

CHAPTER 1 INTRODUCTION OF STRATEGIC MANAGEMENT

Question 1

Mr. Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may be formulated by Raj. (RTP Nov20, Nov'19, New SM)

Answer 1

Feel-good brand of cosmetics may have following vision and mission:

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

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

Mr. Raj may identify mission in the following lines:

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

Question 2

Define the role of corporate level managers. (Nov'18)

Answer 2

Corporate-level managers participate in strategic decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

Question 3

Is partly proactive and partly reactive." Discuss. (MTP Oct '19, Mar21 5 Marks, PYP 5 Marks Nov "Strategy '18, RTP May 18 & Nov '20, old New SM)

Answer 3

Strategy is partly proactive and partly reactive. In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper

planning and set procedures and work on these strategies in a predetermined manner. However, in reality no company can forecast both internal and external environment exactly Everything cannot be planned in advance it is not possible to anticipate moves of rival firms, consumer behavior, evolving technologies and so on

There can be significant deviations between what was visualized and what actually happens.

Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or

EXAMINERS COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Candidates had sufficient knowledge of strategy as being partly proactive and partly reactive. The overall performance was good

take advantage of emerging opportunities.

Question 4

Which of the following statements are 'correct' and which are 'incorrect'? Give reasons, in brief, for your answer: Every strategic move is the result of proactive planning. (MTP March '18, 2 Marks]

Answer 4

Incorrect: In business, things happen that cannot be fully anticipated or planned for When market and competitive conditions take an unexpected turn or some aspect of a company's strategy hits a stone wall, some kind of strategic reaction or adjustment is required.

Question 5

Briefly explain the importance of strategic management. (MTP-March '18, Oct'18 5 Marks, RTP-Nov '18 & Nov '22, PYP 5 Marks Dec '21)

Answer 5

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

- It helps organizations to be more proactive rather than reactive in dealing with its future.
- It facilitates the organizations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future Therefore, they are able to control their own destiny in a better way.
- It provides better guidance to entire organization on the crucial point what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses products, markets, organization structures, etc.
- It facilitates to prepare the organization to face the future and act as path finder to various business opportunities. Organizations are able to identify the available opportunities and identify Ways and means how to reach them.

- It serves as a corporate defense mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
- Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Most of the examinees were explained well the benefits of strategic management. Hence, the performance was above average.

Question 6

What benefits accrue by following a strategic approach to managing? (MTP 5 Marks Oct 20, RTP May 23 & Nov '18)

Answer 6

The following are the benefits of strategic approach to managing:

- Strategic management helps organizations to be more proactive instead of reactive in shaping its future. Organizations are able to analyses and take actions instead of being mere spectators Thereby they are able to control their own destiny in a better manner. it helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.
- Strategic management provides framework for all the major decisions of an enterprise decisions on businesses, products, markets, manufacturing facilities, investments and organizational structure. It provides better guidance to entire organization on the crucial point what it is trying to do.
- Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them. how to reach them.
- Strategic management serves as a corporate defense mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments. Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

Question 7

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 to help them develop a strategy to fight competition and sustain their century old family business. The business consultant advised them to

innovate a new snack for the public and market it as a traditional snack of the region. The owners liked the idea and developed a new snack called Dahi Samosa, which very quickly became popular amongst the public and it helped regain the lost business of Kamal Sweets Corner.

One of the very crucial importance of strategic management was used by the business consultant to help the owners of Kamal Sweets Corner. Which one could it be? Also, was this strategy Reactive or Proactive? According to you who are more beneficial in general parlance? (MTP 5 Marks April 21, Old SM)

Answer7

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

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

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

Question 8

Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former (MTP 5 Marks Oct 21 & April'23, Old & New SM, RTP Nov'18)

Answer 8

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

If organizational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers.

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

Question 9

What is strategic decision making? What tasks are performed by a strategic Manager? (MTP- Oct '19 & Sep 23, 5 Marks, RTP Nov'20, RTP Nov'23, Old SM]

Answer 9

Decision making is a managerial process of selecting the best course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may be operational i.e., which relate to general day-to-day operations. They may also be strategic in nature. According to Jauch and Glueck "Strategic decisions encompass the definition of the business, products to be handled markets _to be served, functions to be performed and major policies needed for the organization to execute these decisions to achieve the strategic objectives.

