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

- | | |
|------------------------|------------------------|
| (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 |

13. Big Billion Days sale by Flipkart is an example of which type of strategic marketing technique?

- | | |
|-----------------------|----------------------------|
| (a) Synchro Marketing | (b) Concentrated Marketing |
| (c) Demarketing | (d) Enlightened Marketing |

14. In strategic group mapping, what is the typical axis used to represent dimensions of competition?

- | | |
|------------------------------------|-------------------------------------|
| (a) Market share and profitability | (b) Cost and revenue |
| (c) Price and product quality | (d) Innovation and brand reputation |

15. 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?

- | | |
|-----------------------------|-----------------------------|
| (a) Cost leadership | (b) Differentiation |
| (c) Focused cost leadership | (d) Focused differentiation |

16. Indian Company plans to offer snack during travel through ropeways and two free movies tickets on completion of the travel. This marketing technique is known as

- | | |
|-------------------------|-----------------------|
| (a) Augmented marketing | (b) Synchro marketing |
| (c) Social marketing | (d) Demarketing |

17. A renowned coffee chain offers a loyalty program where customers earn points for every purchase, which can be redeemed for free drinks or snacks. This marketing technique is known as:

- (a) Augmented Marketing
(b) Synchro Marketing
(c) Social Marketing
(d) Relationship Marketing



18. 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

19. DMart sells fast moving consumer goods at wholesale prices to retail customers, is a strategy of?

- (a) Market Penetration
- (b) Cost Differentiation
- (c) Cost Leadership
- (d) Market Development

20. 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) Customers 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

1.	(c)	2.	(a)	3.	(c)	4.	(d)	5.	(d)
6.	(b)	7.	(c)	8.	(d)	9.	(c)	10.	(d)
11.	(d)	12.	(b)	13.	(a)	14.	(a)	15.	(d)
16.	(a)	17.	(d)	18.	(c)	19.	(c)	20.	(d)



DESCRIPTIVE QUESTIONS

Q.N.	Questions
1.	<p>Explain competitive advantage.</p> <p>Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.</p>
2.	<p>Distinguish between cost leadership and differentiation strategies.</p> <p>Cost leadership emphasizes producing standardized products at a very low per -unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing product s and services considered unique industry wide and directed at consumers who are relatively price -insensitive.</p> <p>A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits. But cost leadership generally must be pursued in conjunction with differentiation. Different strategies offer different degrees of differentiation. A differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.</p>
3.	<p>Define Competitive Advantage.</p> <p>Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large</p>
4.	<p>A core competence is a unique strength of an organization which may not be shared by others.</p> <p>Correct: A core competence is a unique strength of an organization which may not be shared by others. If business is organized on the basis of core competence, it is likely to generate competitive advantage. A core competence provides potential access to a wide variety of markets. Core competencies should be such that it is difficult for competitors to imitate them.</p>
5.	<p>Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization?</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.

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

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

6. Advantages of cost leadership strategy

Earlier we have discussed Porter's Five Forces Model in detail. A cost leadership strategy may help to remain profitable even with: rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. **Rivalry** – Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits.
2. **Buyers** – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.
3. **Suppliers** – Cost leaders are able to absorb greater price increases before it must raise price to customers.
4. **Entrants** – Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.
5. **Substitutes** – Low cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

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

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





Advantages of SBU are:

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

8. Distinguish between cost leadership and differentiation strategies.

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive.

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

9. Explain in brief the various basis of differentiation strategy.

There are several basis of differentiation, major being: Product, Pricing and Organization.

Product: Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, the pursuit of a new product offering can be costly – research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product.

Pricing: It fluctuates based on its supply and demand and may also be influenced by the customer's ideal value for a product. Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.

Organisation: Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty can all provide additional ways for a company differentiate itself from the competition.

10. Write short note on SWOT analysis.

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



- (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.
- (b) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.
- (c) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.
- (d) **Threat:** An unfavourable condition in the external environment which causes a risk for, or damage to the organisation's position.

The major purpose of SWOT analysis is to enable the management to create a firm-specific business model that will best align, fit or match an organisational resources and capabilities to the demands of the environment in which it operates.

11. "The sustainability of competitive advantage and a firm's ability to earn profits from its competitive advantage depends on characteristics of resources and capabilities". Explain this statement.

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:

1. **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.
2. **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.
3. **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.
4. **Appropriability:** Appropriability refers to the ability of the firm's 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.

12. What is cost leadership strategy? Under what circumstances an organization can gain competitive advantages from cost leadership strategy? Is there any risk in pursuing cost leadership strategy?

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

The circumstances in which an organization can gain competitive advantages from cost leadership strategy are:

- when the market is composed of many price-sensitive buyers.
- when there are few ways to achieve product differentiation.
- when buyers do not care much about differences from brand to brand.
- when there are a large number of buyers with significant bargaining power.

The basic idea is to underprice competitors and thereby gain market share driving some of the competitors out of the market.

Some risks of pursuing cost leadership are:

- that competitors may imitate the strategy, therefore driving overall industry profits down
- that technological breakthroughs in the industry may make the strategy ineffective; or that buyer interests may swing to other differentiating features besides price.

13. There are four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are known as core competencies. Explain.

Four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are core competencies. Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies.

i. Valuable: Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment. A firm created value for customers by effectively using capabilities to exploit opportunities. Finance companies build a valuable competence in financial services. In addition, to make such competencies as financial services highly successful require placing the right people in the right jobs. Human capital is important in creating value for customers.

ii. Rare: Core competencies are very rare capabilities and very few of the competitors possess this. Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for any one of them. Competitive advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.

iii. Costly to imitate: Costly to imitate means such capabilities that competing firms are unable to develop easily.

iv. Non-substitutable: Capabilities that do not have strategic equivalents are called non-substitutable capabilities. This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

14. In spite of high commodity inflation, shortage of components and the threat of third wave of COVID-19 pandemic in India, manufacturers of packaged goods, home appliances and consumer electronics are expecting the business to grow by 12 to 25 percent in the coming months. After one-and-a-half years of disruption, manufacturers are now confident about managing their inventories better, keeping their supply channels well-stocked and preparing themselves to minimize the impact of any COVID related restrictions even as they gear up for the festive season, which usually accounts for 25 to 35 percent of their yearly sales.

The home appliances sector could be an example. After a dismal April-June quarter in the year 2021; producers of air conditioners, refrigerators and washing machines are expecting their business to grow by 15-20 percent in the months to come. All the companies operating in the sector have geared up to grab the opportunities available in the market.



A leading company in the home appliances domain, XXP India, is planning to launch various innovative product designs and offer loyalty programmes to lure consumers.

With reference to Michael Porter's generic strategies, identify which strategy XXP India has planned for? Explain how this strategy will be advantageous to the company to remain profitable?

According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies. XXP India Ltd. has planned for Differentiation Strategy. The company is planning to launch various innovative product designs and offer loyalty programmes to lure customers.

Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty, because consumers may become strongly attached to the differentiated features.

Advantages of Differentiation Strategy

A differentiation strategy may help an organisation to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

1. **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.
2. **Buyers** - They do not negotiate for price as they get special features, and they have fewer options in the market.
3. **Suppliers** - Because differentiators charge a premium price, they can afford to absorb higher costs of supplies as the customers are willing to pay extra too.
4. **Entrants** - Innovative features are an expensive offer. 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.
5. **Substitutes** - Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

15. Core competencies provide edge to a business over its competitors. Discuss. Also, briefly state the three areas in which major core competencies are identified.

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. An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

According to C.K. Prahalad and Gary Hamel, major core competencies are identified in following three areas:

1. **Competitor differentiation:** The Company can consider having a core competence if the competence is unique and it is difficult for competitors to imitate. This can provide a company an edge compared to competitors. It allows the company to provide better products and services to market with no fear that competitors can copy it.



2. Customer value: When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence. It will include all the skills needed to provide fundamental benefits. The service or the product has to have real impact on the customer as the reason to choose to purchase them. If customer has chosen the company without this impact, then competence is not a core competence and it will not affect the company's market position.

3. Application of competencies to other markets: Core competence must be applicable to the whole organization; it cannot be only one particular skill or specified area of expertise. Therefore, although some special capability would be essential or crucial for the success of business activity, it will not be considered as core competence if it is not fundamental from the whole organization's point of view.

Thus, a core competence is a unique set of skills and expertise, which will be used throughout the organization to open up potential markets to be exploited.



CASE STUDY

16. There are many companies in the market offering COVID vaccine. Analyse the product in terms of threat of new entrants.

There are three companies offering a vaccine for COVID-19 in India and a fourth company is awaiting approval from authorities.

This product involves huge capital requirements and hence not every existing pharma company is likely to get into the competition. However, once approved for use, the entire world is the target market. This would lead to economies of scale helping the company to recover the investments made. The product differentiation is in terms of the low after effect of the vaccine and the effectiveness of the vaccine in controlling COVID-19. Brand identity is becoming very important with people preferring international brands compared to a home – grown company. Factors like switching cost, access to distribution channels and possibility of aggressive retaliation do not apply at present because governments across the world are controlling these factors and the vaccine has not entered the phase of free competition.

17. 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.

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 castudy notes in the market.

The procedure for constructing strategic group map and deciding which firms belong in which strategic group is as follows:

1. 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).
2. Plot the firms on a two-variable map using pairs of these differentiating characteristics .
3. Assign firms that fall in about the same strategy space to the same strategic group .
4. Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues .

18. 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.

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 infants that is perceived by the customers as unique. Because of differentiation, the Infant care is charging a premium for its product.

