

## Introduction to Strategic Management

Q. No.	Questions
1.	<p>"Strategy is partly proactive and partly reactive." Do you agree? Give reasons for your answer.  <b>(Nov. 2012, May 2016, Nov.2018, Nov 2020 RTP, ICAI SM)</b></p> <p>"Strategy is partly proactive and partly reactive." Elaborate.  <b>(March 2021 MTP)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies. Do you agree? Give reasons.  <b>(April 2022 MTP)</b></p>
<b>Ans.</b>	<p>A company's strategy is basically <u>a blend of proactive and reactive actions</u>.</p> <ol style="list-style-type: none"> <li>1) In proactive strategy, organizations will <u>analyse the possible environmental scenario and create a strategic framework</u> after proper planning and set procedures and work on these strategies in a predetermined manner.</li> <li>2) In reality, <u>no company can forecast</u> both internal and external environments <u>exactly</u>.</li> <li>3) It is <u>not possible to anticipate moves of rival firms</u>, consumer behaviour, evolving technologies and so on.</li> <li>4) Strategies <u>need to be modified</u> in the light of possible environmental changes.</li> <li>5) Reactive strategy is <u>triggered by changes in environment</u> and <u>provides ways and means to cope with negative factors</u> or take advantage of emerging opportunities.</li> </ol>
2.	<p>Define Strategic Management. Also, Discuss the limitations of Strategic Management.  <b>(May 2018, May 2019, ICAI SM, May 2021 RTP, Nov 2021 RTP, Oct 2022 MTP-2)</b></p>
<b>Ans.</b>	<p>It is the managerial process of <u>developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and initiating corrective adjustments</u> where deemed <u>appropriate</u>.</p> <p style="text-align: center;"><b>Grooming Education Academy</b>  <small>Pioneer in Developing Concepts</small></p> <p><b>Limitations;</b></p> <ol style="list-style-type: none"> <li>1) The environment is <u>highly complex and turbulent</u>. 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.</li> <li>2) Strategic management <u>is a time-consuming process</u>. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.</li> <li>3) Strategic <u>management is a costly process</u>. Strategic management adds a lot of expense to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments, devise strategies and properly implement. These can be costly for organisations with limited resources.</li> <li>4) In a competitive scenario, where all organisations are trying to move strategically, it <u>is difficult to clearly estimate the competitive responses</u> to a firm's strategies.</li> </ol>
3.	<p>You are asked to draft a mission statement of a company. What is a mission statement? Give any two characteristics of a good mission statement.  <b>(Nov. 2016)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Explain 'Mission' briefly. Discuss major elements of an effective corporate mission statement.  <b>(Nov. 2017)</b></p>

	<b>OR</b>
	<p>What is a mission statement? State the points that may be considered while writing a mission statement of a company.</p> <p style="text-align: right;"><b>(Nov. 2009, Nov. 2019 modified, Sep 2022 MTP-1 modified)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <b>Mission Statement:</b> Mission delineates/outlines the <b><u>firm's business, its goals and ways to reach the goals.</u></b> It explains the <b><u>reason for the existence of firm in society.</u></b></li> <li>2) It helps potential shareholders and investors understand <b><u>purpose of company:</u></b></li> <li>3) It defines the <b><u>present capabilities, activities, customer focus and role in society.</u></b></li> <li>4) It is a <b><u>fundamental purpose</u></b> of the organisation.</li> <li>5) It <b><u>concentrates on present and provides a long-term view</u></b> of what the organization is <b><u>striving to become in future,</u></b> indicating the <b><u>basic thrust</u></b> of the firm, <b><u>including its products, business and markets.</u></b></li> <li>6) Mission, as defined by <b>Glueck and Jauch</b>, is an answer to question; <b>'What business are we in?'</b></li> </ol> <p><b><u>Characteristics of a good mission statement/ Points that may be considered while writing a mission statement of a company</u></b></p> <ol style="list-style-type: none"> <li>1) Good mission statement should give an organization its own <b><u>special identity, business emphasis and path for development.</u></b></li> <li>2) A company's business is defined by <b><u>what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.</u></b></li> <li>3) Good mission statements are <b><u>highly personalized-unique</u></b> to every organization.</li> <li>4) Good mission statement <b><u>should not be to make a profit.</u></b></li> <li>5) <b><u>Technology, competencies and activities</u></b> are important in defining a company's business because they <b><u>indicate the boundaries of its operation.</u></b></li> </ol>
<b>4.</b>	<p>What is the role of Corporate level managers in Strategic management?</p> <p style="text-align: right;"><b>(May 2015)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>ABC Ltd. is in a wide range of businesses which includes apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable CEO. Consider yourself as an HR consultant for ABC Ltd. You have been assigned the task to enlist the activities involved with the role of CEO. Name the strategic level this role belongs to and enlist the activities associated with it.</p> <p style="text-align: right;"><b>(Jan 2021, Oct 2022 MTP-2)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Mr. Mehta, in an informal discussion with his friend, shared that he has to move very cautiously in his organisation as the decisions taken by him have an 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. Mehta in the organisational hierarchy and explain his role in the organization.</p> <p style="text-align: right;"><b>(RTP Nov 2021)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>ABC Ltd. currently sells its products in two major markets-Europe and Asia. While it is a market leader in Europe, ABC Ltd has struggled to penetrate the more competitive Asian Market. ABC Ltd has hired a strategic consultant to analyse the situation and submit its report to them. After the report received from the strategic consultant, it has decided to pull out of Asia entirely and focus on European market only. This decision relates to which level in ABC Ltd. Also explain the role of managers at this level of organization.</p> <p style="text-align: right;"><b>(RTP May 2022)</b></p>

<b>Ans.</b>	<p>The corporate level of management <u>consists of the Chief Executive Officer (CEO), Other senior executives, The board of directors, Corporate staff.</u> These individuals <u>participate in strategic decision making</u> within the organization.</p> <p>The role of corporate-level managers is to:</p> <ol style="list-style-type: none"> <li>1) <u>oversee the development of strategies for the whole organization.</u></li> <li>2) <u>defining the mission and goals of the organization,</u></li> <li>3) <u>determining what businesses it should be in,</u></li> <li>4) <u>allocating resources among different businesses,</u></li> <li>5) <u>formulating and implementing strategies</u> that span individual businesses, and</li> <li>6) <u>providing leadership</u> for the organization.</li> </ol>
<b>5.</b>	<p>What are the characteristics which must be possessed by objectives to be meaningful to serve the intended role? (May 2019, May 2021 RTP, May 2022 RTP, April 2023 MTP)</p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) Objectives are <u>organization's performance targets.</u> The end results and outcome it wants to generate.</li> <li>2) They function as the yardstick for <u>tracking an organizations performance and progress.</u> Business objectives translate their Vision and Mission.</li> </ol> <p><b>Characteristics of objectives to make it meaningful to serve the intended role:</b></p> <ol style="list-style-type: none"> <li>1) Objectives should define the <u>organisation's relationship with its environment.</u></li> <li>2) They should be <u>facilitative towards achievements of mission</u> and purpose.</li> <li>3) They should provide the <u>basis for strategic decision-making.</u></li> <li>4) They should be <u>concrete and specific.</u></li> <li>5) They should be <u>related to a time frame.</u></li> <li>6) They should be <u>measurable and controllable.</u></li> <li>7) They should be <u>challenging.</u></li> <li>8) Different objectives should <u>correlate with each other.</u></li> </ol> <p>They are set within <u>constraints of organization resources &amp; external environment</u></p>
<b>6.</b>	<p>Explain the difference between three levels of Strategic Formulation? (Nov.2010, Nov.2018, ICAI SM, March 2023 MTP)</p>
<b>Ans.</b>	<p><b>Strategic level in an Organisation:</b></p> <p>In the case of <u>multidivisional and multi-locational organization</u> that competes in several different businesses, it has a <u>separate self-contained division</u> to manage each of these.</p> <p>The three levels of strategy in management of business – <u>corporate, business, and functional.</u></p> <p><b>Corporate level of management:</b></p> <ol style="list-style-type: none"> <li>1) It consists of the <u>chief executive officer and other top-level executives.</u></li> <li>2) These individuals occupy the <u>apex of decision making</u> within the organization.</li> <li>3) Role of corporate-level managers is to <u>oversee development of strategies</u> for whole organization.</li> <li>4) This role includes <u>defining the mission and goals</u> of the organization, determining <u>what businesses it should be in, allocating resources</u> among the different businesses and so on.</li> </ol> <p><b>Business Level:</b></p> <ol style="list-style-type: none"> <li>1) <u>The development of strategies</u> for an <u>individual business area</u> is the responsibility of the general managers in these different businesses or business level managers.</li> <li>2) A business unit is a <u>self-contained division</u> with <u>its own functions</u> – e.g. finance, production, and marketing.</li> <li>3) The strategic role of the business-level manager, head of the division, is to <u>translate the general statement of direction and intent</u> that come from the corporate level into <u>concrete strategies for individual businesses.</u></li> </ol>

	<p><b>Functional level:</b></p> <ol style="list-style-type: none"> <li>1) Managers are <u>responsible for specific functions</u> or operations such as human resources, purchasing, product development, customer service, and so on.</li> <li>2) Therefore a functional manager's sphere of <u>responsibility is generally confined to one organizational activity</u>, whereas general managers oversee the operation of a whole company or division.</li> </ol>
7.	<p>The presence of strategic management cannot counter all hindrances and always achieve success for an organization. What are the limitations attached to strategic management?</p> <p style="text-align: right;"><b>(March 2022 MTP, Sep 2022 MTP-1, Nov.2022 modified)</b></p>
<b>Ans.</b>	<p>The presence of strategic management cannot counter all hindrances and always achieve success as there are limitations attached to strategic management. These can be explained in the following lines:</p> <p><b>Limitations;</b></p> <ol style="list-style-type: none"> <li>1) The environment is <u>highly complex and turbulent</u>. 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.</li> <li>2) Strategic management <u>is a time-consuming process</u>. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.</li> <li>3) Strategic <u>management is a costly process</u>. Strategic management adds a lot of expense to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments, devise strategies and properly implement. These can be costly for organisations with limited resources.</li> <li>4) In a competitive scenario, where all organisations are trying to move strategically, it <u>is difficult to clearly estimate the competitive responses</u> to a firm's strategies.</li> </ol>
8.	<p>Briefly discuss the difference between Vision and Mission.</p> <p style="text-align: right;"><b>(May 2015, May 2017, April 2022 MTP)</b></p>
<b>Ans.</b>	<p><b>Mission statement</b> tells you the <u>fundamental purpose</u> of the organisation. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance.</p> <p><b>Vision statement</b> outlines what the <u>organisation wants to be</u>. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.</p> <p><b>Following are the major differences between Vision and Mission;</b></p> <ol style="list-style-type: none"> <li>1) Vision states <u>future direction</u>, while mission states <u>ongoing activities</u> of organisation.</li> <li>2) Vision statement <u>stimulates/galvanizes people to achieve defined objectives</u>, provided the vision is <u>specific, measurable, achievable, relevant and time-bound</u>. Whereas, mission statement provides a <u>path to realize the vision</u> in line with its values. These statements have direct impact on bottom line and firm's success.</li> <li>3) Vision statement defines the <u>purpose or broader goal</u> for being in existence or in the business and can remain same for decades if crafted well. Whereas, a mission statement is <u>more specific regarding both futurestate and time frame</u>. Mission describes <u>what will be achieved</u> if the organisation is successful.</li> </ol>
9.	<p>Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results.</p> <p style="text-align: right;"><b>(May 2021 RTP, March 2022 MTP, Nov 2022 RTP)</b></p>

<b>Ans.</b>	<p>A strategic manager defines the <u>strategic intent of the organisation</u> and <u>takes it on the path</u> of achieving the organisational objectives.</p> <p>There can be a <u>number of areas</u> that a <u>strategic manager</u> should <u>concentrate</u> on to achieve desired results.</p> <p><b>They commonly establish long-term objectives in seven areas as follows;</b></p> <ol style="list-style-type: none"> <li>1) <b>Profitability:</b> The main motive of a business organization is profitability. It is an ability of a company to use its resources to generate revenues in excess of its expenses. Earning profits is important because it impacts the business growth.</li> <li>2) <b>Productivity:</b> It is a measure of business performance that indicates how efficiently people, companies, industries convert inputs into outputs. Increased productivity helps businesses compete with other companies, innovate and keep operational costs low.</li> <li>3) <b>Competitive Position:</b> The competitive position for an organization would mean that factors which affect organization's competitive ability and its position in industry. It depends on how the value it provides with goods/services compares to the value of similar goods and services in the market.</li> <li>4) <b>Employee Development:</b> It is a process of improving employees' existing competencies and skills and developing newer ones to support the organization's goals.</li> <li>5) <b>Employee Relations:</b> Employees contribute to success of business firm. They should share a cordial relationship with management and other staff. The authorities should not exploit their employees and should take care of their needs and aspirations.</li> <li>6) <b>Technological Leadership:</b> It is study and practice of facilitating learning and improving performance by creating and using appropriate technological processes/ resources.</li> <li>7) <b>Public Responsibility:</b> It refers to organization's responsibility towards public or society at large. It is also known as Corporate Social Responsibility (CSR) by which companies make a concerted effort to operate in ways that enhance society and environment.</li> </ol>
10.	<p>Mr. Raj has been hired as a CEO by XYZ Ltd, an FMCG company that has diversified into affordable cosmetics. The company intends to launch the Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for the skin and are produced in an ecologically beneficial manner using herbalingredients. Draft vision and mission statement that may be formulated by Raj.</p> <p style="text-align: right;"><b>(ICAI SM, Nov 2019 RTP, Nov 2020 RTP)</b></p>
<b>Ans.</b>	<p>Feelgood brand of cosmetics may have the following Vision and Mission:</p> <p><b>Vision:</b> Vision implies the <u>blueprint of the company's future position</u>. 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 the vision to be India' largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.</p> <p><b>Mission:</b> Mission delineates the firm's business, its goals and <u>ways to reach the goals</u>. It explains the reason for the existence of the firm in society. It is designed to help potential shareholders and investors understand the purpose of the company:</p> <p><b>Mr Raj may identify mission in the following lines:</b></p> <ol style="list-style-type: none"> <li>1) <u>To be in the business of cosmetics</u> to enhance the lives of people give them confidence to lead.</li> <li>2) To <u>protect skin from harmful elements</u> in the environment and sun rays.</li> <li>3) To <u>produce herbal cosmetics</u> using natural ingredients.</li> </ol>
11.	<p>Strategic management helps an organization to work through changes in the environment to gain a competitive advantage. In light of the statement, discuss its benefits.</p> <p style="text-align: right;"><b>(Nov. 2019 RTP)</b></p>

	<b>OR</b>
	"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. <b>(Dec. 2021, Nov 2022 RTP)</b>
<b>Ans.</b>	<p>1) Strategic management involves developing <u>company's vision, environmental scanning, strategy formulation, implementation, evaluation and control.</u></p> <p>2) It emphasizes the <u>monitoring and evaluation of external opportunities and threats</u> in light of company's <u>strengths and weaknesses</u> and <u>designing strategies for survival and growth.</u></p> <p>3) It helps in creation of a <u>competitive advantage to outperform the competitors</u> and also guide the company successfully through all changes in the environment.</p> <p><b>The major benefits of strategic management are:</b></p> <p>1) Strategic management gives <u>direction to company</u> to move ahead. It defines goals &amp; mission.</p> <p>2) It helps organisations <u>to be proactive instead of reactive</u> in shaping their future.</p> <p>3) It provides <u>framework for all major decisions</u>, such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure.</p> <p>4) It provides <u>better guidance to entire organisation on crucial point</u> - what it is trying to do.</p> <p>5) It helps in <u>identifying available opportunities</u> and ways and means to achieve them.</p> <p>6) It serves as <u>corporate defense mechanism against mistakes and pitfalls.</u></p> <p>7) It helps to enhance the <u>longevity</u> of the business.</p> <p>8) It helps the organisation to <u>develop certain core competencies</u> and competitive advantages that would facilitate survival and growth.</p>
<b>12.</b>	Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in the last three years. He believes in managing strategically and enjoyed significant sales of refrigerators, televisions, washing machines, air conditioners and like till four years back. With the shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in the last four years. Analyse the position of Ramesh Sharma in light of limitations of strategic management. <b>(Nov 2020 RTP, Nov. 2019 RTP, ICAI SM)</b>
<b>Ans.</b>	Ramesh Sharma is facing declining sales on account of the large scale shift of customers to online stores. <u>While he is using the tools of strategic management, they cannot counter all hindrances and always achieve success.</u> There are limitations attached to strategic management as follows: <p>1) <u>Environment under which strategies are made is highly complex and turbulent.</u> The 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.</p> <p>2) <u>It is difficult to predict how things will shape up in future.</u> Ramesh Sharma, although managing strategically failed to see how online stores will impact the sales.</p> <p>3) <u>Although, strategic management is a time-consuming process,</u> he should continue to manage strategically. The challenging times require more effort on his part.</p> <p>4) <u>Strategic management is costly.</u> Ramesh Sharma may consider engaging experts to find out preferences of customers and attune strategies to better serve them in customized manner. Such customized offerings may be difficult to match by online stores.</p> <p>5) The stores owned by Ramesh Sharma are much smaller than online stores. <u>It is very difficult for him to visualize how online stores will be moving strategically.</u></p>
<b>13.</b>	What is Strategic Management? What benefits accrue by following a strategic approach to managing? <b>(Nov. 2007, ICAI SM, May 2023 RTP)</b>



<p><b>Ans.</b></p>	<p>Strategic management involves developing <u>company's vision, environmental scanning, strategy formulation, implementation, evaluation and control</u>. It emphasizes the <u>monitoring and evaluation of external opportunities and threats</u> in light of company's <u>strengths and weaknesses</u> and <u>designing strategies for survival and growth</u>. It helps in creation of a <u>competitive advantage to outperform the competitors</u> and also guide the company successfully through all changes in the environment.</p> <p><b>Following are the benefits accrue by the following a strategic approach to managing;</b></p> <ol style="list-style-type: none"> <li>1) Strategic management helps an <u>organization to be more proactive instead of reactive in shaping its future</u>. Organisation <u>is able to analyse and take actions instead of being mere spectators</u>. So, they are able to <u>control their own destiny in a better manner</u>. It helps them in <u>working within vagaries of the environment</u> and shaping it instead of getting carried away by its turbulence or uncertainties.</li> <li>2) <u>Strategic management provides a framework</u> for all the major decisions of an enterprise, such as decisions on businesses, products, markets, manufacturing facilities, investments and organizational structure. It provides better guidance to the entire organization on the crucial point- what it is trying to do.</li> <li>3) Strategic management is <u>concerned with ensuring a good future for the firm</u>. It seeks to prepare corporation to <u>face the future</u> and <u>act as a pathfinder to various business opportunities</u> and identify ways and means as to how to reach them.</li> <li>4) <u>Strategic management serves as a corporate defense mechanism against mistakes and pitfalls</u>. It helps organisations to avoid costly mistakes in product market choices or investments.</li> </ol> <p>It helps organizations to <u>evolve certain core competencies and competitive advantages</u> that assist in its fight for <u>survival and growth</u>.</p>
<p><b>14.</b></p>	<p>"Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been a pioneer in introducing innovative products. These products will give them a good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by Yummy Foods, taking away the advantage gained by the former. Discuss the strategic approach of the two companies. Which is superior?</p> <p style="text-align: right;"><b>(ICAI SM, April 2023 MTP)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>'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:</p> <ol style="list-style-type: none"> <li>1) Contactless dining</li> <li>2) New category of foods in the menu for boosting immunity</li> <li>3) Improving safety measures and hygiene standards</li> <li>4) Introducing online food delivery app</li> </ol> <p>Seeing the positive buzz around these measures taken by ALBELA Food, JustBE Foods also thinks to introduce these measures.</p> <ol style="list-style-type: none"> <li>1) Identify the strategic approach taken by 'ALBELA' Foods and 'JustBE' Foods.</li> <li>2) Discuss these strategic approach.</li> <li>3) Which strategic approach is better and why?</li> </ol> <p style="text-align: right;"><b>(July 2021)</b></p>

<p><b>Ans.</b></p>	<ol style="list-style-type: none"> <li>1) Yummy foods are <u>proactive</u> in their approach, and tasty food is <u>reactive</u>.</li> <li>2) A proactive strategy <u>is a planned strategy</u>, whereas <u>a reactive strategy is an adaptive reaction</u> to changing circumstances.</li> <li>3) A company strategy is a blend of <u>proactive actions on the part of managers</u> to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions.</li> <li>4) If organizational <u>resources permit, it is better to be proactive</u> rather than reactive.</li> <li>5) Being <u>proactive in aspects such as introducing new products</u> will give you advantages in the mind of customers.</li> <li>6) At the same time, <u>crafting a strategy involves stitching together proactive/ intended strategy</u> and then adapting one piece and then another as circumstances surrounding company's situation change or better options emerge- a reactive/adaptive strategy. This aspect can be accomplished by Yummy Foods. <ol style="list-style-type: none"> <li>i) <u>'ALBELA' foods is proactive</u> in its approach. On the other hand, <u>'JustBE' foods is reactive</u> in its approach.</li> <li>ii) <u>Proactive strategy is planned strategy</u>. 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 company's situation and its conclusions about positioning of company in market. If done well, it helps company to effectively compete for buyer patronage. <u>Reactive strategy</u> 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 aspects of strategy are working well and which aren't. By itself also, the management may hit upon new ideas for improving the current strategy.</li> <li>iii) In reference to given case, <u>proactive strategy seems to be better</u> as ALBELA foods had been able to <u>utilise available opportunities, reduce adverse impact, enhance demand for product and is also able to avail first mover advantage</u>.</li> </ol> </li> </ol>
<p><b>15.</b></p>	<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 style="text-align: right;"><b>(Nov. 2022, May 2020 RTP modified)</b></p>
<p><b>Ans.</b></p>	<ol style="list-style-type: none"> <li>1) Strategic intent is the <u>philosophical base</u> of strategic management.</li> <li>2) It implies the <u>purpose</u>, which an organization endeavors to achieve.</li> <li>3) It is a <u>statement that provides a perspective</u>.</li> <li>4) It gives an idea of what the <u>organization desires to attain in future</u>.</li> <li>5) It provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.</li> </ol> <p><b>Elements of strategic management are as follows:</b></p> <ol style="list-style-type: none"> <li>1) <b>Vision:</b> Vision implies the <u>blueprint of the company's future position</u>. 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 subsystem of the organization is required to follow its vision.</li> <li>2) <b>Mission:</b> Mission delineates the firm's business, its goals and <u>ways to reach the goals</u>. It explains the reason for the existence of the firm in society. A mission statement helps to identify 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and role in society.</li> <li>3) <b>Goals and Objectives:</b> These are the base of measurement. <u>Goals are the end results that</u></li> </ol>



	<p>the <u>organization attempts to achieve</u>. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results that are to be attained with the help of an overall plan. However, in practice, no distinction is made between them and used interchangeably.</p> <p>4) <b>Values:</b> Values are <u>deep-rooted principles</u> which <u>guide decisions and actions</u> of firms. They are <u>omnipresent foundation</u> of decisions by management. They create <u>sense of shared purpose</u>. They have <u>internal as well as external</u> implications as: Employees prefer to work with employers whose values resonate with them. Consumers prefer to buy from companies with a purpose, reflecting their values &amp; belief system.</p> <p>Apart from these, <u>business model &amp; business</u> definition are also two other components of Intent: <u>Business definition</u> seeks to explain the business undertaken by the firm with respect to the <u>customer needs, target markets, and alternative technologies</u>. <u>Business model</u> is a <u>strategy for effective operation</u> of business, <u>ascertaining sources of income, desired customer base, and financial details</u>. Rival firms operating in same industry rely on different business models due to their strategic choice.</p>
<b>16.</b>	'Objectives' and 'Goals' provide meaning and a sense of direction to the organizational endeavor. Explain. <b>(May 2016, May 2016 RTP)</b>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) Objectives are <u>organization's performance targets</u>. The results and outcomes it wants to generate.</li> <li>2) They function as a yardstick for <u>tracking organizations performance</u> and progress. Business objectives translate their Vision and Mission.</li> <li>3) Term objectives are <u>synonymous</u> with goals. However, some differences exist.</li> <li>4) Objectives are <u>open-ended attributes</u>, and goals are <u>close-ended attributes</u>.</li> <li>5) All organisations have an objective. The pursuit of objective is an <u>unending process</u> such as organizations sustain themselves.</li> <li>6) Objectives and goals provide <u>meaning and a sense of direction</u> to organizational endeavour.</li> </ol>
<b>17.</b>	Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after the sales department along with the procurement department. His seniors at the corporate level have always liked his way of leadership and are assures 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. <b>(May 2021 RTP, ICAI SM)</b>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <u>Functional managers provide most of the information</u> that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.</li> <li>2) This is so because functional managers like <u>Dharam Singh are closer to the customer than the typical general manager</u> is a functional manager may generate important ideas that subsequently may become major strategies for the company.</li> <li>3) Thus, it is important for general managers to <u>listen closely to the ideas of their functional managers</u> and involve them in decision making.</li> <li>4) <u>Great responsibility for managers at operational level is strategy implementation</u>: the execution of corporate and business-level plans, and if they are involved in the formulation, the clarity of thoughts while implementation can benefit too.</li> </ol> <p>Thus, <u>the approach of Cyclix Corporate management is not right</u>. They should involve Dharam Singh, as well as other functional managers too in strategic management.</p>
<b>18.</b>	The mission statement of a company focuses on the questions: 'Who we are and What we do'. Explain briefly. <b>(May 2014, May 2023 RTP)</b>

<b>Ans.</b>	<p>A Company's mission statement is typically <u>focused on its present business scope – " who we are and what we do"</u>.</p> <ol style="list-style-type: none"> <li>1) This is the <u>starting point of strategic planning</u> and consists of doing a <u>situational analysis of the firm in the environmental context</u>.</li> <li>2) Here the firm must find out its <u>relative market position, corporate image, its strength and weakness</u> and also <u>environmental threats and opportunities</u>.</li> <li>3) Mission, as defined by Glueck and Jauch, is the <u>answer to the question, ' what business are we in?</u> The answer should have <u>marketing or external perceptive</u> and should not be restated to the production or generic activities of the business.</li> </ol> <p>The mission is a statement that <u>defines role that the organization plays in society</u>.</p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <u>Functional managers provide most of the information</u> that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.</li> <li>2) This is so because functional managers like Dharam Singh are <u>closer to the customer</u> than the <u>typical general manager</u> is a functional manager may generate important ideas that subsequently may become major strategies for the company.</li> <li>3) Thus, it is important for general managers to <u>listen closely to the ideas of their functional managers</u> and invoice them in decision making.</li> <li>4) <u>Great responsibility for managers at operational level is strategy implementation</u>: the execution of corporate and business-level plans, and if they are involved in the formulation, the clarity of thoughts while implementation can benefit too.</li> <li>5) Thus, <u>the approach of Cyclix Corporate management is not right</u>. They should involve Dharam Singh, as well as other functional managers too in strategic management.</li> </ol>
<b>19.</b>	<p>Explain briefly the following areas on which the strategic planners concentrate to achieve long term prosperity;</p> <ol style="list-style-type: none"> <li>1) Profitability</li> <li>2) Competitive Position</li> <li>3) Employee Development</li> <li>4) Public Responsibility</li> </ol> <p style="text-align: right;"><b>(May 2016)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <b>Profitability:</b> The <u>main motive</u> of a business organization is profitability. The <u>private enterprises</u> shall <u>mainly work</u> objective of <u>profit</u>. Some other enterprises think that profit is the sole motive. All others are facilitative objectives.</li> <li>2) <b>Competitive Position:</b> The competitive position for an organization would mean that the factors which shall <u>affect the organization's competition</u> in the market and how they form the position itself from it.</li> <li>3) <b>Employee Development:</b> Employee development refers to the <u>development of employees</u> of an organization <u>by way of training, increasing in salary</u> etc.</li> <li>4) <b>Public Responsibility:</b> Public responsibility refers to the <u>organization responsibility towards the market and public</u>. It is also known as Corporate Social Responsibility (CSR).</li> </ol>
<b>20.</b>	<p>"A strategic vision is a road map of a company's future". Comment. Draft a strategic vision statement of any well-known national level Educational Institution you are familiar with.</p> <p style="text-align: right;"><b>(Nov 2014)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) A Strategy Vision is a <u>road map of a company's future</u>.</li> <li>2) It describes <u>where the organisation wants to land</u>.</li> <li>3) It depicts organisation's <u>aspirations</u> and provides glimpse of <u>what organization would like to become in future</u>.</li> <li>4) It provides specifies about <u>technology and customer focus</u>, the <u>geographic</u> and <u>product markets</u> to be pursued, the <u>capabilities it plans to develop</u>, and the <u>kind of company management is trying to create</u>.</li> </ol>

	<p>5) In the process of strategy making, management is <u>expected to look forward to the organisation's future</u>, posing a question, 'What kind of an enterprise is it going to be'.</p> <p>6) This <u>direction-setting idea</u> underlies the concept of strategic vision. It is said to be a <u>road map of the company's future</u>.</p> <p><b>Vision Statement of IIT Mumbai:</b> This Vision of IIT Mumbai is to be the fountainhead of new ideas and innovators in technology and science. Its mission is to create an ambience in which research and scholarship and leaders and innovators of tomorrow emerge.</p>
<b>21.</b>	"A company should focus on external perspective to define its mission." Support this statement with reasons. <b>(Nov. 2015)</b>
<b>Ans.</b>	<p>1) A Company's mission is a <u>long term view of what the organization is striving to become in future</u>, indicating the basic thrust of the firm, including its product, business and market.</p> <p>2) Mission, as defined by Glueck and Jauch, is answer to question, ' <u>what business are we in?</u></p> <p>3) The answer should have <u>marketing or external perspective</u> and should not be restated to the production or generic activities of the business.</p> <p>4) The organization relates their <u>existence to satisfy the need of society</u>.</p> <p>5) So mission is a <u>statement that defines role an organization plays in society</u>. <u>Society as a whole comes in external perspective</u> to define its mission.</p>
<b>22.</b>	<p>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 realized 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 in practice 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. It helped regain the lost business of Kamal Sweets Corner.</p> <p>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, which is more beneficial in general parlance?</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
<b>Ans.</b>	<p>1) The <u>strategy used here was of developing a competitive advantage</u> via product which helped Kamal Sweets Corner regain their lost business.</p> <p>2) This is also one of the major advantages of Strategic Management that <u>it helps to develop core competencies and competitive advantages to overcome competition</u>.</p> <p>3) This strategy <u>was a Reactive Strategy</u>.</p> <p>4) Wherein <u>the owners saw their business fall to 50% of revenue and then seeking a strategic advisory</u>. They did not plan proactively as to when the new shops were already opening. They reacted only when the business started to lose up.</p> <p>5) Generally, <u>it is beneficial to develop strategies proactively</u> so that the dip in business is small and manageable. Even if they are huge, management has ample time to fix it.</p>
<b>23.</b>	"Management at all levels develops strategies". Explain the different strategies formulated at different levels of management. <b>(May 2023)</b>
<b>Ans.</b>	<p><b>Corporate strategies</b></p> <ul style="list-style-type: none"> <li>✓ Corporate strategies are formulated by the top managers.</li> <li>✓ Such strategies are formulated for whole organization.</li> </ul>

<ul style="list-style-type: none"><li>✓ These include the determination of the plans for expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R &amp; D projects, and so on.</li><li>✓ These strategies need to be operationalized by divisional and functional strategies</li></ul> <p><b>Business Level strategies:</b></p> <ul style="list-style-type: none"><li>✓ Business level strategies are formulated by the business level managers.</li><li>✓ Business level managers help in translating general statement of direction and intent that come from corporate level into concrete strategies for individual businesses.</li><li>✓ These strategies are concerned with individual businesses also called SBUs.</li><li>✓ Help in improving profitability of individual businesses.</li></ul> <p><b>Functional Level strategies:</b></p> <ul style="list-style-type: none"><li>✓ Functional level strategies are formulated by the Functional level managers</li><li>✓ These managers are responsible for specific functions such as human resources, purchasing, product development, customer service, and so on.</li><li>✓ These are generally confined to one organizational activity.</li><li>✓ Help in implementation of corporate and business level strategies.</li></ul>
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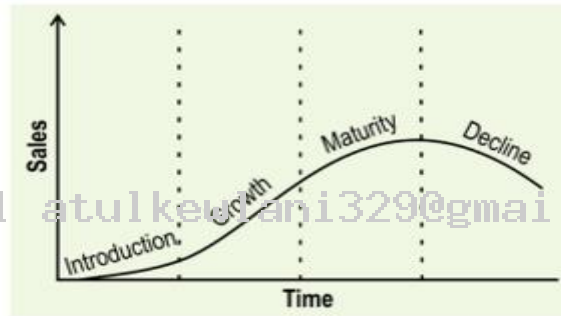
## Strategic Analysis- External Environment