The primary task of the strategic manager is conceptualizing, designing and executing company strategies. For this purpose his tasks include:

- Defining the mission and goals of the organization
- Determining what businesses it should be in.
- Allocating resources among the different businesses.
- Formulating and implementing strategies that span individual businesses
- Providing leadership for the organization

Question 10

A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies." Do you agree with the statement? Give reasons. (MTP 5 Marks April 22, RTP May 23)

Answer 10

Yes, a business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies. In planned strategy, organizations will analyse possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a pre-determined manner However, in reality no company can forecast both internal and external environment exactly Everything cannot be planned in advance. It is not possible to anticipate moves of rival firms, consumer behavior, evolving technologies and so on. There can be significant deviations between what was visualized and what actually happens. There can be significant or major strategic changes when the environment demands. Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

Question 11

Define Strategic Management. Also discuss the limitations of Strategic Management. (MTP 5 Marks Sep'22, March '19, May'20, Apr'21, Mar 22, Oct'22 & Oct 23 5 Marks, PYP May 18 & May '19, RTP May'19, May'21, May'18, Nov '21, Nov/23 Old SM)

OR

The strategic management cannot counter all hindrances and always achieve success for an organization." Do you agree with this statement? Give arguments in support of your answer. (RTP Nov '23) (PYP 5 Marks Nov 22)

Answer 11

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

The presence at strategic management cannot counter all hindrances and always achieve success there are limitations attached to strategic management These can be explained in the following lines:

- Environment is highly complex and turbulent It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future The organizational estimate about its future shape may awfully go wrong and jeopardize all strategic plans. The environment affects as the organization has to deal with suppliers, customers, governments and other external factors.
- Strategic Management is a time-consuming process Organizations spend a lot of time in preparing communicating the strategies that may impede daily operations and negatively impact the routine business.
- Strategic Management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement These can be really costly for organizations with limited resources particularly when small and medium organization create strategies to compete.
- Competition is unpredictable In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

Question 12

ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it. (MTP 5 Marks Oct'22 & Sep 23, PYP Jan '21 5 Marks, Old & New SM)

Answer 12

The role of Chief Executive Officer pertains to corporate level.

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

The role of Chief Executive Officer is to:

1. oversee the development of strategies for the whole organization;
2. defining the mission and goals of the organization,
3. determining what businesses, it should be in;
4. allocating resources among the different businesses;
5. formulating, and implementing strategies that span individual businesses,
6. providing leadership for the organization;
7. ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
8. managing the divestment and acquisition process

Question 13

Explain the difference between three levels of strategy formulation. (MTP 5 Marks March '23, MTP Aug'18 5 Marks, Old & New SM, RTP May'20)

Answer 13

A typical large organization is a multidivisional organization that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three levels of strategy in management of business - corporate, business, and functional.

The corporate level of management consists of the chief executive officer and other top level executives. These individuals occupy the apex of decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization determining what businesses it should be in, allocating resources among the different businesses and on rests at the Corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. A business unit is a self -contained division with its own functions for example, finance, production, and marketing. The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

Functional-level managers are responsible for the specific business functions or operations such as human resources, purchasing, product development, customer service, and so on. Thus, a functional manager's sphere of responsibility is generally confined to one organizational activity, whereas general managers oversee the operation of a whole company or division.

Question 14

Distinguish between vision and mission statement. (MTP-Aug. '18, April'22 5 Marks, RTP May'18, RTP May'19, Old SM)

Answer 14

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

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

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

Question 15

Enumerate the task to be performed as a strategic Manager of a company. (MTP-April'19, 5 Marks)

Answer 15

The primary tasks of the strategic manager is conceptualizing, designing and executing company strategies.

For this purpose, his tasks will include:

- Defining the mission and goals of the organization
- Determining what businesses it should be in
- Allocating resources among the different businesses
- Formulating strategies
- Implementing strategies
- Providing leadership for the organization

Question 16

(MTP March '18, 2 Marks, RTP Nov 18, PYP 2 Marks May'18) What is strategic vision?