19. **'Speed' 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. The Chief executive 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 retail chain.**

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. 'Speed' 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.

20. **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 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 strategy which Gennex has opted to gain the competitive advantage.**

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.

21. **'Coffee Beans' is a coffeehouse chain that operates across the globe in different countries. 'Coffee Beans' has adopted a strategy to build business by establishing product uniqueness or qualities and gain competitive advantage based on features of its offerings in coffee business. Which type of strategy 'Coffee Beans' has adopted?**



Coffee Beans is opting for differentiation strategy. 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, Coffee Beans can charge a premium for its product.

22. **Telecom industry is growing at a rapid speed in India. There is a cut throat competition among the service providers in the industry. Identify the capabilities that will best serve as a source of competitive advantage for a firm over its rivals?**

Core competencies are capabilities that serve as a source of competitive advantage for a firm over its rivals. Core competency as the collective learning in the organization, especially coordinating diverse production skills and integrating multiple streams of technologies. An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

23. **Spacetek Pvt. Ltd. is an IT company. Although there is cut throat competition in the IT sector, Spacetek deals with distinctive niche clients and is generating high efficiencies for serving such niche market. Other rival firms are not attempting to specialize in the same target market. Identify the strategy adopted by Spacetek Pvt. Ltd. and also explain the advantages and disadvantages of that strategy.**

Spacetek Pvt. Ltd. company has adopted Focus strategy which is one of the Michael Porter's Generic strategies. Focus strategies are most effective when consumers have distinctive preferences or requirements and when rival firms are not attempting to specialize in the same target segment. An organization using a focus strategy may concentrate on a particular group of customers, geographic markets, or on particular product -line segments in order to serve a well-defined but narrow market better than competitors who serve a broader market.

Advantages of Focus Strategy

1. Premium prices can be charged by the organizations for their focused product/services.
2. Due to the tremendous expertise about the goods and services that organizations following focus strategy offer, rivals and new entrants may find it difficult to compete.

Disadvantages of Focus Strategy

1. The firms lacking in distinctive competencies may not be able to pursue focus strategy.
2. Due to the limited demand of product/services, costs are high which can cause problems.
3. In the long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

24. **BHAVNAV is a business which makes and sells laptop computers in France. In recent years it has been struggling to compete with its rivals and has seen a significant fall in its market share. BHAVNAV's managers identify that majority of its products launched by BHAVNAV's rivals were high specification, with good quality materials and many innovative design features. Products with inferior quality, such as those sold by BHAVNAV have not sold well in France. This information led BHAVNAV's management team to decide to select a new business strategy based on Porter's Generic Strategic Model. Identify and suggest the best business strategy BHAVNAV's management has to opt for?**



According to Porter, the three different business strategies are: cost leadership, differentiation, and focus. Porter called these base generic strategies.

The information about competitor activities indicates that the market is uninterested in low-cost items, so a cost leadership approach is unlikely to be successful for BHAVNAV. It is suggested to adopt a differentiation strategy and find some way of enabling its laptops to stand out from its rivals.

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.

25. **A private Moneyload Ltd. Bank that targets high worth individuals. They offer a premium service with many additional and personal services not normally available through other banks. They charge a significant annual fee for these services. The company makes full use of information technology throughout its operations in order to minimize costs. Identify and explain the generic strategy adopted by Money load Ltd. Bank?**

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.

Moneyland Ltd. Bank targets a narrow segment of the market, offering unique and desirable products. The bank will want to keep its costs under control, but it will not reduce costs at the expenses of reducing the quality levels of the customer service it offers. By maintaining high quality levels, it will still be able to charge a premium for its services. Thus, the strategy adopted by Moneyland Ltd. Bank is Focused Differentiation.

A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

26. **Telecom industry is growing at a rapid speed in India. There is a cut throat competition among the service providers in the industry. Identify the capabilities that will best serve as a source of competitive advantage for a firm over its rivals?**

Core competencies are capabilities that serve as a source of competitive advantage for a firm over its rivals. Core competency as the collective learning in the organization, especially coordinating diverse production skills and integrating multiple streams of technologies. An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

27. **BudgetSmart Retailers, a renowned supermarket chain, faced fierce competition in the grocery retail sector due to escalating operational expenses. Rising costs from rent, labor, and inventory management challenged their profitability amidst the emergence of discount stores and online competitors. To counter this, BudgetSmart Retailers optimized their supply chain through bulk procurement, revamped store layouts for cost efficiency and customer experience, embraced lean operational practices to minimize waste, and conducted comprehensive staff training to boost productivity and customer service efficiency.**



Identify and explain the strategy adopted by BudgetSmart Retailers to enhance the profitability.

Budget Smart Retailers adopted a cost leadership strategy to enhance profitability in the fiercely competitive grocery retail sector. It is a low-cost competitive strategy that aims at broad mass market. It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs. Because of its lower costs, the cost leader is able to charge a lower price for its products than most of its competitors and still earn satisfactory profits.

By negotiating bulk procurement deals with suppliers, BudgetSmart Retailers lowered their cost of goods, allowing them to offer competitive prices to customers. The revamping of store layouts aimed to maximize space utilization and product placement, reducing operational costs and improving the overall shopping experience. Embracing lean principles minimized waste in the supply chain, reducing unnecessary expenses and improving efficiency. Comprehensive staff training boosted employee productivity and customer service efficiency, contributing to cost reduction and enhanced customer satisfaction.

28.

Quick N Sturdy Inc., a multinational company, is undergoing feasibility study to introduce new luxury and sports car for specific group of customers. The product is meant for customers with distinctive preferences and special requirements. The product is not a standard one and as such the target market is also narrow. Company knows that demand for the product is large enough to be profitable for the company, but small enough to be ignored by other major industry players. The company wants to position itself in the niche market with the prime consideration to offer unique features in the product for the target market. In the given situation, identify the generic strategy as suggested by Michael Porter. Also state the advantages and disadvantages of such strategy

Quick N Sturdy Inc. has adopted Focused Differentiation Strategy which is one of the Michael Porter's Generic strategies. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiation strategy.

Advantages of Focused Strategy

1. Premium prices can be charged by the organisations for their focused product/services.
2. Due to the tremendous expertise in the goods and services that the organisations following focus strategy offer, rivals and new entrants may find it difficult to compete.

Disadvantages of Focused Strategy

1. The firms lacking in distinctive competencies may not be able to pursue focus strategy.
2. Due to the limited demand of product/services, costs are high, which can cause problems.
3. In the long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

29.

STU's association with India goes back to 1967, when it played a key role in constructing a very long highway in India spreading over multiple states. Since then, it is contributing in many ways to the country's growth story. Now it is looking at playing an active role in the key projects taken up by the central government. Suggest few Opportunities and Threats that the company should consider.



Faced with a constantly changing environment, each business unit needs to develop a marketing information system to track trends and developments, which can be categorized as an opportunity or a threat. The company has to review its strength and weakness in the background of environment's opportunities and threat, i.e., an organization's SWOT analysis.

STU is looking at playing an active role in the key projects taken up by the central government. Following are the potential opportunities and threats to STU:

Potential STU's Opportunities:

- Alliances or joint ventures with central government that expand the STU's market coverage or boost its competitive capability.
- Possibilities of working on the future projects of central government.
- Serving additional customer groups or expanding into new geographic markets.
- Utilizing existing company skills or technological know-how to enter new projects.
- Openings to take market share away from rivals.
- Openings to exploit emerging new technologies.
- Integrating forward or backward.

Potential STU's Threats:

- Due to COVID-19 pandemic, companies can have face the lockdown situation.
- Economic factors such as recession etc.
- Likely entry of potent new competitors.
- Technological changes/innovations in construction equipment.
- Costly new regulatory requirements.
- Growing bargaining power of suppliers.
- Vulnerability to industry driving forces.

30.

A manufacturing company is in direct competition with fifteen companies at national level. Head of marketing department of this company wishes to study the market position of rival companies by grouping them into like positions. Name the tool that may be used by him/her. Explain the procedure that may be used to implement the techniques.

A tool to identify the market positions of rival companies by grouping them into like positions is strategic group mapping. 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 are as follows:

1. 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).
2. Plot the firms on a two-variable map using pairs of these differentiating characteristics.
3. Assign firms that fall in about the same strategy space to the same strategic group.
4. Draw circles around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.

31.

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

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.

A number of entities and processes are involved 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 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.

32.

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.

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 firm’s 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.

33.

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

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.

34.

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.

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.

35.

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 Hidesek 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.

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

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



- i. 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.
- ii. Buyers:** They do not negotiate for price as they get special features and also, they have fewer options in the market.
- iii. Suppliers:** Because differentiators charge a premium price, they can afford to absorb higher costs of supplies and customers are willing to pay extra too.
- iv. 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.
- v. Substitutes:** Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

36.

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?

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:

- (i)** Developing personal and cordial relations with the customers.
- (ii)** Providing home delivery with no additional cost.
- (iii)** Developing a system of speedy delivery that can be difficult to match by online sellers. Being in central part of city, he can create a network to supply at wider locations in the city.
- (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.

37.

'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.

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.



4

CHAPTER

STRATEGIC CHOICES

ICAI MCQs

Q.N.

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. What refers to a strategy of seeking ownership of taking over competitor's product?