Q. No.	Questions
1.	<p>What are the five competitive forces in an industry as identified by Michael Porter? Explain. (Nov 2009, Nov 2011, May 2018, May 2022 RTP)</p> <p style="text-align: center;"><b>OR</b></p> <p>Competitive pressures operate as a composite in five areas of the overall market. Elaborate. (May 2021 RTP)</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain Porter's five forces model as to how businesses can deal with the competition. (Nov 2018 RTP, ICAI SM)</p>
<b>Ans.</b>	<p><u>Competition makes organizations work harder</u>, however, it is neither a coincidence nor bad luck. All organizations have competition and its benefit are enjoyed by the markets. The customers are able to get better products at lower costs. They get better value for their money because of competition.</p> <p><u>A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market</u> and assessing the strength and importance of each is the Porter's five-forces model of competition.</p> <p>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 as follows:</p> <ol style="list-style-type: none"> <li>1) <b><u>Rivalry among current players</u></b>: Competitive pressures associated with the market maneuvering &amp; jockeying for buyer patronage that goes on among rival sellers in industry.</li> <li>2) <b><u>Threat of new entrants</u></b>: Competitive pressures associated with the threat of new entrants into the market.</li> <li>3) <b><u>Threats from substitutes</u></b>: Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.</li> <li>4) <b><u>Bargaining power of suppliers</u></b>: Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.</li> <li>5) <b><u>Bargaining power of customers</u></b>: Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration.</li> </ol>
2.	<p>What do you understand by 'Competitive Landscape'? What are the steps to understand the competitive landscape? (May 2019, Sep 2022 MTP-1, July 2021 Modified)</p> <p style="text-align: center;"><b>OR</b></p> <p>Suresh Singhanian is the owner of an agri-based private company in Sangrur, Punjab. His unit is producing puree, ketchup and sauces. While its products have a significant market share in the northern part of the country, sales are on the decline in the last couple of years. He seeks the help of a management expert who advises him to first understand the competitive landscape. Explain steps to be followed by Suresh Singhanian to understand the competitive landscape. (May 2018 RTP, ICAI SM)</p>
<b>Ans.</b>	<p>Competitive landscape refers to the <u>process of analysing the business</u> which involves <u>identifying competitors</u>, who can either be <u>direct or indirect</u>.</p> <p>It is an in-depth investigation and <u>analysis of firm's competition</u>.</p> <p>It involves assessing <u>competitor's vision, mission, core values, niche market, strengths and weaknesses</u> and requires application of "<u>competitive intelligence</u>".</p> <p>It is important <u>build upon a competitive advantage</u>.</p>

	<p>Steps to understand the competitive landscape:</p> <ol style="list-style-type: none"> <li>1) <b>Identify the competitor:</b> 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.</li> <li>2) <b>Understand the competitors:</b> Once the competitors have been identified, the strategist can use market research reports, the internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.</li> <li>3) <b>Determine the strengths of the competitors:</b> What are 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?</li> <li>4) <b>Determine the weaknesses of the competitors:</b> 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.</li> <li>5) <b>Put all of the information together:</b> At this stage, the strategist should put together all information about competitors and draw inferences 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.</li> </ol>
3.	<p>Write a short note on the characteristic of a Global /International Company. (Nov 2012, Nov 2013, Nov 2016)</p>
Ans.	<p><b>Meaning of Global/International:</b> <b>A company is said to be a global company when:</b></p> <ol style="list-style-type: none"> <li>1) The company has <u>several manufacturing locations around the world</u> and offers products in several diversified industries, and</li> <li>2) It can <u>compete in domestic markets with foreign competitors.</u></li> </ol> <p><b>A Global Company has three characteristics:</b></p> <ol style="list-style-type: none"> <li>1) It is a <u>conglomerate of multiple units</u> but all linked by <u>common ownership</u>.</li> <li>2) Multiple units draw on a <u>common pool of resources</u>, such as money, credit, information, patents, trade names and control systems.</li> <li>3) The units respond to some <u>common strategy</u>. Nestle International is an example of an enterprise that has become multinational.</li> </ol> <p>A global company is, therefore, one that, by operating in more than one country, <u>gains R&amp;D, production, marketing and financial advantages in its cost and reputation that are not available to purely domestic competitors</u>. The global company <u>views the world as one market</u>, minimizes importance of national boundaries, sources, raises capital and markets wherever it can do the job best.</p>
4.	<p>What is Product Life Cycle and its significance in portfolio diagnosis? (May 2015, Nov 2013, ICAI SM)</p>
Ans.	<ol style="list-style-type: none"> <li>1) <b>Product Life Cycle (PLC)</b> is the <u>cycle through</u> which every <u>product goes through</u> from <u>introduction to withdrawal or eventual demise</u>.</li> <li>2) A product progresses through a <u>sequence of stages</u> from <u>introduction to growth, maturity, and decline</u>. This sequence is known as the product life cycle.</li> </ol>



- 3) It is associated with changes in marketing situation, thus impacting marketing strategy and marketing mix.
- 4) PLC is an S-shaped curve that exhibits relationship of sales with respect of time for a product that passes through the following four successive stages:
- Introduction (slow sales growth)
  - Growth (rapid market acceptance)
  - Maturity (slow down in growth rate)
  - Decline (sharp downward drift)



**Product Life Cycle**

**Description:** These stages are:

- 1) Introduction:** This is the stage when the product is introduced into the market. In this stage, there's a heavy marketing activity, product promotion and the product is put into limited outlets in a few channels for distribution. Sales take off slowly in this stage. The need is to create awareness, not profits.
- 2) Growth:** The Second stage is growth. In this stage, sales take off, the market knows of the product; other companies are attached, profits begin to come in, and market shares stabilize.
- 3) Maturity:** The third stage is maturity, where sales grow at slowing rates and finally stabilize. In this stage, products get differentiated, price wars and sales promotion become common and a few weaker players exit.
- 4) Decline:** The fourth stage is decline. Here, sales drop, as consumers may have changed, the product is no longer relevant or useful. Price wars continue, several products are withdrawn, and cost control becomes the way out of most products in this stage.

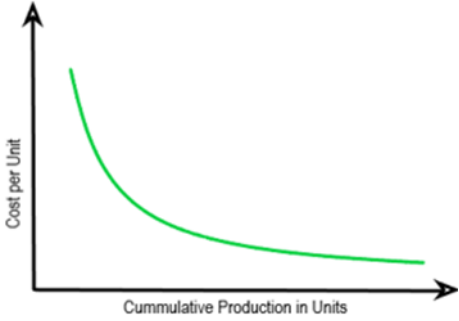
**Significance/Advantages of PLC:**

- 1) It can alert a company about product's health in relation to its market.
  - 2) It helps in continuously scanning market and taking corrective action faster.
  - 3) It helps in diagnosing portfolio of products/businesses in order to establish the stage at which each of them exists.
  - 4) It helps in building balanced portfolio of businesses by exercising a strategic choice based on the PLC concept.
  - 5) It helps in making an appropriate strategic choice, depending on diagnosis.
- Example; Expansion may be adopted in introductory/growth stages. Mature businesses can be used as cash sources for investments in other businesses. Combination of strategies (divestment, liquidation etc) can be adopted for declining businesses.

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

	<p>A major concern for Eco-carry bags Ltd. is paper bags and old cloth bags. Even though they are costlier than recyclable plastic bags irrespective, they are being welcomed positively by the consumers.</p> <p>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?</p> <p style="text-align: right;"><b>(ICAI SM, May 2020 RTP)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) Eco-carry bags Ltd. <u>faces competition from paper bags and old cloth bags</u> and falls under <u>threat of Substitutes</u> category in Porter's Five Forces Model for Competitive Analysis.</li> <li>2) <u>Paper and cloth bags are substitutes</u> for recyclable plastic bags as they perform the same function as plastic bags.</li> <li>3) Substitute products are a <u>latent source of competition</u> in an industry.</li> <li>4) In many cases, they become a major constituent of competition.</li> <li>5) Substitute products <u>offering a price advantage</u> and/or <u>performance improvement to the consumer</u> can drastically alter the competitive character of an industry.</li> </ol>
<b>6.</b>	<p>Discuss in what conditions rivalry among competitors tends to be cut-throat, and profitability of the industry goes down. <span style="float: right;"><b>(Nov 2019)</b></span></p> <p style="text-align: center;"><b>OR</b></p> <p>What are the factors which determine the nature of rivalry in an industry? <span style="float: right;"><b>(Dec. 2021)</b></span></p>
<b>Ans.</b>	<p>The <u>intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability</u>. 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 rivalry, the less attractive is the industry. Rivalry among competitors tends to be cutthroat and industry profitability low when;</p> <ol style="list-style-type: none"> <li>1) <u>An industry has no clear leader.</u></li> <li>2) <u>Competitors in the industry are numerous.</u></li> <li>3) <u>Competitors operate with high fixed costs.</u></li> <li>4) <u>Competitors face high exit barriers.</u></li> <li>5) <u>Competitors have little opportunity to differentiate their offerings.</u></li> <li>6) <u>The industry faces slow or diminished growth.</u></li> </ol>
<b>7.</b>	<p>Buyers can exert considerable pressure on the business. Do you agree? Discuss. <span style="float: right;"><b>(Nov 2019 RTP)</b></span></p> <p style="text-align: center;"><b>OR</b></p> <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. <span style="float: right;"><b>(May 2023)</b></span></p>
<b>Ans.</b>	<p>Buyers of an industry's products or services can exert considerable pressure on existing firms <u>to secure lower prices or better services</u>. This is evident in situations where buyers enjoy a superior position than the seller of the product. This leverage is particularly evident when:</p> <ol style="list-style-type: none"> <li>1) Buyers have <u>full knowledge</u> of the sources of products and their substitutes.</li> <li>2) They <u>spend a lot of money</u> on the industry's products, i.e., they are big buyers.</li> <li>3) The industry's <u>product is not perceived</u> as critical to the <u>buyer's needs</u>, and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.</li> </ol>
<b>8.</b>	<p>What are the Key Success Factors for operating in a competitive marketplace? <span style="float: right;"><b>(Nov 2014, Nov 2018)</b></span></p>

<p><b>Ans.</b></p>	<p><b>Key Success Factors (KSFs);</b></p> <ol style="list-style-type: none"> <li>1) An industry's Key Success Factors are <u>those things, or strategic elements</u> that affect industry <u>members ability to prosper in future</u> in the market place;</li> <li>2) It is based on <u>Particular industry elements, product attributes, resources, competencies, competitive capabilities, business outcomes</u> that define difference between profit and loss and ultimately between industry success and failure.</li> <li>3) Understanding <u>KSFs can help in gaining sustainable competitive advantage by training strategy on industry KSFs and devoting energy on these factors.</u></li> <li>4) The main purpose of identifying KSFs is to <u>make a judgement about what things are more important to competitive success</u> and what things are less important.</li> <li>5) They <u>represent</u> those areas that must be given <u>special and continual attention</u> to bring about high performance.</li> </ol> <p><b>Some of the KSFs may include:</b></p> <ol style="list-style-type: none"> <li>1) <b>Managing and developing people:</b> Effectively managing people requires <u>balancing constraining forces</u> (providing direction, structures, organization, some rules) <u>with liberating forces</u> (encourage personal growth, development, creativity)</li> <li>2) <b>Strategic focus:</b> It's necessary for leaders to keep focused on the desired end results, such as increased sales and profits, or more satisfied customers.</li> <li>3) <b>Operations or what people do all day:</b> Effective operation ensure that customers get exactly what they want at the right time, the right place and the right quality.</li> <li>4) <b>Physical resources:</b> <u>Finances, facilities and equipment</u> are three physical resources needed to be pain attention.</li> <li>5) <b>Customer relations:</b> Customers are where the money comes from, so in many ways, this is the most important success factor. The key to successful customer relations is to give them what they need, not just what you want to sell.</li> </ol>
<p>9.</p>	<p><b>Explain the concept of Experience Curve and highlight its relevance in strategic management.</b> (Nov 2012, ICAI SM)</p>
<p><b>Ans.</b></p>	<p><b>Experience Curve;</b></p> <p><b>Meaning:</b> Experience curve is a concept which explains the phenomena of <u>efficiency increase gained by the workers through repetitive productive work.</u> It is a portfolio approach. Experience curve is based on commonly observed phenomenon that <u>unit costs decline</u> as a firm <u>accumulates experience</u> in terms of a <u>cumulative volume of production.</u></p> <p><b>Features:</b></p> <ol style="list-style-type: none"> <li>1. Business gain experience as they grow</li> <li>2. Experience provides advantage over competitors</li> <li>3. Experience acts key barriers to entry</li> <li>3. Larger firms have stronger experience effects</li> </ol> <p><b>Results from:</b> Experience curve results from a <u>variety of factors</u> such as <u>learning effects, economies of scale, product redesign and technological improvement in production.</u></p> <p><b>Implication:</b> Larger firms in an industry would tend to have <u>lower unit costs</u> as compared to smaller organizations, thereby gaining competitive cost advantage.</p> <p><b>Relevance in Strategic Management:</b></p> <ol style="list-style-type: none"> <li>1. With the implementation of the experience curve, larger firms in an industry tend to <u>have a lower cost per unit</u> as compared to smaller companies, thus gaining a competitive cost advantage.</li> <li>2. Thus it <u>builds market share and discourages competition</u> by building a barrier for new firms.</li> </ol>

	
10.	<p>Write a short on Value Chain Analysis. <span style="float: right;">(Nov 2017)</span></p> <p style="text-align: center;"><b>OR</b></p> <p>Explain briefly primary activities grouped into 5 main activities under Value chain analysis. <span style="float: right;">(April 2023 RTP)</span></p>
Ans.	<p><b>Value Chain:</b></p> <ol style="list-style-type: none"> <li>1) A firm's Value Chain forms a part of a <u>larger stream of activities</u>, which Porter calls a value system. A value system, includes supplier that <u>provides inputs</u>. After that firm creates products, which <u>pass through value chains of distributors</u> all the way to customers.</li> <li>2) Value chain analysis is a <u>method of examining each activity</u> in value chain of business to identify areas for improvements. It helps in analysing how each stage in process adds or subtracts value from the end product. To achieve and sustain a competitive advantage, a firm must <u>understand every component of this value system</u>.</li> </ol> <p><b>Components of Value Chain;</b></p> <ol style="list-style-type: none"> <li>1) <b>Primary Activities:</b> <ol style="list-style-type: none"> <li>i) <b>Inbound Logistics:</b> Arranging inbound movement of materials, parts, and/or finished inventory from suppliers to manufacturing/assembly plants, warehouses, or retail stores.</li> <li>ii) <b>Operations:</b> Process that converts inputs (in forms of raw materials, labour, and energy) into outputs (in form of goods and/or services).</li> <li>iii) <b>Outbound Logistics:</b> Process related to storage and movement of final product, and related information flows from the end of the production line to the end-user.</li> <li>iv) <b>Marketing and Sales:</b> Selling a product or service and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.</li> <li>v) <b>Service:</b> Includes all the activities required to keep the product/service working effectively for the buyer after it is sold and delivered.</li> </ol> </li> <li>2) <b>Support Activities;</b> <ol style="list-style-type: none"> <li>i) <b>Infrastructure:</b> Consists of activities such as accounting, legal, finance, control, public relations, quality assurance and general (strategic management)</li> <li>ii) <b>Technological Development:</b> Pertains to equipment, hardware, software, procedures, and technical knowledge necessary for firm's transformation of inputs into outputs.</li> <li>iii) <b>Human Resources Management:</b> Consists of all activities involved in recruiting, hiring, training, developing, compensating and dismissing or laying off personnel.</li> </ol> </li> </ol> <p><b>Procurement:</b> Acquisition of goods, services or works from an outside external source.</p>
11.	<p>Rahul Sharma is Managing Director of a company which is manufacturing trucks. He is worried about the entry of new businesses. What kind of barriers will help Rahul against such a threat? <span style="float: right;">(ICAI SM, May 2023 RTP modified)</span></p>

<b>Ans.</b>	<p>A firm's profitability tends to be higher when other firms are blocked from entering the industry. <u>New entrants can reduce industry profitability because they add new production capacity</u> leading to an increase in the supply of the product even at a lower price and can substantially erode the existing firm's market share position. Barriers to entry represent economic forces that slow down or impede entry by other firms.</p> <p><b>Common barriers to entry include;</b></p> <ol style="list-style-type: none"> <li>1) <b>Capital Requirements:</b> When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry.</li> <li>2) <b>Economies of Scale:</b> Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows.</li> <li>3) <b>Product Differentiation:</b> Product differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in customers' eyes.</li> <li>4) <b>Switching Costs:</b> To succeed in an industry, a new entrant must be able to persuade existing customers of other companies to switch to its products. When such switching costs are high, buyers are often reluctant to change.</li> <li>5) <b>Brand Identity:</b> The brand identity of products or services offered by existing firms can serve as another entry barrier. Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer.</li> <li>6) <b>Access to Distribution Channels:</b> The unavailability of distribution channels for new entrants poses another significant entry barrier. Despite the growing power of the internet, many firms may continue to rely on their control of physical distribution channels to sustain a barrier to entry to rivals.</li> </ol> <p><b>Possibility of Aggressive Retaliation:</b> Sometimes, the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry.</p>
<b>12.</b>	<p>What are the different issues in strategic analysis? <span style="float: right;"><b>(May 2008 RTP)</b></span></p>
<b>Ans.</b>	<p>Issues to consider for Strategic Analysis;</p> <ol style="list-style-type: none"> <li>1) <b>Strategy evolves over a period of time:</b> <ol style="list-style-type: none"> <li>i) There are <u>different forces</u> that drive and constrain strategy, and that must be balanced in any strategic decision.</li> <li>ii) An important aspect of strategic analyses is to consider the <u>possible implications of routine decisions.</u></li> <li>iii) The strategy of a firm, at a particular point in time, is the <u>result of a series of small decisions taken over an extended period of time.</u></li> <li>iv) A manager who makes an effort to increase the growth momentum of an organization is <u>mentally changing strategy.</u></li> </ol> </li> <li>2) <b>Balance of external and Internal factors:</b> <ol style="list-style-type: none"> <li>i) The process of strategy formulation involves <u>matching internal potential</u> of organization <u>with the environmental opportunities.</u></li> <li>ii) In reality, as perfect match between two may <u>not be feasible, strategic analysis involves a workable balance</u> between diverse and conflicting considerations.</li> <li>iii) A manager working on strategic decision has to <u>balance opportunities, influences and constraints.</u></li> <li>iv) Some of these factors can be managed to an extent. However, there will be several others that are beyond the control of a manager.</li> </ol> </li> </ol>

**3) Risk:**

- i) In strategic analysis, the principle of maintaining balance is important. However, complexity and intermingling of variables in environment reduce this strategic balance.
- ii) Competitive markets, globalization, booms, recessions, technological advancements, inter-country relationships affect businesses and pose a risk at varying degrees.
- iii) An important aspect of strategic analysis is to identify potential imbalances or risks and assess their consequences.
- iv) A broad classification of strategic risk that requires consideration in strategic analysis is given below;

		Time	
		Short Time	Long Time
Strategic Risks	External	Errors in interpreting the environment cause strategic failure	Changes in the environment lead to obsolescence of strategy
	Internal	Organisational capacity is unable to cope up with strategic demands	Inconsistencies with the strategy are developed on account of changes in the internal capacities and preferences

External Risks is on account of inconsistencies between strategies and the forces in the environment. Internal risk occurs on account of forces that are either within the organization or are directly interacting with the organization on a routine basis.

**13.** Elaborate the reasons necessary for the globalization/internationalization of companies. **(May 2016)**

**Ans.** **Reason for Globalization/Internationalization of Companies: (Reasons why companies go global)**

- 1) Rapid shrinking(compression) of time & distance
- 2) Need to grow and expand
- 3) Domestic market no longer adequate and rich.
- 4) Development of attractive new products to attract customers internationally.
- 5) Reduction in high transportation costs.
- 6) Availability of good quality inputs and cheaper labour in other countries
- 7) Collapse of international trade barriers
- 8) Emerging service sector

**14.** ABC Ltd. manufactures and sells air purifiers 'Fresh Breath'. The 'Fresh Breath' has seen sales growth of around 1% for the last two years, after strong growth in the previous five years. This is due to new products entering the market in competition with the 'Fresh Breath'. ABC Ltd. is therefore considering cutting its prices to be in line with its major rivals with a hope to maintain the market share. Market research indicates that this will now cause a significant increase in the level of sales, even though in previous years, price cuts have had little effect on demand. ABC ltd. is also planning to launch a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.

Identify and explain the stage of the product life cycle in which 'Fresh Breath' falls. **(May 2021 RTP)**



<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) Product Life Cycle is a useful concept for <u>guiding strategic choice</u>.</li> <li>2) <u>PLC is an S-shaped curve</u> that exhibits the <u>relationship of sales with respect to time for a product</u> 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).</li> <li>3) The product 'Fresh Breath' of ABC Ltd. falls under the <u>Maturity stage of the product life cycle</u>. In this stage, the <u>competition gets tough, and the market gets stabilized</u>.</li> <li>4) The <u>profit comes down</u> because of <u>stiff competition</u>.</li> <li>5) At this stage, ABC Ltd. has to work for maintaining <u>stability by cutting</u> the prices to be in line with its major rivals with a hope to maintain the market share and by launching a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.</li> </ol>
<b>15.</b>	<p>Explain the factors that affect the strength of competitive pressure from substitute products.</p> <p style="text-align: right;"><b>(Nov 2012)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <b>Substitute products:</b> Those products which are <u>used in place of the main product</u>. They are a latent source of competition in an industry. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry.</li> <li>2) <b>According to Michael Porter</b>, the state of competition in an industry is a composite of competitive pressure operating in five areas of the overall market. One of the five areas is the threat of substitute products or services. The <u>threat of actual or potential substitutes</u> needs to be <u>examined carefully</u>, as it may put a ceiling on the prices for a product or make inroads into the market and reduce its demand, e.g., PVC tubes making inroads into the market for steel tubes or copper losing its market to aluminium and plastics.</li> </ol>
<b>16.</b>	<p>Analyze the following cases in the context of Michael Porter's Five Forces Model:</p> <ol style="list-style-type: none"> <li>1) A supplier has a large base of customers.</li> <li>2) The manufacturing of sports goods has the advantage of the economics of large scale production.</li> <li>3) The production offered by competitors is almost similar.</li> </ol> <p style="text-align: right;"><b>(May 2015)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <b>A Supplier has a large base of customers:</b> <ol style="list-style-type: none"> <li>i) Quite often, <u>suppliers, too, exercise considerable bargaining power over companies</u>. The more specialized the offering from the supplier, the greater is his power.</li> <li>ii) If the suppliers are limited in number, they stand a still better chance to exhibit their bargaining power.</li> <li>iii) The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry and, therefore, industry attractiveness and profitability.</li> </ol> </li> <li>2) <b>A Manufacturer of sports goods has the advantage of economies of large scale production:</b> <ol style="list-style-type: none"> <li>i) The bargaining power of customers is another force that influences the competitive condition of the industry.</li> <li>ii) This force will become <u>heavier depending on the buyers forming groups or cartels</u>.</li> <li>iii) Mostly, this is a phenomenon seen in industrial products.</li> <li>iv) Quite often, users of industrial products come together formally or informally and exert pressure on the producer in a matter such as a price, quality and delivery.</li> </ol> </li> <li>3) <b>Products Offered by competitors are almost similar:</b> <ol style="list-style-type: none"> <li>i) Substitute products are a <u>latent source of competition</u> in an industry.</li> <li>ii) In many cases, they become a major constituent of competition.</li> </ol> </li> <li>4) Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry.</li> </ol>
<b>17.</b>	<p>Briefly Explain the growth phase of the product life cycle.</p> <p style="text-align: right;"><b>(May 2008)</b></p>

<b>Ans.</b>	<p><b>Growth Phase of Product Life Cycle:</b></p> <ol style="list-style-type: none"> <li>1) After the product is introduced in the market, the product enters the second stage, i.e. growth stage.</li> <li>2) Under this stage, <u>product gains popularity and recognition.</u></li> <li>3) As a result, <u>the demand and sales go up</u> tremendously. Consequently, <u>profit of the firm starts going up.</u> However, high profit also attracts competitors to enter field.</li> <li>4) Thus expenditure on advertisement and sales promotion programme is increased.</li> </ol>
<b>18.</b>	<p>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 products. The core material needed for production is also used in many other waterproofing 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 the above setup, and what are the 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? (ICAI SM)</p>
<b>Ans.</b>	<p>Baby Turtle would experience, <u>Bargaining Power of Suppliers</u> as a competitive pressure for their washable diaper product. This is because the <u>core material for production is sourced from a single supplier, who is renowned and in a position to create pressure in terms of prices.</u></p> <p>Further, other factors that lead to such pressure are:</p> <ol style="list-style-type: none"> <li>1) Their products are <u>crucial to buyer, and substitutes for material required for production are not available.</u></li> <li>2) Suppliers can <u>manipulate switching cost</u> as brand is in inception stage and making margins are important.</li> </ol> <p>An advantage that Baby Turtle has is even though the <u>material required has no substitutes,</u> but it used to make many other products. Thus there are <u>many other suppliers</u> who can provide that material. It might affect operations in short term but <u>will help to fight off the pressure created by the existing supplier.</u> Grooming Education Academy</p>
<b>19.</b>	<p>The bargaining power of suppliers determines an industry's attractiveness and profitability." Discuss. (May 2022)</p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) The bargaining power of suppliers determines an industry's attractiveness &amp; profitability.</li> <li>2) Bargaining power of suppliers refers to <u>how easily suppliers can drive up the cost of inputs</u> as they <u>exercise substantial bargaining power over purchasing firms.</u></li> <li>3) It depends upon <u>number of suppliers of key inputs, uniqueness of inputs, and cost to company for switching to other supplier.</u></li> <li>4) When there are <u>fewer concentrated suppliers,</u> suppliers will have <u>more bargaining power</u> to drive up input costs, as a company would depend on that supplier, lowering the industry's attractiveness and profitability.</li> <li>5) When there are <u>many suppliers,</u> suppliers will have <u>less bargaining power</u> to drive up input costs and company can keep input costs lower and enhance its profits, making an industry attractive and profitable.</li> </ol>
<b>20.</b>	<p>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. (Nov 2022 RTP)</p>

<b>Ans.</b>	<p>1) The <u>competitive rivalry will be a significant force in case of company of Rajiv Arya</u> as all the rivals are similar in sizes and are manufacturing similar products.</p> <p>2) It is <u>difficult for any single manufacturer to dominate</u> the market. Large number of patents will make it difficult for new entrants to break into the market. Further, as there are a <u>large number of small suppliers</u> the power that suppliers can exert <u>will also be low</u>.</p> <p>3) There is <u>no information relating to substitutes and bargaining power of customers</u> 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.</p> <p>4) Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.</p> <p>5) <u>Hence, competitive rivalry will be significant in Rajiv Arya's dealing industry as all rivals are similar in sizes and manufacture similar products</u>, making it difficult for any one manufacturer to dominate the market or gain market share. The large number of patents will make it hard for new entrants to break into the market, while the fact that Rajiv Arya buys from a large number of small suppliers suggests that supplier power is also low.</p>
<b>21.</b>	<p>A startup company is thinking of launching of a low cost detergent powder in the market. The market of the said product is already dominated by a big FMCG player. You are advised to put forward your suggestions to the management of the company to deal with the problems of 'Entry Barrier' while launching the low cost detergent powder. <b>(Nov 2022 RTP)</b></p>
<b>Ans.</b>	<p>There are number of factors that can act as entry barrier for the start-up company. An FMCG, big in size, is already dominating the market space and will act as a strong deterrent for the new start-up. The following will be some suggestions to the management of the start-up to deal with the problem of entry barriers:</p> <ol style="list-style-type: none"> <li>1) The company is working on producing <u>low cost</u> detergent. Keeping other expenses also on lower side, <u>management can create price advantage</u> that is competitive to the existing established players including the large FMCG.</li> <li>2) The company focusing on <u>single product</u> in comparison to multiple products of an FMCG can <u>develop competencies to produce and sell the low cost detergent</u> that are difficult to deploy by the FMCG by its strategy that addresses needs of multiple products.</li> <li>3) The start-up needs to have <u>strong financial strength</u> to sustain the onslaught from the dominant FMCG and other players. The start-up can identify sources of capital well in advance and be able to use it judiciously to their advantage.</li> <li>4) The start-up should <u>identify the customer segments</u> that are <u>likely to switch to the product</u> well in advance so as to target the same and generate the initial hold on the market. Once the product gets some hold and their brands get some identity, the market can be further developed to address other customers.</li> <li>5) The start-up should <u>identify the environmental factors</u> that go to their advantage. These may include special scheme of the government to encourage entrepreneurs, tax holiday, low interest rates, advantages available to small and medium sized enterprises alike.</li> <li>6) It has to create an <u>image in the market that its products are qualitative</u> and 'Made in India' to attract a particular segment of customers.</li> <li>7) They need to have a <u>team of experts and dedicated management professionals</u> who can implement strategies formulated by top management</li> </ol>
<b>22.</b>	<p>Easy Access is a marketing service company providing consultancy to a range of business clients. Easy Access and its rivals have managed to persuade the government to require all marketing services companies to complete a time consuming and bureaucratic registration process and to comply with an industry code of conduct. Do you think that by doing this Easy Access and its rivals have an advantage in some way to fight off competition? Explain. <b>(Nov 2021 RTP)</b></p>

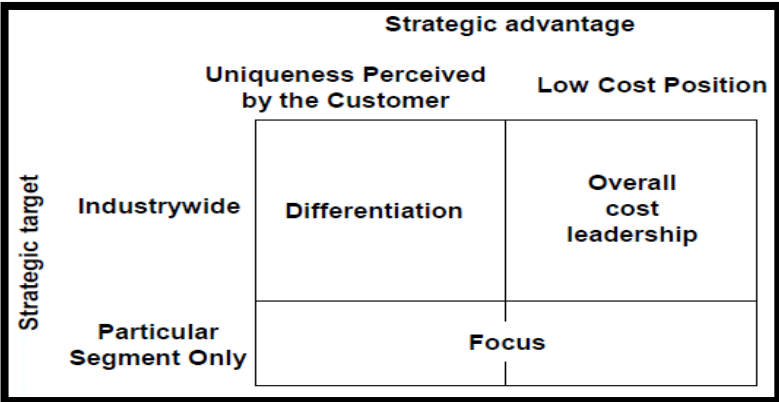
<b>Ans</b>	<p><u>Yes, Easy Access and its rivals get advantage by this move.</u> The new bureaucratic process is making it more complicated for organizations to start up and enter in Easy Access market, increasing barriers to entry and hence, reducing the threat of new entrants.</p> <p>New entrants can reduce an industry's profitability, as they <u>add new production capacity, leading to increase in supply of product, sometimes even at lower price and can erode existing firm's market share.</u></p> <p>However, new entrants are a powerful source of competition.</p> <p><u>New capacity and product range</u> they bring lead to <u>new pressure.</u></p> <p>The bigger the new entrant, <u>more severe</u> the competition.</p> <p>They also <u>place limit on prices and affect profitability</u> of existing players, known as price wars.</p>
<b>23.</b>	<p>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?</p> <p style="text-align: right;"><b>(April 2023 MTP)</b></p>
<b>Ans.</b>	<ul style="list-style-type: none"> <li>✓ Pulkit may be facing <b>exit barriers</b> due to his investment in the real estate spaces.</li> <li>✓ Exit barriers are factors that make it <b>difficult for a company to exit</b> a particular market or industry.</li> <li>✓ 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.</li> <li>✓ If Pulkit is <b>unable to find new spaces or make the necessary renovations</b>, he may be <b>forced to continue operating in the hideous localities</b>, which may impact his brand image and customer experience.</li> <li>✓ This can create an <b>exit barrier for Pulkit</b> as it may be difficult for him to turn to a different business model or <b>exit the industry entirely.</b></li> </ul>