Answer 16

A strategic vision delineates organization's aspirations for the business, providing a panoramic view of the position where the organization is going A strategic vision points an

organization in a particular direction, charts strategic path for it to follow in preparing for the future, and molds organizational providing .die specifics about technology density. A Strategic vision is a road map of a company's future and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

Question 17

Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly. (MTP 5 Marks Oct 20, Apr'21, RTP May'23)

Answer 17

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

In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

Question 18

Explain briefly the. key areas in which the strategic planner should concentrate his mind to achieve desired results. (5 Marks March 22)(RTP Nov '22 & May '21)

Answer 18

A strategic manager defines the strategic intent of the organization and takes it on the path of achieving the organizational objectives there can be a number of areas that a strategic manager should concentrate on to achieve desired results. They commonly establish long-term objectives in seven areas as follows:

- Profitability
- Productivity
- Competitive Position.
- Employee Development
- Employee Relations.
- Technological Leadership
- Public Responsibility

Question 19

What are 'objectives'? What characteristics it must possess to be meaningful? (MTP 5 Marks April '23 RTP May'22, May'21, PYP 5 Marks May'19)

Answer 19

Objectives are organizations performance targets - the results and outcomes it wants to achieve.

They function as yardstick for tracking an organization's performance and progress. Objectives with strategic focus relate to outcomes that strengthen an organization's overall business position and competitive vitality. Objectives, to be meaningful to serve the intended role, must possess the following characteristics:

- Objectives should define the organization's relationship with its environment
- Objectives should be facilitative towards achievement of mission and purpose.
- Objectives should provide the basis for strategic decision-making
- Objectives should provide standards for performance appraisal
- Objectives should be understandable
- Objectives should be concrete and specific
- Objectives should be related to a time frame
- Objectives should be measurable and controllable
- Objectives should be challenging
- Different objectives should correlate with each other
- Objectives should be set within constraints

Question 20

Define strategic management. (RTP May'18)

Answer 20

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

Question 21

**State with reasons which of the following statements are correct/incorrect:
Strategic management involves huge cost(RTP May'18).**

Answer 21

Correct: Strategic management is a costly process. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged. Efforts are made for analysis of external and environments devise strategies and properly implement them. These can be really costly for internal organizations with limited resources particularly when small and medium organization create strategies to compete.

Question 22

Dharma Singh, the procurement department head of Cyclic, a mountain biking equipment company, was recently promoted to look after sales department along with procurement department. His seniors at the corporate level have always liked

his way of leadership and are 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. (RTP May 21, Old & New SM)

Answer 22

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

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

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

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

Question 23

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

Analyze the position of Ramesh Sharma in light of limitations of strategic management. (RTP Nov-19 & Nov'20, Old & New SM)

Answer 23

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

- Environment under which strategies are made is highly complex and turbulent. Entry of online stores, e new kind of competitor brought a different dimension to selling consumer durables. Online stores with their size power could control the market and offer stiff competition to traditional stores.
- Another limitation of strategic management is that it is difficult to predict how things will shape-up in future Ramesh Sharma, although managing strategically failed to see how online stores will Impact the sales.

- Although, strategic management is a time-consuming process, he should continue to manage strategically. The challenging times requires more effort on his part.
- Strategic management is costly. Ramesh Sharma may consider engaging experts to find out preferences of the customers and attune his strategies to better serve them in a customized manner Such customized offerings may be difficult to match by the online stores.
- The stores owned by Ramesh Sharma are much smaller than online stores , It is very difficult for him to visualize how online stores will be moving strategically.

Question 24

Strategic management helps an organization to work through changes in environment to gain competitive advantage. In light of statement discuss its benefits. (RTP Nov'19)

Answer 24

Strategic management involves developing the company's vision, environmental scanning, strategy formulation, implementation, evaluation and control. It emphasizes the monitoring and evaluation of external opportunities and threats in the light of a company's strengths and weaknesses and designing strategies for the survival and growth. It helps in creation of competitive advantage to outperform the competitors and also guide the company successfully through all changes in the environment.

The major benefits of strategic management are:

- (a) Strategic management gives a direction to the company to move ahead. It defines the goals and mission.
- (b) It helps organizations to be proactive instead of reactive in shaping its future
- (c) It provides framework for all major decisions of an enterprise such as decisions on businesses products, markets, manufacturing facilities, investments and organizational structure. It provides better guidance to entire organization on the crucial point - what it is trying to do
- (d) It helps organizations to identify the available opportunities and identify ways and means to achieve them.
- (e) It serves as a corporate defense mechanism against mistakes and pitfalls.
- (f) It helps to enhance the longevity of the business
- (g) It helps the organization to develop certain core competencies and competitive advantages that would facilitate survival and growth