- (a) Backward integration (b) Forward integration
(c) Concentric diversification (d) Horizontal integration

3. Merger of two organisations that are operating in the same industry but at different stages of production and distribution system is called:

- (a) Horizontal Merger (b) Vertical Merger
(c) Co-generic Merger (d) Conglomerate Merger

4. Diversification primarily helps to:

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

5. 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 Product	New Product
Existing Market	A	C
New Market	B	D

Expansion into clothing and electrical sales

- i. 24-hour opening
- ii. Selling its products on internet
- iii. 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)

6. 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

(c) Dog

7. In the GE Matrix, which axis represents industry attractiveness?

(a) Horizontal axis

(b) Vertical axis

(c) Diagonal axis

(d) Radial axis

8. 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

9. 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

10. 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.



11.	<p>Mixfix was having a tough time with its operations and wanting to restructure itself from scratch. For this, they consult a veteran in business strategy, Mrs. Sunita K, who post analysis of their business said, "your dead business is worth more than alive". What did Mrs. Sunita hint at?</p>
	<p>(a) Restructuring Business (b) Liquidation (c) Business Process Re-engineering (d) Divestment</p>
12.	<p>What is the strategic approach for businesses in the "Harvest" quadrant of the AOL Matrix?</p>
	<p>(a) Invest for growth (b) Maximize short-term cash flow (c) Divest immediately (d) Maintain current operations</p>
13.	<p>One of the primary advantages of diversification is sharing core competencies. In order for diversification to be most successful, it is important that</p>
	<p>(a) The target market is the same, even if the products are very different. (b) The products use similar distribution channels. (c) The methods of production are the same. (d) The similarity required for sharing core competencies must be in the value chain, not in the product.</p>
14.	<p>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?</p>
	<p>(a) Cash cow (b) Question mark (c) Star (d) Dog</p>
15.	<p>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?</p>
	<p>(a) Divest (b) Harvest (c) Hold (d) Build</p>
16.	<p>XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e-commerce platform, a mature industrial machinery division, and a newly established software</p>

development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix?

- (a) Consumer Electronics Division (b) E-commerce Platform
(c) Industrial Machinery Division (d) Software Development Unit

17. 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.

18. Conglomerate diversification is another name for which of the following?

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

19. Norn-Norn is a fast-food brand and has been facing a lot of competition from American brands and has decided to NOT go very aggressive but to just preserve market share? Which of the strategy Norn-Norn is following?

- (a) Build (b) Hold
(c) Harvest (d) Divest

20. Match the following:
Question

- (i) Retrenchment strategy
(ii) Divestment strategy
(iii) Turnaround strategy

Answer

1. Retrenchment may be done either internally or externally.
2. Divesting a major product line or marke
3. Involves the sale or liquidation of business.

- (a) i-1, ii-2, iii-3 (b) i-3, ii-2, iii-1
(c) i-2, ii-3, iii-1 (d) i-3, ii-1, iii-2

1.	(c)	2.	(d)	3.	(b)	4.	(b)	5.	(c)
6.	(d)	7.	(a)	8.	(a)	9.	(c)	10.	(b)
11.	(b)	12.	(b)	13.	(d)	14.	(a)	15.	(b)
16.	(b)	17.	(a)	18.	(b)	19.	(b)	20.	(c)

DESCRIPTIVE QUESTIONS

Q.N.	Questions
1.	<p>What do you understand by co-generic merger?</p>
	<p>In co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. Such merger include the extension of the product line or acquiring components that are required in the daily operations.</p>
2.	<p>Divesting a major product line or market is termed as retrenchment strategy.</p>
	<p>An organization can redefine its business by divesting a major product line or market. The divesting can be termed as retrenchment strategy. The enterprise may withdraw from marginal markets, withdraw some brands or sizes of products. It may also withdraw some of slow moving products. In an extreme manner, it may seek retirement either from the production or the marketing activity.</p>
3.	<p>Why a Turnaround Strategy is required for a business?</p>
	<p>Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well. It is a highly - targeted effort to return an organization to profitability and in rease positive cash flows to a sufficient level. It is used when both threats and weaknesses adversely affect the health of an organization so much that castudynotesitsbasicsurvivalisdifficult.</p> <p>The overall goal of turnaround strategy is to transorm an und er performing or distressed company to normalcy in terms of acceptable levels of prfitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and un favourable industry characteristics.</p>
4.	<p>"B" in BCG Matrix stands for balance.</p>
	<p>The acronym BCG stands for Boston Consulting Group, an organization that developed a matrix to portray an organizational corporate portfolio of investment. This matrix depicts growth of business and the business share enjoyed by an organization. The matri x is also known for its cow and dog metaphors and is popularly used for resource allocation in a diversified company.</p>
5.	<p>To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create a strategy-supportive work climate, and meet or beat performance targets.Explain the principal aspects of strategy-execution process.</p>
	<p>In most situations, strategy-execution process includes the following principal aspects: Developing budgets that steer ample resources into those activities critical to strategic success. Staffing the organization with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.</p>

Ensuring that policies and operating procedures facilitate rather than impede effective execution. Using the best-known practices to perform core business activities and pushing for continuous improvement.

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

Motivating people to pursue the target objectives energetically.

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

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

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

6. How Ansoff’s Product Market Growth Matrix is a useful tool for business organizations?

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 it mark ets in new or existing products in both new and existing markets.

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

7. Differentiate between divestment and liquiation strategy.

Divestment Strategy	Liquidation Strategy
It involves sale or liquidation of only a portion of business or major division or profit SBU.	It involves closing down firm & selling assets
It is usually a plan of rehabilitation or restructuring and is adopted when turnaround has been attempted but not succeeded or when divestment is the only option.	It becomes only option in case of severe & critical condition where either turnaround & divestment are not seen as an option
Efforts are made for survival of organization	It is most extreme & unattractive
Survival of organization helps in retaining personnel to certain extent.	There is loss of employment.

8. Write short note on expansion through acquisitions and mergers.

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

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

9. Justify the statement "Stability strategy is opposite of Expansion strategy".

Stability strategies, as name suggests, are intended to safeguard the existing interests and strengths of business. It involves organisations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations.

Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

On the other hand, expansion strategy is aggressive strategy as it involves redefining the business by adding the scope of business substantially, increasing efforts of the current business. In this sense, it becomes opposite to stability strategy. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. Expansion also includes diversifying, acquiring and merging businesses. This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.

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

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

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

11. What are the various alternative strategies which the managers need to identify that will create and sustain a competitive advantage in the business? Discuss.

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

- Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors.
- Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. It concerns with distinguishing a product/service from that of its competitors through unique design features, technological leadership, unique uses of products and attributes like quality, environmental impact and customer service.
- Focus means producing products and services that fulfill the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate.

12. Explain Difference Between Market Development & Product Development.

Following are the differences between the market development and product development:

Market Development	Product Development
<ul style="list-style-type: none"> • Meaning:- It refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for current company products. 	<ul style="list-style-type: none"> • Meaning:- It 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.
<ul style="list-style-type: none"> • Strategy Application :- It may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments. 	<ul style="list-style-type: none"> • Strategy Application:- It is for company's growth and requires the development of new competencies and the business to develop modified products which can appeal to existing markets.

13. Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain.

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

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

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

14. “There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive”. Discuss.

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

Conditions for turnaround strategies: When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment, they have to identify danger signals as early as possible and undertake rectification steps immediately. These are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:

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

15. What do you understand by diversification? Distinguish between concentric and conglomerate diversification.

Diversification is defined as entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. Diversification endeavours can be related or unrelated to existing businesses of the firm.

Following are the differences between the concentric diversification and conglomerate diversifications:

Concentric Diversification	Conglomerate Diversification
Meaning: It occurs when a firm adds related products or markets.	Meaning: It occurs when a firm diversifies into areas that are unrelated to its current line of business.
Linkage: The new business is linked to the existing businesses through process, technology or marketing.	Linkage: Here no such linkages exist; the new business/product is disjointed from the existing businesses/products.



Reasons for pursuing: The most common reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.

Reasons for pursuing: The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

16. **The CEO of a textile mill is convinced that his loss making company can be turned around. Suggest an action plan for a turnaround to the CEO.**

A workable action plan for turnaround of the textile mill 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 after analyzing strengths and weaknesses in the areas of competitive position.
- **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.



CASE STUDY

17. Arena Ltd. manufactures computers that are of low in production cost, competitive price, and quality to their competitor's product. Profits and market share are declining day by day. Shreekanth, a senior executive realizes that drastic strategies have to be created for the survival of a company. After SWOT analysis by assessing the strengths and weaknesses, they come up with the conclusion that they cannot compete in the computers with the competitors. The management directs Shreekanth to act quick and develop a suitable strategic plan.

Shreekanth opt for turnaround strategy which is a highly-targeted effort to return Arena Ltd. to profitability and increase positive cash flows to a sufficient level. Organizations those have faced a significant crisis that has negatively affected operations require turnaround strategy. Once turnaround is successful the organization may turn to focus on growth.

Conditions for turnaround strategies

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

Action plan for turnaround strategy

Stage One – Assessment of current problems

Stage Two – Analyze the situation and develop a strategic plan Stage Three – Implementing an emergency action plan Stage Four – Restructuring the business

Stage Five – Returning to normal

18. 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.

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.

19. Leatherite Ltd., was started as a leather company to manufacture footwear. Currently, they are in the manufacturing of footwears for males and females. The top management desires to expand the business in the leather manufacturing goods. To expand they decided to purchase more machines to manufacture leather bags for males and females. Identify and explain the strategy opted by the top management of Leatherite Ltd.