## Strategic Analysis- Internal Environment

Q. No.	Questions
1.	<p>Write a short note SWOT Analysis. (May 2014, May 2018, May 2020 modified, Nov 2016, May 2020 RTP, May RTP 2021)</p> <p style="text-align: center;"><b>OR</b></p> <p>What is the purpose of SWOT analysis? Why it is necessary to do a SWOT analysis before selecting a particular strategy for a business organization? <span style="float: right;">(ICAI SM)</span></p>
Ans.	<p><b>Concept:</b></p> <ul style="list-style-type: none"> <li>✓ <u>The analysis and comparison of strengths, weaknesses, opportunities, and threats is normally referred to as SWOT analysis.</u></li> <li>✓ SWOT analysis is an acronym for <u>strengths, weaknesses, opportunities, and threats.</u></li> <li>✓ It is a <u>structured planning method</u> that evaluates four elements of a business.</li> <li>✓ It involves <u>specifying objective of the business</u> and identifying <u>internal and external factors</u> that are <u>favourable and unfavourable</u> to achieve that objective.</li> <li>✓ SWOT analysis aims to <u>identify key internal and external factors</u> seen as important to achieving an objective.</li> <li>✓ <b>Categories:</b> SWOT analysis groups key pieces of information into two main categories:             <ol style="list-style-type: none"> <li>1) <b>Internal factors:</b> The <u>strengths and weaknesses</u> internal to the organization.</li> <li>2) <b>External factors:</b> The <u>opportunities and threats</u> presented by external environment.</li> </ol> </li> </ul> <p><b>Strength:</b> It is an <u>inherent capability of the organization</u> which it can use to gain a strategic advantage over its competitors.</p> <p><b>Weakness:</b> It is an <u>inherent limitation or constraint</u> of the organization which creates a strategic disadvantage for it.</p> <p><b>Opportunity:</b> It is a <u>favourable condition</u> in organisation's environment that enables to strengthen its position.</p> <p><b>Threat:</b> A threat is an <u>unfavourable condition</u> in the organization environment which causes a risk for damage to the organization position.</p> <p><b>Purpose/Significance of SWOT Analysis;</b></p> <ol style="list-style-type: none"> <li>1) It provides a <b>logical framework</b> for systematic and sound analysis of issues having impact on business situation, generation of alternative strategies and choice of strategy.</li> <li>2) It <b>presents information</b> about both external and internal environment in a structured way where it is possible to compare external opportunities and threats with internal strengths and weaknesses.</li> <li>3) It <b>guides strategist</b> in <b>identification of strategies</b>. It is possible that organization may have several opportunities and some serious threats. It is equally true that organization may have powerful strengths coupled with major weaknesses in the light of critical success factors.</li> </ol>
2.	<p>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 aircraft with seating capacity ranging between 6 seats to 9 seats. These aircraft are chartered by big business houses and high net worth individuals for their personalized use. With customized tourism packages, their aircraft are also often hired by foreigners. Identify and explain Michael Porter's Generic Strategy followed by Luxury Jet. (Nov 2020 RTP, May 2018 RTP, Nov 2022 RTP, ICAI SM)</p>

	<p style="text-align: center;"><b>OR</b></p> <p>A private Moneyload Ltd Bank that targets high worth individuals. They offer premium service with additional and personal services not normally available through other banks. They charge significant annual fee for these services. The company make full use of information technology throughout its operations in order to minimize costs. Identify and explain Michael Porter's Generic Strategy followed by Moneyload Ltd Bank.</p> <p style="text-align: right;"><b>(March 2022 MTP)</b></p>
<b>Ans.</b>	<ul style="list-style-type: none"> <li>✓ The Airlines industry faces stiff competition. However, Luxury Jet has attempted <u>to create a niche market by adopting a <b>focused differentiation strategy</b></u>.</li> <li>✓ Focused differentiation strategy requires <u>offering unique features</u> that fulfil the demands of a <u>narrow market</u>.</li> <li>✓ Luxury Jet compete in <u>market based on uniqueness and target a narrow market</u> that provides business houses, high net worth individuals to maintain strict schedules.</li> <li>✓ The option of charter flights provided several advantages including, <u>flexibility, privacy, luxury and more a time cost saving</u>. 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.</li> <li>✓ Chartered services in airlines can have both <u>business and private use</u>. Personalized tourism packages can be provided to those who can afford it.</li> </ul> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>✓ Moneyland bank targets a <u>narrow segment, offering unique and desirable products</u>.</li> <li>✓ The bank would want to keep it costs under control, but will <u>not reduce costs at the expense of reducing quality levels</u> of customer service it offers.</li> <li>✓ By maintaining <u>high quality</u> it will be able to <u>charge premium for its services</u>.</li> <li>✓ Thus, Moneyland Bank adopts <b>focused Differentiation strategy</b>.</li> <li>✓ A focused differentiation strategy requires <u>offering unique features</u> that fulfil the demands of a <u>narrow market</u>.</li> </ul>
<b>3.</b>	<p>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.</p> <p style="text-align: right;"><b>(Jan 2021, Dec 2021, ICAI SM)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>"The sustainability of competitive advantage and the firm's ability to earn profits from its competitive advantage depends on characteristics of resources and capabilities". Explain.</p> <p style="text-align: right;"><b>(May 2023)</b></p>
<b>Ans.</b>	<p><b>Sustainability of Competitive Advantage:</b> Sustainability of competitive advantage and firm's ability to earn profits from competitive advantage depends upon <b>4 major characteristics of resources and capabilities:</b></p> <ol style="list-style-type: none"> <li>1) <b>Durability:</b> <u>Period over which a competitive advantage can be sustained</u>. It depends on rate at which firm's resources and capabilities deteriorate. In industries where rate of product innovation is fast, product patents are likely to become obsolete. Further, capabilities which are result of management expertise are also vulnerable to their retirement or departure. Many consumer brand names have high durable appeal.</li> <li>2) <b>Transferability:</b> <u>Ability of rivals to attack position of competitive advantage</u>. It relies on their gaining access to necessary resources and capabilities. Easier it is to transfer resources and capabilities between companies, less sustainable will be competitive advantage which is based on them.</li> </ol>



	<p>3) <b>Imitability:</b> Ability of competitors to easily and quickly build resources and capabilities on which a firm's competitive advantage is based. This is true test of imitability. Where capabilities require networks of organizational routines, whose effectiveness depends on corporate culture, imitation is difficult.</p> <p>4) <b>Appropriability:</b> Ability of firm's owners to appropriate/generate returns on its resource base. Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives returns on these resources. This means that rewards are directed to from where funds were invested, rather than creating an advantage with no actual reward to people to invested capital</p>
<p>4.</p>	<p>According to Michael Porter, strategies allow organizations to gain competitive advantages from different bases. Explain these bases as mentioned by Porter. <span style="float: right;">(May 2018, May 2017)</span></p> <p style="text-align: center;"><b>OR</b></p> <p>Discuss strategic alternatives with reference to Michael Porter's strategies. <span style="float: right;">(Nov 2018 RTP, Oct 2022 MTP-2 Modified)</span></p>
<p>Ans.</p>	<p>According to Porter, strategies allow organizations to gain competitive advantages from three different bases: cost leadership, differentiation and focus.</p> <p>1) <b>Cost Leadership:</b> 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.</p> <p>2) <b>Differentiation:</b> Differentiation is a strategy to produce products and services considered unique industry-wide and directed at consumers who are relatively priced insensitive. It concerns with distinguishing 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.</p> <p>3) <b>Focus:</b> Focus means producing products and services that fulfil the specific needs of small groups of consumers. It involves selecting or focusing on a market or customer segment in which to operate.</p> <div style="text-align: center;">  <p>The diagram is a 2x2 matrix with 'Strategic advantage' at the top. The horizontal axis represents 'Uniqueness Perceived by the Customer' (left) and 'Low Cost Position' (right). The vertical axis represents 'Strategic target' with 'Industrywide' (top) and 'Particular Segment Only' (bottom). The four quadrants are: Top-Left: Differentiation; Top-Right: Overall cost leadership; Bottom-Left: (empty); Bottom-Right: Focus.</p> </div> <p style="text-align: center;"><b>Figure: Michael Porter's Generic Strategy</b></p>
<p>5.</p>	<p>Distinguish between: Social Marketing and Service Marketing. <span style="float: right;">(May 2014, May 2011 RTP, May 2018, Sep 2022 MTP-1)</span></p>
<p>Ans.</p>	<p>1) <b>Social Marketing:</b> It refers to the design, implementation and control of programs seeking to increase the acceptability of social ideas, cause or practice among a target group. For instance, the publicity campaign for the prohibition of smoking in Delhi. Explained the place where one can and can't smoke in Delhi.</p>

	2) <b>Service Marketing:</b> It is applying the concepts, <u>tools and techniques</u> , of marketing to <u>services</u> . Services in any activities on benefits that one party can offer to another that is essentially intangible and does not result in banking, savings, retailing, and educational or utilities.	
6.	Distinguish between the following: Cost Leadership and Differentiation Strategies. <b>(May 2014, Nov 2020 RTP, April 2022 MTP)</b>	
Ans.	<b>Cost leadership strategy</b>	<b>Differentiation Strategy</b>
	1. It emphasizes <u>producing standardized products at very low per-unit cost for price-sensitive consumers</u> .	It is aimed at producing products/services considered <u>unique industry-wide</u> and for <u>relatively price-insensitive</u> consumer
	2. It is meant for <u>price sensitive</u> consumers.	It is meant for <u>price in-sensitive consumers</u>
	3. The focus here is on <u>cost of product</u> .	Focus here is on uniqueness of product.
	4. A successful cost leadership strategy works well only if products are provided at <u>less price</u> .	A successful differentiation strategy allows a firm to <u>charge a higher/premium price</u> for its product and to gain customer loyalty.
7.	Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss. <b>(Nov 2019 RTP)</b> <b>OR</b> Core competencies provide edge to a business over its competitors. Discuss. Also, briefly state the three areas in which major core competencies are identified. <b>(Jan 2021, Nov 2021 RTP modified)</b>	
Ans.	<p>1) Core competencies <u>provide edge to a business</u> over its competitors.</p> <p>2) Core competency is a <u>unique strength</u> of an organization <u>not shared by others</u>.</p> <p>3) It refers to <u>capabilities that are critical</u> for achieving a <u>competitive advantage</u>.</p> <p>4) In order to qualify as core competence, competency should <u>differentiate the business from any other similar businesses</u>.</p> <p>5) Core competencies are <u>those resources and capabilities</u> that can be a <u>combination of technological and managerial know-how, wisdom and experience</u> which can lead to <u>competitive advantage</u>.</p> <p>According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas - competitor differentiation, customer value, and application to other markets.</p> <p>1) <b>Competitor differentiation:</b> The company can consider having a <u>core competence if the competence is unique and it is difficult for competitors to imitate</u>. This can provide a company with an edge compared to competitors. It allows the company to provide better products or services to market without fear that competitors can copy it.</p> <p>2) <b>Customer value:</b> When purchasing a product or service, it has to <u>deliver a fundamental benefit for the end customer</u> to be a core competence. It will include <u>all the skills needed to provide fundamental benefits</u>. The service or the product has to have a real impact on the customer as the reason to choose to purchase them. If the customer has chosen the company without this impact, then competence is not a core competence.</p> <p>3) <b>Application of competencies to other markets:</b> Core competence must be <u>applicable to the whole organization; it cannot be only one particular skill or specified area of expertise</u>. Therefore, although some special capability would be essential or crucial for success of the business activity, it will not be considered as core competence if it is not fundamental from whole organization's point of view. Thus, core competence is unique set of skills and expertise, used throughout organisation to open up potential markets to be exploited.</p>	

8.	Write a short note on the following: Augmented Marketing. <b>(May 2017, May 2010 RTP, Nov 2018 modified)</b>
Ans.	<p><b>Augmented Marketing:</b> Augmented marketing refers to <u>deliberate and accelerated efforts to get better marketing returns</u> through additional means. It includes the provision of additional customer services and benefits built around the care and actual products that relate to the introduction of hi-tech services like movies-on-demand, online computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.</p> <p><b>For example,</b> Movies on-demand, online computer repair services, secretarial services etc.</p>
9.	<p>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 the young. Aiming at a brand and image makeover, the “Mota Shoes” decided to price the Hide Seek products at a premium.</p> <p>What kind of Michael Porter business-level strategy is being used by “Mota Shoe company”? State its advantages. <b>(Nov 2019 RTP, May 2020 RTP, ICAI SM)</b></p>
Ans.	<p>Mota shoes are trying to use <u>differentiation</u>. This strategy is aimed at a broad mass market and involves the <u>creation of a product or service that is perceived by the customers as unique</u>. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service. Because of differentiation, the business can charge a premium for its product.</p> <p>A differentiation strategy has <u>definite advantages</u> as it may help to remain profitable even with rivalry, new entrants, suppliers’ power, substitute products, and buyers’ power.</p> <ol style="list-style-type: none"> <li>1) <b>Rivalry:</b> Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increase as long as firm can satisfy the needs of its customers.</li> <li>2) <b>Buyers:</b> They do not negotiate for the price as they get special features, and also, they have fewer options in the market.</li> <li>3) <b>Suppliers:</b> Because differentiators charge a premium price, they can afford to absorb higher costs of supplies, and customers are willing to pay extra too.</li> <li>4) <b>New entrants:</b> 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.</li> <li>5) <b>Substitutes:</b> Substitute products can’t replace differentiated products which have high brand value and enjoy customer loyalty.</li> </ol>
10.	<p>What steps would you take to construct a ‘Strategic Group Map’ for an industry? <b>(May 2015, May 2017, May 2011)</b></p>
Ans.	<ol style="list-style-type: none"> <li>1) Strategic group mapping is a <u>useful analytical tool for comparing the market positions of each firm separately and for grouping them into like positions</u> when an industry has so many competitors that it is not practical to examine each one in-depth.</li> <li>2) It involves <u>plotting firms on a two-variable map using pairs of differentiating characteristics</u> such as price/Quality range, geographic coverage and so on.</li> </ol> <p><b>Steps take to construct a ‘Strategic Group Map’ for an industry:</b></p> <ol style="list-style-type: none"> <li>1) Identify the <u>competitive characteristics that differentiate firms</u> in the industry. Typical variables 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).</li> </ol>

	<p>2) <u>Plot, the firms on two-variable map, using pairs of differentiating characteristics.</u></p> <p>3) <u>Assign firms that fall in about the same strategy space to the same strategic group.</u></p> <p>4) <u>Draw a circle around each strategic group making the circles proportional to the size of the group's respective share of total industry sales revenues.</u></p>
11.	<p>ABC Ltd. is a beverage manufacturing company. It chiefly manufactures soft drinks. The products are priced on the lower side, which has made the company a leader in the business. Currently, it is holding a 35 per cent market share. The R &amp; D of the company developed a formula for manufacturing sugar-free beverages. On successful trial and approval by the competent authorities, the company was granted to manufacture sugar-free beverages. This company is the pioneer to launch sugar-free beverages, which are sold at a relatively higher price. This new product has been accepted widely by a class of customers. These products have proved profitable for the company. Identify the strategy employed by the company ABC Ltd. and mention what measures could be adopted by the company to achieve the employed strategy. <span style="float: right;">(Nov 2020)</span></p> <p style="text-align: center;"><b>OR</b></p> <p>What do you mean by differentiation strategy? How is it achieved? <span style="float: right;">(May 2019, Sep 2022 MTP-1)</span></p>
Ans.	<p>According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these generic base strategies.</p> <p><b>ABC Ltd. has opted Differentiation Strategy.</b> Company has invested a huge amount in R &amp; D and developed a formula for manufacturing sugar-free beverages to give the customer value and quality. They are <u>the pioneer and serve specific customer needs that are not met by other companies</u> in the industry. The new product has been accepted by a class of customers. <u>Differentiated and unique sugar-free beverages</u> enable ABC Ltd. to charge <b>relatively higher</b> for its products hence making higher profits and maintain its competitive position in the market. Sugar-free beverage of ABC Ltd. is being accepted widely by a class of customers.</p> <p><b>Meaning:</b> Differentiation strategy focuses on <u>producing products and services considered unique industry-wide</u> and directed at consumers who are <u>relatively price-insensitive</u>. It is aimed at <u>broad mass market</u> and involves creation of a product or service that is <u>perceived by the customers as unique</u>. The uniqueness can be associated with product design, brand image, features, technology, and dealer network or customer service.</p> <p><b>To achieve differentiation, following measures could be adopted by an organization:</b></p> <ol style="list-style-type: none"> <li>1) <u>Offer utility for the customers</u> and match the products with their tastes and preferences.</li> <li>2) <u>Elevate the performance</u> of the product.</li> <li>3) <u>Offer the promise of a high-quality product/service for buyer satisfaction.</u></li> <li>4) <u>Rapid product innovation.</u></li> <li>5) Taking steps <u>for enhancing the image and its brand value.</u></li> <li>6) <u>Fixing products prices</u> based on the unique features of the products and buying capacity of the customer.</li> </ol> <p><b>Advantages to company to remain profitable by following differentiation strategy:</b></p> <ol style="list-style-type: none"> <li>1) <b>Rivalry:</b> Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases as long as firm can satisfy needs of its customers.</li> <li>2) <b>Buyers:</b> They <u>do not negotiate for the price as they get special features</u>, and also, they have fewer options in the market.</li> </ol>

	<p>3) <b>Suppliers:</b> Because <u>differentiators charge a premium price</u>, they can afford to absorb higher costs of supplies, and customers are willing to pay extra too.</p> <p>4) <b>New entrants:</b> <u>Innovative features are expensive to copy</u>. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.</p> <p>5) <b>Substitutes:</b> <u>Substitute products can't replace differentiated products</u> which have high brand value and enjoy customer loyalty.</p>
12.	<p>Mr. Banerjee is head of marketing department of a manufacturing company. His company is in direct competition with thirteen companies at the 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. <b>(ICAI SM)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>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. <b>(July 2021)</b></p>
Ans.	<p>A tool to study the market positions of rival companies by grouping them into like positions is strategic group mapping.</p> <p>Grouping competitors is useful when there are <u>many competitors</u> and it is not practical to examine <u>each one in-depth</u>. In the given scenario, there are thirteen competitors.</p> <p><u>A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.</u></p> <p><b>The procedure for constructing a strategic group map and deciding which firms belong in which strategic group is as follows:</b></p> <ol style="list-style-type: none"> <li>1) <u>Identify the competitive characteristics</u> that differentiate firms in the industry like:       <ol style="list-style-type: none"> <li>i) price/quality range (high, medium, low);</li> <li>ii) geographic coverage (local, regional, national, global);</li> <li>iii) degree of vertical integration (none, partial, full);</li> <li>iv) product-line breadth (wide, narrow);</li> <li>v) use of distribution channels (one, some, all);and</li> <li>vi) degree of service offered (no-frills, limited, full).</li> </ol> </li> <li>2) <u>Plot firms on a two-variable map</u> using pairs of these differentiating characteristics.</li> <li>3) <u>Assign firms that fall in about the same strategy space</u> to the same strategic group.</li> <li>4) <u>Draw circles around each strategic group making the circles proportional to the group's</u> respective share of total industry sales revenues.</li> </ol>
13.	<p>Explain the meaning of the following concepts:</p> <ol style="list-style-type: none"> <li>1) Differential Marketing</li> <li>2) De – marketing</li> </ol> <p style="text-align: right;"><b>(May 2012, May 2010 RTP)</b></p>
Ans.	<ol style="list-style-type: none"> <li>1) <b>Differential Marketing:</b> A market coverage strategy in which a firm decides to <u>target several market segments</u> and design separate offer for each.</li> <li>2) <b>De- marketing:</b> It is a marketing strategy to <u>reduce the demand</u> for the <u>product temporarily or permanently</u>. The objective, however, is not to completely destroy the demand, but only to reduce or shift this happens when there is overfull demand.</li> </ol>

14.	<p>'Value for Money' is a leading retail chain on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain, is of the view that to achieve the goals, they should focus on lowering the costs of procurement of products.</p> <p>Highlight and explain the core competence of the 'Value of Money' retail chain.</p> <p style="text-align: right;"><b>(Nov 2018 RTP, ICAI SM)</b></p>
Ans.	<ol style="list-style-type: none"> <li>1) Core competence is a <u>unique strength of an organization</u> that may not be shared by others.</li> <li>2) Core competencies are those <u>capabilities</u> that are critical to a business achieving a competitive advantage. In order to qualify as a core competency, the competency should differentiate the business from any other similar businesses.</li> <li>3) A core competency for a firm is whatever it does is <u>highly beneficial to the organization</u>.</li> <li>4) 'Value of Money' is the leader on account of its <u>ability to keep costs low</u>. The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors.</li> <li>5) The core competency, in this case, is derived from the company's <u>ability to generate large sales volume</u>, allowing the company to remain profitable with a low-profit margin.</li> </ol>
15.	<p>Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies. Explain these four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are core competencies.</p> <p style="text-align: right;"><b>(May 2022, May 2022 RTP)</b></p>
Ans.	<p>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.</p> <ol style="list-style-type: none"> <li>1) <b>Valuable:</b> Valuable <u>capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment</u>. 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.</li> <li>2) <b>Rare:</b> Core competencies are <u>very rare capabilities which very few competitors possess this</u>. 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.</li> <li>3) <b>Costly to imitate:</b> Core competencies are <u>those capabilities that competing firms are unable to develop easily</u>. For example, Intel has enjoyed a first-mover advantage more than once because of its rare fast R&amp;D cycle time capability that brought SRAM and DRAM integrated circuit technology and brought microprocessors to market well ahead of the competitor. The product could be imitated in due course of time, but it was much more difficult to imitate the R&amp;D cycle time capability.</li> <li>4) <b>Non-substitutable:</b> <u>Capabilities that do not have strategic equivalents</u> 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.</li> </ol>
16.	<p>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.</p> <p style="text-align: right;"><b>(Jan 2021)</b></p> <p style="text-align: center;"><b>OR</b></p>



	<p>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.</p> <p>In the given situation, identify the generic strategy as suggested by Michael Porter. Also state the advantages and disadvantages of such strategy.</p> <p style="text-align: right;"><b>(Nov.2022)</b></p>
<b>Ans.</b>	<p>Spacetek Pvt. Ltd. company has <u>adopted Focus strategy</u> 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.</p> <p>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.</p> <p><b>Advantages of Focus Strategy</b></p> <ol style="list-style-type: none"> <li>1) <u>Premium prices can be charged</u> by the organizations for their focused product/services.</li> <li>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.</li> </ol> <p><b>Disadvantages of Focus Strategy</b></p> <ol style="list-style-type: none"> <li>1) The <u>firms lacking in distinctive competencies</u> may not be able to pursue focus strategy.</li> <li>2) <u>Due to the limited demand of product/services, costs are high which can cause problems.</u></li> <li>3) In the long run, the <u>niche could disappear or be taken over by larger competitors</u> by acquiring the same distinctive competencies.</li> </ol> <p style="text-align: center;"><b>OR</b></p> <p><b>Quick N Sturdy Inc.</b>, is following Focus strategy. And as it is planning to introduce new luxury and sports car for specific group of customers, it is <u>focused Differentiation strategy</u>. The product is meant for customers with distinctive preferences and special requirements. Also, the product is not a standard one and target market is also narrow. 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. Thus, in given situation, focused differentiation strategy given by Michael Porter will be suitable.</p> <p><b>Advantages of Focus Strategy</b></p> <ol style="list-style-type: none"> <li>1) <u>Premium prices can be charged</u> by the organizations for their focused product/services.</li> <li>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.</li> </ol> <p><b>Disadvantages of Focus Strategy</b></p> <ol style="list-style-type: none"> <li>1) The <u>firms lacking in distinctive competencies</u> may not be able to pursue focus strategy.</li> <li>2) <u>Due to the limited demand of product/services, costs are high which can cause problems.</u></li> <li>3) In the long run, the <u>niche could disappear or be taken over by larger competitors</u> by acquiring the same distinctive competencies.</li> </ol>

17.	<p>Sohan and Ramesh are two friends who are partners in their business of making biscuits. Sohan believes in making profits through selling more volume of products. Hence, he believes in charging a lesser price to the customers. Ramesh, however of the opinion that a higher price should be charged to create an image of exclusivity and for this, he proposes that the product undergo some change. Analyse the nature of the generic strategy used by Sohan and Ramesh.</p> <p style="text-align: right;"><b>(Nov 2018, ICAI SM)</b></p>
Ans.	<p>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 <u>trying to have a low price and high volume</u> is thereby trying for cost leadership. <u>Cost leadership emphasizes producing standardised products at a very low per-unit cost</u> for consumers who are price sensitive.</p> <p>Ramesh desires to <u>create perceived value for the product</u> and charge higher prices. Therefore, he is trying to adopt <u>differentiation</u>.</p> <p>Differentiation aims to <u>produce products and services considered unique industry-wide</u> and directed at consumers who are relatively price-insensitive.</p>
18.	<p>Gennex is a company that designs, manufactures and sells computer hardware and software. Gennex is well known for its innovative products that have helped the company to have an advantage over its competitors. It also spends on research and development and is concerned with innovative software. Often the unique features of their product that are not available with their competitors help them to gain a competitive advantage. Gennex using the strategy is consistently gaining its position in the industry over its competitors. Identify and explain Porter's generic strategy, which Gennex has opted to gain the competitive advantage.</p> <p style="text-align: right;"><b>(ICAI SM, Nov 2018 RTP)</b></p>
Ans.	<p>1) According to Porter, strategies allow organizations to gain competitive advantages from three different bases: cost leadership, differentiation, and focus. Porter called these generic base strategies.</p> <p>2) Generic has opted <b>differentiation strategy</b>. Its products are <u>designed and produced to give the customer value and quality</u>. They are unique and serve specific customer needs that are not met by other companies in the industry.</p> <p>3) Highly differentiated and <u>unique hardware and software enable</u> Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.</p> <p>4) Differentiation strategy is <u>aimed at a broad mass market</u> and involves the creation of a product or service that is perceived by the customers as <u>unique</u>. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.</p>
19.	<p>Write a short note on the concept of cost leadership strategy and how to achieve it?</p> <p style="text-align: right;"><b>(May 2021 RTP)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>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?</p> <p style="text-align: right;"><b>(Nov. 2022)</b></p>
Ans.	<p>1) Cost leadership strategy is <b>low-cost strategy</b> aiming at <b>broad mass market</b>.</p> <p>2) It requires vigorous pursuit of <b>cost reduction</b> in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs.</p>

	<p>3) Accordingly, the cost leader is <u>able to charge a lower price</u> for its products than its competitors and still make satisfactory profits.</p> <p>4) Cost leadership strategy emphasizes on <u>producing standardized products</u> at a <u>very low per-unit cost</u> for consumers who are <u>price-sensitive</u>.</p> <p>5) The low-cost leadership should be such that no competitors are able to imitate so that it can result in a <u>sustainable competitive advantage</u> to the cost leader firm.</p> <p><b>Circumstances under which organization can gain competitive advantages from cost leadership strategy/ Low-cost producer can especially be effective when:</b></p> <ol style="list-style-type: none"> <li>1) market is composed of <u>many price-sensitive buyers</u></li> <li>2) there are <u>few ways to achieve product differentiation</u></li> </ol> <p><b>To achieve cost leadership, the following are the actions that could be taken:</b></p> <ol style="list-style-type: none"> <li>1) <u>Forecast the demand</u> for a product or service promptly.</li> <li>2) <u>Optimum utilization of the resources</u> to get cost advantages.</li> <li>3) <u>Achieving economies of scale</u> leads to the lower per-unit cost of product/service.</li> <li>4) <u>Standardization of products</u> for mass production to yield a lower cost per unit.</li> <li>5) <u>Invest in cost-saving technologies</u>, try using advanced technology for smart working.</li> <li>6) <u>Resistance to differentiation</u> till it becomes essential.</li> </ol> <p><b>Risks of pursuing cost leadership are</b> as follows:</p> <ol style="list-style-type: none"> <li>1) <u>Competitors may imitate strategy</u> and may drive overall industry profits down</li> <li>2) <u>Technological breakthroughs</u> in industry <u>may make the strategy ineffective</u></li> <li>3) <u>Buyer interests may swing</u> to other differentiating features besides price</li> </ol>						
<p><b>20.</b></p>	<p>Michael E. Porter has suggested three generic strategies. Briefly explain them. What is the basic objective to follow a generic strategy? In what situation can the three strategies be used?</p> <p>Identify the type of strategy used in the following examples:</p> <ol style="list-style-type: none"> <li>1) Dell Computer has decided to rely exclusively on direct marketing.</li> <li>2) "Our basic strategy was to charge a price so low that microcomputer makers couldn't do the software internally for that cheaply".</li> <li>3) 'NDTV', a TV Channel, has identified a profitable audience niche in the electronic media. It has further exploited that niche through the addition of new channels like 'NDTV Profit' and 'Image'.</li> </ol> <p style="text-align: right;"><b>(May 2010, Nov 2013)</b></p>						
<p><b>Ans.</b></p>	<p>Michael E. Porter describes that strategies allow organizations to gain competitive advantage from three different bases:</p> <ol style="list-style-type: none"> <li>1) <u>Cost leadership.</u></li> <li>2) <u>Differentiation, and</u></li> <li>3) <u>Focus.</u></li> </ol> <p>The basic purpose of following a generic strategy is to gain a competitive advantage to <u>ensure long-time survival and growth</u> of the organisation.</p> <table border="1" data-bbox="284 1701 1421 1892"> <thead> <tr> <th data-bbox="284 1701 535 1774">Generic Strategy</th> <th data-bbox="535 1701 1015 1774">Emphasises</th> <th data-bbox="1015 1701 1421 1774">Situations under which these Generic strategies can be used.</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 1774 535 1892">Cost Leadership</td> <td data-bbox="535 1774 1015 1892">Cost leadership emphasizes producing <u>standardized products</u> at a <u>very low per-unit cost</u> for consumers</td> <td data-bbox="1015 1774 1421 1892">When the <u>market is price-sensitive</u>, not much room is left for distribution. Cost leadership</td> </tr> </tbody> </table>	Generic Strategy	Emphasises	Situations under which these Generic strategies can be used.	Cost Leadership	Cost leadership emphasizes producing <u>standardized products</u> at a <u>very low per-unit cost</u> for consumers	When the <u>market is price-sensitive</u> , not much room is left for distribution. Cost leadership
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	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.	is a better option when buyers do not care much about the differences between the brands.
<b>Differentiation</b>	Differentiation is a strategy aimed at <u>producing products and services considered unique</u> 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	This strategy is suitable when the <u>customers want or can get attracted to specific attributes</u> of the products. It is directed towards creating a separate market with a product with different attributes. The strategy is useful in the perfectly competitive market share where all products look similar.
<b>Focus</b>	Focus means <u>producing products and services that fulfil the specific needs</u> of small groups of consumers. It involves selecting or focusing on a market or customer segment in which to operate.	Smaller firms may compete on a focused basis. When the <u>customers have distinctive preferences or requirements</u> and the rival firms are not attempting to specialize in the same target segment.
<p style="text-align: center;"><b>Grooming Education Academy</b> Pioneer in Developing Concepts</p> <p><b>In the given examples, the generic strategies that are being followed are given as follows:</b></p> <ol style="list-style-type: none"> <li><b>1) Differentiation:</b> Dell Computers is <u>differentiating on product delivery</u>. The computer market is highly competitive, and the products are very similar.</li> <li><b>2) Cost Leadership:</b> By <u>keeping the prices low</u>, microcomputer makers acquire the software rather than developing themselves is a case of cost leadership.</li> <li><b>3) Focus:</b> NDTV has <u>identified a profitable area</u> (audience niche) and is focusing on it.</li> </ol>		
<b>21.</b>	<p>Explain the meaning of the following concepts:</p> <ol style="list-style-type: none"> <li>1) Relationship Marketing</li> <li>2) Service Marketing</li> <li>3) Enlightened Marketing</li> <li>4) Person Marketing</li> </ol> <p style="text-align: right;"><b>(May 2011, Nov 2011)</b></p>	
<b>Ans.</b>	<ol style="list-style-type: none"> <li><b>1) Relationship Marketing:</b> It is the <u>process of creating, maintaining, and enhancing a strong, value-laden relationship with customers</u> and other stakeholders. For example, British Airways offers special lounges with showers at 199 airports for frequent flyers. Thus, providing special benefits to select customers to strengthen bonds goes a long way in building relationships.</li> <li><b>2) Service Marketing:</b> This is <u>applying the concepts, tools, and techniques of marketing to services</u>. Service is any activity or benefit that one party can offer to another that is essentially intangible and non-perishing. These may be from business to consumer and from business to business.</li> </ol>	