Question 25

Mr. Mehta sharing with his friend in an informal discussion that he has to move very cautiously in his organization as the decisions taken by him has organization wide impact and involves large commitments of resources. He also said that his decisions

decide the future of his organization. Where will you place Mr. Mehta in the organizational hierarchy and explain his role in the organization. (RTP Nov21)

Answer 25

Mr. Mehta works in an organization at top level. He participates in strategic decision making within the organization. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

Question 26

Distinguish between the following: Corporate and business level. (RTP May 19)

Answer 26

A typical large organization is a multi-divisional organization that competes in several different businesses. There are three main levels of management: corporate, business, and functional. Corporate level occupies the highest level of strategic decision making and cover actions dealing with the objective of the firm, acquisition and allocation of resources and coordination of strategies of various businesses for optimal performance. The corporate level of management consists of the Chief Executive Officer (CEO), other senior executives. The role of corporate level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources and so on.

Business level comes below corporate level. Business level strategies are the courses of action adopted by an organization for each of its businesses separately, to serve identified customer groups and provide value to the customers by satisfaction of their needs.

Question 27

ABC Ltd. Europe, ABC currently Ltd. sells has its struggled product in to two penetrate major the markets more - Europe competitive and Asian market. It is a ABC market Ltd. hired leader a strategic consultant to analyze the situation and submit his report to them. After the report received from the strategic consultant, it has therefore decided to pull out of Asia entirely and focus on its European markets only. This decision relates to which level in. ABC Ltd. and explain the role of managers at this level in the organization. (RTP May '22)

Answer 27

Corporate level strategy relates to the markets and industries that the organization chooses to operate in, as well as other decisions that affect the organization as a whole. The role of corporate-level managers is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization,

determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

Question 28

Falguni, CFO of Warships Advertisement Agency, stated that strategic management helps the organization to develop certain core competencies and competitive advantages that facilitate management in the turbulent environment. Do you agree, if yes, then what and how does it facilitate in? (RTP Nov '23)

Answer 28

Yes, Strategic management plays a crucial role in an organization's survival and growth, particularly in a turbulent environment. It provides the framework for developing and leveraging core competencies and competitive advantages that enable the organization to not only withstand challenges but also seize opportunities for expansion and success.

Survival: In a turbulent environment characterized by rapid changes, uncertainties, and challenge strategic management helps an organization adapt and respond effectively. By developing core competencies and competitive advantages, an organization becomes better equipped to navigate unexpected disruptions and stay relevant in the market.

Growth: Strategic management goes beyond survival. it enables an organization to identify opportunities, innovate, and create value for its customers. By leveraging core competencies and competitive advantages, the organization can capture market share, expand its offerings, and achieve sustained growth.

Question 29

Define strategic intent. Briefly explain the elements of strategic intent. (RTP May 18, May 19, May20)

OR

"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. (PYP 5 Marks Nov 22)

Answer 29

Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realize the organization's strategic intent. Strategic intent refers to purposes for what organization strives for. Top management must define "what they want to do" and "why they want to do". "Why they want to do" represents strategic intent of the firm. Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and Size.

Strategic intent can be understood as the philosophical base of strategic management. it implies the purposes which an organization endeavors to achieve. It is a statement that

provides a perspective of the means, which will lead the organization, reach its vision in the long run, Strategic intent gives an idea of what the organization desires to attain in future. Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives. Strategic intent could be in the form of vision and mission statements for the organization at the corporate level. It could be expressed as the business definition and business model at the business level of the organization.

Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally ie., goals and objectives.

Elements of Strategic Intent

Vision: Vision implies the blueprint of the company's future position. It describes where the organization wants to land. It depicts the organization's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.

Mission: Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society It is designed to help potential shareholders and investors understand the purpose of the company A mission statement helps to identify, 'what business the company undertakes.' It defines the present capabilities, activities, customer focus and business makeup.

Business definition: It seeks to explain the business undertaken by the firm, with respect to the customer needs, target markets, and alternative technologies. With the help of business definition, one can ascertain the strategic business choices . Organizational restructuring also depends upon the business definition.

Business model: Business model, as the name implies is a strategy for the effective operation of the business, ascertaining sources of income, desired customer base, and financial details. Rival firms operating in the same industry rely on the different business model due to their strategic choice.

Goals and objectives: These are the base of measurement Goals are the end results, that the organization attempts to achieve, On the other hand objectives are time-based measurable targets

which help in the accomplishment of goals, These are the end results which are to be attained with the help of an overall plan, over the particular period. However, in practice no distinction is made between goals and objectives and both terms are used interchangeably. The vision, mission, business definition, and business model explain the philosophy of the organization but the goals and objectives represent the results to be achieved in multiple areas of business.