Leatherite Ltd. is currently manufacturing footwears for males and females and its top management has decided to expand its business by manufacturing leather bags for males and females. Both the products are similar in nature within the same industry. The strategic diversification that the top management of Leatherite Ltd. has opted is concentric in nature. They were in business of manufacturing leather footwears and now they will manufacture leather bags as well. They will be able to use existing infrastructure and distribution channel. Concentric diversification amounts to related diversification.

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

20. X-Olympus is a gaming software company specializing in developing games for ZBox and GameStation - 4. The company is facing stiff competition due to saturation of market and price wars, which has 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. Identify and explain the generic strategies adopted by X-Olympus?

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. X-Olympus is facing cutthroat competition due to saturation of market and price wars as there is no clear leader out of the numerous competitors. For this, the strategy adopted by X-Olympus is Product Differentiation by introducing a unique product to cater the customer needs at a lesser cost which would insulate it from the fierce competition and never-ending price wars.

21. Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's product market growth matrix.

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

Sky chemical industry can adopt market 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.

22. **There has been fierce demand for both Gecko and FlyBee for the last 3 years. Gecko makes mass consumption pens while FlyBee is a notebook and diary brand - both being complementary goods of each other. But to grow further, FlyBee decided to take up competition with Gecko in pens segment and thereby launched, FlyPens. Identify and explain the growth strategy opted by FlyBee?**

FlyBee is a notebook and diary brand. But to grow further, Fly Bee decided to take up competition with Gecko in pens segment and thereby launched, Fly Pens. Fly Bee that is hitherto not into producing pens starts producing them and other similar products is following concentric diversification which is basically related diversification.



In this form of diversification, the new business is linked to the existing businesses through existing systems such as processes, technology or marketing. The new product is a spin -off from the existing facilities and products/processes. There are benefits of synergy with the current operations. The most common reasons for pursuing a concentric diversification are that opportunities in existing line of business are available.

23. **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. Lt d. 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.**

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.

24. **Jynklo Ltd. is an established online children gaming company in Japan. They are performing good in the gaming industry. The management of Jynklo Ltd. has decided to expand its business. They decided to start a premium sports drink named JynX for athletes. Identify and explain the growth strategy adopted by Jynklo Ltd.?**

Currently Jynklo Ltd. is performing in the children gaming industry. But now its management has decided to expand their business by starting a premium sports drink named JynX for athletes. As there are no linkages in both products with respect to customer groups, customer functions, or the technologies being used, so Jynklo Ltd. have opted Conglomerate diversification.
Jynklo Ltd. diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it is a 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.

25. **Jeff Inc., a leading USA based Mobile company decides to make India a hub for the company's Android Mobile having largest storage memory to be manufactured in collaboration with the**



Desi Group, a leading Indian mobile manufacturer. The production is to be exported to the company's home market as well as to other European countries. What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.

Jeff Inc. of USA and Desi group of India opted for strategic alliance as their growth strategy. A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

Advantages of Strategic Alliance

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

- 1. Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. Having a strategic partner who is well-known and respected also helps add legitimacy and creditability to a new venture.
- 2. Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.
- 3. Strategic:** Rivals can join together to cooperate instead of competing with each other. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.
- 4. Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliances with politically influential partners may also help improve your own influence and position.

26. "XYZ Ltd., a multi-product company, has been experiencing consistent losses in recent years, leading to a significant erosion of its net worth. What strategic options should the management consider addressing the company's current situation? Provide recommendations along with supporting reasons."

XYZ Ltd. is a sick company with accumulated losses that have eroded its net worth. The multi-product company may analyse its various products to take decisions on the viability of each. The company may consider a retrenchment strategy. Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Retrenchment strategy is adopted because of continuous losses and unviability and stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems.



Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies as follows:

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

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

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

The management of multiproduct sick company manufacturing various items need to understand pros and cons of each strategic option. The decision will depend upon the specific circumstances of each product and the management goals of the company.

27. **Woodworld Ltd. is a company manufactures a variety of household furniture items. They offered traditional designs, low cost furniture items to low income group customers. During the last couple of years, the company has been observing a fall in the market share. Th is is due to the change in the taste and preferences, designing, better quality, increase in purchasing power of buyers towards the household furniture. The customers are switching away traditional designs and material that have been the backbone of Woodworld Ltd. As a CEO of Woodworld Ltd., what can be the strategic options available with you.**

Woodworld is having a product portfolio that is evidently in the decline stage. The product is being replaced with the latest designs with better quality of the 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 Woodworld Ltd., following can be the strategic options available with the CEO:

- Invest in new product development and switchover to the latest designs. Woodworld Ltd. also need time to invest in hiring interior designers.
- 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 Woodworld 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.



28. **Health Pharma Pvt. Ltd. (HPPL) a one person company with limited liability is manufacturing generic and medicinal drugs in India.**
Hygiene Laboratories Plc. (HLP) a multinational company with its strong financial position is one of the major players in pharmaceutical sector.
Individually, each company has its own core competencies. However, additional focus by the state on generic medicine with renewed regulatory requirements are posing challenges in fierce competitive environment.
Considering benefits of synergies, both the companies are considering to join hands for better growth opportunities. Earlier, they tried to go for joint venture or strategic alliance but the arrangement could not materialize.
In view of the facts given above:
(i) If HPPL and HLP join hands and make new entity named Health N Hygiene Pharma Ltd., what type of growth strategy will this strategic development be?
(ii) In case, HLP is sold out to HPPL and HLP ceased to exist, what type of growth strategy will this strategic deal be?
(iii) What are the differences between the above two identified growth strategies?

(i) If HPPL and HLP join hands and form a new entity named Health N Hygiene Pharma Ltd., this strategic development would be considered a Merger growth strategy. A merger is a combination of two or more companies to form a new entity with shared ownership and control.

(ii) If HLP is sold out to HPPL and HLP ceases to exist, this strategic deal would be categorized as an Acquisition growth strategy. An acquisition occurs when one company purchases another, resulting in the acquiring company gaining control over the acquired company's assets, operations, and intellectual property.

(iii) Many organizations in order to achieve quick growth, expand or diversify with the use of mergers and acquisitions strategies. Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms, but the impact of combination is completely different in both the cases.

Merger is considered to be a process when two or more organizations join together to expand their business operations. In such a case the deal gets finalized on friendly terms. Owners of pre-merged entities have right over the profits of new entity. In a merger two organizations combine to increase their strength and financial gains.

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

29. **A company started its operation in 2015 with Product Alpha. In early 2021, with intent to have its better presence in the market, the company diversifies by acquiring a company with product Beta. After sometime, it was observed that product Beta is not faring well. Aggressive competition was therein market for the product. It was also revealed that though customers**



are not price sensitive, but product was not keeping pace with the fast changing unique features as expected by its customers.

Company has tried one of the retrenchment strategies by putting efforts to improve its internal efficiency, but could not get desired results. In the situation, company is of a considered view to remain and grow in product alpha and to decouple with product Beta from its portfolio.

As a strategist, suggest the retrenchment strategy to be adopted by the company. Also delineate reasons why a company should adopt such strategy?

As per the facts of the case, company had tried to improve its internal efficiency. In other words, had tried turnaround strategy but could not get the desired results.

Company does not want to go for complete close down of business. Rather it wants to continue and grow in its original business i.e. product Alpha.

As a strategist, it is advisable that the company should adopt divestment strategy. In the given situation where the business of product Beta is not faring well and became unprofitable and unviable due to aggressive competition in the market, the best option for the company is to divest the product Beta which is 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.

A divestment strategy may be adopted due to various reasons:

1. A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
2. Persistent negative cash flows from a particular business create financial problems for the whole company, creating the need for divestment of that business.
3. Severity of competition and the inability of a firm to cope with it may cause it to divest.
4. It is not possible for the business to do Technological up-gradation that is required for the business to survive, a preferable option would be to divest.
5. A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

30. ABC Steel Industries finds out that its products have reached at maturity stage and already has overcapacity. Therefore, it concentrates on maintaining operational efficiency of its plants. Identity the strategy implemented by ABC Steel Industries along with reasons.

ABC Steel Industries has opted to implement Stability strategy. Stability strategies are intended to safeguard the existing interests and strengths of business. It involves organisations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

Major reasons for Stability strategy are:



- A product has reached the maturity stage of the product life cycle.
- The staff feels comfortable with the status quo as it involves less changes and less risks.
- It is opted when the environment in which an organisation is operating is relatively stable.
- Where it is not advisable to expand as it may be perceived as threatening.
- After rapid expansion, a firm might want to stabilize and consolidate itself.

31. **GWA, a leading Japan based automobile company decides to make India a hub for the company's 250 cc motorcycle to be manufactured in collaboration with the TPR Group, a leading Indian motorcycle manufacturer. The production is to be exported to the company's home market as well as to other African countries. What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.**

GWA of Japan and TRP group of India opted for strategic alliance as their growth strategy. A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

Advantages of Strategic Alliance

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

- 1. Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. Having a strategic partner who is well-known and respected also helps add legitimacy and credibility to a new venture.
- 2. Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.
- 3. Strategic:** Rivals can join together to cooperate instead of competing with each other. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.
- 4. Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliances with politically influential partners may also help improve your own influence and position.

32. **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**



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.

33. **An 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 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 to be taken to implement the corporate strategy adopted by Shayamli?**

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.

34. 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 corporate strategies being suggested by two brothers and risks involved in it.

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 a unrelated diversification. In process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting vertically integrated diversification/ forward integration. The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business. In such diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process and moves forward or backward in the chain. It enters specific product/process steps with the intention of making them into new businesses for the firm. The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.