	<p><b>3) Enlightened Marketing:</b> It <u>helps a company to support the best long-run performance of the marketing system</u>. It is based on five principles customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.</p> <p><b>4) Person Marketing:</b> It <u>consists of activities undertaken to create, maintain or change attitude or behaviour</u> towards particular people. For example, politicians, sports stars, film stars, professionals market themselves to get votes or promote their careers and income.</p>
22.	<p>Domolo a premium cycle and cycling equipment brand which targets high spending customers with a liking for quality and brand name. Their cycles range from rupees fifteen thousand to rupees one lac. The recent trend of fitness through cycling has created humongous demand for cycles and peripherals like helmets, lights, braking systems, fitness applications, etc. The customer base has grown 150% in the last three months. Mr Vijay, who is an investor, wants to tap into this industry and bring about cheaper options to people who cannot spend so much. Which business-level strategy would best suit for Mr Vijay's idea, and what are the major sub-strategies that can be implemented to capture the maximum market?</p> <p style="text-align: right;"><b>(ICAI SM, May 2023 RTP)</b></p>
Ans.	<p>The Best Cost Provider strategy would ensure a better reach to the <u>not so affluent customers and provide them with good quality cycles and equipment</u>, thus tapping in on the increasing cycling trend.</p> <p><b>Two sub-strategies that can be implemented are:</b></p> <ol style="list-style-type: none"> <li>1) <u>Offering lower prices than rivals</u> for the same quality of products</li> <li>2) <u>Charging same prices</u> for the better quality of products</li> </ol> <p>The idea of Mr Vijay is to provide the almost <u>same quality of products in terms of functionality</u>, if not so in terms of branding, to the customer who does not have huge sums of money to pay. Thus, sub-strategy number one, <u>offering lower prices for almost the same quality</u>, should be implemented to become the best cost provider of cycles and related equipment in the market.</p>
23.	<p>Explain in brief the various basis of differentiation strategy.</p> <p style="text-align: right;"><b>(Nov 2021 RTP, March 2023 MTP)</b></p>
Ans.	<p>There are three major bases of differentiation:</p> <ol style="list-style-type: none"> <li><b>1) Product:</b> Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, pursuit of a new product offering can be costly. R&amp;D, production and marketing costs can all add to the cost of production and distribution. Payoff can be great as customer's flock to be among first to have new product</li> <li><b>2) Pricing:</b> It fluctuates based on supply &amp; demand, and may also be influenced by customer's ideal value for a product. Companies that differentiate based on price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.</li> </ol> <p><b>Organisation:</b> 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.</p>
24.	<p>The Telecom industry is growing at a rapid speed in India. There is 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?</p> <p style="text-align: right;"><b>(April 2022 MTP)</b></p>
Ans.	<p>1) Core competencies are capabilities that <u>serve as a source of competitive advantage</u> for a firm over its rivals.</p>

	<p>2) Core competency is the <u>collective learning in the organization</u>, especially coordinating diverse production skills and integrating multiple streams of technologies.</p> <p>3) An organization's <u>combination of technological and managerial know-how</u>, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.</p>
<b>25.</b>	Explain the concept of competitive advantage. <span style="float: right;"><b>(May 2018)</b></span>
<b>Ans.</b>	<p><b>Competitive Advantage;</b></p> <p>1) Competitive advantage is the <u>position of a firm to maintain and sustain a favourable market position compared to the competitors.</u></p> <p>2) It is the <u>ability to offer buyer's something different</u> and thereby providing <u>more value for the money.</u> It is the result of a successful strategy.</p> <p>3) This position gets <u>translated into higher market share, higher profits</u> when compared to those that are obtained by competitors operating in same industry.</p> <p>4) Competitive advantage may be in form of <u>low-cost relationships</u> in the industry or <u>being unique in the industry</u> along dimensions that are widely valued by the customers in particular and the society at large.</p>
<b>26.</b>	Explain the meaning of core competencies. <span style="float: right;"><b>(May 2018)</b></span>
<b>Ans.</b>	<p><b>Core Competencies;</b></p> <p>1) Core competency is a <u>unique strength</u> of an organization not shared by others.</p> <p>2) Core competencies are those <u>capabilities that are critical to a business for achieving a competitive advantage.</u></p> <p>3) In order to qualify as a core competence, the competency should <u>differentiate the business from any other similar businesses.</u></p>
<b>27.</b>	What are strategic groups? <span style="float: right;"><b>(May 2008)</b></span>
<b>Ans.</b>	<p>1) A Strategic group consists of those rival firms which have <u>similar competitive approaches and positions</u> in the market.</p> <p>2) Companies in the same strategic group <u>can resemble one another</u> in several ways: they may have comparable product – line breadth, sell in same price/quality range, emphasize same distribution channels, use essentially same product attributes to appeal to buyers, provide similar services and technical assistance.</p> <p>3) An industry contains only one strategic group when all sellers pursue essentially <u>identical strategies</u> and have <u>comparable market positions.</u></p> <p>4) At the other extreme, there are as many strategic groups as there as competitors when each rival pursues a distinctively <u>different competitive approach</u> and occupies a substantially different competitive position in the marketplace.</p>
<b>28.</b>	To which industries the following environmental changes will offer opportunities and pose threats (name any two industries in each case). Give reasons for your answer. <span style="float: right;"><b>(May 2015)</b></span>
<b>Ans.</b>	<p><b>1) If there are changes in a significant reduction in domestic air-fares spanning over a long period:</b></p> <p>i) <b>Airline industries:</b> As an opportunity because it <u>creates profit in future and service can be improved.</u></p> <p>ii) <b>Service Industries:</b> It creates an opportunity for them in the future as a service communication can be improved by <u>providing better and speedier service.</u></p> <p><b>2) Cut in interest rates by banks:</b></p> <p>i) <b>Banking Section:</b> Cut in interest rates can be favourable to banking industries as it <u>attracts and pleases the customers</u> for more loans and advances. So, they can earn a good amount on the fund.</p> <p>ii) <b>Manufacturing Industries:</b> The main requirement of manufacturing industries is a <u>fund at its lower cost.</u> So, when there is a change in Bank Interest Rate, Manufacturing Industries can avail such funds and grow in an economy.</p>



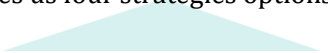
29.	To which industries do the following developments offer opportunities and threats? "Increasing trend in India to organize IPL (Cricket) type of tournaments in other sports also". <b>(Nov. 2014)</b>
Ans.	<p><b>Opportunities:</b> An <u>opportunity is a favourable condition</u> in the organisation's environment which enables it to strengthen its position.</p> <p>The opportunities through IPL (cricket) tournaments are as follows:</p> <ol style="list-style-type: none"> <li>1) Growth of the Nation.</li> <li>2) Growth of the Indian Cricket Industry.</li> <li>3) Growth of Stadiums.</li> <li>4) Growth of Sports Industry.</li> <li>5) Growth of Media Industry.</li> <li>6) Growth of tourism and hotel industry.</li> </ol> <p><b>Threats:</b> A threat is an <u>unfavourable condition</u> in the organisation's environment which causes a risk for or damage to the organization.</p> <ol style="list-style-type: none"> <li>1) Increase in corruption.</li> <li>2) Increase in betting.</li> <li>3) Time wasting of people.</li> </ol>
30.	To which industries the following development offers opportunities and threats? 'The number of nuclear families, where husband and wife both are working, is fast increasing'. <b>(Nov 2010)</b>
Ans.	<p>Different developments in the environment can offer <u>different opportunities and threats</u> to businesses.</p> <p>An opportunity is a favourable condition in the organisation's environment which <u>enables it to strengthen its position with respect to its competitors</u>. A threat is an unfavourable condition in which causes a risk for, or damage to, the organisation's position.</p> <p><b>The situation in the question relates to threats and opportunities of the social environment.</b></p> <p>In the present <u>social environment</u>, there is the <u>growth of nuclear families</u>. This is away from the joint family system. When both husband &amp; wife are working, it increases their spending capacity.</p> <ol style="list-style-type: none"> <li>1) <b>Opportunity:</b> Such developments bring <u>direct opportunities</u> to different businesses such as Ready to eat food, fast to cook items, dishwashers, washing machines, creches for children and so on. Indirect opportunities exist for other lifestyle products.</li> <li>2) <b>Threat:</b> At the same time, such development also acts as a <u>threat to traditional raw food suppliers</u>, kitty party organizers and so on.</li> </ol>
31.	<p>'Speed' is a leading retail chain because 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.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
Ans.	<ol style="list-style-type: none"> <li>1) Core competence is a <u>unique strength of an organization</u> that may not be shared by others.</li> <li>2) Core competencies are those <u>capabilities that are critical to a business achieving a competitive advantage</u>. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.</li> <li>3) A core competency for a firm is whatever it does is <u>highly beneficial to the organisation</u>.</li> <li>4) 'Speed' is the leader on account of its <u>ability to keep costs low</u>. The cost advantage that 'Speed' has created for itself has <u>allowed the retailer to price goods lower than competitors</u>.</li> <li>5) The core competency, in this case, is derived from the <u>company's ability to generate a large sales volume</u>, allowing the company to remain profitable with a low-profit margin.</li> </ol>

32.	<p>Rohit Sodhi runs a charitable organisation for the 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 the success of the IPL (Cricket) tournament, there is an increasing trend to extend a similar format in other sports as well. He wishes to know how the development is going to help sports and to which industries it will offer opportunities and threats.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
Ans.	<p>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.</p> <p>For example, league matches in a 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 the quality of competition and bringing money into sports.</p> <p><u>A number of entities and processes are involved in these events from various industries offering opportunities and threats to them.</u> An opportunity is a favourable condition in the organisation's environment which enables it to strengthen its position.</p> <p>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. <u>An opportunity is also a threat in case internal weaknesses do not allow the organization to take their advantage in manner rivals can.</u></p> <p>It will offer opportunities and threats to the following:</p> <p><b>Opportunities</b></p> <ol style="list-style-type: none"> <li>1) Stadia/grounds</li> <li>2) Manufacturers of sports goods.</li> <li>3) Media Industry – Sports channels/television, advertisers.</li> <li>4) Hotel Industry is linking events with their offerings.</li> </ol> <p><b>Threats</b></p> <ol style="list-style-type: none"> <li>1) The entertainment industry engaged in TV serials, cinema theatres, Entertainment theme parks as competitors will be fighting for the same viewer's/target customers.</li> <li>2) Event Management organisation engaged in non-sports events.</li> </ol>
33.	<p>Rohit Patel is having a small chemist shop in the central part of Ahmedabad. What kind of competencies can Rohit build to gain a competitive advantage over online medicine sellers?</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
Ans.	<p>Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies.</p> <p>A small chemist shop has a <u>local presence and functions within a limited geographical area</u>. Still, it can build its own competencies to gain a competitive advantage.</p> <p>Rohit Patel can <u>build competencies in the areas of:</u></p> <ol style="list-style-type: none"> <li>1) <u>Developing personal and cordial relations</u> with the customers.</li> <li>2) Providing <u>home delivery</u> with <u>no additional cost</u>.</li> <li>3) Developing a system of <u>speedy delivery</u> that can be difficult to match by onlinesellers. Being in the central part of the city, he can create a network to supply at wider locations in the city.</li> <li>4) Having <u>extended working hours</u> for the convenience of buyers.</li> <li>5) Providing <u>easy credit</u> or a system of monthly payments to the patients consuming regular medicines.</li> </ol>

34.	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. <b>(Dec 2021)</b>
Ans.	<p>Due to the dynamic environment, each business unit needs to develop marketing information system to track trends and developments which can be categorized as opportunities or threats. The company needs to review its strengths and weaknesses as per the opportunities and threats i.e SWOT analysis. STU's is looking at playing an active role in the key projects taken up by the central government.</p> <p><b><u>Opportunities that the company should consider are as follows:</u></b></p> <ol style="list-style-type: none"> <li>1) Alliances or joint ventures with central government to expand STU's market</li> <li>2) Serving additional customer groups, new geographical market.</li> <li>3) Using existing managerial or technological skills to enter new projects.</li> <li>4) International Recognition and opportunities</li> <li>5) Openings to take market share from rivals</li> <li>6) Openings to exploit emerging new technologies</li> <li>7) Integrating forward or backward</li> </ol> <p><b><u>Threats that the company should consider are as follows:</u></b></p> <ol style="list-style-type: none"> <li>1) Long term market instability and uncertainty may damage the opportunities</li> <li>2) Current economic situation may have an adverse impact on construction industry.</li> <li>3) Lack of political willingness and support on promoting new strategies</li> <li>4) Natural disasters such as earth quake and floods are uncertain</li> <li>5) Economic Recession and other such factors</li> <li>6) Pandemics like COVID-19 can cause companies to go into lockdown situation.</li> <li>7) Likely entry of new rivals.</li> </ol>
35.	<p>Inspite of high commodity inflation, shortage of components and the threat of a 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/5 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 <b>innovative product designs</b> and <b>offer loyalty programmes</b> to lure consumers. With reference to Michael Porter's generic strategies, identify which strategy XXP India has planned for? Explain how advantageous to the company to remain profitable? <b>(Dec 2021)</b></p>
Ans.	<p>With reference to Michael Porter's generic strategies, the strategy XXP India has planned for is <b><u>Differentiation Strategy</u></b>.</p> <p><b>Reasons:</b></p> <ol style="list-style-type: none"> <li>1) As mentioned, XXP India is planning to launch various <b>innovative product designs</b> and <b>offer loyalty programmes</b> to lure consumers.</li> <li>2) Providing customers differentiated product in terms of <b>innovative products and loyalty programs is a part of differentiation strategy</b>.</li> </ol>

	<p><b>Differentiation strategy:</b></p> <ol style="list-style-type: none"> <li>1) Differentiation strategy is <u>aimed at broad mass market and involves creation of product or service that is perceived by the customers as unique.</u></li> <li>2) Uniqueness can be associated with <u>product design, brand image, features, technology, dealer network or customer service.</u></li> <li>3) Because of differentiation, business can <u>charge premium for its product.</u></li> <li>4) Differentiation strategy should be pursued <b>only after a careful study of buyers' needs and preferences</b> to determine feasibility of incorporating one or more differentiating features into unique product that features the desired attributes.</li> </ol> <p><b>Advantages of differentiation strategy:</b> Differentiation strategy has definite advantages as it may help to remain profitable even with <u>rivals, new entrants, suppliers' power, substitute products, and buyers' power.</u></p> <ol style="list-style-type: none"> <li>1) <b>Loyalty:</b> Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases as long as firm can satisfy needs of its customers.</li> <li>2) <b>Buyers:</b> They <u>do not negotiate for the price as they get special features</u>, and also, they have fewer options in the market.</li> <li>3) <b>Suppliers:</b> Because <u>differentiators charge a premium price</u>, they can afford to absorb higher costs of supplies, and customers are willing to pay extra too.</li> <li>4) <b>New entrants:</b> <u>Innovative features are expensive to copy.</u> 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.</li> <li>5) <b>Substitutes:</b> <u>Substitute products can't replace differentiated products</u> which have high brand value and enjoy customer loyalty.</li> </ol>
36.	<p>Infant care is a successful store chain that caters for 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.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
Ans.	<ol style="list-style-type: none"> <li>1) Infant care is opting for a <b>differentiation strategy.</b></li> <li>2) A one-stop shop is a benefit for this type of customer, seeking convenience in a time.</li> <li>3) <u>Infant care is catering the products</u> only related to an infant that is perceived by the <u>customers as unique.</u></li> <li>4) <u>Because of differentiation, Infant care is charging a premium for its product.</u></li> </ol>

### Strategic Choices

Q. No.	Question and Answers									
1.	<p>How Ansoff's Product-Market Growth Matrix is a useful tool for business organisations? (May 2013, May 2017, Nov 2018 RTP)</p> <p style="text-align: center;"><b>OR</b></p> <p>Aurobindo, a pharmaceutical company, wants to grow its business. Draw Ansoff's Product-Market Growth Matrix to advise them of the available options. (Nov 2010, ICAI SM)</p> <p style="text-align: center;"><b>OR</b></p> <p>Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's Product-Market Growth Matrix. (March 2022 MTP-1, Oct 2022 MTP-2, May 2023 RTP)</p>									
Ans.	<p>Ansoff Matrix is a <u>strategic planning tool</u> that <u>provides a framework</u> to help executives, senior managers, and marketers <u>develop strategies</u> for future growth.</p> <p>It is named after Russian American <u>Igor Ansoff</u>, who came up with the concept.</p> <p>Ansoff's Product-Market Growth Matrix is a <u>useful tool</u> that helps businessman <u>decide their product and market growth strategy</u>.</p> <p>This two-dimensional matrix gives us four strategies options.</p> <div style="text-align: center; margin: 10px 0;">  <table style="margin: 0 auto; border-collapse: collapse;"> <tr> <td style="padding: 0 20px;"></td> <td style="padding: 0 10px; text-align: center;">Existing Product</td> <td style="padding: 0 10px; text-align: center;">New Product</td> </tr> </table> <table border="1" style="margin: 0 auto; border-collapse: collapse; text-align: center;"> <tr> <td style="padding: 5px;">Existing Market</td> <td style="padding: 5px;">Market Penetration</td> <td style="padding: 5px;">Product Development</td> </tr> <tr> <td style="padding: 5px;">New Market</td> <td style="padding: 5px;">Market Development</td> <td style="padding: 5px;">Diversification</td> </tr> </table> </div> <p><b>Market Penetration:</b></p> <ul style="list-style-type: none"> <li>✓ In market penetration strategy, organization tries to <u>grow using its existing offerings (products and services) in existing markets</u>.</li> <li>✓ It tries to <u>increase its market share in the current market scenario</u>.</li> <li>✓ This involves increasing market share within existing market segments.</li> <li>✓ This can be achieved by <u>selling more products or services to established customers</u> or by <u>finding new customers within existing markets</u>.</li> <li>✓ Here, company seeks increased sales in present markets through more <u>aggressive promotion and distribution</u>.</li> <li>✓ This can be accomplished by;             <ul style="list-style-type: none"> <li>i) Price decrease;</li> <li>ii) Increase in promotion and distribution support;</li> <li>iii) Acquisition of a rival in the same market;</li> <li>iv) Modest product refinements.</li> </ul> </li> </ul> <p><b>Market Development:</b></p> <ul style="list-style-type: none"> <li>✓ In a market development strategy, a firm tries to <u>expand into new markets (geographies, countries etc.) using its existing offerings</u>.</li> </ul>		Existing Product	New Product	Existing Market	Market Penetration	Product Development	New Market	Market Development	Diversification
	Existing Product	New Product								
Existing Market	Market Penetration	Product Development								
New Market	Market Development	Diversification								

	<ul style="list-style-type: none"> <li>✓ This can be accomplished by; <ul style="list-style-type: none"> <li>i) Different customer segments</li> <li>ii) Industrial buyers for a good that was previously sold only to the households</li> <li>iii) New area or region about of the country</li> <li>iv) Foreign markets</li> </ul> </li> <li>✓ <b>This Strategy is more likely to be successful where:</b> <ul style="list-style-type: none"> <li>i) The firm has a <u>unique product technology</u> it can leverage in the new market;</li> <li>ii) It <u>benefits from economies of scale</u> if it increases output;</li> <li>iii) The new market is <u>not too different</u> from the one it has experience of;</li> <li>iv) The buyers in the market are <u>intrinsically profitable</u>.</li> </ul> </li> </ul> <p><b>Product Development:</b></p> <ul style="list-style-type: none"> <li>✓ In Product Development strategy, company tries to create <u>new products and services targeted at its existing markets and customer to achieve growth.</u></li> <li>✓ This involves extending the product range available to the firm's existing markets.</li> <li>✓ These Products may be obtained by: <ul style="list-style-type: none"> <li>i) Investment in research and development of additional products;</li> <li>ii) Acquisition of rights to produce someone else's product;</li> <li>iii) Buying in the product and "branding" it;</li> <li>iv) Joint development with ownership of another company that needs access to the firm's distribution channels or brands.</li> </ul> </li> </ul> <p><b>Diversification:</b></p> <ul style="list-style-type: none"> <li>✓ Organization tries to <u>grow its market share by introducing new products in new markets.</u></li> <li>✓ It is <u>most risky strategy as both product and market development is required.</u></li> <li>✓ It is a strategy for company growth through <u>starting up or acquiring businesses outside the company's current products and markets.</u></li> </ul> <p><b>Advice:</b> Based on matrix, Aurobindo may segregate its different products. Being in pharmaceuticals, development of new products results from extensive research and involves huge costs. There are also social dimensions that may influence the decision of the company. It can <u>adopt penetration, product development, market development or diversification simultaneously for its different products.</u></p>
2.	<p>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.</p> <p style="text-align: right;"><b>(Nov 2018 RTP modified, July 2021)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>XYZ Company is facing continuous losses. There is a decline in sales and product market share. The products of the company became uncompetitive, and there is persistent negative cash flow. The physical facilities are deteriorating, and employees have low morale. At the board meeting, the board members decided that they should continue the organization and adopt such measures such that the company functions properly. The board has decided to hire young executive Shayamli for improving the functions of the organization. What corporate strategy should Shayamli adopt for this company, and what steps need to be taken to implement the corporate strategy adopted by Shayamli?</p> <p style="text-align: right;"><b>(ICAI SM, Nov 2019)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Racers Ltd. manufacture bicycles. Until recently it has adopted a diversification strategy, offering high quality bicycles which they sell at a high profit margin. In recent years, Racers Ltd. has entered a period of decline due to market becoming flooded with cheaper, high quality bicycles from abroad,</p>



	<p>where labour costs are lower. Racers Ltd. have decided to adjust its strategy and adopt a focus approach, targeting its bicycle towards professional athletes. This will allow Racers Ltd. to continue earning high margins, though the size of its potential market will likely fall. Identify and explain the need of adopting this strategy by Racers Ltd. to manage decline.</p> <p style="text-align: right;"><b>(May 2022 RTP)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>The general public is discerning from buying air conditioning units based on the Health Ministry guidelines regarding the emergence of a contagious viral pandemic. Consequently, Nebula Pvt. Ltd, a manufacturer of evaporation coils used in air conditioning units, has faced a significant loss in working capital due to a sharp fall in demand. The company conducted a financial assessment and developed a workable action plan based on short and long term financial needs. But for immediate needs, an emergency plan has been implemented. It includes selling scrap, asset liquidation, and overheads cost reduction. Further, to avoid any such untoward event in future, they plan to diversify into newer business areas along with its core business. Identify and explain the strategy opted by M/s. Nebula Pvt. Ltd?</p> <p style="text-align: right;"><b>(Nov. 2020 RTP)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Arena Ltd. manufactures computers that are 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 to survive a company. After SWOT analysis by assessing the strengths and weaknesses, they conclude that they cannot compete in the computers with the competitors. The management directs Shreekanth to act quick and develop a suitable strategic plan. Discuss the strategy which can be opted by Shreekanth.</p>
<p><b>Ans.</b></p>	<p><b>Textile mill/XYZ company/Racers Ltd/Arena Ltd</b>, facing continuous losses, low profits, low market share should carefully analyse their present position, gravity of problems, ways to overcome these problems, available resources and so on. The apt strategy in all these cases is <b>Turnaround strategy</b>.</p> <p style="text-align: center;">Grooming Education Academy Pioneer in Developing Concepts</p> <p>(Also Nebula Pvt. Ltd should opt for Turnaround Strategy as the company, while facing a serious working capital crunch, persistently conducted an assessment of the current problem and developed a workable action plan based on short and long term financial needs and strategic issues)</p> <p><b><u>Meaning of Turnaround strategy:</u></b></p> <p>Retrenchment may be done <u>internally or externally</u>. For internal retrenchment to occur, emphasis is on improving <b>internal efficiency, known as turnaround strategy</b>.</p> <p>Goal of turnaround strategy is to <b><u>return underperforming or distressed company to normalcy</u></b> in terms of acceptable levels of profitability, solvency, liquidity, cash flow.</p> <p><b>Conditions/Danger signals for turnaround strategies;</b></p> <p>When firms are losing their grip over the market, profits are due to several internal and external factors. If they have to survive in the competitive environment, they <b><u>have to identify danger signals as early as possible and undertake rectification steps immediately</u></b>.</p> <p><b><u>These signals/conditions/reasons may be:</u></b> 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.</p>

	<p><b>The action plan for turnaround strategy can be as follows:</b></p> <ol style="list-style-type: none"> <li>1) <b>Assessment of Current Problems:</b> The first step is to <u>assess the current problems</u> and get to the <u>root causes and the extent of damage</u> the problem has caused. Once the problems are identified, <u>resources should be focused on areas essential to efficiently work on correcting</u> any immediate issues. Problems can be internal such as low morale of workers or environment driven, such as huge influx of cheap cloth from foreign markets.</li> <li>2) <b>Analyze Situation and Develop a Strategic Plan:</b> Before you make any major changes; <u>determine chances of business's survival</u>. Identify <u>appropriate strategies and develop preliminary action plan</u>. For this, one should look for viable core businesses, adequate bridge financing and available organizational resources. <u>Analyze strengths and weaknesses in areas of competitive position</u>. Once major problems and opportunities are identified, <u>develop a strategic plan</u> with strategic goals and detailed functional actions.</li> <li>3) <b>Implementing an Emerging Action Plan:</b> If organization is in a critical stage an <u>appropriate action plan must be developed to stop bleeding and enable the organization to survive</u>. The plan typically includes <u>human resource, financial, marketing and operations actions to restructure debts, improve working capital reduce costs, improve budgeting practices, prune(cut) product lines and accelerate high potential products</u>. A positive operating cash flow must be established as quickly as possible, and <u>enough funds to implement turnaround strategies must be raised</u>.</li> <li>4) <b>Restructuring the Business:</b> The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Therefore, <u>prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions</u> to position the organization for rapid improvement. During the turnaround, the "<u>product mix</u>" may be changed, requiring organization to do some <u>repositioning</u>. The '<u>people mix</u>' is another important ingredient in the organization's competitive effectiveness.</li> <li>5) <b>Returning to Normal:</b> In final stage, organization should <u>begin to show signs of profitability, return on investments</u> and to <u>enhance economic value-added</u>. Emphasis is placed on strategic efforts such as carefully <u>adding new products, improving customer service, creating alliances, increasing market share</u> etc.</li> </ol>
3.	<p>What is the Divestment strategy? When is it adopted? (Nov 2012, Nov 2017 modified, Nov 2018 RTP, Nov 2020 RTP)</p>
Ans.	<p>Divestment strategy <u>involves the sale or liquidation</u> of a business portion, or a major division, profit Centre or SBU. For a multiple product company, divestment could be a part of rehabilitating or restructuring a turnaround plan.</p> <p>A divestment strategy may be adopted due to various reasons:</p> <ol style="list-style-type: none"> <li>1) When a <u>turnaround</u> has been <u>attempted</u> but has <u>proved to be unsuccessful</u>.</li> <li>2) A business that had been acquired proves to be a <u>mismatch and cannot be integrated</u> within the company.</li> <li>3) <u>Persistent negative cash flows</u> from a particular business create financial problems for the whole company.</li> <li>4) The <u>severity of competition</u> and the inability of a firm to cope with it.</li> <li>5) <u>Technological up-gradation</u> is required if the business is to survive but where it is not possible for the firm to invest in it.</li> <li>6) A <u>better alternative</u> may be available for investment.</li> </ol>
4.	<p>Distinguish Concentric Diversification and Conglomerate Diversification. (Nov 2011, Nov 2013, May 2016)</p> <p>What do you understand by diversification? Distinguish between concentric and conglomerate diversification. (May 2022)</p>

Ans.	1) Diversification is a strategy through which an organization tries to <b>grow its market share by introducing new offerings in new markets.</b>		
	2) It is <u>most risky strategy</u> because both product and market development is required.		
	S. No.	Basis of Difference	Concentric Diversification
	Conglomerate Diversification		
1)	<b>Occurrence</b>	Occurs when <b>a firm adds related products or markets.</b>	Occurs when <b>a firm diversifies into areas that are unrelated to its current line of business.</b>
2)	<b>Linkages</b>	In this, <b>new business is linked to existing business</b> through process, technology or marketing.	In this, <b>no such linkages exist;</b> new business is <b>disjointed</b> from existing businesses/ products.
3)	<b>Reason</b>	Common reason for pursuing this strategy is that <b>opportunities in a firm's existing line of business are available.</b>	Common reasons for pursuing this strategy is that opportunities in <b>firm's current line of business are limited or opportunities outside are highly lucrative.</b>

5. X Pvt. Ltd. had recently ventured into the business of co-working spaces when the global pandemic struck. This has resulted in the business line becoming unprofitable and unviable and a failure of the existing strategy. However, the other businesses of X Pvt. Ltd. are relatively less affected by the pandemic as compared to the recent co-working spaces. Suggest a strategy for X Pvt. Ltd. with reasons to justify your answer. (Jan. 2021, April 2022 MTP-2, ICAI SM)

**OR**

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? (Nov.2022)

Ans. It is advisable that **divestment strategy should be adopted** by X Pvt. Ltd.

In the given situation where the business of co-working spaces became unprofitable and unviable due to the Global pandemic, the best option for the company is to divest the loss-making business.

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 a divestment strategy.

**Further, divestment helps address issues like:**

- 1) Persistent cash flows from the loss-making segment could affect other profit-making segments, which is the case in the given scenario.
- 2) Inability to cope with 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.