Question 30

State with reasons which of the following statements are correct/incorrect:For a small entrepreneur vision and mission are irrelevant. (RTP Nov18)

Answer 30

Incorrect: Entrepreneur, big or small has to function within several influences from external forces. Competition in different form and different degree is present in all kind and sizes of business. Even entrepreneur with small businesses can have complicated environment. To grow and prosper they need to have clear vision and mission.

Question 31

Essentials of a strategic vision. (RTP Nov'18)

Answer 31

Essentials of a strategic vision:

The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.

- Forming a strategic vision is an exercise in intelligent entrepreneurship
- A well-articulated strategic vision creates enthusiasm among the members of the organization
- The best-worded vision statement clearly illuminates the direction in which organization is headed

Question 32

'Objectives' and 'Goals' provide meaning and sense of direction to organizational endeavor, Explain. (RTP Nov'18)

Answer 32

Business organizations translate their vision and mission into objectives. Objectives are open-ended attributes that denote the future states or outcomes. Goals are close-ended attributes which are precise and expressed in specific terms. Thus, the goals are more specific and translate to objectives to short term perspective.

All organizations have objectives. The pursuit of objectives is an unending process such that organizations sustain themselves. They provide meaning and sense of direction to organizational endeavor Organizational structure and activities are designed and resources are allocated around the objectives to facilitate their achievement They also act as benchmarks for guiding organizational activity and for evaluating how the organization is performing.

Question 33

What should be the major components of a good mission statement? (RTP Nov22)

Answer 33

Mission statements broadly describe an organizations' present capabilities, customer focus, activities and business makeup. Following points are useful while writing a good mission statement of a company:

- Good mission statement is highly personalized - unique to the organization for which it is developed.
- *Mission statement should emphasize on giving an organization its own special identity, business emphasis and path for development.
- *Mission statement should clearly specify that, what needs it is trying to satisfy, customer groups it is targeting, technologies and competencies it uses and the activities it performs.
- Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
- The mission should not be to make profit.

Question 34

ABC Pharmaceuticals, a leading pharmaceutical company, is in the process of formulating its strategic intent. The top management of ABC Pharmaceuticals wants to define the company's future direction, objectives, and goals. They aim is to create a vision that sets the organization apart and provides a roadmap for future growth. ABC Pharmaceuticals aspires to enrich the lives of people by producing high quality pharmaceutical products at competitive prices and wants to become the world's leading pharmaceutical company by 2030." Based on this context, draft a vision and mission statement that could be formulated by the top management of ABC Pharmaceuticals. (RTP Nov '23)

Answer 34

ABC Pharmaceuticals may have following vision and mission:

Vision implies the blueprint of the company's future position. It describes where the organization wants to land. ABC Pharmaceuticals may have vision "To be the globally recognized leader in pharmaceutical innovation and enriching the lives of people worldwide by providing high-quality, affordable, and accessible pharmaceutical products."

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

ABC Pharmaceuticals may identify mission in the following lines

- To improve the well-being of individuals and communities by relentlessly pursuing excellence in pharmaceutical research, development, and manufacturing.
- Committed to producing safe, effective, and sustainable medicines that address unmet medical needs and enhance the quality of life for patients.
- Through innovation, collaboration, and ethical practices, we aim to make a positive impact on global healthcare and become the trusted partner of healthcare providers and patients alike.

Question 35

How strategic decisions differ in nature from other routine decisions taken in day-to-day working of an organization? Explain. (Nov'21)

Answer 35

Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:

- Strategic issues require top management decisions
- Strategic issues involve the allocation of large amounts of company resources
- Strategic issues are likely to have a significant impact on the long term prosperity of the organization
- Strategic issues are future oriented
- Strategic issues usually have major multifunctional or multi-business consequences
- Strategic issues necessitate consideration of factors in the organization's external environment

Question 35

List the different strategic levels in an organization. (PYP 2 Marks, Nov'18)

Answer 35

There are three main strategic levels in an organization:

Corporate level - consisting of CEO, Board of Directors and other senior executives.

Business level - Divisional Managers and staff.

Functional level- Functional Managers - Marketing, Finance, Production, Human Resource.