Both types of diversifications have their own risks. In conglomerate diversification, there are no linkages with customer group, customer marketing functions and technology used, which is a risk. In the case of vertical integrated diversification, there is a risk of lack of continued focus on the original business.

35. **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?**

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.

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

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

CHAPTER

STRATEGY IMPLEMENTATION & EVALUATION

ICAI MCQs

Q.N.	Questions
1.	<p>J&P, a western wear brand has contracted Pee Kaw marketing firm from Singapore, product design team working as an outsource company from Mexico and Humans branding company taking care of its people's operations. What kind of structure is this?</p> <p>(a) Hourglass Structure (b) Outsourcing (c) Network Structure (d) Tree Branch Structure</p>
2.	<p>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"?</p> <p>(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</p> <p>(a) Only (4) (b) (2) & (4) (c) (1), (2) & (4) (d) (1), (2), (3) & (4)</p>
3.	<p>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"?</p> <p>(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</p>
4.	<p>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: -</p> <p>(a) Strategic Control (b) Management control (c) Administrative control (d) Operations control</p>



5.	Which of the following is more radical organisation design and is also called as non-structure which virtually eliminates in house business functions and outsources many of them?
	(a) Network Structure (b) Strategic Business Unit (c) Hourglass Structure (d) Divisional Structure
6.	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
7.	Systematic and continuous monitoring of the business environment to verify the accuracy of assumptions on which strategy is built is achieved by?
	(a) Premise Control (b) Special Alert Control (c) Implementation Control (d) Strategic Surveillance
8.	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.
9.	Shambhav, a social media marketing firm introduced an AI based management tool that has the capabilities of managing teams across functions all while being creative. What is the most likely organisational structure post this implementation?
	(a) Divisional Structure (b) Matrix Structure (c) Hourglass Structure (d) Network Structure
10.	Corporate culture refers to:
	(a) Company's values and beliefs (b) Company's business principles (c) Internal work environment (d) All the above
11.	Anshul joined a telecom company after his MBA and started working as market research analyst. His job included analyzing industry factors like competitors, suppliers and substitutes. Which of the strategic controls is he working on?
	(a) Strategic Surveillance (b) Special Alert Control



	(c) Premise Control	(d) Benchmarking
12.	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 (c) Strategy Implementation	(b) Strategy Model (d) Strategy Decision
13.	Which one is NOT a type of strategic control?	
	(a) Operational control (c) Special alert control	(b) Strategic surveillance (d) Premise control
14.	<p>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.</p> <p>(1) Strategy formulation focuses on efficiency while strategy implementation focuses on effectiveness.</p> <p>(2) Strategy formulation requires motivation and leadership skills while strategic implementation require conceptual intuitive and analytical skills.</p> <p>(3) Strategy formulation is an intellectual process while strategy implementation is primarily an operational process.</p> <p>(4) Strategy formulation requires coordination between executives at middle and lower level while strategy implementation requires coordination among the executives at the top levels.</p> <p>Out of the following views, what all needs to be corrected?</p>	
	(a) 1, 3 & 4 (c) 1, 2 & 4	(b) 1, 2 & 3 (d) 1, 2, 3 & 4
15.	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 (c) Administrative control	(b) Management control (d) Operations control
16.	An organizational structure with constricted middle level is:	
	(a) Divisional structure (c) Hourglass structure	(b) Network structure (d) Matrix structure
17.	In which type of organization are Strategic Business Units (SBUs) commonly found?	



- (a) Sole proprietorships
- (b) One-business organizations
- (c) Non-profit organizations
- (d) Multi-business organizations

18. You are the operations manager and your top management wants to adopt a strategy that you don't endorse, what problems would this lead to in implementation of the strategy?

- (a) No problem
- (b) Coordination problem
- (c) Technical problem
- (d) Behavioural problem

19. 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?

- (a) Strategic business unit structure
- (b) Matrix structure
- (c) Network structure
- (d) Hourglass structure

20. Compliance, Identification and Internalization are the three processes involved in:

- (a) Refreezing
- (b) Defreezing
- (c) Changing behavior patterns
- (d) Breaking down old attitudes

1.	(c)	2.	(d)	3.	(a)	4.	(b)	5.	(a)
6.	(c)	7.	(a)	8.	(a)	9.	(c)	10.	(d)
11.	(c)	12.	(c)	13.	(a)	14.	(c)	15.	(b)
16.	(c)	17.	(d)	18.	(b)	19.	(d)	20.	(c)


DESCRIPTIVE QUESTIONS

Q.N.	Questions
1.	<p>Define strategic change. Explain the various stages/phases of change process as propounded by Kurt Lewin.</p> <p>Consonance: Consonance refers to the need for strategists to examine sets of trends, as well as individual trends, in auditing strategies. A strategy must represent an adaptive response to the external environment and to the critical changes occurring within it. One difficulty in matching a firm's key internal and external factors in the formulation of strategy is that most trends are the result of interactions among other trends.</p>
2.	<p>Implementation Control.</p> <p>Implementation Control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.</p>
3.	<p>Distinguish between the three levels of strategy formulation.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
4.	<p>How can a corporate culture be both strength and weakness of an organisation?</p> <p>The most important phenomenon which often distinguishes one organisation with another is its corporate culture. Corporate culture refers to a company's values, beliefs, business principles, traditions, and ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers.</p>



- (i) As a strength: Culture can facilitate communication, decision making and control and instil cooperation and commitment. An organization’s culture could be strong and cohesive when it conducts its business according to clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organisation.
- (ii) As a weakness: Culture, as a weakness can obstruct the smooth implementation of strategy by creating resistance to change. An organization’s culture could be characterised as weak when many sub-cultures exists, few values and behavioural norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty and sense of identity.

5. How can management communicate that it is committed to creating a new culture assuming that the old culture was problematic and not aligned with the company strategy?

Corporate culture refers to company’s values, beliefs, business principles, traditions, ways of operating and internal work environment. Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy-supportive.

The first step is to diagnose which facets of the present culture are str ategy supportive and which are not.

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

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

Management through communication has to create a shared vision to manage changes. The menu of culture-changing actions includes revising policies and procedures, altering incentive compensation, shifting budgetary allocations for substantial resources to new strategy projects, recruiting and hiring new managers and employees, replacing key executives, communication on need and benefit to employees and so on.

6. Distinguish between Strategy Formulation and Strategy Implementation

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

Strategy Formulation	Strategy Implementation
Strategy formulation Focuses on Strategy implementation focuses on effectiveness.	Strategy implementation focuses on efficiency.
Strategy formulation requires conceptual intuitive and analytical skills.	Strategy implementation required motivation and leadership skills.
Strategy formulation requires coordination among the executives at the top level.	Strategy implementation requires coordination among the executives at the middle and lower levels.

7. Strategy execution is an operations-oriented activity which involves a good fit between strategy and organizational capabilities, structure, climate & culture. Enumerate the principal aspects of strategy execution process which are used in most of the situations.

Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy -supportive manner. To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company’s competencies and competitive capabilities, create a strategy - supportive work culture, and meet or beat performance targets. Good strategy execution involves creating strong “fits” between strategy and organizational capabilities, structure, climate & culture.

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

1. Developing budgets that steer ample resources into those activities critical to strategic success.
2. Staffing the organization with the needed skills and expertise , consciously building and strengthening strategy-supportive competencies and competitive capabilities and organizing the work effort.
3. Ensuring that policies and operating procedures facilitate rather than impede effective execution.
4. Using the best-known practices to perform core business activities and pushing for continuous improvement.
5. Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.
6. Motivating people to pursue the target objectives energetically.
7. Creating a company culture and work climate conducive to successful strategy implementation and execution.
8. Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organization encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

8. Transformational leadership and Transactional leadership.

Following are the differences 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.



9. ABC Pvt Ltd is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product line and Markets especially in coordination and control related problems. Which of following technique which was introduced in 1920 can be used to resolve the problem?

Multi divisional structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers. Multi divisional structure was developed in the 1920, in response to coordination and control related problems in large firms where functional departments often had difficulty dealing with distinct product lines and Markets.

10. Explain the steps for initiating strategic change.

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 that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

Three steps for initiating strategic change are:

- (i) Recognise the need for change – The first step is to diagnose the which facets of the present corporate culture are strategy supportive and which are not.
- (ii) Create a shared vision to manage change – Objectives of both individuals and organisation should coincide. There should be no conflict between them. This is possible only if the management and the organisation members follow a shared vision.
- (iii) Institutionalise the change – This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

11. What do you understand by functional structure?

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

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

12. Strategic Planning and Operational Planning

Strategic Planning	Operational Planning
1. Strategic Planning shapes organization & its resources. It assesses the impact of environmental variables	1. Operational Planning deals with current deployment of resources. It develops tactics rather than strategy.
2. It takes holistic view of organization.	2. It projects current operations into future.



3. It develops overall objectives & strategies.	3. Operational planning makes modifications to business functions but not fundamental changes
4. Strategic Planning is concerned with long term success of organisation.	4. It is concerned with short term success of organisation.
5. It is senior management responsibility.	5. It is responsibility of Functional Manager.

13. Describe the principal aspects of strategy-execution process, which are included in most situations.

Implementation or execution is an operations-oriented, activity aimed at shaping the performance of core business activities in a strategy-supportive manner. In most situations, strategy-execution process includes the following principal aspects:

- Developing budgets that steer ample resources into those activities that are critical to strategic success.
- Staffing the organization with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities and organizing the work effort.
- Ensuring that policies and operating procedures facilitate rather than impede effective execution.
- Using the best-known practices to perform core business activities and pushing for continuous improvement.
- Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.
- Motivating people to pursue the target objectives energetically.
- Creating culture and climate conducive to successful strategy implementation and execution.
- Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution.