**OR**

	<p>It is advisable that <b><u>divestment strategy should be adopted</u></b> by company for its Product <b>Alpha</b>. <b>Retrenchment</b> may be done either internally or externally. Turnaround strategy is adopted in case of internal retrenchment where the emphasis is laid on improving the internal efficiency of the organization, while <b>divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors</b>.</p> <p>In the given situation where the <b>product alpha has become unprofitable</b> and unviable and <b>all efforts of turnaround strategy have been failed</b>. <u>So the best option for the company now is to go for divestment strategy and divest the loss-making product.</u></p> <p><b>Further, divestment helps address issues like:</b></p> <ul style="list-style-type: none"> <li>✓ <u>Persistent cash flows from loss-making</u> segment could affect other profit-making segments, which is the case in the given scenario.</li> <li>✓ <u>Inability to cope with the losses</u>, which again is uncertain due to pandemic.</li> <li>✓ <u>Better investment opportunity</u> so the company can invest the money it generates from divestment of product alpha in the growth of product Beta.</li> </ul>
6.	<p>GWA, a leading Japan based automobile company decides to make India a hub for the company's 250 cc motor cycle 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.</p> <p>What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.</p> <p style="text-align: right;"><b>(Dec. 2021, March 2023 MTP Modified)</b></p> <p style="text-align: center;">Or</p> <p>Explain the Strategic Alliance. Describe the advantages of Strategic Alliance.</p> <p style="text-align: right;"><b>(Nov. 2018, Nov. 2019)</b></p>
Ans.	<p><b>The growth strategy being adopted by GWA and TPR Group is Strategic Alliance.</b></p> <ol style="list-style-type: none"> <li>1) Strategic alliance is a <b><u>relationship between two or more businesses that enables each to achieve certain strategic objectives</u></b> which <b><u>neither would achieve on its own</u></b>.</li> <li>2) Strategic partners <b><u>maintain their status as independent and separate entities, share benefits and control</u></b> over partnership, and continue to <b><u>make contributions</u></b> to alliance <b><u>until terminated</u></b>.</li> </ol> <p><b>Advantages of Strategic Alliance:</b> Strategic alliances usually are formed if they provide advantage to all parties These advantages can be broadly categorised as follows:</p> <ol style="list-style-type: none"> <li>1) <b>Organizational:</b> Strategic alliance helps to <u>learn necessary skills &amp; obtain certain capabilities</u> from strategic partners. Strategic partners may also help to <u>enhance productive capacity, provide a distribution system, or extend supply chain</u>. Strategic partners may provide a good or service that complements thereby <u>creating a synergy</u>. Having a strategic partner who is well-known and respected also helps <u>add legitimacy and credibility to a new venture</u>.</li> <li>2) <b>Economic:</b> There can be <u>reduction in costs and risks</u> by distributing them across the members of the alliance. Greater <u>economies of scale</u> can be obtained in an alliance, as <u>production volume can increase</u>, causing <u>the cost per unit to decline</u>. Finally, partners can take advantage of <u>co-specialization</u>, creating <u>additional value</u>, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.</li> <li>3) <b>Strategic:</b> Rivals can join together to <u>cooperate instead of competing with each other</u>. <u>Vertical integration can be created</u> where <u>partners are part of supply chain</u>. Strategic alliances may also be useful to create a <u>competitive advantage</u> by pooling of resources and skills. This may also help with <u>future business opportunities</u> and the development of new products and technologies. Strategic alliances may also be used to get <u>access to new technologies</u> or to <u>pursue joint research and development</u>.</li> </ol>

	<b>Political:</b> Sometimes strategic alliances are formed with a <u>local foreign business</u> to <u>gain entry into a foreign market</u> either because of <u>local prejudices or legal barriers to entry</u> . Forming strategic alliances with <u>politically-influential partners</u> may also help <u>improve your own influence and position</u> .	
7.	<b>Differentiate between Divestment strategy and liquidation strategy.</b> (Nov 2018 RTP, ICAI SM, Nov 2020)	
Ans.	<b>Divestment Strategy</b>	<b>Liquidation Strategy</b>
	It <u>involves sale or liquidation</u> of a business portion, or major division, profit centre/ SBU.	It involves <u>closing down a firm</u> and selling its assets.
	It is usually a part of <u>rehabilitation or restructuring plan</u> and is adopted when a turnaround has been attempted but has proved to be unsuccessful. A turnaround option may even be ignored if it is obvious that divestment is the only answer.	Liquidation becomes the <u>only option in severe and critical conditions</u> where either turnaround and divestment are not seen as solutions or have been attempted but failed.
	<u>In this, efforts</u> are made for <u>survival</u> of organization.	Liquidation is considered as the <u>most extreme and unattractive</u> .
	The survival of organization <u>helps in retaining personnel</u> , at least to some extent.	There is a <u>loss of employment</u> with the stigma of failure.
8.	What strategic option is available to management of a sick company dealing in an electric home appliance? Give reasons for your answer. <b>(May 2015, Nov 2018 RTP modified)</b> <b>Or</b> XYZ Ltd. is a multi-product company, suffering from continuous losses for the last few years and has accumulated heavy losses which have eroded its net worth. What strategies option is available to management of this sick company? Advise with reasons. <b>(May 2018)</b>	
Ans.	A sick company has huge accumulated losses that have eroded its net worth. The company may analyze its various products to make decisions on the viability of each.  Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are carefully decided by management, depending upon each contingency. <b>Retrenchment strategy is adopted because:</b> <ol style="list-style-type: none"><li>1) The management <u>no longer wishes to remain</u> in business partly or wholly <u>due to continuous losses</u> and unviability.</li><li>2) The environment faced is <u>threatening</u>.</li><li>3) Stability can be ensured by the <u>reallocation of resources from unprofitable to profitable businesses</u>.</li></ol> A retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done 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. <b>Turnaround strategy:</b> If the organization <u>chooses to transform itself into a leaner structure and focuses on ways and means to reverse the process of decline</u> , it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on. It may also involve changes in top management and reorienting leadership.	



	<p><b>Divestment Strategy:</b> Divestment strategy <u>involves the sale or liquidation</u> of a portion of the 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.</p> <p><b>Liquidation Strategy:</b> In the retrenchment strategy, <u>the most extreme and unattractive is the liquidation strategy</u>. It involves closing down a firm and selling its assets. It is <u>considered as the last resort</u> 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. A liquidation strategy may be unpleasant as a strategic alternative, but when a <u>“dead business is worth more than alive”</u>, it is a good proposition.</p> <p>The management of a Sick company may be explained about each of the above three options of retrenchment strategy with their pros and cons. But the appropriate advice with respect to a particular option of retrenchment strategy will depend on the specific circumstances and management goals of the company.</p>
9.	<p>Discuss how mergers and acquisitions are used for business growth. What are the various types of mergers? <b>(Nov. 2018 RTP)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Explain the term Merger and Acquisition as a growth strategy. Differentiate between both of them. State the situations in which such strategies are considered by any organization. <b>(Nov 2021 RTP, Nov 2022 RTP modified)</b></p>
Ans.	<p>1) Many organizations, to achieve quick growth, expand or diversify, use mergers and acquisition as an <u>instant</u> means of achieving <u>expansion</u>. It is an attractive and tempting proposition as it circumvents/avoid the time, risks and skills involved in screening internal growth opportunities, seizing them and building up necessary resources to materialize growth.</p> <p>2) Apart from urge to grow, acquisitions and mergers are resorted to for purposes of <u>achieving synergy</u> between <u>parent and acquired enterprises</u>. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on.</p> <p>3) Merger and acquisition are a <u>process of combining two or more organizations together</u>.</p> <p><b>Differences between Merger and Acquisition:</b></p> <p><b>Merger</b> is when <u>two or more organizations join together to expand their business operations</u>.</p> <ol style="list-style-type: none"> <li>1) Owners of pre-merger entities have <u>right over the profits</u> of the <u>new entity</u>.</li> <li>2) Two organizations <u>combine to increase their strength &amp; financial gains</u>.</li> <li>3) In such a case, the deal gets finalized on <u>friendly terms</u>.</li> </ol> <p><b>Acquisition</b> is when <u>one organization takes over other organization</u> and <u>controls all its business operations</u>.</p> <ol style="list-style-type: none"> <li>1) In this, <u>one financially strong organization overpowers the weaker one</u>.</li> <li>2) In this, <u>financially stronger and bigger</u> firm <u>establishes its power</u>.</li> <li>3) Combined operations then run <u>under the name of powerful entity</u>.</li> <li>4) Deal in case of acquisition <u>is often done in an unfriendly manner</u> and is more or less a <u>forced association</u>.</li> </ol> <p><b>Types of Mergers:</b></p> <p>1) <b>Horizontal Merger:</b> Horizontal mergers are <u>combinations of firms engaged in the same industry at same stage</u>. It is merger with <u>direct competitor</u>. Objective is to <u>achieve economies of scale</u> in the production process by shedding duplication of installations and functions, widening line of products, decreasing working capital and fixed assets investment, etc.</p>



	<p><b>2) Vertical Merger:</b> It is <u>merger of two organizations that are operating in the same industry but at different stages of production</u> or distribution system. This leads to <u>increased synergies</u> with merging firms. If organization takes over supplier/producers of raw material, then it leads to backward integration. Forward integration happens when an organization decides to take over its buyer organizations or distribution channels. Vertical merger results in operating and financial economies and help to create an advantageous position by restricting the supply of inputs or by providing them at a higher cost to other players.</p> <p><b>3) Co-generic Merger:</b> In a co-generic merger, <u>two or more merging organizations are closely related in terms of production processes, business markets, or basic required technologies.</u> Such mergers include extension of product line or acquiring components required in daily operations. Example, organization manufacturing refrigerators can diversify around common set of resources and strategic requirements. An organization manufacturing refrigerators can diversify by merging with another organization dealing in kitchen appliances.</p> <p><b>4) Conglomerate Merger:</b> Conglomerate mergers are <u>combination of organizations that are unrelated to each other.</u> There are <u>no linkages with respect to customer groups, customer functions and technologies being used.</u> There are no important common factors between organizations in production, marketing, research &amp; development.</p>
10.	<p>Under what conditions would you recommend the use of the Turnaround strategy in an organization? What could be a suitable work plan for this?</p> <p style="text-align: right;"><b>(May 2008, Dec. 2021 modified)</b></p> <p style="text-align: center;">Atul atulkewlani329@gmail.com 917067672097</p> <p>ABC Inc. a successful company in the healthcare industry, was facing a decline due to outdated technology and lack of innovation. The company was losing market share and struggling to retain customers. In an effort to reverse the trend, the management decided to implement a strategy. They hired new talent, invested in research and development, and streamlined their operations to increase efficiency. Through these efforts, ABC Inc. was able to introduce new products and services, reposition themselves in the market, and eventually regain their competitive edge. The company's revenue and profits increased and they were once again on the path to success. Discuss the strategy which has been implemented by the management of ABC Inc. <b>(May 2023 RTP)</b></p>
Ans.	<p><b>Turnaround Strategies</b></p> <ol style="list-style-type: none"> <li>1) Retrenchment may be done either internally or externally.</li> <li>2) For internal retrenchment to occur, emphasis is laid on <u>improving internal efficiency</u>, known as a turnaround strategy.</li> <li>3) Overall goal of turnaround is to <u>return underperforming or distressed company to normalcy</u> in terms of acceptable levels of profitability, solvency, liquidity, cash flow.</li> <li>4) To achieve its objectives, a turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavourable industry characteristics.</li> </ol> <p><b>Condition or indicators:</b> There are certain conditions or indicators which point out that a turnaround is needed if the organization has to survive. These danger signs are;</p> <ol style="list-style-type: none"> <li>1) Persistent <u>negative cash flow</u></li> <li>2) <u>Negative profits</u></li> <li>3) <u>Declining market share</u></li> <li>4) <u>Deterioration in physical facilities</u></li> <li>5) <u>Overmanning, high turnover of employees, and low morale</u></li> <li>6) <u>Uncompetitive products or services</u></li> <li>7) <u>Mismanagement</u></li> </ol>

	<p><b>A workable action plan for turnaround</b></p> <ol style="list-style-type: none"> <li>1) Stage One–<b>Assessment of current problems</b></li> <li>2) Stage Two–<b>Analyze the situation and develop a strategic plan</b></li> <li>3) Stage Three–<b>Implementing an emergency action plan</b></li> <li>4) Stage Four–<b>Restructuring the business</b></li> <li>5) Stage Five–<b>Returning to normal Elements Contributing towards the turnaround</b></li> </ol>												
11.	Distinguish between 'Market development' and 'Product development'. (May 2016, Nov 2022 RTP, April 2023 MTP Modified)												
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12.	<p>Leatherite Ltd. started as a leather company to manufacture footwear. Currently they are in manufacturing of footwear for males and females. The top management desires to expand the business in the leather manufacturing goods. To expand they decided to pursue more machines to manufacture leather bags for males and females. Identify and explain the strategy opted by top management of Leatherite Ltd. (Nov 2021 RTP)</p> <p style="text-align: center;"><b>OR</b></p> <p>There has been fierce demand for both Gecko and FluBee for the last 3 years. Gecko makes mass consumption pens while FlyBee is a notebook and diary brand-both being complimentary 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. (March 2022 MTP-1)</p>												
Ans.	<ol style="list-style-type: none"> <li>1) Leatherite Ltd. is currently manufacturing leather footwear for males and females and its top management has decided to expand its business by manufacturing leather bags for males and females.</li> <li>2) Both the products are <u>similar in nature</u> and <u>within the same industry</u>.</li> <li>3) Strategy opted by Leatherite Ltd. is <u>concentric diversification</u>. They were in business of manufacturing <u>leather footwear</u> and now they will manufacture <u>leather bags</u>. They can use <u>existing infrastructure &amp; distribution channel</u>.</li> <li>4) Concentric diversification amounts to related diversification.</li> <li>5) The <u>new business is linked to existing businesses through process, technology or marketing</u>. New product is a <u>spin-off from existing facilities/products/ processes</u>. There are <u>benefits of synergy with current operations</u>.</li> </ol>												
13.	Describe the construction of the BCG matrix and discuss its utility in strategic management. (May 2009, ICAI SM)												

- Ans.**
- 1) **Boston Consulting Group (BCG)** matrix provides a graphic representation for an organization to examine different businesses in its portfolio on the basis of their relative market shares and industry growth rates.
  - 2) It is a four-cell matrix and each cell has been given appropriate name by BCG.
  - 3) Vertical axis denotes rate of growth of sales in percentage for a particular industry.
  - 4) Horizontal axis denotes relative market share and serves as a measure of company strength in the market.



**The Four Cells of the BCG Matrix are:**

<b>Star</b>	These are <u>high growth- high market share businesses, growing rapidly.</u> They need <u>heavy investment</u> to maintain their position and finance rapid growth potential. They are <u>primary units needing investment</u> , as stars are expected to become cash cows.
<b>Cow</b>	These are <u>low growth-high market share businesses</u> that generate huge cash, but their growth rate is slow. They are <u>established, successful, and need less investment.</u> Cash from “cows” should be <u>invested in stars to support further growth.</u>
<b>Question Marks</b>	These are <u>high growth -low market share businesses.</u> These are also called ‘ <u>Problem Children</u> ’. They <u>require huge cash to maintain or gain market share.</u> They are <u>new products</u> needing heavy investment. Firms can turn them <u>into stars and then to cash cows.</u>
<b>Dogs</b>	These are <u>low growth- low share business/products.</u> They may generate <u>enough cash to maintain themselves</u> in the market but <u>do not have much future.</u> They should be <u>minimized by divestment or liquidation.</u>

**After classifying products or SBUs, firms can pursue any of the four strategies:**

- 1) **Hold:** This strategy is used for businesses/products that are stars. Objective is to preserve market share and maintain the success.
- 2) **Harvest:** This strategy is used for businesses/products that are **cash cows**. Objective is to make as much money as possible and increase short-term cash flow by improving or renewing the product or by manufacturing by-products.

3) **Build:** This strategy is used for businesses/products that are questions marks. Objective is to create new brand, new target audience and increase market share.  
 4) **Divest:** This strategy is used for businesses/products that are dogs. Objective is to abandon the investment, sell or liquidate business to use resources elsewhere.

14. An industry comprises of only two firms – Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix;

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

(May 2010, ICAI SM)

Ans. On implementation of the BCG approach, a company classifies its different businesses on a two-dimensional growth-share matrix.

- 1) In the matrix, the vertical axis shows the market growth rate and provides a measure of market attractiveness.
- 2) The horizontal axis shows relative market share and serves as a measure of company strength in the market.
- 3) Using the given data on market share and industry growth rate of Soorya Ltd., its four products are placed in the BCG matrix as follow;



**Analysis:**

- 1) **Product A** is in the best position as it has a high relative market share and a high industry growth rate.
- 2) **Product B** has a low relative market share yet competes in a high growth industry.

	<p>3) <b>Product C</b> has a <u>high relative market share</u> but competes in an <u>industry with a negative growth rate</u>. The company should take advantage of its present position that may be difficult to sustain in the long run.</p> <p>4) <b>Product D</b> is in <u>the worst position</u> as it has a <u>low relative market share</u> and competes in an industry with a <u>negative growth rate</u>.</p>
15.	<p><b>Write a short note on the role of ADL Matrix in assessing the competitive position of a firm.</b> (Nov 2016)</p> <p style="text-align: center;"><b>OR</b></p> <p><b>Explain the role of ADL Matrix in assessing the competitive position of a firm.</b> (RTP May 2022)</p>
Ans.	<p>The ADL matrix has derived its name from Arthur D. Little, which is a portfolio analysis method based on the product life cycle. The approach forms a <u>two-dimensional matrix based on the stage of industry maturity and the firm's competitive position, environmental assessment and business strength assessment</u>.</p> <p>The role of the ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:</p> <ol style="list-style-type: none"> <li>1) <b>Dominant:</b> This is a <u>comparatively rare position</u> and, in many cases, is attributable either to a monopoly or a strong and protected technological leadership.</li> <li>2) <b>Strong:</b> By virtue of this position, <u>the firm has a considerable degree of freedom over its choice of strategies</u> and is often able to act without its market position being unduly threatened by its competitors.</li> <li>3) <b>Favourable:</b> This position, which generally comes about when the <u>industry is fragmented, and no one competitor stand out</u> clearly, results in the market leaders a reasonable degree of freedom.</li> <li>4) <b>Tenable:</b> Although the firms within this category are <u>able to perform satisfactorily</u> and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.</li> <li>5) <b>Weak:</b> The <u>performance</u> of firms in this category is generally <u>unsatisfactory</u>, although opportunities for improvement do exist.</li> </ol>
16.	<p>In the light of BCG Growth Matrix state the situation under which the following Strategic options are suitable:</p> <ol style="list-style-type: none"> <li>1) Build</li> <li>2) Hold</li> <li>3) Harvest</li> <li>4) Divest</li> </ol> <p style="text-align: right;"><b>(Nov 2011, May 2017)</b></p>
Ans.	<p>In the light of the BCG Growth Matrix, once an organization has classified its products or SBUs, it must <u>determine what role each will play in the future</u>.</p> <ol style="list-style-type: none"> <li>1) <b>Build:</b> This strategy is used for businesses/products that are questions marks. Objective is to <u>create a new brand, new target audience and increase current market share</u> even by forgoing short-term earnings in favor of building a strong future with a large market share.</li> <li>2) <b>Hold:</b> This strategy is used for businesses/products that are <u>stars</u>. Objective is to <u>preserve market share and maintain the success</u>.</li> <li>3) <b>Harvest:</b> This strategy is used for businesses/products that are cash cows. Objective is to <u>make as much money as possible and increase short-term cash flow by improving or renewing the product or by manufacturing by-products</u>.</li> <li>4) <b>Divest:</b> This strategy is used for businesses/products that are <u>dogs</u>. Objective is to <u>abandon the investment, sell or liquidate business to use resources elsewhere</u>. It is followed when <u>market is saturated</u>, or there is <u>no or little interest</u> in product.</li> </ol>

17.	Explain the GE model. How is it useful in making strategic choices? (May 2011 RTP, May 2016 modified )																					
Ans.	<p><b>General Electric Model:</b></p> <ol style="list-style-type: none"> <li>1) This model is used by General Electric Company_(developed by GE with the assistance of the consulting firm Mckinsey &amp; Company).</li> <li>2) It is also known as <u>Business Planning Matrix, GE Nine cell Matrix and GE Electric Model.</u></li> <li>3) The strategic planning approach in this model has been <u>inspired by traffic control lights.</u></li> <li>4) Lights used to manage traffic are; <u>green for go, amber or yellow for caution, and red for stop.</u></li> <li>5) This model uses two factors while taking a strategic decision: <u>Business strength and market attractiveness.</u> The vertical axis indicates market attractiveness, and the horizontal axis shows the business strength in the industry.</li> </ol> <p><b>The market attractiveness is measured by a number of factors like:</b></p> <p>Size of the market.</p> <ol style="list-style-type: none"> <li>1) Market growth rate.</li> <li>2) Industry profitability.</li> <li>3) Competitive intensity.</li> <li>4) Availability of technology.</li> <li>5) Pricing trends.</li> <li>6) Overall risk-off returns in the industry.</li> <li>7) Opportunity for differentiation of products and services.</li> <li>8) Demand Variability.</li> <li>9) Segmentation.</li> <li>10) Distribution structure (e.g. retail, direct, wholesale) etc.</li> </ol> <p><b>Business Strength is measured by drivers like:</b></p> <ol style="list-style-type: none"> <li>1) Market share.</li> <li>2) Market share growth rate.</li> <li>3) Profit margin.</li> <li>4) Distribution efficiency.</li> <li>5) Brand image.</li> <li>6) Ability to compete on price and quality.</li> <li>7) Customer loyalty.</li> <li>8) Production capacity.</li> <li>9) Technological capability.</li> <li>10) Relative cost position.</li> <li>11) Management caliber etc.</li> </ol> <div style="text-align: center; margin-top: 20px;"> <p><b>Business Strength</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" rowspan="2"></th> <th colspan="3">Business Strength</th> </tr> <tr> <th>Strong</th> <th>Average</th> <th>Weak</th> </tr> </thead> <tbody> <tr> <th rowspan="3" style="writing-mode: vertical-rl; transform: rotate(180deg);">Market Attractiveness</th> <th>High</th> <td>Green</td> <td>Green</td> <td>Yellow</td> </tr> <tr> <th>Medium</th> <td>Green</td> <td>Yellow</td> <td>Red</td> </tr> <tr> <th>Low</th> <td>Yellow</td> <td>Red</td> <td>Red</td> </tr> </tbody> </table> </div>			Business Strength			Strong	Average	Weak	Market Attractiveness	High	Green	Green	Yellow	Medium	Green	Yellow	Red	Low	Yellow	Red	Red
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	<p style="text-align: center;"><b>Figure: The GE Portfolio Matrix</b></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Zone</u></td> <td style="text-align: center;"><u>Strategic Signals</u></td> </tr> <tr> <td style="text-align: center;">Green</td> <td style="text-align: center;">Invest/Expand</td> </tr> <tr> <td style="text-align: center;">Yellow</td> <td style="text-align: center;">Select/Earn</td> </tr> <tr> <td style="text-align: center;">Red</td> <td style="text-align: center;">Harvest/Divest</td> </tr> </table> <p><b>If a product falls in the green section</b>, the business is in an <u>advantageous position</u>. To reap the benefits, the strategic decision can be to expand, invest and grow.</p> <p><b>If a product is in the amber or yellow zone</b>, it <u>needs caution</u>, and managerial discretion is called for making strategic choices.</p> <p><b>If a product is in the red zone</b>, it will eventually <u>lead to losses</u> that would make things difficult for organisations. In such cases, the appropriate strategy should be retrenchment, divestment or liquidation.</p>		<u>Zone</u>	<u>Strategic Signals</u>	Green	Invest/Expand	Yellow	Select/Earn	Red	Harvest/Divest
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<p><b>18.</b></p>	<p>Diversification endeavors can be categorized into four broad classifications. State the basis for this classification and name the four categories. How is concentric diversification different from vertical diversification? Explain.</p> <p style="text-align: right;"><b>(May 2022 RTP, Oct 2022 MTP-2)</b></p>									
<p><b>Ans.</b></p>	<p>Diversification strategy involves <u>expansion into new businesses</u> that are <u>outside the current business and markets</u> of an organization. Based on <u>nature and extent of their relationship to existing businesses</u>, diversification can be classified into <u>four broad categories</u>.</p> <ol style="list-style-type: none"> <li>1) <u>Vertically integrated</u> diversification</li> <li>2) <u>Horizontally integrated</u> diversification</li> <li>3) <u>Concentric</u> diversification</li> <li>4) <u>Conglomerate</u> diversification</li> </ol> <p><b>In concentric diversification</b>, new business is related to existing businesses through process, technology or marketing. The <u>new product</u> is a <u>spin-off from the existing facilities</u> and products/processes. There are <u>benefits of synergy</u> with the current operations. There is <u>no vertical linkage</u> and a new product is just connected in a loop like manner at one or more points in firm's <u>existing process/technology/product chain</u>. But, it differs from vertically integrated diversification in terms of nature of linkage new product has with existing ones.</p> <p><b>In vertically integrated diversification</b>, firms opt to engage in businesses that are related to existing business of the firm. The firm remains <u>vertically within the same process</u>. Sequence moves <u>forward or backward</u> in the chain and enters specific products with the intention of making them into new businesses of firm. The <u>new product falls within</u> the firm's <u>current process-product chain</u>.</p>									
<p><b>19.</b></p>	<p>Distinguish between the following; Vertically Integrated Diversification and Horizontally Integrated Diversification.</p> <p style="text-align: right;"><b>(Nov 2012, Nov 2018 RTP)</b></p>									
<p><b>Ans.</b></p>	<p style="text-align: center;"><b>Vertically Integrated Diversification</b></p> <p>In vertically integrated diversification, firms <u>opt to engage in businesses</u> that are <u>related to the existing business</u> of firm. Firm remains <u>vertically within the same process/sequence, moving forward or backward in the chain and enters specific steps to gain more control on supply chain</u>.</p>	<p style="text-align: center;"><b>Horizontally Integrated Diversification</b></p> <p>In horizontal Integrated diversification takes place through <u>acquisition of one or more similar businesses operating</u> at same stage of production- a marketing chain. Or by going into complementary product or taking over competitor's products.</p>								

20.	<p>What is a stability strategy? What are the reasons to pursue a stability strategy? <span style="float: right;">(Nov 2019 RTP)</span></p> <p style="text-align: center;"><b>OR</b></p> <p>ABC Steel Industries finds out that its products have reached at maturity stage and already has over capacity. Therefore it concentrates on maintaining operational efficiency of its plants. Identify the strategy implemented by ABC Steel Industries with reasons. <span style="float: right;">(May 2022)</span></p>
Ans.	<p>One of the <u>important goals</u> of a business enterprise is <u>stability</u> - to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimize returns on the resources committed in the business.</p> <p><b>A stability strategy is pursued by a firm when:</b></p> <ol style="list-style-type: none"> <li>1) It <u>continues to serve in same/similar markets</u> and deals in same/similar products</li> <li>2) Strategic decisions focus on <u>incremental improvement of functional performance</u>.</li> </ol> <p><b>Major reasons for stability strategy are as follows:</b></p> <ol style="list-style-type: none"> <li>1) A product has <u>reached the maturity stage</u> of the product life cycle.</li> <li>2) It is <u>less risky as it involves fewer changes</u> and staff feels comfortable with things.</li> <li>3) The environment faced is <u>relatively stable</u>.</li> <li>4) Expansion may be perceived as being <u>threatening</u>.</li> <li>5) <u>Consolidation is sought</u> through <u>stabilizing</u> after a period of rapid expansion.</li> </ol>
21.	<p>Write a short note on expansion through acquisitions and mergers. <span style="float: right;">(Nov. 2014)</span></p>
Ans.	<p>Expansion Strategies are used to <u>expand firms' operations by adding markets, products, services, or stages of production to the existing business</u>. The purpose of diversification is to allow company to enter lines of business that are different from current operations. <b>Co-centric diversification</b> occurs when new venture is strategically related to existing lines of business. <b>Conglomerate diversification</b> occurs when there is no common thread of strategic fit or relationship between new and old lines of business.</p> <p><b>External diversification</b> occurs when a firm <u>looks outside of its current operations and buys access to new products or markets</u>.</p> <p><b>Mergers:</b></p> <ol style="list-style-type: none"> <li>1) Mergers are common form of external diversification.</li> <li>2) Mergers occur when <u>two or more firms combine operations to form one corporation</u>, perhaps with a new name.</li> <li>3) These firms are usually of <u>similar size</u>.</li> <li>4) Goal is to achieve <u>management synergy</u> by creating a stronger management team.</li> <li>5) This can be achieved by <u>combining management teams</u> from the merged firms.</li> <li>6) Mergers are usually "friendly".</li> </ol> <p><b>Acquisitions:</b></p> <ol style="list-style-type: none"> <li>1) Acquisitions, second form of external growth, occur <u>when purchased corporation loses its identity and acquiring company absorbs it</u>.</li> <li>2) Acquired company and its assets <u>may be absorbed into an existing business unit or remain intact as an independent subsidiary</u> within the parent company.</li> <li>3) Acquisitions usually occur when <u>larger firm purchases a smaller company</u>.</li> <li>4) They are called friendly if firm being purchased is receptive to the acquisition.</li> <li>5) Unfriendly mergers or hostile takeovers occur when the management of the firm targeted for acquisition <u>resists being purchased</u>.</li> </ol>

22.	<p>Vastralok Ltd. was started as a textile company to manufacture cloth. Currently, they are in the manufacturing of silk cloth. However, the top management desires to expand they decided to purchase more machines to manufacture cotton cloth.</p> <p>Identify and explain the strategy opted by the top management of Vastralok Ltd.</p> <p style="text-align: right;"><b>(Nov 2018 RTP)</b></p>															
Ans.	<p>Vastralok Ltd. is currently manufacturing <u>silk cloth</u>, and its top management has decided to expand its business by manufacturing <u>cotton cloth</u>. Both the products are similar within the same industry. The strategic diversification that the top management of Vastralok Ltd. has <u>opted for is concentric in nature</u>.</p> <p>They were in the business of manufacturing silk, and now they will manufacture cotton as well. They will be able to use <u>existing infrastructure and distribution channels</u>. <u>Concentric diversification amounts to related diversification</u>.</p> <p>In concentric diversification, the new business is linked to the existing businesses through the process, technology or marketing. The <u>new product</u> is a <u>spin-off from the existing facilities and products/ processes</u>. This means that in concentric diversification, too, there are <u>benefits of synergy with the current operations</u>.</p>															
23.	<p>Write a short note on: Reasons to adopt Turnaround Strategies.</p> <p style="text-align: right;"><b>(Nov 2016)</b></p>															
Ans.	<p><b>Reasons for adopting a turnaround strategy is as follows:</b></p> <ol style="list-style-type: none"> <li>1) Turnaround is needed <u>when an enterprise's performance deteriorates</u> to the point that it needs radical change of direction in strategy and in structure and culture.</li> <li>2) <u>To return an underperforming or distressed company to normalcy</u> in terms of acceptable levels of profitability, solvency, liquidity and cash flow.</li> <li>3) To achieve its objectives, a turnaround strategy <u>must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement</u>.</li> </ol>															
24.	<p>Distinguish between the Expansion Strategy and Retrenchment Strategy.</p> <p style="text-align: right;"><b>(May 2012)</b></p>															
Ans.	<table border="1"> <thead> <tr> <th data-bbox="245 1220 331 1297">S. No.</th> <th data-bbox="331 1220 550 1297">Basis of Difference</th> <th data-bbox="550 1220 1021 1297">Expansion Strategy</th> <th data-bbox="1021 1220 1438 1297">Retrenchment Strategy</th> </tr> </thead> <tbody> <tr> <td data-bbox="245 1297 331 1451">1)</td> <td data-bbox="331 1297 550 1451"><b>When followed</b></td> <td data-bbox="550 1297 1021 1451">An expansion strategy is followed when organization <u>broadens scope of one or more of its business</u> in order to improve its overall performance.</td> <td data-bbox="1021 1297 1438 1451">A retrenchment strategy is followed when organization may <u>want to redefine its business</u>.</td> </tr> <tr> <td data-bbox="245 1451 331 1749">2)</td> <td data-bbox="331 1451 550 1749"><b>Done Through</b></td> <td data-bbox="550 1451 1021 1749"> <ol style="list-style-type: none"> <li>1) Increasing level of objectives in terms of market share, sales etc.</li> <li>2) Increasing functional performance</li> <li>3) Adding new product line to the present one.</li> <li>4) By mergers or acquisitions</li> </ol> </td> <td data-bbox="1021 1451 1438 1749"> <ol style="list-style-type: none"> <li>1) Divestment of a major product line or an SBU,</li> <li>2) Abandoning some markets or reducing its functions.</li> <li>3) Necessitates firm to use layoffs, reduce R&amp;D or marketing, increase collection of receivables etc.</li> </ol> </td> </tr> </tbody> </table>	S. No.	Basis of Difference	Expansion Strategy	Retrenchment Strategy	1)	<b>When followed</b>	An expansion strategy is followed when organization <u>broadens scope of one or more of its business</u> in order to improve its overall performance.	A retrenchment strategy is followed when organization may <u>want to redefine its business</u> .	2)	<b>Done Through</b>	<ol style="list-style-type: none"> <li>1) Increasing level of objectives in terms of market share, sales etc.</li> <li>2) Increasing functional performance</li> <li>3) Adding new product line to the present one.</li> <li>4) By mergers or acquisitions</li> </ol>	<ol style="list-style-type: none"> <li>1) Divestment of a major product line or an SBU,</li> <li>2) Abandoning some markets or reducing its functions.</li> <li>3) Necessitates firm to use layoffs, reduce R&amp;D or marketing, increase collection of receivables etc.</li> </ol>			
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	<b>3) Reason</b>	<ol style="list-style-type: none"> <li>1) To grow</li> <li>2) To survive in changing environment</li> <li>3) To increasing size and gain more control over the market.</li> <li>4) To gain advantages because of experience curve.</li> </ol>	<ol style="list-style-type: none"> <li>1) The firm is doing poorly.</li> <li>2) There is pressure from various stakeholders to improve performance.</li> <li>3) Better opportunities for doing business are available elsewhere.</li> </ol>
<b>25.</b>	What is meant by retrenchment strategy?		<b>(May 2008)</b>
<b>Ans.</b>	<p><b>Retrenchment Strategy:</b></p> <ol style="list-style-type: none"> <li>1) Retrenchment Strategy involves <u>redefining business and divesting</u> a major product line or an SBU, abandoning some markets or reducing its functions.</li> <li>2) Retrenchment in pace may necessitate a firm to <u>use layoffs, reduce R&amp;D or marketing or other outlays, increase the collection of receivables</u> etc.</li> <li>3) The efforts aimed at redefining business and reducing pace of activities <u>can improve the performance of a firm.</u></li> <li>4) Retrenchment in combination with the expansion is <u>uncommon.</u></li> <li>5) Retrenchment alone is the <u>least frequently used generic strategy.</u></li> </ol> <p><b>Reasons for following Retrenchment Strategy:</b></p> <ol style="list-style-type: none"> <li>1) The firm is <u>doing poorly.</u></li> <li>2) If there is pressure from various groups of <u>stakeholders to improve performance.</u></li> <li>3) If <u>better opportunities</u> are available elsewhere, a firm can better utilize its strengths.</li> </ol>		
<b>26.</b>	Distinguish between Co-Generic Merger and Conglomerate Merger.		<b>(May 2017)</b>
<b>Ans.</b>	<p><b>Co-generic Merger and Conglomerate Merger</b></p> <p><b>Co-Generic Merger,</b></p> <ol style="list-style-type: none"> <li>1) <u>Two or more merging organizations are associated with the production process, business markets, or basic required technologies.</u> Such mergers include the extension of the product line or acquiring components that are required in the daily operations.</li> <li>2) It offers <u>great opportunities for businesses to diversify around a common set of resources and strategic requirements.</u> For example, an organization in the white goods categories, such as refrigerators, can diversify by merging with another organization having business in kitchen appliances.</li> </ol> <p><b>Conglomerate mergers;</b></p> <ol style="list-style-type: none"> <li>1) The <u>combination of organizations</u> that are <u>unrelated</u> to each other. There are no linkages with respect to customer groups, customer functions and technologies being used.</li> <li>2) There are <u>no important common factors</u> between the organizations in production, marketing, research and development and technology. In practice, however, there is some degree of overlap in one or more of these factors.</li> </ol>		
<b>27.</b>	What is an expansion strategy? State and discuss briefly the two types of expansion strategies followed by firms.		<b>(Nov 2016)</b>
<b>Ans.</b>	<p><b>Expansion Strategy:</b> Every <u>organization plans to expand.</u> An organization that is not expanding is said to be falling behind.</p> <p>An expansion strategy is followed when an organization broadens the scope of one or more of its businesses in order to improve its overall performance.</p> <p><b>Reasons for Adoption:</b></p> <ol style="list-style-type: none"> <li>1) Growth is often a cherished cultural value.</li> <li>2) In the <u>face of changing environment,</u> growth is necessary for survival.</li> </ol>		

	<p>3) <u>Increasing size</u> may lead to more control over the market.</p> <p>4) Advantages from the experience curve may accrue.</p> <p><b>Variants of Expansion Strategy:</b></p> <p>1) Intensive growth strategy.</p> <p>2) Diversification Strategy.</p> <p>    i) Horizontal diversification:</p> <p>    ii) Concentric diversification.</p> <p>    iii) Conglomerate diversification.</p> <p>    iv) Vertical diversification</p> <p>        a) Forward integration</p> <p>        b) Backward integration</p> <p><b>Intensive Growth Strategy:</b> Consists of <u>increasing sales revenue</u> profit and market share of the existing product line.</p> <p><b>Diversification Strategy:</b> It is a strategy in which the <u>growth objective or expansion objective is achieved</u> by adding new products or services to the existing product line.</p>
28.	<p>Identify with reasons the type of growth strategies followed in the following cases:</p> <p>1) A leading producer of confectionery products advertising the new uses of its product 'Choko Mix' aggressively.</p> <p>2) A company in the publishing industry is deciding to revise college textbooks.</p> <p>3) A renowned company in the textile industry is starting to manufacture PFY and PSF, critical raw materials for textiles.</p> <p>4) A business giant in auto manufacturing enters into edible oils, hotels, financial services and dairy businesses. <span style="float: right;">(Nov 2015)</span></p>
Ans.	<p>1) The producer is following <b>Market Penetration Growth Strategy</b>. It is a growth strategy where a business focuses on selling existing products in existing market. It is achieved by making more sales to present customers without changing products in any major way. It is done by more advertisement. Here, producer of confectionery products advertising new uses of its <b>existing product in existing market</b>. So, product and market are same as previous, so the producer follows market penetration growth strategy.</p> <p>2) The company here follows a <b>Product Development Growth Strategy</b>: It refers to growth strategy where business aims to introduce new products in market. Here, company in publishing industry decides to revise college textbooks in market. So it is following product development growth strategy.</p> <p>3) The company has adopted <b>Backward Integration Growth Strategy</b> under vertically integrated diversification since it has started with manufacture of critical raw material and also ensure that company retains margins in dealing with raw materials which otherwise would have gone to its suppliers.</p> <p>4) Here, the company is following <b>Diversification Growth Strategy</b>. It refers to strategy where business markets produce new products in new markets. Here, business giant in auto manufacturing enters into edible oils hotels, financing and dairy services, so it produces new products and serves new customers.</p>
29.	<p>A Bakery starts producing pastries and other similar products. What type of diversification strategy is being followed by it and why? <span style="float: right;">(Nov 2015)</span></p>
Ans.	<p>A bakery produces and sells flour-based food baked in an oven like breads, cakes, cookies, etc. In the given case a bakery that has earlier not produced pastries <u>now starts producing them</u> and other similar products. So it is following <u>concentric diversification</u> which can be called <u>related diversification</u>.</p>

	In this diversification, the new business is <b>linked to the existing businesses</b> through existing systems such as <b>processes, technology or marketing</b> . The new product is a <b>spin-off</b> from the existing facilities and products/processes. There are <b>benefits of synergy</b> with the current operations. The most <b>common reason</b> for pursuing a concentric diversification is that <b>opportunities in existing line of business</b> are available.
30.	What does the concept of 'question marks' in the context of the BCG Growth-Share matrix signify? What strategic options are open to a business firm which has some 'question marks' in the portfolio of its businesses? <b>(May 2015)</b>
Ans.	<ol style="list-style-type: none"> <li>1) The concept of 'question marks' in the context of the BCG Growth-Share matrix is <b>high growth &amp; low market share</b>.</li> <li>2) They <b>require a huge amount of cash</b> to maintain or gain market share.</li> <li>3) Question marks are generally <b>new goods and services which have a good commercial prospect</b>.</li> <li>4) There is <b>no specific strategy</b> that can be adopted. If the firm thinks it has a dominant market share, then it can adopt expansion strategy, else retrenchment strategy.</li> <li>5) Most businesses start as question marks as the company tries to enter a high growth market in which there is already a market share.</li> <li>6) If ignored, the question marks may become dogs, while if a huge investment is made, they have the potential of becoming stars.</li> </ol>
31.	In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases: <ol style="list-style-type: none"> <li>1) A leading producer of toothpaste advises its customers to brush their teeth twice a day to keep their breath fresh.</li> <li>2) A business giant in the hotel industry decides to enter into the dairy business.</li> <li>3) One of India's premier utility vehicle manufacturing companies ventures to foray into foreign markets.</li> <li>4) A renowned auto manufacturing company launches ungeared scooters in the market.</li> </ol> <b>(ICAI SM)</b>
Ans.	Ansoff's product-market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. This matrix further helps to analyse different strategic directions. According to Ansoff, there are four strategies that organisations might follow. <ol style="list-style-type: none"> <li>1) <b>Market Penetration:</b> A leading producer of toothpaste, advises its customers to brush their teeth twice a day to keep their breath fresh. It refers to a growth strategy where the business focuses on selling existing products into existing markets.</li> <li>2) <b>Diversification:</b> A business giant in the hotel industry decides to enter into the dairy business. It refers to a growth strategy where a business markets new products in new markets.</li> <li>3) <b>Market Development:</b> One of India's premier utility vehicle manufacturing companies ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to sell its existing products into new markets.</li> <li>4) <b>Product Development:</b> A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where the business aims to introduce new products into existing markets.</li> </ol>
32.	Ajanta & Sons Limited are manufacturers of domestic household security alarms for high income group homeowners in India. The company is currently reviewing two strategic options. <p><b>Option 1:</b> Selling the same alarms although with different coverings to smaller and low-income group households at a lower price.</p> <p><b>Option 2:</b> Development of new, more sophisticated alarms and a wide range of security services (guards and surveillance) for sale to industrial clients for higher prices.</p> <p>The senior management team of Ajanta &amp; Sons Limited is keen to analyse the two options using Ansoff's Matrix. <b>(Nov 2021 RTP)</b></p>



<b>Ans.</b>	<p>Selling the same alarms although with different coverings to smaller and low-income group households at a lower price represents market development, as the <u>same product is being sold into a new market</u>. Market Development refers to a growth strategy which businesses seek to sell its <u>existing product into new markets</u>. It is a strategy for growth by identifying and developing new markets for the existing products of company.</p> <p>Development of new, more sophisticated alarms and a wide range of security services (guards and surveillance) for sale to industrial clients for higher prices represents diversification, as it involves a <u>new product being sold in a new market</u>. Diversification refers to a growth strategy where a business offers new products in new markets. It is a strategy by starting up or acquiring business <u>outside the company's current products and markets</u>.</p>
<b>33.</b>	<p>Explain the strategic implications of each of the following type of business in corporate portfolio:</p> <ol style="list-style-type: none"> <li>1) Stars</li> <li>2) Question marks</li> <li>3) Cash cows</li> <li>4) Dogs</li> </ol> <p style="text-align: right;"><b>(RTP May 2022)</b></p>
<b>Ans.</b>	<p>In BCG matrix, portfolio of investments is represented in two-dimensional space. The vertical matrix represents growth rate and horizontal axis represents relative market share.</p> <p><b>Strategic implications of each of the following type of business under BCG in the corporate portfolio are as follows:</b></p> <p><b>Stars:</b> Stars are <u>high growth-high market share businesses/products</u> that are growing rapidly and are the best opportunity for expansion. They need <u>heavy investments</u> to maintain their position and finance their rapid growth potential. They should follow <u>build strategy</u>.</p> <p><b>Question Marks:</b> These are <u>high growth-low market share businesses/products</u>. If unattended they are <u>capable of becoming cash traps</u> and are called problem children. Strategic option for such businesses is to follow <u>hold strategy</u>. For this they need heavy investment.</p> <p><b>Cash Cows:</b> These are <u>low growth-high market share businesses/products</u>. They generate <u>huge amount of cash</u> and have low costs. They are <u>well established, successful and need less investment</u> to maintain their market share. Strategic option for such businesses is to follow <u>harvest strategy</u> and make as much money as possible.</p> <p><b>Dogs:</b> These are <u>low growth-low market share businesses/products</u>. They may generate enough cash just to maintain themselves but <u>do not have much future</u>. The best strategic option for such businesses is to follow <u>divest strategy</u>. They should be <u>minimized</u> by means of <u>divestment or liquidation</u>.</p>
<b>34.</b>	<p>Woodworld Ltd. is a company that 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 market share. This is due to change in taste and preferences, designing, better quality, increase in purchasing power of buyers towards 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?</p> <p style="text-align: right;"><b>(Nov 2022 RTP)</b></p>
<b>Ans.</b>	<p>Woodworld is having a product portfolio that is evidently in decline stage. The product is being replaced with latest designs with better quality of the product. Strategically the company should minimize their dependence on existing products and identify other avenues for survival and growth. As a CEO of Woodworld Ltd. following can be the strategic options available:</p>

	<ol style="list-style-type: none"> <li>1) <b>Invest in new product development</b> and switch over to the latest designs. Woodworld Ltd also need time to invest in hiring interior designers.</li> <li>2) They can <b>acquire or takeover a competitor</b>, provided they have or are able to generate enough financial resources</li> <li>3) They may also consider <b>unrelated growth</b> and identify areas of expansion. This will help Woodworld Ltd. to spread their risks.</li> <li>4) In longer run, they should <b>divest existing products</b>. However they may continue with them in a limited manner till the time there is some demand for the products.</li> </ol>									
<b>35.</b>	Write a short note on the Conglomerate Merger. <span style="float: right;"><b>(May 2015)</b></span>									
<b>Ans.</b>	<p><b>Conglomerate Merger:</b> Mergers occur when <u>two or more firms combine operations</u> to form one corporation, with a new name. These firms are usually of <u>similar size</u>. One goal of merger is to achieve management synergy by creating a stronger management team. This can be achieved by combining management teams from merged firms.</p> <ol style="list-style-type: none"> <li>1) Conglomerate Mergers are <u>combination of firms</u> that are <u>unrelated to each other</u>.</li> <li>2) There are <u>no linkages</u> with respect to <u>customer groups, customer functions and technologies</u> being used.</li> <li>3) There are <u>no important common factors</u> between organizations in <u>production, marketing, research &amp; development and technology</u>.</li> </ol> <p>In practice, there is some degree of overlap in one or more of these factors.</p>									
<b>36.</b>	Differentiate clearly between forward and backward integration. <span style="float: right;"><b>(May 2009)</b></span>									
<b>Ans.</b>	<p>Forward and backward integration forms a part of vertically integrated diversification. In this, firms opt to engage in those businesses that are vertically related to the existing business of the firm. For increasing the business, firms engaged in those businesses that are linked forward or backwards in the chain and make specific products/Processes with the intention of making them into the new business for the firm.</p> <p style="text-align: center;"><b>Grooming Education Academy</b> Pioneer in Developing Concepts</p> <p><b>Difference between Forward and Backward Integration</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Basis of Difference</th> <th style="width: 45%;">Forward Integration</th> <th style="width: 40%;">Backward Integration</th> </tr> </thead> <tbody> <tr> <td><b>Meaning</b></td> <td>Forward integration is <b><u>moving forward in the value chain and entering the business that uses existing products.</u></b> Forward integration also take place where organisations enter into business of distribution channels.</td> <td>Backward integration is a step towards, <b><u>creation of effective supply by entering into existing business</u></b> to expand profits and gain greater control over overproduction.</td> </tr> <tr> <td><b>Focus</b></td> <td>When companies are looking forward, they are usually looking to <b><u>expand their distribution or improve placement of their products.</u></b> Forward integration focuses on the manner in which company oversees its product distribution.</td> <td>Backward movement usually involves internal steps to <b><u>reduce overall dependency on things like suppliers and service providers.</u></b> It concentrates on how a company regulates its goods and supplies.</td> </tr> </tbody> </table>	Basis of Difference	Forward Integration	Backward Integration	<b>Meaning</b>	Forward integration is <b><u>moving forward in the value chain and entering the business that uses existing products.</u></b> Forward integration also take place where organisations enter into business of distribution channels.	Backward integration is a step towards, <b><u>creation of effective supply by entering into existing business</u></b> to expand profits and gain greater control over overproduction.	<b>Focus</b>	When companies are looking forward, they are usually looking to <b><u>expand their distribution or improve placement of their products.</u></b> Forward integration focuses on the manner in which company oversees its product distribution.	Backward movement usually involves internal steps to <b><u>reduce overall dependency on things like suppliers and service providers.</u></b> It concentrates on how a company regulates its goods and supplies.
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<b>37.</b>	What is meant by Concentric diversification? <span style="float: right;"><b>(Nov 2007)</b></span>									

Ans.	<p><b>Concentric or Related Diversification:</b></p> <ol style="list-style-type: none"> <li>1) When organization takes up an <b>activity related to its existing business</b> or one more of a firm's businesses in terms of <b>customer groups, customer functions or alternative technologies</b>, it is called <b>concentric diversification</b>.</li> <li>2) It occurs when a <b>firm adds related products or markets</b>.</li> <li>3) Goal is to achieve strategic fit. Strategic fit allows an organization to <b>achieve synergy</b>.</li> <li>4) Synergy is <b>ability of two or more parts of an organization to achieve greater total effectiveness together</b> than would be experienced if the efforts of the independent parts were summed.</li> <li>5) Synergy may be achieved by <b>combining firms with complementary marketing, financial, operating, or management efforts</b>.</li> </ol>																														
38.	<p>Explain the meaning of any five out of the following strategies and also give suitable examples (one each); (Any Five)</p> <ol style="list-style-type: none"> <li>1) Forward Integration</li> <li>2) Backward Integration</li> <li>3) Horizontal Integration</li> <li>4) Conglomerate Integration</li> <li>5) Divestment</li> <li>6) Liquidation</li> <li>7) Concentric Diversification</li> </ol> <p style="text-align: right;"><b>(Nov 2010)</b></p>																														
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	<b>7. Concentric Diversification</b>	In concentric diversification, the new business is added that is linked to existing business through process, technology or marketing.	Kotak Mahindra Bank gets into insurance and asset management businesses.
<b>39.</b>	<p>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.</p> <p>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.</p> <p>Discuss nature of corporate strategies being suggested by two brothers and risks involved in it.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>		
<b>Ans.</b>	<p>Gautam wishes to <u>diversify in a business</u> that is <u>not related to their existing line of product</u> 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.</p> <p>In conglomerate diversification, <u>the new businesses/ products are disjointed from the existing businesses/products</u> in every way; it is an unrelated diversification. In-process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.</p> <p>On the other hand, Siddhartha seeks to <u>move forward in the existing product chain by adopting vertically integrated diversification/ forward integration</u>. The cloth being manufactured by the existing processes can be used as the raw material of the garments manufacturing business.</p> <p>In such diversification, firms opt to <u>engage in businesses that are related to the existing business</u> of the firm. The firm remains vertically within the same process and moves forward or backwards 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.</p> <p>Both types of diversifications have their risks. In conglomerate diversification, there are <u>no linkages with customer group, marketing functions and technology used</u>, which is a risk. In vertically integrated diversification, there is risk of lack of continued focus on original business.</p>		
<b>40.</b>	<p>Pizza Galleria was India's first pizza delivery chain enjoying monopoly for several years. However, after the entry of Modiano and Uncle Jack, it is struggling to compete. Both Modiano and Uncle Jack have opened several eateries and priced the product aggressively. In the last four years, the chain has suffered significant losses. The chain wishes to know whether they should go for a turnaround strategy. List out components of the action plan for a turnaround strategy.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>		
<b>Ans.</b>	<p>Pizza Chain may choose to have a turnaround strategy if there are:</p> <ol style="list-style-type: none"> <li>1) Persistent <u>negative cash flow</u> from business.</li> <li>2) <u>Uncompetitive products or services</u>.</li> <li>3) <u>Declining market share</u>.</li> <li>4) <u>Deterioration in physical facilities</u>.</li> <li>5) <u>Over-staffing, high turnover of employees, and low morale</u>.</li> <li>6) <u>Mismanagement</u>.</li> </ol> <p>For turnaround strategies to be successful, it is imperative to focus on the <u>short and long-term</u></p>		

	<p><u>financing needs and strategic issues</u>. The chain may attempt to leverage the <u>potential Indian market</u> by engaging a new logistics partner. It may bring innovation in food items, as well as quality and improvements in the overall dine-in and delivery experience. During the turnaround, the “product mix” may be changed, requiring the organization to do some repositioning.</p> <p><b>A workable action plan for a turnaround strategy involves:</b></p> <ol style="list-style-type: none"> <li>1) Stage One – <u>Assessment of current problems</u></li> <li>2) Stage Two – <u>Analyze the situation and develop a strategic plan</u></li> <li>3) Stage Three – <u>Implementing an emergency action plan</u></li> <li>4) Stage Four – <u>Restructuring the business</u></li> <li>5) Stage Five – <u>Returning to normal</u></li> </ol>
<b>41.</b>	<p>Organo is a large supermarket chain. It is considering purchasing a number of farms that provide 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?</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
<b>Ans.</b>	<p>Organo is a large supermarket chain. By opting for <u>backward integration and purchase a number of farms</u>, it will have greater control over its supply chain.</p> <p>Backward integration is a step towards, <u>creation of effective supply</u> by entering the business of input providers.</p> <p>The strategy employed to <u>expand profits and gain greater control</u> over producing a product whereby a company will purchase or build a business will increase its own supply capability or lessen its cost of production.</p>
<b>42.</b>	<p>Swift Insurance is a company engaged in providing medical insurance, maintaining a market share of 25 to 30 per cent in the last five years. Recently, the company decided to enter into the business of auto insurance by having foreign collaboration. Identify the strategy being followed by Swift Insurance with its advantages.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
<b>Ans.</b>	<p>Overall, Swift Insurance is following a <u>growth or expansion strategy</u> as it is redefining the business and enlarging its scope. The step will also substantially increase investment in the business.</p> <p>The <u>new business is related</u> and at the <u>same time caters to a different segment</u> and accordingly can be termed as related diversification. The new business falls within the scope of general insurance and is horizontally related to the existing business.</p> <p>In the process of expansion, company will be able to exploit:</p> <ol style="list-style-type: none"> <li>1) <u>Its brand name.</u></li> <li>2) <u>The marketing skills available.</u></li> <li>3) <u>The existing sales and distribution infrastructure.</u></li> <li>4) <u>Research and development.</u></li> <li>5) <u>Economies of scale</u></li> </ol>
<b>43.</b>	<p>With the global economic recession, Soft Cloth Ltd. incurred significant losses in its previous five financial years. Currently, they are into manufacturing cloth made of cotton, silk, polyester, rayon, lycra and blends. However, competition is also intense on account of cheap imports. As a result, the company is facing a 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.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
<b>Ans.</b>	<p>Soft Cloth Ltd. is <u>facing internal as well as external challenges</u>. The external environment is in an economic recession, and the organization is facing a cash crunch. Therefore, the company needs to work on a retrenchment strategy. The strategy is suitable in case of issues such as:</p> <ol style="list-style-type: none"> <li>1) <u>Persistent negative cash flow.</u></li> </ol>

	<ol style="list-style-type: none"> <li>2) <u>Uncompetitive products or services</u></li> <li>3) <u>Declining market share</u></li> <li>4) <u>Deterioration in physical facilities</u></li> <li>5) <u>Overstaffing, high turnover of employees, and low morale</u></li> <li>6) <u>Mismanagement</u></li> </ol> <p>The company may consider <b>reducing the scope of its activity substantially</b>. 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.</p> <p>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 <b>turnaround strategy</b>.</p> <p>If it cuts off the loss-making units, divisions, or SBUs, curtails its product line or reduces the functions performed, it adopts a <b>divestment strategy</b>. If none of these actions works, it may choose to abandon the activities, resulting in a <b>liquidation strategy</b>.</p>
44.	<p>Mini theatre Ltd. was a startup venture of three young IIM graduates. They developed an application to watch web-based content like web series, TV Shows, theatre shows, etc., after purchasing their exclusive rights. They were successful in getting many consumers enrolled with them. After a certain span of time, the company realized that some regional content like 'Bangla movies', 'Gujarati shows' etc., were having a high cost and less viewership. The leadership team of Mini Theatre Ltd. decided to sell the rights and curtail any further content development in these areas.</p> <p>Identify and explain the corporate strategy adopted by the leadership team of Mini Theatre Ltd.</p> <p style="text-align: right;"><b>(May 2021 RTP)</b></p>
Ans.	<p>Mini Theatre Ltd.'s leadership team decided to <u>cut off the loss-making units and reduce the functions performed</u>. Some regional content like 'Bangla movies', 'Gujarati shows', and its high cost and less viewership adopt a divestment strategy. The leadership team of Mini Theatre Ltd. decided to <u>sell the rights and curtail any further content development</u> in these areas. The corporate strategy adopted by the leadership team of Mini Theatre Ltd. is <b>divestment strategy</b>.</p> <p>Divestment strategy involves <u>the sale or liquidation of a portion of the business</u>, 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. The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.</p>
45.	<p>Justify the statement "Stability strategy is opposite of Expansion strategy".</p> <p style="text-align: right;"><b>(May 2021 RTP)</b></p>
Ans.	<p><b>Stability Strategies</b> are intended to safeguard <u>existing interests and strengths of business</u>.</p> <ol style="list-style-type: none"> <li>1) It involves organisations to <u>pursue established and tested objectives</u>, continue on the <u>chosen path, maintain operational efficiency</u> and so on.</li> <li>2) It is pursued when a <u>firm continues to serve in same or similar markets</u> and deals in the <u>same products and services</u>.</li> <li>3) In this, <u>few functional changes are made</u> in the products/markets. However, it is not a 'do nothing strategy'.</li> <li>4) This strategy is <u>typical for mature business organizations</u>. However, <u>some small organizations also frequently use stability as a strategic focus to maintain a comfortable market or profit position</u>.</li> </ol> <p><b>On the other hand, expansion strategy</b> is the <u>aggressive strategy</u> as it involves <u>redefining business</u> by adding scope of business substantially, increasing efforts of current business. In this sense, it becomes opposite of stability strategy.</p> <ol style="list-style-type: none"> <li>5) It is a promising and popular strategy, equated with dynamism, vigour, promise, success.</li> <li>6) The <u>expansion also includes diversifying, acquiring and merging businesses</u></li> <li>7) This strategy takes enterprise along unknown risky paths, full of promises and pitfalls.</li> </ol>



46.	<p>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.?</p> <p style="text-align: right;"><b>(Sep 2022 MTP-1)</b></p>
Ans.	<p>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.</p> <p>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.</p> <p>Jynklo Ltd. diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification.</p> <p>In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it is unrelated diversification.</p> <p>In process/ technology/ function, there is no connection between the new products and the existing ones.</p> <p>Conglomerate diversification has no common thread at all with the firm's present position.</p>
47.	<p>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.</p> <p>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.</p> <p>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.</p> <p>In view of the facts given above:</p> <ol style="list-style-type: none"> <li>1) 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?</li> <li>2) In case, HLP is sold out to HPPL and HLP ceased to exist, what type of growth strategy will this strategic deal be?</li> <li>3) What are the differences between the above two identified growth strategies?</li> </ol> <p style="text-align: right;"><b>(May 2023)</b></p>
Ans.	<ol style="list-style-type: none"> <li>1) If HPPL and HLP join hands and make new entity named Health N Hygiene Pharma Ltd., then this type of strategic deal will be called a <b>Merger</b>.</li> <li>2) In case, HLP is sold out to HPPL and HLP ceased to exist, then this type of strategic deal will be called an <b>Acquisition</b>.</li> <li>3) <b>Differences between Mergers &amp; Acquisitions are:</b></li> </ol> <p><b>Merger</b></p> <ol style="list-style-type: none"> <li>1) Merger is when <b><u>two or more organizations join together to expand business operations.</u></b></li> <li>2) In this usually a <u>new entity is formed</u></li> <li>3) Owners of pre-merger entities have <u>right over the profits</u> of the <u>new entity</u>.</li> <li>4) Two organizations <u>combine to increase their strength &amp; financial gains.</u></li> <li>5) In such a case, the deal gets finalized on <u>friendly terms.</u></li> </ol>

	<p><b>Acquisition</b></p> <ol style="list-style-type: none"> <li>1) Acquisition is when <u>one organization takes over other organization</u> and <u>controls all its business operations</u>.</li> <li>2) In this one organization that is taken over <u>ceases to exist</u>.</li> <li>3) In this, <u>one financially strong organization overpowers the weaker one</u>.</li> <li>4) Combined operations then run <u>under the name of powerful entity</u>.</li> <li>5) Deal in case of acquisition is <u>often done in an unfriendly manner</u> and is more or less a <u>forced association</u>.</li> </ol>
<b>48.</b>	<p>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 the shift to the new range of electronic instruments. The customers are switching away mechanical instruments that have been the backbone of Atrix Ltd.</p> <p>As a CEO of Atrix Ltd., what can be the strategic options available to you? <b>(ICAI SM)</b></p>
<b>Ans.</b>	<p><u>Atrix has a product portfolio that is evidently in the decline stage.</u></p> <p>The products are being replaced with a <u>technologically superior product</u>. Strategically the company should minimize their dependence on the existing products and identify other avenues for survival and growth.</p> <p>As a CEO of Atrix Ltd., the following can be the strategic options available with the CEO:</p> <ol style="list-style-type: none"> <li>1) <u>Invest in new product development</u> and the switch over to new technology. Atrix Ltd. also needs time to invest in emerging new technology.</li> <li>2) They can <u>acquire or takeover a competitor</u> provided they have or are able to generate enough financial resources.</li> <li>3) They may also <u>consider unrelated growth and identify other areas for expansion</u>. This will enable Atrix Ltd. to spread its risks.</li> </ol> <p>In longer run, they should <u>divest the existing products</u>. However, they may continue with the existing products in a limited manner for such time there is demand for the product.</p>
<b>49.</b>	<p>Re-definition of business is involved both in expansion and retrenchment strategy, however method involved in their execution is completely different. Comment. <b>(May 2023 RTP)</b></p>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. On the other hand, Retrenchment strategy involves redefinition of business by divesting a major product line or market.</li> <li>2) 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.</li> <li>3) Expansion may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls. Retrenchment involves regrouping and recouping of the resources</li> </ol>

### Strategic Implementation & Evaluation

Q. No.	Questions								
1.	<p>What is strategic control? Briefly explain different types of strategic control.  <b>(May 2012, May 2018, Nov 2016, Nov 2010 RTP, ICAI SM, May 2020 RTP)</b>  <b>OR</b>                      Why is Strategic Control important for organizations? Discuss briefly four types of strategic control that can be implemented to achieve the enterprise goals.  <b>(May 2021 RTP, Nov 2022 RTP, May 2023 modified)</b></p>								
Ans.	<p><b>Strategic control:</b></p> <ol style="list-style-type: none"> <li>1) Strategic control is an important process that <u>keeps organisation on its desired path.</u></li> <li>2) It <u>involves evaluating strategy</u> as it is formulated and implemented.</li> <li>3) It is <u>directed towards identifying problems and changes in premises and making necessary adjustments.</u></li> </ol> <p><b>Strategic Control focuses on the dual questions of whether.</b></p> <ol style="list-style-type: none"> <li>1) The strategy is being <u>implemented as planned,</u> and</li> <li>2) The results <u>produced by the strategy</u> are those intended.</li> </ol> <p><b>There are four types of strategic control:</b></p> <table border="1" data-bbox="261 932 1419 1539"> <tr> <td data-bbox="261 932 578 1087"><b><u>Premise Control</u></b></td> <td data-bbox="578 932 1419 1087">A Strategic 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.</td> </tr> <tr> <td data-bbox="261 1087 578 1199"><b><u>Strategic Surveillance</u></b></td> <td data-bbox="578 1087 1419 1199">Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.</td> </tr> <tr> <td data-bbox="261 1199 578 1388"><b><u>Special Alert Control</u></b></td> <td data-bbox="578 1199 1419 1388">At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected mergers/acquisitions by competitors, industrial disasters and other such events may trigger an immediate and intensive review of strategy.</td> </tr> <tr> <td data-bbox="261 1388 578 1539"><b><u>Implementation Control</u></b></td> <td data-bbox="578 1388 1419 1539">Managers implement the 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 results.</td> </tr> </table>	<b><u>Premise Control</u></b>	A Strategic 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.	<b><u>Strategic Surveillance</u></b>	Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.	<b><u>Special Alert Control</u></b>	At times unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected mergers/acquisitions by competitors, industrial disasters and other such events may trigger an immediate and intensive review of strategy.	<b><u>Implementation Control</u></b>	Managers implement the 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 results.
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<b><u>Implementation Control</u></b>	Managers implement the 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 results.								
2.	<p>Briefly answer the following:                      Difference between Strategy formulation and Strategy Implementation.  <b>(Nov 2008, May 2011 RTP, Nov 2016, May 2011, May 2015, May 2019 modified, March 2023 MTP)</b></p>								
Ans.	<p>Strategy implementation is fundamentally different from strategy formulation. Strategy formulation and implementation can be contrasted in the following ways;</p> <table border="1" data-bbox="261 1770 1419 1881"> <thead> <tr> <th data-bbox="261 1770 444 1808">Basis</th> <th data-bbox="444 1770 911 1808">Strategy Formulation</th> <th data-bbox="911 1770 1419 1808">Strategy Implementation</th> </tr> </thead> <tbody> <tr> <td data-bbox="261 1808 444 1881">Focus</td> <td data-bbox="444 1808 911 1881">Strategy formulation focuses on effectiveness.</td> <td data-bbox="911 1808 1419 1881">Strategy implementation focuses on efficiency.</td> </tr> </tbody> </table>	Basis	Strategy Formulation	Strategy Implementation	Focus	Strategy formulation focuses on effectiveness.	Strategy implementation focuses on efficiency.		
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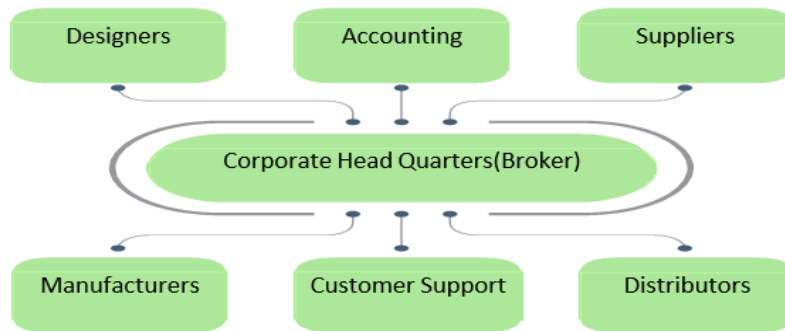
	Based on	Strategy formulation is primarily an intellectual process.	Strategy implementation is primarily an operational process.
	Required	Strategy formulation requires conceptual intuitive, and analytical skills.	Strategy implementation requires motivation and leadership skills.
	Coordination	Strategy formulation requires coordination among the executives at the top level.	Strategy implementation requires coordination among the executives at the middle and lower levels.
<b>3.</b>	Distinguish between Transformational Leadership Style and Transactional Leadership Style. <b>(Nov 2015, Nov 2019, ICAI SM, Nov 2020 RTP, Nov 2021 RTP, Sep 2022 MTP-1)</b>		
<b>Ans.</b>	<p><b>Difference between transformational and transactional leadership;</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>		
<b>4.</b>	Write a short note on the following: <b>(Nov 2010, May 2013)</b> Network Structure		
	<b>OR</b>		
	‘A network structure is suited to an unstable environment.’ Elaborate. <b>(Nov 2012, May 2022 RTP)</b>		
	Due to reoccurrence of various variants of Corona virus, LMN Ltd, if, 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? <b>(May 2022)</b>		
	<b>OR</b>		
	"Samar Electronics Limited" is engaged in manufacturing and sale of consumer electronic goods globally. The company is rated 'best' in "customer satisfaction survey" for 5 years in a row. The spread of the current pandemic has affected the internal and external environment of the company adversely. Such adverse impact has negatively impacted the revenue of the company. In order to survive and retain the business, the company decided to outsource a major part of its organisational activities, like manufacturing, distribution channels, after sales service etc. Now the organisation's business functions are scattered worldwide with a small headquarter connected to independent business units digitally. What type of organisational structure is the company transitioning into? List the basic features of this new structure and the disadvantages that the company may face in future in this new structural arrangement. <b>(Nov 2022 RTP)</b>		
<b>Ans.</b>	<b>LMN/Samar electronics Ltd. Ltd. is shifting to Network Structure.</b>		
	1) The increasing volatility of environment, <u>coupled with the environment, coupled with emergence of knowledge-based industries, has led to creating a network structure.</u>		

- 2) Network structure is called '**non structure**' as it **eliminates in-house functions** and **outsources** most of them.
- 3) It is also known as '**spider's web structure**' or the '**virtual organization**' as it is composed of **series of project groups or collaborations** linked by constantly changing non-hierarchical cobweb-like networks'.
- 4) It is **highly decentralized and organized around customer groups or geographical regions**.
- 5) The **core organization is just a shell with a small headquarter acting as a 'broker' connected to suppliers and specialized functions performed by autonomous teams**.