14. Why is strategy evaluation more difficult? Give reasons.

Strategic evaluation involves measuring and evaluating performance. The goals achieved are compared with the desired goals to identify deviations and make necessary adjustments in strategies or in the efforts being put to achieve those strategies.

Reasons why strategy evaluation is more difficult today include the following trends:

- A dramatic increase in the environment’s complexity.
- The increasing difficulty of predicting the future with accuracy.
- The increasing number of variables in the environment.
- The rapid rate of obsolescence of even the best plans.
- The increase in the number of both domestic and world events affecting organizations.
- The decreasing time span for which planning can be done with any degree of certainty.

15. Distinguish between Operational Control and Management Control.

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

- (ii) Many of the control systems in organizations 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.

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

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.

17. 'A strategy-supportive culture promotes good strategy execution.' Explain.

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

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

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

18. "Strategic control focuses on implementation and results produced by the strategy". Explain strategic control along with its different types.

Strategic control focuses on implementation and results produced by the strategy. It 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.

19. Changes in environmental forces often require businesses to make modifications in their existing strategies. In view of the same explain the areas to be focused while considering concept of strategic change. Also explain the steps to initiate strategic change process.

(a) 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 that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

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

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

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

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

20. Write short note on Strategic Business Unit (SBU).

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. SBU structure becomes imperative in an organization with increase in number, size and diversity.

The three most important characteristics of a SBU are:

- It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly standalone from the rest of the organization.
- It has its own set of competitors.
- It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.

**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.

21. "Strategy formulation and strategy implementation are intertwined and linked with each other." Elucidate this statement with suitable arguments.

The strategy formulation and strategy implementation are intertwined and linked with each other. Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

Forward Linkages: The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself. With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization. For instance, the organizational structure has to undergo a change in the light of the requirements of the modified or new strategy. The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

Backward Linkages: Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

It is to be noted that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making.

22. What are the important aspects of the process of implementation of strategy?

Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner. To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company's competencies and competitive capabilities, create a strategy-supportive work culture, and meet or beat performance targets. Good strategy execution involves creating strong "fits" between strategy and organizational capabilities, structure, climate & culture.

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

1. Developing budgets that steer ample resources into those activities critical to strategic success.
2. Staffing the organization with the needed skills and expertise , consciously building and strengthening strategy-supportive competencies and competitive capabilities and organizing the work effort.
3. Ensuring that policies and operating procedures facilitate rather than impede



effective execution.

4. Using the best-known practices to perform core business activities and pushing for continuous improvement.
5. Installing information and operating systems that enable company personnel to better carry out their strategic roles day in and day out.
6. Motivating people to pursue the target objectives energetically.
7. Creating a company culture and work climate conducive to successful strategy implementation and execution.

23. Explain Matrix Structure

In matrix structure, functional and product forms are combined simultaneously at the same level of the organization. Employees have two superiors, a product / project manager and a functional manager. The “home” department - that is, engineering, manufacturing, or marketing - is usually functional and is reasonably permanent. People from these functional units are often assigned temporarily to one or more product units or projects.

The product units / projects are usually temporary and act like divisions in that they are differentiated on a product-market basis. The matrix structure may be very appropriate when organizations conclude that neither functional nor divisional forms, even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies. Matrix structure was developed to combine the stability of the functional structure with flexibility of the product form. It is very useful when the external environment (especially its technological and market aspects) is very complex and changeable.

A matrix structure is most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication. It may result in higher overhead costs due to more management positions.

The matrix structure is often found in an organization when the following three conditions exist:

1. Ideas need to be cross-fertilized across projects or products;
2. Resources are scarce; and
3. Abilities to process information and to make decisions need to be improved.

**CASE STUDY**

24. HQ is a service company? Two years back the company hired a reputed management consultant to formulate its strategy. The consultant recommended an aggressive expansion plan. Now in an internal review meeting the company finds that many of the suggestions are not even fully considered. Which part of strategic management process is missing in HQ?

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

Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

It is crucial to realize the difference between the formulation and implementation because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent.

25. 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?

Kurt Lewin's Model of Change proposes three phases of change process to make the change lasting. They are Compliance, Identification and Internalization.

For Dr. Radhika, Compliance and Identification will not a big challenge, as her father has been one of the most sort after personalities serving the ill in their district. And her return from the USA to serve her country, especially her district, will help the workforce identify her as a role model and there would actually be no need for compliance, i.e. Reward and Punishment for bringing about a change.

However, the new lucrative E-Commerce employment opportunities will have to be fought through Internalization, i.e. internal changing of the individual's thought process, to give them freedom to learn and succeed. Thus, Internalization will be the most challenging phase.

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





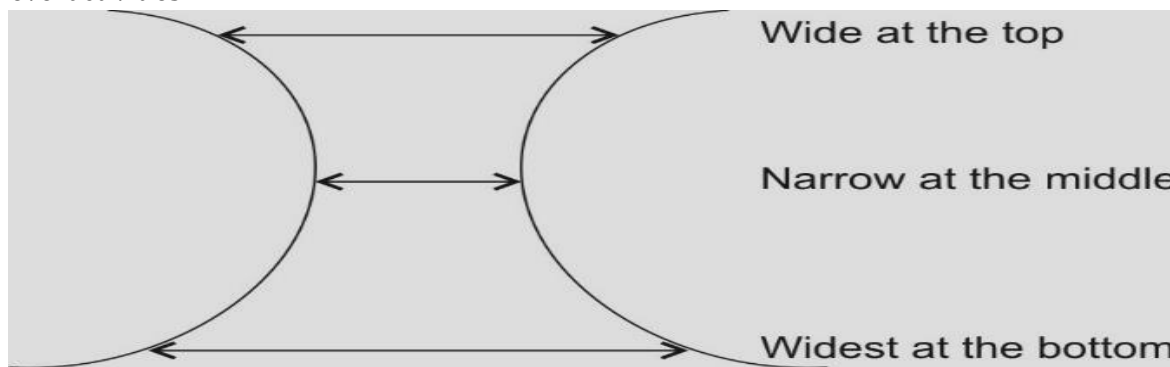
Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for good strategy execution:

- (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

27. Maadhyam, a hearing aid manufacturer recently introduced an AI based management tool in its organization which are having the qualities and capabilities of managing teams across functions. 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. What could be their new organizational structure post implementation of AI based management tool? How can this structure benefit the organization?

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

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



Hourglass Organization Structure

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so



that it is faster. However, with the reduced size of middle management, the promotion opportunities for the lower levels diminish significantly.

28. Ramesh is owner of a popular brand of Breads. Yashpal, his son af ter 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.

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 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.

29. 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 imp lemented 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.

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

The process of control has the following elements:

- (a) Objectives of the business system which could be operationalized into measurable and controllable standards.
- (b) A mechanism for monitoring and measuring the performance of the system.
- (c) A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.





(d) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.

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

30. ABC Ltd. is a shoe manufacturing company. The strategic manager of ABC Ltd. is Ms. Suman. Ms. Suman hired the best designers she could find online for her ethnic shoe brand but later she found that the designers were better at leather designs. Identify and explain linkage in the given situation as she had to change her strategy basis the actual resources she had?

The strategy formulation and strategy implementation are intertwined and linked with each other. Two types of linkages exist between these two phases of strategic management. The forward linkages deal with the impact of strategy formulation on strategy implementation while the backward linkages are concerned with the impact in the opposite direction.

In the given situation Ms. Suman has to follow Backward Linkages as she had to change her strategy basis the actual resources she had. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

31. You are appointed as a manager of a company where you find that the company's culture is out of sync with what is needed for strategic success. Discuss steps you would initiate to tackle the problem.

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

- The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
- Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
- The talk has to be followed swiftly by visible, aggressive actions to modify the culture-actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

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

32. Suraj Prakash and Chander Prakash are two brothers engaged in the business of spices. Both have different approaches to management. Suraj Prakash prefers the conventional and formal



approach in which authority is used for explicit rewards and punishment. While, on the other hand, Chander Prakash believes in democratic participative management approach, involving employees to give their best.

Analyse the leadership style followed by Suraj Prakash and Chander Prakash.

Suraj Prakash is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. Such a leader believes in using the authority of his 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, Chander Prakash is a follower of transformational leadership style. The style 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

33. Ramesh and Suresh own software development firms ACS Ltd. and BDS Ltd. Ramesh and Suresh pitch their business in international markets and win international contracts . Ramesh has fifty software engineers in his team. Suresh, on the other hand, leads a team of forty software engineers. Every project has a specific and fixed timeline. Individual projects are assigned to project heads by Ramesh and Suresh. Ramesh adheres to strict rules and procedures. He met with the project heads to get an update but exchanged ideas occasionally. He set a weekly target of forty hours to complete the assigned goal or task. The group that met the deadline and completed the task received a 10% bonus. The group that was unable to meet the deadline was penalized. The group that did not meet the deadline was penalized with unpaid extra working hours to complete the task. Suresh, unlike Ramesh, did not priorities a structured approach to work. Suresh inspired the project managers by making them feel like leaders rather than just participants. Suresh's empowering attitude helped to align individual goals with group goals. Ramesh established routines to maximize his team efficiency. Suresh, on the other hand, used positive reinforcement to maximize his team efficiency.

(a) Identify the leadership style employed by Ramesh and Suresh.

(b) What are the conditions/situations that make such leadership styles more appropriate?

(c) Discuss the characteristics of the leadership styles.

(i) Ramesh adopted transactional leadership style, while Suresh adopted transformational leadership style.

(ii) Transactional leadership style can be appropriate in settled and static environment, in growing or mature industries and in organizations that are performing well.

Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their life cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes.





(iii) Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc. 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.

Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization. Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction.

34. You have been appointed as head of the Strategic Business Unit (SBU) of a large multiproduct company or lets say a CEO. Explain the leadership roles, you have to play as a Manager or CEO in pushing for good strategy execution.

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

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

35. XYZ Ltd. is an automobile company that offers diversified products for all customer segments. Due to COVID-19, the changes took place in the economy forced the company to change its strategy. Being the CEO of the company, what stages will you follow for developing and executing the new strategy?

Today, India has become the outsourcing hub for many of the global automobile manufacturers. The auto industry comprises of four segments which are passenger vehicles, commercial vehicles, three wheelers and two wheelers. XYZ Ltd. is an automobile company that offers diversified products for all customer segments. The company has already in existence, so it has its own vision, mission and a strategy to execute for achieving its vision. While developing and executing the strategy, XYZ Ltd. might have followed the five-stage managerial process as given below:

1. Developing a strategic vision.
2. Environmental and organisational analysis.
3. Formulation of strategy.
4. Implementing and executing the strategy.
5. Strategic evaluation and control.



But due to COVID-19, the automobile industry has faced the lockdown situation. Changes in the economy forced the XYZ Ltd. to change its existing strategy and prepare the new strategy. The changes in the environmental forces due to COVID-19 requires XYZ Ltd. to make modifications in their existing strategies and bring out new strategies. For initiating strategic change, three steps can be followed by the CEO of the company which are as under:

(i) Recognize the need for change: This is the first step to diagnose facets of the corporate culture that are strategy supportive or not. This has already identified by the XYZ Ltd.

(ii) Create a shared vision to manage change: Objectives and vision of both individuals and organization should coincide. The CEO of XYZ Ltd. need to constantly and consistently communicate the vision not only to inform but also to overcome resistance.

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

36. Due to reoccurrence of various variants of Corona virus, LMN Ltd. is facing unstable environment and it has started unbundling and disintegrating its activities. It also started relying on outside vendors for performing these activities. Identify the organisation structure LMN Ltd. is shifting to. Under what circumstances this structure becomes useful?

LMN Ltd. is shifting into network structure. It is a newer and somewhat more radical organisational design. The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them. An organization organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response. Instead of having salaried employees, it may contract with people for a specific project or length of time. Long-term contracts with suppliers and distributors replace services that the company could provide for itself through vertical integration. The network structure provides organization with increased flexibility and adaptability to cope with rapid technological change and shifting pattern of international trade and competition.

37. A Chennai based fast moving consumer goods (FMCG) major CDE Ltd. recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams-FMCG, E-commerce, Retail, and Research & Development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day-to-day operations and business unit strategy to the concerned managers. Identify the organization structure that CDE Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure.

CDE Ltd. has planned to implement Strategic Business Unit (SBU) structure. Very large organisations, 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. SBU structure becomes imperative in an organisation with increase in number, size and diversity.

The attributes of an SBU and the benefits a firm may derive by using the SBU Structure are as follows:

- A scientific method of grouping the businesses of a multi – business corporation which helps the firm in strategic planning.
- An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
- Strategic planning for SBU is distinct from rest of businesses. Products/ businesses within an SBU receive same strategic planning treatment and priorities.
- Each SBU will have its own distinct set of competitors and its own distinct strategy.
- The CEO of SBU will be responsible for strategic planning for SBU and its profit performance.
- Products/businesses that are related from the stand point of function are assembled together as a distinct SBU.
- Unrelated products/ businesses in any group are separated into separate SBUs.
- Grouping the businesses on SBU lines helps in strategic planning by removing the vagueness and confusion.
- Each SBU is a separate business and will be distinct from one another on the basis of mission, objectives etc.

38. 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.

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

The process of control has the following elements:

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

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



CASE SCENARIOS

CASE SCENARIO 01

Connect Innovations Pvt. Ltd., a Mumbai-based technology company, is entering the competitive landscape of the Indian smartphone market under its brand name "Poppy." The company is well aware of the influx of Chinese manufacturers dominating the smartphone industry. Given the recent global sentiment shift due to the COVID-19 pandemic, Connect Innovations plans to position Poppy as a patriotic choice, proudly promoting it as the "Desi" smartphone of India.

The company's strategic arm conducted a thorough industry analysis, revealing that Chinese brands had completely captured the budget phone segment. However, there was still an untapped opportunity in the lower segment of smartphones. To address this, Connect Innovations is introducing two models: Poppy A and Poppy B, priced at 4,499 and 5,499, respectively.

Recognizing the risk of imitation by competitors, Connect Innovations has assembled a team of marketing professionals to devise a strategy. Their proposed solution is to capitalize on the first-mover advantage by investing significant sums in advertising and promotions.

Additionally, to safeguard their business from potential disruption, Connect Innovations decided to expand their product line to include "desi" themed smartphone covers and accessories alongside Poppy smartphones. They made substantial investments in the manufacturing of these accessories. The company's investors set a target of achieving annual sales volumes of 15,000 handsets and 70,000 pieces of accessories.

While the accessory sales exceeded expectations, Poppy A and Poppy B did not receive the anticipated response. As a result, the leadership has decided to shift their focus, scaling back on smartphone production and concentrating primarily on the accessories business.

With this new direction, the "Desi" tag remains vital for success. Connect Innovations aims to establish strong barriers to entry for other domestic players. They plan to ramp up production significantly, driving down unit costs and enabling cost leadership through volume.

Answer below MCQs based on above case scenario:

1. Connect Innovations Pvt. Ltd. entered a saturated market of smartphones, after a due market study of understanding the competitive landscape. Put the below steps in correct sequence of understanding the competitive landscape.
 - I. Understand the competitors.
 - II. Determining strengths and weaknesses of the competitors
 - III. Identify the competitors.
 - IV. Put all information gathered together

	(a) (I), (111), (11), (IV) (c) (11), (111), (IV), (I)	(b) (111), (1), (11), (IV) (d) (I), (III), (II), (IV)
2.	In which stage of strategic management are annual sales volume objectives especially important in this case?	
	(a) Formulation (c) Evaluation	(b) Control (d) Implementation
3.	The decision of Connect Innovations to shift to a new core business with a focus on more profitable ventures falls under which category of business strategy?	
	(a) Retrenchment strategy (c) Diversification strategy	(b) Strategic alliance (d) Market development
4.	Considering the results from the market, which category of BCG's growth share matrix does the accessories business of Connect Innovations fall into?	
	(a) Star (c) Cash cow	(b) Question mark (d) Dog
5.	In phase two of shifting the business focus to peripheral accessories production, Connect Innovations has planned to implement which barrier to discourage potential competitors?	
	(a) Capital requirement (c) Access to distribution channels	(b) Product differentiation (d) Economies of scale

CASE SCENARIO 02

LUXHEAL is a cutting-edge healthcare equipment design and manufacturing company founded by esteemed Indian medical academicians. The company secured a substantial investment of approximately 115 crores from a Pune-based venture capital firm to meet its capital requirements.

Recently, LUXHEAL unveiled its groundbreaking automated mind-mapped wheelchair, WHEELIX, which garnered recognition and accolades worldwide. The product earned the prestigious Industry Differentiator Award at an international conclave, solidifying its position as an industry innovator.

Dr. Budhiraja assumed the role of CEO last year, steering the company from a challenging position to a leadership position in innovation. His transformative leadership style fostered a culture of unity and inspiration among employees. Notably, he initiated a company-wide competition to encourage and recognize exceptional innovations.

One of the company's key strategic strengths lies in its advanced benchmarking processes. However, in their eagerness to enter the market and showcase their product range, LUXHEAL overlooked implementing some of the valuable insights and conclusions derived from these processes.



WHEELIX is poised to establish LUXHEAL as a specialized player in the market catering to affluent elderly individuals. The company has received interest from WeGO, a global leader in wheelchair production, proposing a partnership involving shared branding and facilities. The Board is inclined towards accepting this offer.

Nevertheless, WeGO is entangled in a legal dispute with its distribution partners, necessitating LUXHEAL to invest considerable effort into building its own distribution channels. Given the rising population of affluent elderly individuals and the escalating demand for high-end medical equipment, LUXHEAL is well-positioned to realize its visionary goals. The company's success hinges on effectively executing its innovative ideas.

Answer below MCQs on the basis of above case scenario:

- 6. LUXHEAL envisages to be the most admired and responsible healthcare equipment company with international footprint. Is this a vision or a mission? If this is LUXHEAL's vision, then which of the following is not essential while drafting the strategic vision?**
- (a) It should clearly illuminate the direction in which the organisation is headed.
 (b) It should create enthusiasm among members of the organization.
 (c) It should be rigidly defined to prepare the organisation for the future.
 (d) This is a mission statement and not a vision statement.
- 7. Considering the need for LUXHEAL to build its own distribution channels due to WeGO's legal dispute, which category in the BCG matrix might be relevant for this effort?**
- (a) Star (b) Dogs
 (c) Cash Cows (d) Question Mark
- 8. Dr. Budhiraja has been instrumental in bringing about monumental changes in the company's structure and working culture. He has been very approachable yet feared by employees at all levels. What kind of leadership style can his style be termed as?**
- (a) Transactional leadership style (b) Autocratic leadership style
 (c) Diplomatic leadership style (d) Transformational leadership style
- 9. The recent international recognition that the company has got for WHEELIX, has turned around its strategy all together. Which of the following Michael Porter's generic strategies should LUXHEAL follow?**
- (a) Cost leadership (b) Focused differentiation
 (c) Differentiation (d) Focused cost leadership
- 10. Which of the following is a key entry barrier for LUXHEAL?**



- | | |
|-------------------------------------|-----------------------------|
| (a) Brand identity | (b) Capital requirement |
| (c) Access to distribution channels | (d) Product differentiation |

CASE SCENARIO 03

Hareeyali Pvt. Ltd. is a pioneering company dedicated to transforming corporate spaces into greener environments through innovative infrastructural designs and products. Established recently, it boasts six visionary founders. While the company's middle management team consists of just four individuals, over fifty dedicated professionals operate on the ground, specializing in client relationship management and delivery coordination.