**Circumstances under which this structure becomes useful are:**

- 1) The network structure is most suited to **organisations that face a continually changing environment/ unstable environment**.
- 2) It is useful for organizations that require a **quick response, a high level of adaptability, and strong innovations skills**.
- 3) It is also useful for organizations which **makes extensive use of outsourcing of support services** required to produce and market products or services
- 4) It is used when organizations have **few internal resources** and they have to **rely heavily on outsiders who are specialised** in their respective areas.

**Structure**



**Figure: Network Structure**

**Advantages**

- 1) High level of flexibility to change structural arrangements in line with business requirements.
- 2) Permits concentration on core competencies of the firm.
- 3) Adaptability to cope with rapid environmental change.

**Disadvantages**

- 1) Loss of control and lack of coordination as there are several partners.
- 2) Risks of overspecialization as most tasks are performed by others.
- 3) High costs as a duplication of resources could be there.

5. Explain the principal aspects of the strategy execution process. (Nov 2021 RTP)

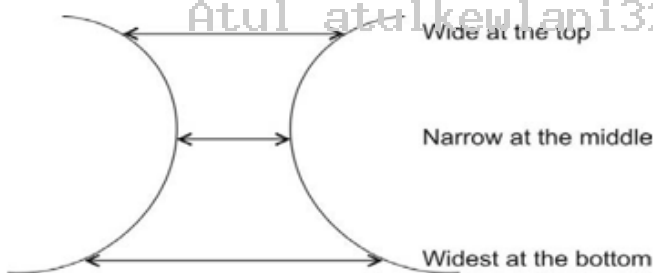
**OR**

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 the strategy execution process. (Nov 2018 RTP)

	<b>OR</b>
	What are the important aspects of the process of implementation of strategy? <b>(ICAI SM, Dec 2021, Sep 2022 MTP-1)</b>
<b>Ans.</b>	<p>Good strategy execution involves creating strong “fits” between strategy and organisational capabilities, between strategy and reward structure, between strategy and internal operating systems, and between strategy and organisation’s work climate &amp; culture.</p> <p><b>Strategy-execution process includes the following principal aspects:</b></p> <ol style="list-style-type: none"> <li>1) <u>Developing budgets</u> that steer ample resources into those activities is critical to strategic success.</li> <li>2) <u>Staffing the organisation</u> with the needed skills and expertise, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.</li> <li>3) <u>Ensuring that policies</u> and operating procedures facilitate rather than impede effective execution.</li> <li>4) <u>Using the best-known practices</u> to perform core business activities and pushing for continuous improvement.</li> <li>5) <u>Installing information</u> and operating systems enables company personnel to carry out better their strategic roles day in and day out.</li> <li>6) <u>Motivating people</u> to pursue the target objectives energetically.</li> <li>7) <u>Creating a company culture</u> and work climate conducive to successful and execution.</li> <li>8) <u>Exerting the internal leadership</u> needed to drive implementation forward and keep improving strategy execution. When the organisation encounters stumbling blocks or weaknesses, management must see that they are addressed and rectified quickly.</li> </ol>
<b>6.</b>	<p>Write a short note on the following: Steps for initiating a strategic change. <b>(Nov 2012, March 2022 MTP modified, Nov 2021 RTP modified)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>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 CEO of the company, what stages will you follow for developing and executing the new strategy? <b>(May 2022, May 2023 modified)</b></p>
<b>Ans.</b>	<p>Strategic change refers to <u>organization-wide change, which is a fundamental and radical reorientation of how an organization operates</u>. The changes in the environmental forces often require businesses to <u>make modifications in their existing strategies and bring out new strategies</u>. Strategic change is a <b>complex process</b> of modifying existing strategies or implementing new strategies due to changes in external environment.</p> <p>It is focused on <b>areas like: new markets, products, services and new ways of doing business.</b></p> <p><b>Following steps are taken to initiate strategic change in organizations:</b></p> <ol style="list-style-type: none"> <li>1) <b>Recognize the need for change:</b> The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not. This basically means going for environmental scanning involving appraisal of both internal and external capabilities may be through SWOT analysis and then determining where the lacuna lies and scope for change exists.</li> <li>2) <b>Create a shared vision to manage change:</b> Objectives of both individuals and organization should coincide. There should be no conflict between them. This is possible only if the management and the organization members follow a shared vision. Senior managers need to constantly and consistently communicate the vision to all the organizational members. They have to convince all those concerned that the change in business culture is not superficial or cosmetic. The actions taken have to be credible, highly visible and unmistakably indicative of management’s seriousness to new strategic initiatives and associated changes.</li> </ol>



	<p><b>3) Institutionalize the change:</b> This is basically an action stage which requires implementation of changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking or doing things. Change process must be regularly monitored and reviewed to analyse the after-effects of change. Any discrepancy or deviation should be brought to the notice of persons concerned so that the necessary corrective actions are taken. It takes time for the changed culture to prevail.</p>
7.	<p>Ram and Shyam are two brothers engaged in the business of spices. Both have different approaches to management. Ram prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Shyam believes in a democratic, participative management approach, involving employees to give their best.</p> <p>Analyse the leadership style followed by Ram and Shyam.</p> <p style="text-align: center;"><b>(May 2018, April 2022 MTP modified, May 2021 RTP modified, May 2023 Modified)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>Ramesh is the owner of a popular brand of Bread. Yashpal, his son, after completing Chartered Accountancy, started assisting his father in the running of the business. The approaches followed by father and son in management were very different. While Ramesh preferred to use authority and to have 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.</p> <p>Discuss the difference in the leadership style of father and son. <span style="float: right;"><b>(ICAI SM)</b></span></p>
Ans.	<p><u>Ram or (Ramesh) is a follower of the transactional leadership style that focuses on designing systems and controlling the organization's activities.</u> Such a leader believes in using the authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional 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.</p> <p>On the other hand, <u>Shyam or (Yashpal) a follower of the transformational leadership style. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization.</u> 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 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.</p>
8.	<p>Distinguish between the following: <span style="float: right;"><b>(Nov 2013, Nov 2017)</b></span></p> <p>Operational Control and Management Control.</p> <p style="text-align: center;"><b>OR</b></p> <p>What is the difference between operational control and management control? <span style="float: right;"><b>(ICAI SM, Oct 2022 MTP-2)</b></span></p>
Ans.	<p><b>Differences between Operational Control and Management Control are as under:</b></p> <p>1) The thrust of operational control is on <u>individual tasks or transactions</u> as against total or <u>more aggregative management functions</u>. When compared with operational, management control is <u>more inclusive and more aggregative</u>, in the sense of embracing the <u>integrated activities of a complete department</u>, division or even entire organisation, instead of or mere narrowly circumscribed activities of sub-units. <b>For example</b>, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.</p>

	2) Many of the <u>control systems in organisations are operational and mechanical</u> . A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is to <u>achieve enterprise goals – short-range and long-range – in an effective and efficient manner</u> .
9.	What is an Hourglass structure? How is it beneficial for an organization? (May 2015, May 2019, ICAI SM, Nov 2019 RTP)
Ans.	<p><b>Hour Glass Structure:</b></p> <ol style="list-style-type: none"> <li>1) In <u>recent years' information technology and communications have significantly altered the functioning of organizations</u>.</li> <li>2) The role played by <u>middle management is diminishing</u> as the tasks performed by them are increasingly being replaced by technological tools.</li> </ol> <p><b>The structure benefits an organization as follows:</b></p> <ol style="list-style-type: none"> <li>1) Hourglass organization structure <u>consists of three layers</u> with the constricted middle layer.</li> <li>2) The structure has a <u>short and narrow middle-management level</u>.</li> <li>3) <u>Information technology links the top and bottom levels</u> in the organization, taking away many tasks that are performed by middle-level managers.</li> </ol>  <p style="text-align: center;"><b>Figure: Hourglass Organisation Structure</b></p>
10.	Discuss the leadership role played by the managers in pushing for good strategy execution. (May 2014, May 2019) <b>OR</b> You have been appointed as a Chief Executive Officer (CEO) in a company which is facing many difficulties in proper execution of its strategy. Explain the leadership roles which you should play in pushing for good strategy execution. (Nov. 2022)
Ans.	<p>A strategy manager has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker, policy enforcer, and head cheerleader.</p> <p><b>Managers have five leadership roles to play in pushing for good strategy execution:</b></p> <ol style="list-style-type: none"> <li>1) Staying on top of what is happening, closely monitoring progress, working through issues and obstacles.</li> <li>2) Promoting a culture that mobilizes and energizes organizational members to execute strategy and perform at a high level.</li> <li>3) Keeping the organization responsive to changing conditions, alert for new opportunities and remain ahead of rivals in developing competitively valuable competencies and capabilities.</li> <li>4) Ethical leadership and insisting that the organization conduct its affairs like a model corporate citizen.</li> <li>5) Pushing corrective actions to improve strategy execution and overall strategic performance.</li> </ol>
11.	What is a strategic business unit? What are its advantages? (May 2020 RTP, ICAI SM, Nov. 2022 modified)

<b>Ans.</b>	<p>1) A strategic business unit (SBU) is part of a business organization that is <u>treated separately for strategic management purposes.</u></p> <p>2) It may be a <u>business unit within a larger corporation, or a business into itself or a branch.</u></p> <p>3) Firms may have <u>multiple SBUs, each responsible for its own profitability.</u></p> <p>4) Managed as <u>separate businesses, they are responsible to a parent corporation.</u></p> <p><b>Advantages of SBU are:</b></p> <p>1) <u>Establishing coordination between divisions having common strategic interests.</u></p> <p>2) <u>Facilitates strategic management and control of large and diverse organizations.</u></p> <p>3) <u>Fixes accountabilities</u> at the level of distinct business units.</p> <p>4) <u>Allows strategic planning</u> to be done at the most relevant level within the total enterprise.</p> <p>5) <u>Makes the task of a strategic review by top executives</u> more objective and more effective.</p> <p>6) <u>Helps allocate corporate resources to areas with the greatest growth opportunities.</u></p>
<b>12.</b>	<p>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 the process of control to overcome the problem.</p> <p style="text-align: right;"><b>(ICAI SM, Jan 2021, April 2022 MTP)</b></p>
<b>Ans.</b>	<p>Sanya Private Limited deteriorating performance <u>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.</u> 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.</p> <p><b>The process of control has the following elements:</b></p> <p>1) Objectives of business system which could be <u>operationalized into measurable and controllable standards.</u></p> <p>2) A <u>mechanism for monitoring and measuring the performance</u> of the system.</p> <p>3) A mechanism for;</p> <p style="margin-left: 20px;">i) <u>comparing the actual results with reference to the standards,</u></p> <p style="margin-left: 20px;">ii) <u>detecting deviations from standards</u> and</p> <p style="margin-left: 20px;">iii) <u>learning new insights on standards themselves.</u></p> <p>4) A <u>mechanism for feeding back corrective and adaptive information and instructions to system,</u> for effecting desired changes to set the system right.</p> <p>The above elements <u>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.</u></p>
<b>13.</b>	<p>What is implementation Control? Discuss its basic forms?</p> <p style="text-align: right;"><b>(Nov 2014, ICAI SM, Nov 2021 RTP modified)</b></p>
<b>Ans.</b>	<p><b>Implementation Control:</b></p> <p>Managers <u>implement the strategy by converting major plans into concrete, sequential actions that form incremental steps.</u> 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> <p>Strategic implementation <u>control is not a replacement for operational control.</u> Strategic implementation control, unlike operational controls, continuously monitors the basic direction of the strategy.</p>

	<p><b>Basic Forms of Implementation Control:</b></p> <p><b>1) Monitoring Strategic Trusts:</b></p> <ul style="list-style-type: none"> <li>✓ Monitoring strategic trusts help the managers to determine whether the <u>overall strategy is progressing as desired</u> or whether there is a need for readjustment.</li> </ul> <p><b>2) Milestone Reviews:</b></p> <ul style="list-style-type: none"> <li>✓ All key activities necessary to <u>implement the strategy are segregated in terms of time, events or major resource allocation</u>. It normally involves a complete need to continue or refocus the direction of an organization.</li> </ul>
14.	<p>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?</p> <p style="text-align: center;"><b>(May 2021 RTP, Oct 2022 MTP-2 modified)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>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?</p> <p style="text-align: right;"><b>(May 2023)</b></p>
Ans.	<p><u>Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating and internal work environment.</u></p> <p>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.</p> <ol style="list-style-type: none"> <li>1) <u>The first step is to diagnose which facets of the present culture are strategy supportive and which are not.</u></li> <li>2) <u>Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.</u></li> <li>3) <u>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.</u></li> </ol> <p style="text-align: center;"><b>Grooming Education Academy</b> Promoting Developing Concepts</p> <p>Management, through communication, has to create a shared vision to manage changes. The menu of <u>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, communicating on needs and benefits to employees and so on.</u></p>
15.	<p>What is corporate culture? How is it both strength and weakness of an organisation?</p> <p style="text-align: right;"><b>(Nov 2018, May 2011)</b></p>
Ans.	<p><u>Corporate culture distinguishes one organisation from another. It refers to a company's values, beliefs, business principles, traditions, and ways of operating and internal work environment.</u> Culture affects not only the way managers behave within an organization but also the decisions they make about the organization's relationships with its environment and its strategy.</p> <p><u>A culture grounded in values, practices, and behavioural norms that match what is needed for good strategy execution helps energize people throughout the company to do their jobs in a strategy-supportive manner, adding significantly to power and effectiveness of strategy execution.</u></p> <p><b>Culture is both a strength and a weakness as follows:</b></p> <p><b>Culture as a strength:</b> <u>As a strength, culture can facilitate communication, decision-making &amp; control and create cooperation &amp; commitment.</u> An organization's culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values. The management devotes considerable time to communicating to employees, and which values are shared widely across the organization.</p>

	<p><b>Culture as a weakness:</b> <u>As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change.</u> An organization's culture could be characterized as weak when many subcultures exist, few values and behavioural norms are shared, and traditions are rare. In such organizations, employees do not have a sense of commitment and loyalty to the organisation.</p>
16.	<p>What are the major stages in the strategic management process? (May 2014)</p> <p style="text-align: center;"><b>OR</b></p> <p>Briefly discuss the framework of strategic management. (May 2017)</p>
Ans.	<p>The term strategic management refers to the <b><u>managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy,</u></b> and then initiating <b><u>corrective adjustments</u></b> in the vision, objectives, strategy and execution as deemed appropriate.</p> <p><b>The basic framework of the strategic process can be described in a sequence of five stages as follows:</b> Atul atulkewlani329@gmail.com 917067672097</p> <p><b>Stage 1: Strategic Vision, Mission and Objectives:</b> Determining the <u>directional path</u> of the company in terms of formulating <u>Vision, Mission, Goals and objectives</u> of the firm. Involves <u>making changes in the company's product, market, customer, technology focus</u> to improve its current market position and its future prospect.</p> <p><b>Step 2: Environmental and Organisational analysis:</b> It is the <u>diagnostic phase</u> of strategic analysis. <u>Environmental analysis involves</u> systematically analysing various elements of environment to determine opportunities and threats for the firm in future. <u>Organisational analysis involves-</u> review of financial/technological resources, productive capacity, marketing / distribution effectiveness, research and development, human resource skills etc. to reveal organisational strengths and weaknesses.</p> <p><b>Step 3: Formulating Strategy-</b> It involves <u>developing strategic alternatives in the light of SWOT and thorough analysis of various alternatives</u> for choosing the <u>most appropriate alternative</u> which will <u>serve as strategy</u> of the firm.</p> <p><b>Step 4: Implementation of Strategy-</b> It involves <u>converting strategic plans into actions and results.</u> Involves- directing organisational change, motivating people, building and strengthening competencies and competitive capabilities, creating a strategy-supportive work climate, and meeting performance targets. It is the <u>most demanding and time-consuming</u> part of the strategy-management process.</p> <p><b>Step 5: Strategic Evaluation and Control-</b> It involves <u>evaluating company's progress and performance in light of objectives and standards set, comparing and assessing the impact of new external developments, and making corrective adjustments.</u></p>
17.	<p>Distinguish between the following: Transformational leadership style and Traditional leadership style. (May 2013, Nov 2019)</p>

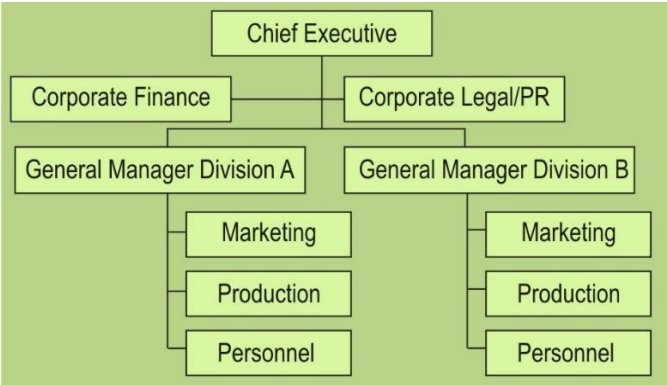
<b>Ans.</b>	Difference between Transformational and Traditional Leadership style:	
	<b>Transformational Leadership</b>	<b>Traditional Leadership</b>
	1. In transformational leadership, a leader motivates and empowers employees to achieve the company's objectives by appealing to higher ideas and values.	Traditional leadership borrowed its concept from formal Top-down type of leadership such as in the military.
	2. Transformational leadership work to change the organizational culture by implementing new ideas.	Traditional leadership is more focused on getting the work done in a routine environment.
	3. Transformational leaders have the behavioural capacity to recognize and react to complexities in the environment.	In traditional leadership, followers are loyal to the position and what it represents rather than who happens to be holding that position.
	4. In transformational leadership, followers dedicate and admire the quality of the leader, not of its position.	Traditional leaders are effective in achieving the set objectives and goals.
<b>18.</b>	How will a firm be benefitted by using the ideas of the Strategic Business Unit (SBU)? (May 2016, Nov 2011 RTP)	
<b>Ans.</b>	<p><b>The firm shall be benefitted from SBU by using ideas that shall be known by advantages of SBU as follows:</b></p> <ol style="list-style-type: none"> <li>1) Within each SBU division producing similar products or /and using similar technologies can be organized to achieve synergy.</li> <li>2) Individual SBUs are treated as profit centres and can react quickly to environmental changes.</li> <li>3) Corporate headquarters can concentrate on strategic planning rather than operational control.</li> <li>4) SBU promotes accountability in respect of the actions of each SBU.</li> <li>5) This enables the company to more accurately monitor the performance of the individual business, simplifying control problems.</li> </ol>	
<b>19.</b>	Davis and Lawrence have proposed three distinct phases to develop a matrix structure. Explain. (May 2017, Nov 2011 RTP)	
<b>Ans.</b>	<p><b>For the Development of matrix structure Davis and Lawrence have proposed three distinct phases:</b></p> <ol style="list-style-type: none"> <li>1) <b>Cross-functional task forces:</b> Temporary cross-functional tasks/forces are initially used when a new product line is being introduced. A project manager is in charge of the key horizontal link.</li> <li>2) <b>Product/Brand Management:</b> If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager, and a second phase begins.</li> <li>3) <b>Mature Matrix:</b> The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager. Functional and product managers have equal authority and must work well together to resolve disagreements over resources and priorities.</li> </ol>	
<b>20.</b>	Write a short note on the following: Importance of Corporate Culture. (Nov 2011, Nov 2011 RTP)	
<b>Ans.</b>	<p><b>Importance of Corporate Culture:</b> A Culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making. Responsibility is very conducive to the successful execution of a strategy of delivering superior Customer service. A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in</p>	



	<p>which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy. All this makes "employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish.</p> <p><b>Where the culture matches the conditions for good strategy execution, it does the following positives to the organization.</b></p> <ol style="list-style-type: none"> <li>1) <u>Provides a system of informal rules and peer pressure</u> regarding how to conduct business internally and how to go about doing one's job.</li> <li>2) <u>Shape the mood, temperament, and motivation of the workforce</u>, positively affecting organizational energy, work habits and operating practices, the degree to which organizational units cooperate, and how customers are treated.</li> <li>3) <u>Nurtures and motivates people to do jobs</u> in ways conducive to effective strategy execution;</li> <li>4) It <u>provides structure, standards, and a value system in which to operate</u>, and promotes strong employee identification with company's vision, performance targets, and strategy.</li> <li>5) This <u>makes employees feel genuinely better</u> about their jobs and work environment and the merits of what the company is trying to accomplish.</li> </ol>
<b>21.</b>	<p>What do you understand by functional structure? <b>(May 2014, March 2022 MTP)</b></p>
<b>Ans.</b>	<p><b>Functional Structure:</b></p> <ol style="list-style-type: none"> <li>1) The functional structure consists of a Chief Executive Officer or a Managing Director and limited corporate staff with <u>functional line managers in dominant functions such as Production, Accounting, Marketing, R&amp;D, Engineering and Human resources.</u></li> <li>2) Functional structure is <u>widely used</u> because of its <u>simplicity and low cost.</u></li> <li>3) A functional structure <u>groups tasks and activities by business function.</u></li> <li>4) Disadvantages of the functional structure are that it <u>forces accountability to the top, minimises career development opportunities etc.</u></li> </ol>
<b>22.</b>	<p>KaAthens Ltd., a diversified business entity is having business operations across the globe. The company leadership has just changed as Mr D. Bandopadhyay handed over the pedals to his son Aditya Bandopadhyay due to his poor health. Aditya is a highly educated with an engineering degree from IIT, Delhi. However, being very young, he is not clear about his role and responsibilities.</p> <p>In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company? <b>(May 2020 RTP, ICAI SM)</b></p>
<b>Ans.</b>	<p>Aditya Bandopadhyay, an effective strategic leader of KaAthens Ltd., <u>must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape.</u></p> <p><b>A Strategic leader has several responsibilities, including the following:</b></p> <ol style="list-style-type: none"> <li>1) <u>Making strategic decisions.</u></li> <li>2) <u>Formulating policies and action plans to implement strategic decisions.</u></li> <li>3) <u>Ensuring effective communication in the organisation.</u></li> <li>4) <u>Managing human capital (perhaps the most critical of the strategic leader's skills).</u></li> <li>5) <u>Managing change in the organisation.</u></li> <li>6) <u>Creating and sustaining strong corporate culture.</u></li> <li>7) <u>Sustaining high performance over time.</u></li> </ol>
<b>23.</b>	<p>Strategy formulation and strategy implementation are intertwined and linked with each other." Elucidate this statement with suitable arguments. <b>(May 2022)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>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. <b>(Sep 2022 MTP-1)</b></p>

Ans.	<p>1) The strategy formulation and strategy implementation are intertwined and linked with each other.</p> <p>2) Two types of linkages exist between these two phases of strategic management: Forward and Backward Linkage.</p> <p>3) <b>Forward Linkages:</b> The forward linkages deal with the impact of strategy formulation on strategy implementation.</p> <p>4) <b>Backward linkages:</b> The <b>backward linkages</b> are concerned with the impact in the opposite direction i.e the impact of strategy implementation on strategy formulation.</p> <p>5) 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.</p>
24.	<p>Write a short note on strategic changes and explain the process of strategic change. <span style="float: right;">(Nov 2018)</span></p> <p style="text-align: center;"><b>OR</b></p> <p>What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies? <span style="float: right;">(ICAI SM)</span></p>
Ans.	<p>The changes in the environmental forces <u>often require businesses to modify their existing strategies and bring out new strategies</u>. Strategic change is a complex process, and it involves a corporate strategy focused on new markets, products, services and new ways of doing business. To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future.</p> <p><b>These stages are unfreezing, changing and refreezing;</b></p> <p><b>1) <u>Unfreezing the Situation:</u></b>  The process of unfreezing simply makes the individuals or organizations <u>aware of the necessity for change and prepares them for such a change</u>. Lewin proposes that the change <u>should not come as a surprise</u> to the members of the organization. The sudden and unannounced change would be socially destructive, and morale is lowering. The management must pave the way for the change by first, "in freezing the situation" so that <u>members would be willing and ready to accept the change</u>.  Unfreezing is the <u>process of breaking down the old attitude and behaviours, customs and traditions so that they start with a clean slate</u>. This can be achieved by making announcements, holding meetings and promoting ideas throughout the organization.</p> <p><b>2) <u>Changing to New Situations:</u></b>  Once the unfreezing process has been completed, and the members of the organizations reorganize the need for change. They have been fully prepared to accept such a change. Their behaviour patterns need to be redefined. H.C. Kellman has proposed these are compliance, identification and internalisation.</p> <p><b>i) <u>Compliance:</u></b> It is achieved by enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.</p> <p><b>ii) <u>Identification:</u></b> Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.</p>

	<p><b>iii) Internalization:</b> Internalization involves some internal changes of the individual's thought processes to adjust to a new environment. They have been given the freedom to learn and adopt new behaviour to succeed in the new set of circumstances.</p> <p><b>3) Refreezing:</b></p> <p>Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this newly acquired behaviour does not diminish or extinguish. The change process is not a one-time application but a continuous process due to dynamism and an ever-changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.</p>						
25.	<p>Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in the execution of strategy.</p> <p style="text-align: right;"><b>(ICAI SM, May 2023 modified)</b></p>						
Ans.	<p>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:</p> <ol style="list-style-type: none"> <li>1) <u>Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.</u></li> <li>2) <u>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.</u></li> <li>3) <u>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.</u></li> <li>4) <u>Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.</u></li> <li>5) <u>Pushing corrective actions to improve strategy execution and overall strategic performance.</u></li> </ol>						
26.	<p>ABC Ltd. plans to introduce changes in its structure, technology and people. Explain how Kurt Lewin's change process can help this firm. <b>(May 2011, Nov 2010 RTP)</b></p>						
Ans.	<ol style="list-style-type: none"> <li>1) An early model of change developed by Kurt Lewin described the change as a three-stage process.</li> <li>2) <u>Kurt Lewin theorized a three-stage model of change that is known as the unfreezing-change-refreeze model that requires prior learning to be rejected and replaced.</u></li> <li>3) "For Lewin, the process of change entails creating the perception that a change is needed, then moving toward the new, desired level of behaviour and finally, solidifying that new behaviour as the norm.</li> <li>4) ABC Ltd. can change its structure, technology and people as per Kurt Lewin's change process.</li> </ol> <table border="1" style="width: 100%;"> <tr> <td style="width: 25%;"><b>1<sup>st</sup> stage</b></td> <td><b>Unfreezing:</b> Process of <b>breaking down the old attitudes, behaviours, customs and traditions and paving way for new changes.</b></td> </tr> <tr> <td><b>2<sup>nd</sup> stage</b></td> <td><b>Change/Transition:</b> Process of <b>transitioning to new situation and actually implementing the change.</b></td> </tr> <tr> <td><b>3<sup>rd</sup> stage</b></td> <td><b>Freeze/Refreezing:</b> Process of <b>sustaining and making changes permanent and stable.</b></td> </tr> </table>	<b>1<sup>st</sup> stage</b>	<b>Unfreezing:</b> Process of <b>breaking down the old attitudes, behaviours, customs and traditions and paving way for new changes.</b>	<b>2<sup>nd</sup> stage</b>	<b>Change/Transition:</b> Process of <b>transitioning to new situation and actually implementing the change.</b>	<b>3<sup>rd</sup> stage</b>	<b>Freeze/Refreezing:</b> Process of <b>sustaining and making changes permanent and stable.</b>
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27.	<p>What does corporate strategy ensure? Explain. <b>(May 2014)</b></p> <p style="text-align: center;"><b>OR</b></p> <p>ABC Ltd. intends to grow its business. Its top management argues that its corporate strategy will ensure the growth of the firm. Do you agree with top management's argument? Give reasons. <b>(April 2023 MTP)</b></p>						