In this emerging industry, GreenZone Pvt. Ltd. is currently at the forefront. With an impressive portfolio of 800 designs catering to fifty clients, GreenZone's production facility churns out an astounding 3000 units per day. While GreenZone has enjoyed a monopoly for some years, the industry anticipates significant growth as more corporations adopt eco-friendly initiatives. Hareeyali has made commendable strides in its operations but faces a challenge in securing a suitable production facility. The key to unlocking its potential lies in formulating a strategic approach that addresses industry gaps and explores untapped opportunities. The founders are resolutely committed to making their mark in every corporate entity across India.

The expansion plan is divided into three phases, beginning with the targeted markets of Delhi NCR and Mumbai. Recognizing the unique needs of the working class in these cities, the strategy team has identified a crucial aspect-personalization. This insight has led Hareeyali to focus on tailor-made designs for companies, setting them apart from standardized offerings provided by competitors.

Additionally, Hareeyali has introduced the Green Card Points System, an innovative initiative where employees who choose to incorporate their products into their workspaces accumulate points. These points can be redeemed for purchases of herbal and organic products from leading online platforms.

The company has experienced robust growth in the past year and now aims to expand its reach through both online and offline channels. This multifaceted approach positions Hareeyali for even greater success in the coming years.

Answer below MCQs on the basis of above case scenario:

- | | | | | | |
|-----------------------------|---|-----------------------------|----------------------|------------------------|--------------------|
| 11. | GreenZone has been the leader in the industry and has deployed some barriers to entry on new players wanting to tap into this new growing industry. Apparently, Hareeyali has been struggling on the very same front and thus, the barrier's magnitude increases. Which of the following is a barrier to entry used by GreenZone? | | | | |
| | <table border="0"> <tr> <td>(a) Product differentiation</td> <td>(b) Switching costs</td> </tr> <tr> <td>(c) Economies of scale</td> <td>(d) Brand identity</td> </tr> </table> | (a) Product differentiation | (b) Switching costs | (c) Economies of scale | (d) Brand identity |
| (a) Product differentiation | (b) Switching costs | | | | |
| (c) Economies of scale | (d) Brand identity | | | | |
| 12. | Hareeyali's Green points system falls under which strategic marketing technique? | | | | |
| | <table border="0"> <tr> <td>(a) Service marketing</td> <td>(b) Person marketing</td> </tr> </table> | (a) Service marketing | (b) Person marketing | | |
| (a) Service marketing | (b) Person marketing | | | | |



- | | | |
|-----|--|--|
| | (c) Direct marketing | (d) Augmented marketing |
| 13. | What demonstrates the strategic intent of Hareeyali's founders in their commitment to make their mark in every corporate entity across India? | |
| | (a) Setting specific financial goals
(b) Focusing on tailored designs for companies
(c) Formulating a strategic approach to address industry gaps
(d) The vision to reach every corporate entity | |
| 14. | The management structure of Hareeyali is apparently like any other company with a lot of founders/top management, as the middle office work is undertaken by business automation. It does reduce costs, but the lower management has fewer opportunities to grow. Based on that, which of the following is the organizational structure of Hareeyali? | |
| | (a) Network structure
(c) Divisional structure | (b) Matrix structure
(d) Hourglass structure |
| 15. | Intensity of rivalry determines the attractiveness and profitability of an Industry. The rivalry between the two companies is furious and the profitability shall be low because of all the below factors, except: | |
| | (a) Variable costs of business
(c) The industry's growth is slow | (b) GreenZone is currently the industry leader
(d) Companies are planning product differentiation |

CASE SCENARIO 04

Kinglike WLL, a renowned Dubai-based construction company, has carved a niche for itself in the real estate market by specializing in residential complexes. It's now poised to introduce a groundbreaking concept called "Vilartment" - a unique blend of private villas and apartments tailored to meet the growing demand of married couples seeking to cohabit with their parents, offering spacious living within a single residential unit.

The company's impressive competitive advantage lies in its substantial land purchasing power, setting it apart from its rivals. Furthermore, Kinglike engages top-tier Italian designers, whose exceptional work is safeguarded by patents, making the replication of Kinglike's properties a formidable challenge.

Recognizing the potential of this innovative concept, Kinglike positions the Vilartment project as a distinct business unit within its operations. A talented workforce, strategically placed at various levels, is dedicated to overseeing the unit's functions. The ambitious plan aims to construct approximately 15,000 Vilartments over the next three years, with 50% of them immediately ready for occupancy upon completion.

The marketing team has taken an ingenious approach, enlisting major Bollywood and Hollywood celebrities to grace the foundation stone ceremony of the Vilartment, scheduled for





next month. This event will receive extensive coverage from global media outlets, including print and social media platforms, a move aimed at attracting potential buyers worldwide. With meticulous planning and efficient teams prepared for execution, the management exudes confidence in the project's success. The Vilartment initiative aspires to solidify Kinglike WLL's position as a leading global real estate company.

Answer below MCQs on the basis of above case scenario:

16. 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

17. 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 area where core competency is identified?

- (a) Customer value
- (b) Application of competencies
- (c) Market development
- (d) Competitor differentiation

18. 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

19. _____ is the answer to the 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

20. 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.



CASE SCENARIO 05

Introducing Strong Girls Private Limited, a pioneering early-stage health beverage company headquartered in Bangalore, led exclusively by a dynamic team of women. Recognizing two crucial facets of their industry, the company understood the heightened health consciousness among the youth and the abundance of options available in the market to meet their demands. With these insights in mind, they unveiled their flagship product, Avajuice, a health drink made from Amla, Papaya, Aloe Vera, and Neem, meticulously designed to bolster the immunity of young teenage girls. What sets Avajuice apart is its unique value proposition of delivering both health benefits and delectable flavors through organic ingredients.

To gain a competitive edge in their market segment, the company implemented a standardized production process. This strategic move translated into augmented profit margins and increased bargaining power. Avajuice has been strategically classified as a "Star" in BCG's growth matrix due to its rapid growth trajectory and substantial funding requirements.

The marketing team has played a pivotal role in charting the success of Avajuice. Recognizing the historically low customer loyalty and retention rates in the health beverage industry, the company took proactive steps to address this challenge. They established collaborations with prominent schools in Karnataka and forged an agreement with the State Government of Karnataka to offer Avajuice to girls in government schools at a highly subsidized rate of just one rupee each.

This strategic move not only garnered invaluable free publicity from both local and national media outlets but also allowed the company to introduce their compelling tagline, 'We Offer Tasty Health for our Teens.' This tagline was strategically propagated as a trending topic on social media, significantly amplifying brand awareness.

Effectively, the company has carved out a distinctive position in the niche market segment, yielding impressive profit margins as a result. Strong Girls Private Limited stands as a beacon of innovation and empowerment in the health beverage industry, setting a new standard for quality and purpose-driven products.

Answer below MCQs based on above case scenario:

21. As per Peter Drucker, it is important to have a meaningful answer to the question, 'what business are we in?'. Through Ava juice, the company answered the following as 'We Offer Tasty Health for our Teens'. Among which of the following does this statement fall?
- (a) Vision (b) Mission
(c) Business definition (d) Action plan
22. The processes have been standardised as a strategy to improve margins and gain more negotiation power in the market. Which of the generic strategies by Michael Porter has the company deployed to create a favourable scenario for itself?



- (a) Differentiation
(c) Cost leadership
- (b) Focused differentiation
(d) Focused cost leadership
- 23. Igor Ansoff developed a framework which describes the intensification options available to a firm. Which of the following did Strong Girls Private Ltd. use for intensifying Ava juice?**
- (a) Market penetration
(c) Market development
- (b) Product development
(d) Diversification strategy
- 24. Which factor from the PESTLE analysis played a crucial role in the company's decision to focus exclusively on the health beverage market for teenage girls?**
- (a) Social
(c) Economic
- (b) Technological
(d) Legal
- 25. Ava juice can be identified as a Star as per BCG's Growth Matrix, based on the rapid growth it has shown and the enormous funds it demanded to maintain the market and fuel the growth potential. What would Avajoice turn into, as per the matrix, when its growth slows down?**
- (a) Dog
(c) Will remain a star
- (b) Question mark
(d) Cash cow

1.	(b)	2.	(d)	3.	(a)	4.	(c)	5.	(d)
6.	(c)	7.	(d)	8.	(d)	9.	(b)	10.	(c)
11.	(c)	12.	(d)	13.	(d)	14.	(d)	15.	(a)
16.	(b)	17.	(c)	18.	(c)	19.	(b)	20.	(a)
21.	(b)	22.	(d)	23.	(c)	24.	(a)	25.	(d)