<p><b>Ans.</b></p>	<ul style="list-style-type: none"> <li>✓ <b>Corporate strategy</b> is the <u>growth design</u> of the firm.</li> <li>✓ Corporate strategy is the <u>game plan</u> that paves way for the firm towards <u>success</u>.</li> <li>✓ It provides <u>systematic basis</u> for firm to <u>face challenges, change and quickly adjust</u>.</li> <li>✓ It enables <u>growth of firm</u> and <u>ensures correct alignment</u> of <u>firm with its environment</u>.</li> <li>✓ It serves as <u>design for filling the strategic planning gap</u>.</li> <li>✓ It also helps to <u>build relevant competitive advantages</u>.</li> <li>✓ It provides an <u>integrated framework</u> for the top management to;             <ol style="list-style-type: none"> <li>1) To search for, evaluate and exploit beneficial opportunities,</li> <li>2) To perceive and meet potential threats and crises,</li> <li>3) To make full use of resources and strengths,</li> </ol> <p>To offset corporate weaknesses and to make major decisions in general.</p> </li> </ul>
<p><b>28.</b></p>	<p>Discuss three methods for reassigning new patterns of behaviour as proposed by H.C. Kellman. <b>(Nov 2020 RTP)</b></p>
<p><b>Ans.</b></p>	<p>H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.</p> <ol style="list-style-type: none"> <li>1) <b>Compliance:</b> It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.</li> <li>2) <b>Identification:</b> Identification occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt and try to become like them.</li> <li>3) <b>Internalization:</b> Internalization involves some internal changes of the individual's thought processes to adjust to a new environment. They have been given the freedom to learn and adopt new behaviour to succeed in the new set of circumstances.</li> </ol>
<p><b>29.</b></p>	<p>Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief. <b>(ICAI SM)</b></p>
<p><b>Ans.</b></p>	<p><u>Divisional structure is that organizational structure that is based on extensive delegation of authority and built on a division basis.</u> The divisional structure can be organized in one of the four ways: by geographic area, by product or service, by the customer, or by the process. With a divisional structure, functional activities are performed both centrally and in each division separately.</p> <p style="text-align: center;"><b>Figure: Divisional Structure</b></p>  <pre> graph TD     CE[Chief Executive] --- CF[Corporate Finance]     CE --- CL[Corporate Legal/PR]     CF --- GM_A[General Manager Division A]     CF --- GM_B[General Manager Division B]     GM_A --- M_A[Marketing]     GM_A --- P_A[Production]     GM_A --- PE_A[Personnel]     GM_B --- M_B[Marketing]     GM_B --- P_B[Production]     GM_B --- PE_B[Personnel]     </pre>

	<p><b>Advantages of divisional structure:</b></p> <ol style="list-style-type: none"> <li>1) <b>Accountability is clear:</b> <u>Divisional managers can be held responsible for sales and profit levels.</u> Because a divisional structure is based on extensive delegation of authority, managers and employees can easily see the results of their good or bad performances, and thus their morale is high.</li> <li>2) <b>Other advantages:</b> <u>It creates career development opportunities for managers, allows local control of local situations, leads to a competitive climate within an organization, and allows new businesses and products to be added easily.</u></li> </ol> <p><b>Disadvantages of divisional structure:</b></p> <ol style="list-style-type: none"> <li>1) <b>Higher cost:</b> Owing to the following reasons: <ol style="list-style-type: none"> <li>i) Requires qualified functional specialists at different divisions and needed centrally (at headquarters);</li> <li>ii) It requires an elaborate, headquarters-driven control system.</li> </ol> </li> <li>2) <b>Conflicts between divisional managers:</b> Certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, company-wide practices.</li> </ol>
30.	<p>Jupiter Electronics Ltd. is known for its ability to come out with path-breaking products. Though the work environment at Jupiters is relaxed and casual yet, there is a very strong commitment to deadlines. The employees believe in the "work hard play hard" ethic. The organisation has moved away from a formal and hierarchical set-up to a more results-driven approach. Employees are committed to strategies and work towards achieving them. They guard innovations, maintain confidentiality and secrecy in their work. They are closely related to the values, practices, and norms of organisations.</p> <p>What aspects of an organization are being discussed? Explain. <span style="float: right;">(Nov 2019 RTP)</span></p>
Ans.	<p>The scenario being referred to is <b>the culture in Jupiter Electronics</b>. Strong culture promotes good strategy execution when there's fit and impels execution when there's negligible fit.</p> <p><u>A culture grounded in values, practices, and behavioural 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.</u></p> <p><u>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.</u> This is very conducive to the successful execution of a strategy of delivering superior customer service.</p> <p><u>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.</u> Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.</p>
31.	<p>With the help of a model, explain the strategic management process. <span style="float: right;">(Nov 2019 RTP)</span></p>
Ans.	<p>The strategic management process can best be studied and applied using a model.</p> <ol style="list-style-type: none"> <li>1) <b>Identifying an organization's Vision, Mission, goals and objectives</b>, is the starting point for the strategic management process.</li> <li>2) The strategic management process is <b>dynamic and continuous</b>.</li> <li>3) <b>Change in any one components</b> can <b>necessitate a change</b> in other components.</li> </ol>

- 4) **Formulating, implementing, and evaluating strategies** are the major components /steps of strategic management process
- 5) These steps should be performed **continuously**, not just annually/ semi-annually.
- 6) **Steps of strategic management process** are represented in the following **model**:

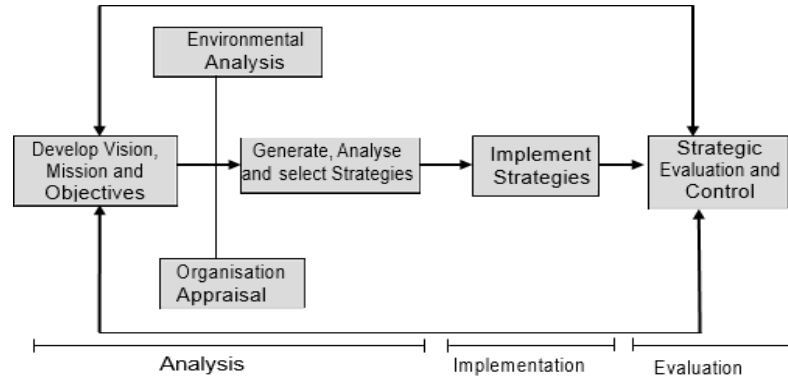


Figure: Strategic Management Model

- 1) This process is **not as cleanly divided and neatly performed in practice**.
- 2) Strategists **do not go through the process in a lockstep fashion**. Generally, there is give-and-take among hierarchical levels of an organization.
- 3) Many organizations conduct formal meetings semi-annually to discuss updates in firm's vision/mission, opportunities/threats, strengths/weaknesses, strategies, objectives, policies and performance.
- 4) **Creativity from participants is encouraged** in the meeting.
- 5) **Good communication and feedback are needed** throughout the SM process.

32. Differentiate between Strategic planning and Operational planning. (May 2022 RTP)

**Ans. Differences between Strategic planning and Operational planning:**

Strategic Planning	Operational Planning
It shapes the <b>organization and its resources</b> .	It deals with <b>current deployment of resources</b> .
It assesses impact of <b>environmental variables</b> .	It <b>develops tactics</b> rather than strategy.
It takes a <b>holistic view</b> of organization.	It projects <b>current operations</b> into the future.
It develops <b>overall objectives and strategies</b> .	It just <b>makes modifications</b> to business functions but not any big changes.
It is concerned with <b>long-term success</b> of organization.	It is concerned with <b>short-term success</b> of organization.
It is <b>responsibility of senior-management</b> .	It is responsibility of <b>functional managers</b> .

33. Strategic planning is an important constituent of strategic management. In the light of the same explain the meaning of strategic planning. Also outline the characteristics of strategic planning. (May 2023)

**Ans.** Strategic Planning is the **process of determining firm's objectives, resources required to attain objectives, policies to manage acquisition, use and disposition of resources**. It determines **where** organisation is going and **ways of going there**. It is **undertaken by senior management for entire organisation** after analysing organisation's strength and weaknesses in the light of opportunities and threats in the external environment.

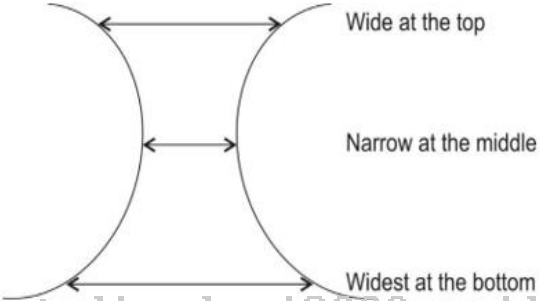
**Key Characteristics of Strategic Planning**

- 1) Shapes the organisation and its resources.
- 2) Assesses the impact of environmental variables.



	<p>3) Takes holistic (overall) view of the entire organization</p> <p>4) It is concerned with the long-term success of the organisation</p> <p>5) It is a senior management responsibility.</p> <p>6) Aims at developing overall objectives and strategies for the organization</p>
34.	<p>‘To coordinate more complex organisational functions, companies should abandon the simple structure in favour of the functional structure’ Discuss. <b>(Nov 2015)</b></p>
Ans.	<p>1) The organisation should <u>divide its functions</u> so as <u>to work effectively</u>.</p> <p>2) The organisational function is very complex in nature. Simple organisations following simple business strategy. However, when these organisations grow and <u>expand its complexities and functions</u> also grow. Such function, <u>includes marketing function, supply chain functions, human resource function etc.</u></p> <p>3) Management of such functions is difficult for the organisation. The organisation for this formulate the structure of such function so that it can <u>work in an effective manner</u>. Thus, an organisation should abandon simple functions in favour of the functional structure.</p>
35.	<p><b>Give various reasons to justify that a division structure is costly.</b> <b>(May 2017)</b></p>
Ans.	<p>The divisional design is not without some limitations. Perhaps the most important limitation is that a <u>divisional structure is costly for a number of reasons:</u></p> <p>1) <u>Each division requires functional specialists who must be paid.</u></p> <p>2) There exists some <u>duplication of staff services, and facilities are personnel; for instance, functional specialists are also needed centrally to coordinate divisional activities.</u></p> <p>3) Managers must be <u>well qualified</u> because the divisional design forces <u>delegation of authority better-qualified individuals requires higher salaries.</u> A divisional structure can also be costly because it requires an elaborate, headquarters-driven control system. Finally, certain regions, products or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, company-wide practices.</p> <p>4) Nonetheless, for most large organisations and many small firms, the advantages of a divisional structure more than offset the potential limitations.</p>
36.	<p>Write a short note on the following: Characteristics of Strategic Business Unit (SBU). <b>(May 2014)</b></p>
Ans.	<p>A Strategic Business Unit (SBU) is <u>a profit centre that focuses on product offerings and market segments.</u></p> <p>SBUs typically have a <u>discrete marketing plan</u>, analysis of competition and marketing campaign, even though they may be part of a larger business entity.</p> <p>It may be a <u>business unit within a larger corporation</u>, or <u>a business into itself or a branch.</u></p> <p>Firms may have <u>multiple SBUs</u>, each of which is <u>responsible for its own profitability.</u></p> <p>Managed as <u>separate businesses</u>, they are <u>responsible to a parent corporation.</u></p> <p><b>Characteristics of Strategic Business Unit (SBU):</b></p> <p>1) It is a <u>single business or collection of related businesses</u> which <u>offer scope for independent planning</u> &amp; which might feasibly stand alone from rest of the organization.</p> <p>2) Has its <u>own set of competitors.</u></p> <p>3) Has a <u>manager</u> who has responsibility for strategic planning and profit performance and who has <u>control of profit influencing functions.</u></p>
37.	<p>Explain the role of culture briefly in promoting better strategy execution. <b>(May 2012)</b></p>
Ans.	<p>1) A ‘good fit’ between Culture and Strategy <u>makes employees stimulated to take on the challenge of realizing the company’s vision</u>, do their jobs competently and with enthusiasm, and collaborate with others to effectively implement the strategy.</p> <p>2) A <u>culture grounded in values, practices, and behavioural norms help energize people</u> throughout the company to do their jobs in a strategy-supportive manner, adding significantly to the power and effectiveness of strategy execution.</p>

	<p>3) A <u>culture with creativity, embracing change, and challenging the status quo is conducive to the successful execution</u> of product innovation and technological leadership strategy.</p> <p>4) A <u>culture built around business principles like motivating employees for their work and enabling employees to participate in decision-making</u> promotes a strategy of superior customer service.</p>
<b>38.</b>	Briefly describe impact of corporate culture on an organization. <span style="float: right;"><b>(May 2014)</b></span>
<b>Ans.</b>	<p>Corporate Culture is described as the <u>personality of an organization or simply as 'how things are done around here'</u>. It <u>guides how employees think, act and feel</u>. Corporate Culture is a broad term used to define the unique personality or character of an organization. It includes such elements as faith, values and belief, corporate ethics, and rules of behavioural norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization.</p> <p><b>Impact:</b></p> <ol style="list-style-type: none"> <li>1) <u>Provides a system of informal rules</u> and peer pressure regarding how to conduct business internally and how to go about doing one's job.</li> <li>2) <u>Shape mood, temperament, and motivation of workforce</u>, positively affecting organizational energy, work habits and operating practices, degree to which organizational units cooperate, and how customers are treated.</li> <li>3) <u>Nurtures and motivates people</u> to do jobs in ways conducive to effective strategy execution;</li> <li>4) It <u>provides structure, standards, and a value system in which to operate</u>, and promotes strong employee identification with company's vision, performance targets, and strategy.</li> <li>5) This <u>makes employees feel genuinely better</u> about their jobs and work environment and the merits of what the company is trying to accomplish.</li> </ol>
<b>39.</b>	What steps would you suggest to change a company's problem culture? <span style="float: right;"><b>(Nov 2014)</b></span>
<b>Ans.</b>	<ol style="list-style-type: none"> <li>1) <b><u>Recognize the need for change:</u></b> The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not.</li> <li>2) <b><u>Create a shared vision to manage change:</u></b> Objectives and vision of both individuals and organizations should coincide. There should be no conflict between them.</li> <li>3) <b><u>Institutionalize the change:</u></b> This is basically an action stage that requires the implementation of a change strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of thinking.</li> </ol>
<b>40.</b>	<p>Delta is an organization specializing in Information Technology enables Services (ITeS) and Communications business. Previous year the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool using the 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 organization and assists in faster decision making. The skewed middle-level managers now perform cross-functional duties. Which type of organisational structure is the company transitioning into?</p> <p style="text-align: right;"><b>(Nov 2020 RTP)</b></p>
<b>Ans.</b>	The company Delta is transitioning into the <u>Hourglass organization structure</u> because it has used <u>technological tools to transform various business processes and operations</u> and has significantly diminished the role played by specialist managers of the middle management.


	<p>The technological tool, in addition to savings organisational costs by replacing many tasks of the middle management, has also <u>served as a link between top and bottom levels in the organization and assists in faster decision making</u>. The skewed middle-level managers now perform cross-functional duties. All these factors indicate Hourglass organisational structure.</p> 
<p>41.</p>	<p>Describe the concept of the corporate culture. Elaborate the problems that business houses are facing while changing their culture to remain adaptive with the globally changing scenario. <span style="float: right;">(May 2016)</span></p>
<p>Ans.</p>	<p><b>Corporate Culture:</b>          Corporate Culture refers to <u>a company's values, beliefs, business principles, traditions, ways to operating and internal work environment</u>.          Corporate Culture is described as <u>the personality of an organization or simply as 'how things are done around here'</u>. It guides how employees think, act and feel.          Corporate Culture is a <u>broad term used to define the unique personality or character of an organization</u>. It includes such elements as faith, values and beliefs, corporate ethics and rules of behavioural norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization.</p> <p><b>Culture Changing Problems:</b>          While being out <u>front personally and symbolically leading the push for new behaviours and communicating the reasons for new approaches is crucial, strategy implementation</u> has to conceive all those concerned that the culture-changing effort is more than cosmetic. Talk and symbolism have to be complemented by the culture-changing effort and real movement.</p> <ol style="list-style-type: none"> <li>1) The <u>culture-changing value is more affecting the business</u>. The change in the culture of the organization shall amount to change in all factors of the organization which it is trying to develop. The change in culture shall lead to a change in organisational behaviour. For culture-changing situations, the organization shall;</li> <li>2) <u>Identify the supportive and non-supportive elements of the culture.</u></li> <li>3) <u>Hold candid discussions with all bases for cultural change</u> and its benefits to all that has to be changed.</li> <li>4) <u>Communicate to employees the basis for cultural change and its benefits to all concerned.</u></li> </ol>
<p>42.</p>	<p>What do you mean by Matrix Structure? <span style="float: right;">(Jan. 2021)</span></p>
<p>Ans.</p>	<ul style="list-style-type: none"> <li>✓ In a matrix structure, <u>functional and product forms are combined simultaneously at the same level of the organization</u>.</li> <li>✓ Employees have <u>two superiors, a product/project manager and a functional manager</u>.</li> <li>✓ The "home" department - that is, engineering, manufacturing, or marketing - is usually functional and is reasonably permanent.</li> <li>✓ People from these functional units are assigned temporarily to one or more product units or projects.</li> </ul>

	<ul style="list-style-type: none"> <li>✓ The <u>product units/projects</u> are usually temporary and act like divisions in that they are <u>differentiated on a product-market basis</u>.</li> <li>✓ Matrix structure was developed to combine <u>stability of the functional structure with the flexibility of the product form</u>.</li> <li>✓ It is very useful when the <u>external environment</u> (especially its technological and market aspects) is very complex and changeable.</li> <li>✓ A matrix structure is the <u>most complex of all designs</u> because it depends upon both vertical and horizontal flows of authority and communication.</li> <li>✓ It may result in <u>higher overhead costs</u> due to more management positions.</li> </ul> <p><b>The matrix structure is often found in an organization when three conditions exist:</b></p> <ol style="list-style-type: none"> <li>1) <u>Ideas need to be cross-fertilized across projects or products;</u></li> <li>2) <u>Resources are scarce; and</u></li> <li>3) <u>Abilities to process information and to make decisions need to be improved.</u></li> </ol>
<p><b>43.</b></p>	<p>Manoj started his telecom business in 2018. Over the next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after-sales service, coordinate with vendors. Draw the organization structure Manoj should implement in his organization and name it.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
<p><b>Ans.</b></p>	<p>Manoj has started a telecom business. <u>Accounts, Administration, Marketing (customer creation, after-sales service, vendor coordination)</u> are the functional areas that are desired in the <u>organisational structure</u>. Further, there is an inherent need to have a department for the management of telecom services/ operations.</p> <div style="text-align: center;"> <pre> graph TD     Chairman["Chairman (Managing Director/ CEO)"]     TO["Telecom Operations"]     AF["Accounts and Finance"]     M["Marketing"]     Admin["Administration Human Resource, etc."]     Sales["Sales (Custom Creation)"]     AAS["After Sales Service"]     VC["Vendor Coordination"]      Chairman --- TO     Chairman --- AF     Chairman --- M     Chairman --- Admin     M --- Sales     M --- AAS     M --- VC             </pre> </div> <p><b>Thus, the functional structure in the telecom business of Manoj can be as follows:</b></p>
<p><b>44.</b></p>	<p>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 &amp; 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.</p> <p style="text-align: right;"><b>(Dec. 2021)</b></p>

Ans.	<p>1) <b><u>CDE Ltd. has planned to implement is SBU structure.</u></b></p> <p>2) Very large, <u>multi-business and multi-locational firms</u> can be better managed by creating strategic business units (SBUs).</p> <p>3) SBU structure becomes imperative in organization with <u>increase in number, size and diversity.</u></p> <p><b>Attributes and benefits the firm may derive by using SBU structure are:</b></p> <ol style="list-style-type: none"> <li>1) It is <u>single business or collection of related businesses</u> offering scope for independent planning.</li> <li>2) Products/businesses <u>that are related from functional point of view</u> are assembled together as distinct SBU.</li> <li>3) <u>Unrelated products/businesses in any group</u> are <u>separated into distinct SBUs.</u></li> <li>4) It has its <u>own set of competitors.</u></li> <li>5) It has <u>manager/CEO, responsible for strategic planning and profit performance.</u></li> <li>6) It is a <u>scientific method of grouping businesses</u> of multi business firm.</li> <li>7) It provides <u>effective strategic planning treatment</u> to each product/business.</li> <li>8) It is an <u>improvement over territorial grouping</u> of businesses.</li> <li>9) It helps in <u>strategic planning based on territorial units.</u></li> </ol>
45.	<p>How Strategic Business Unit structure becomes imperative in an organization with increase in number, size and diversity of divisions?</p> <p style="text-align: right;"><b>(May 2022 RTP)</b></p>
Ans	<ol style="list-style-type: none"> <li>1) SBU is an <u>independently managed division of large company, having own vision, mission, objectives.</u></li> <li>2) It is a separate part of large business serving product markets with readily identifiable competitors.</li> <li>3) The concept of SBU is helpful in creating SBU organizational structure.</li> <li>4) SBU structure is relevant to firms dealing in <u>multi-products and multi-businesses.</u></li> <li>5) It groups businesses into manageable number of strategically related business units.</li> <li>6) Each SBU is independent and considered as a profit centre.</li> </ol> <p><b>Strategic Business Unit structure becomes imperative in an organization with increase in number, size and diversity of divisions. It helps such organization in following ways:</b></p> <ol style="list-style-type: none"> <li>1) Establishing coordination between divisions having common strategic interest.</li> <li>2) Facilitating strategic management and control</li> <li>3) Determining accountability at the level of separate business units.</li> <li>4) Allowing strategic planning to be done at the most relevant level within the enterprise.</li> <li>5) Making strategic review by top management more objective and effective.</li> <li>6) Allocating resources to areas with better opportunities.</li> </ol>
46.	<p>Bunch 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 operations, it is having technical difficulty in dealing with distinct product line and markets especially in coordination and control related problems. Identify and suggest an ideal organizational structure for Bunch Ltd in resolving the problem.</p> <p style="text-align: right;"><b>(Nov 2021 RTP)</b></p>
Ans	<p>To deal with problems faced by Bunch Pvt. Ltd, Multidivisional (M-form) structure is suggested.</p> <ol style="list-style-type: none"> <li>1) Multidivisional (M-form) structure is composed of <u>operating divisions where each division represents a separate business</u> to which the <u>top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers.</u></li> <li>2) By such delegation, <u>corporate office is responsible for formulating and implementing overall corporate strategy</u> and manages divisions through strategic and financial controls.</li> <li>3) Multidivisional or M-form structure was <u>developed in the 1920s</u>, in response to coordination- and control-related problems in large firms.</li> <li>4) Functional departments had difficulty dealing with <u>distinct product lines</u> and markets, especially in <u>coordinating conflicting priorities</u> among the products.</li> </ol>

	<p>5) <u>Costs were not allocated to individual products</u>, so it was not possible to assess an individual product's profit contribution.</p> <p>6) Loss of control made <u>optimal allocation of resources between products difficult</u>. <u>Top managers became over burdened</u> in solving short-run problems and neglected long-term strategic issues.</p>
47.	<p>Moonlight Private Limited deals in multi-products and multi-businesses. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its product or businesses. As a strategic manager, suggest the type of structure best suitable for Moonlight Private Limited and state its benefits.</p> <p style="text-align: right;"><b>(ICAI SM)</b></p>
Ans.	<p>It is advisable for Moonlight Private Limited to follow the <b>strategic business unit (SBU) structure</b>. Moonlight Private Limited has a <b>multi-product and multi-business structure</b> where, each of these businesses has its <b>own set of competitors</b>. In the given case, Strategic Business Unit (SBU) structure would best suit the interests of the company.</p> <p>SBU is a part of a <u>large business organization that is treated separately for strategic management purposes</u>. It is separate part of large business serving product markets with readily identifiable competitors. It is created by <u>adding another level of management in a divisional structure</u> after the divisions have been grouped under a divisional top management authority based on the common strategic interests.</p> <p>Very large organizations, particularly those running into <u>several products, or operating at distant geographical locations</u> that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units, just as is the case for <u>Moonlight Private Limited</u>. SBU structure becomes imperative in an organization with <u>increase in number, size and diversity</u>.</p> <p><b>Benefits of SBUs:</b></p> <ol style="list-style-type: none"> <li>1) Establishing coordination between divisions having common strategic interest.</li> <li>2) Facilitate strategic management and control.</li> <li>3) Determine accountability at the level of distinct business units.</li> <li>4) Allow strategic planning to be done at the most relevant level within the total enterprise.</li> <li>5) Make task of strategic review by top executives more objective and more effective.</li> <li>6) Help to allocate resources to areas with better opportunities.</li> </ol> <p>Thus, an SBU structure with its advantages would be most suitable for the company with diverse businesses having separate identifiable competitors, but a common organizational goal.</p>
48.	<p>'A strategy-supportive culture promotes good strategy execution.' - Explain.</p> <p style="text-align: right;"><b>(Nov 2022 RTP)</b></p>
Ans.	<p><b>Strong cultures promote good strategy execution</b> when there is a fit and impede/stop execution when there's negligible fit. A culture grounded in <u>values, practices, and behavioral norms</u> that match what is needed for good strategy execution <u>helps energize people throughout the organization</u> 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.</p> <p>A work environment where the culture matches the conditions for good strategy execution provides a <u>system of informal rules and peer pressure regarding how to conduct business internally</u> and how to go about doing one's job.</p>

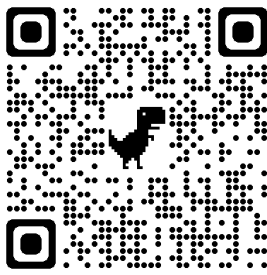
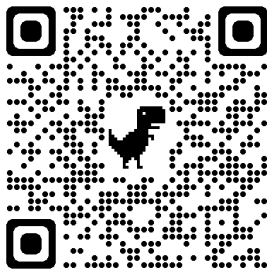


	A strong strategy-supportive culture <u>makes employees feel genuinely better about their jobs and work environment</u> and the merits of what the company is trying to accomplish. Employees are <u>stimulated to take on the challenge</u> of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.												
49.	Elaborate the interrelationship between strategy formulation and implementation. <span style="float: right;">(May 2012)</span>												
Ans.	<p>1) Strategy implementation is concerned with <u>translating a decision into action</u>.</p> <p>2) It presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability.</p> <p>3) A firm will definitely be successful only when the <u>strategy formulation is sound, and strategy implementation is excellent</u>.</p> <p>4) Hence, organizational success is a function of a good strategy and proper implementation. <b>This is represented by the following matrix:</b></p> <div style="text-align: center;">  <p><b>Figure: Strategy formulation and implementation matrix</b></p> </div> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2" style="text-align: center;"><b>Strategy Implementation</b></td> </tr> <tr> <td style="text-align: center;">Weak</td> <td style="text-align: center;">Excellent</td> </tr> </table> <p><b>Strategy Implementation</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="width: 20%;"><b>Square A</b></td> <td>Is a situation where <b><u>Strategy formulation is sound, and strategy implementation is weak</u></b>, which results in <i>failure</i> in implementation.</td> </tr> <tr> <td><b>Square B</b></td> <td>Is a situation where <b><u>Strategy formulation is sound and strategy implementation is excellent</u></b>, which results in the <i>success</i> of the company. This is an <b><u>ideal situation</u></b>. Every firm wants to be at this square.</td> </tr> <tr> <td><b>Square C</b></td> <td>Is a situation where <b><u>Strategy formulation is flawed &amp; strategy implementation is weak</u></b>, which results in failure in formulation and implementation both. So a firm here has to <i>redesign</i> the complete strategic model.</td> </tr> <tr> <td><b>Square D</b></td> <td>Is a situation where <b><u>Strategy formulation is flawed and strategy implementation is excellent</u></b>, which results in <i>failure</i> in formulation.</td> </tr> </table>	<b>Strategy Implementation</b>		Weak	Excellent	<b>Square A</b>	Is a situation where <b><u>Strategy formulation is sound, and strategy implementation is weak</u></b> , which results in <i>failure</i> in implementation.	<b>Square B</b>	Is a situation where <b><u>Strategy formulation is sound and strategy implementation is excellent</u></b> , which results in the <i>success</i> of the company. This is an <b><u>ideal situation</u></b> . Every firm wants to be at this square.	<b>Square C</b>	Is a situation where <b><u>Strategy formulation is flawed &amp; strategy implementation is weak</u></b> , which results in failure in formulation and implementation both. So a firm here has to <i>redesign</i> the complete strategic model.	<b>Square D</b>	Is a situation where <b><u>Strategy formulation is flawed and strategy implementation is excellent</u></b> , which results in <i>failure</i> in formulation.
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<b>Square D</b>	Is a situation where <b><u>Strategy formulation is flawed and strategy implementation is excellent</u></b> , which results in <i>failure</i> in formulation.												
50.	Distinguish between: Unfreezing the situation and Refreezing – the two stages of Kurt Lewin change process. <span style="float: right;">(Nov 2014)</span>												
Ans.	<b>The process of Unfreezing</b> simply makes the individuals or organizations aware of the <u>necessity for change and prepares them for such a change</u> . Lewin proposes that the changes should not come as a surprise to the members of the organization. The sudden and unannounced change would be socially destructive, and morale is lowering.												

	<b>Refreezing occurs</b> when the new behaviour becomes a normal way of life. The <u>new behaviour must replace the former behaviour completely for successful and permanent changes</u> to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this newly acquired behaviour does not diminish or extinguish.
51.	What is strategic control? Kindly explain the statement that "premise control is a tool for systematic and continuous monitoring of the environment". <b>(Nov 2020)</b>
Ans.	<p><b>Strategic Control</b></p> <ol style="list-style-type: none"> <li>1) Strategic control is <u>process of evaluating formulated and implemented strategies.</u></li> <li>2) It is directed towards <u>identifying changes in internal and external environments</u> of the organization and making necessary adjustments accordingly.</li> </ol> <p><b>Strategic Control focuses on the dual questions of whether:</b></p> <ol style="list-style-type: none"> <li>1) The strategy is <u>being implemented as planned</u>; and</li> <li>2) The <u>results produced by the strategy</u> are as intended.</li> </ol> <p><u>Premise control is a tool for systematic and continuous monitoring</u> of the environment to verify the validity and accuracy of the premises on which the strategy has been built. It primarily involves monitoring two types of factors:</p> <ol style="list-style-type: none"> <li>1) <u>Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory.</u></li> <li>2) <u>Industry factors such as competitors, suppliers, substitutes.</u> <ol style="list-style-type: none"> <li>i) It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require a different amount of control.</li> <li>ii) Thus, managers are required to select those premises that are <u>likely to change and would severely impact the functioning of the organization and its strategy.</u></li> </ol> </li> </ol>
52.	Glassware Ltd, is about to go through a significant restructuring. The strategic change involves moving from decentralized to centralized restructure. This will help Glassware avoid duplication of support activities and lower its costs. The management have held the first staff briefing in which they went to great lengths to explain that the change was necessary to equip the company to face future competitive challenges. Identify and explain the current stage of Glassware Ltd. from Lewin's three stage model of change. <b>(May 2022 RTP)</b>
Ans.	<p><u>The current stage of Glassware Ltd. is Unfreezing.</u> Here, management is trying to explain the need of change in an attempt to maximize buy-in of employees and reduce resistance.</p> <ol style="list-style-type: none"> <li>1) Unfreezing is the <u>process of breaking down the old attitude and behaviours, customs and traditions so that they start with a clean slate.</u></li> <li>2) This can be achieved by <u>making announcements, holding meetings and promoting ideas throughout the organization.</u></li> <li>3) The process of unfreezing makes individuals/organizations <u>aware of tneccesity for change and prepares them for such a change.</u></li> <li>4) Change <u>should not come as a surprise</u> to members of organization.</li> <li>5) Sudden and unannounced change can be socially destructive, and lowers morale.</li> <li>6) The management must pave the way for the change by first, "in freezing the situation" so that <u>members would be willing and ready to accept the change.</u></li> </ol>
53.	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

	<p>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.</p> <p>Suresh, unlike Ramesh, did not prioritize 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.</p> <ol style="list-style-type: none"> <li>1) Identify the leadership style employed by Ramesh and Suresh.</li> <li>2) What are the conditions/situations that make such leadership styles more appropriate?</li> <li>3) Discuss the characteristics of Leadership Styles</li> </ol> <p style="text-align: right;"><b>(May 2023)</b></p>
<b>Ans.</b>	<p>Leadership style employed by <b>Ramesh</b> is <b>transactional</b> whereas <b>Suresh</b> follows <b>Transformational leadership style</b>.</p> <p><b>1. Transactional leadership style</b> may be appropriate in static environment, in mature industries, and in organizations that are performing well. The style is better suited in persuading people to work efficiently and run operations smoothly.</p> <p><b>Transformational leadership style</b> may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes.</p> <p><b>2. Transactional leader</b> believes in using authority of its office to exchange rewards, such as pay and status. They prefer 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.</p> <p><b>Transformational leaders</b> 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 performances. Such 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.</p>

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