EXAMINERS' COMMENTS On THE PERFORMANCE of EXAMMINEES:

Answers, in general, were correct as most of the students were aware of three main Strategic levels in an organization as corporate, business and functional.

Question 36

'ALBELA' Foods and 'Just BE' 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, Just BE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuring strict lockdown had an adverse impact on both the companies. Realizing its severity and future consequences. ALBELA, foods immediately chalked out its post lockdown strategies, which include initiatives like:

- (a) Contactless dinning**
- (b) New category of foods in the menu for boosting immunity**
- (c) Improving safety measures and hygiene standards**
- (d) Introducing online food delivery app**

Seeing the positive buzz around these measures taken by ALBELA Food, Just BE Foods also thinks to introduce these measures

(i) Identify the strategic approach taken by 'ALBELA' Foods and 'Just BE' Foods.

(ii) Discuss these strategic- approach.

(iii) Which strategic approach is better and why? (PYP 5 Marks, July'21)

Answer 36

i. ALBELA' foods are proactive in its approach. On the other hand, 'Just BE' foods are reactive in its approach.

- Proactive strategy is planned strategy While continuing with the previously initiated business approaches that are working well, the newly launched managerial initiatives aim to strengthen the company's overall position and performance These are outcomes of management's analysis and strategic thinking about the company's situation and its conclusions about the positioning of the company in the marketplace. If done well, it helps the company to effectively compete for buyer patronage
- Reactive strategy is an adaptive reaction to changing circumstances It is not always possible for a company to fully anticipate or plan for changes in the market There is also a need to adapt strategy as new learning's emerge about which pieces of strategy are working well and which aren't By itself also, the management may hit upon new ideas for improving the current strategy.

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

EXAMINERS COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees were not able to correctly identify the correct strategic approaches. Better strategic approach was identified correctly but arguments advanced in support of the strategy were not correct. Hence, the performance was average.

Question 37

Which of the following statements are correct and which are incorrect? Give reasons in brief for your answer.

Vision is one of the key elements of Strategic intent. (PYP 2 Marks, Nov'18)

Answer 37

Correct: Vision implies the blueprint of the company's future position It describes where the organization wants to land, It depicts the organization's aspirations and provides a glimpse of what the organization would like to become in future . Every sub system of the organization is required to follow its vision.

Question38

Why an organization should have a mission? What considerations are to be kept in mind while writing a good mission statement of a company? (PYP 5 Marks, Nov'19, Old SM)

Answer 38

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

- To ensure unanimity of purpose within the organization
- To develop a basis, or standard, for allocating organizational resources.
- To provide a basis for motivating the use of the organization's resources
- To establish a general tone or organizational climate
- To serve as a focal point for those who can identify with the organization's purpose and direction
- To facilitate the translation of objective and goals into a work structure involving the assignment
- of tasks to responsible elements within the organization
- To specify organizational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

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

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

EXAMINERS COMMENTS ON THE PERFORMANCE OF EXAMINEES:

The performance was below average as many examinees answered the question in vaguely They were not able to understand properly and most of the answers were deviated from the required answer.

Question 39

What is strategic vision? Describe the essentials of strategic vision. (PYP 5 Marks, Nov'20)

Answer 39

Strategic Vision

A strategic vision a roadmap of a company' S future providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop and the kind of company that management is trying to create. It helps the company to answer the question "where we are to go" and provides a convincing rationale forwhy this makes good business sense for the company.

A strategic vision delineates organization's aspirations for the business, providing a panoramic view of the position where the organization is going. A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and molds organizational identity.

Essentials of a strategic vision

- The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.
- Forming a strategic vision is an exercise in intelligent entrepreneurship.
- A well-articulated strategic vision creates enthusiasm among the members of the organization.
- The best-worded vision statement clearly illuminates the direction in which organization is headed.

Question 40

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. (PYP 5 Marks May '23)

Answer 40

Yes, strategic planning is an important constituent of strategic management. It is a process of determining organizational strategy. It gives directions to the organization and involves making decisions and allocating resources to pursue the strategy. It is the formal blueprint of future course of an organization.

Strategic plans are made by the senior management for the entire organization after taking into account the organization strength and weaknesses in the light of opportunities and threats in the external environment. They involve acquisition and allocation of resources for the attainment of organizational objectives.

Strategic planning deals with one or more of three key questions:

- What are we doing?
- for whom do we do it?
- How to improve and excel?

Following are the characteristics of strategic planning:

- Strategic planning shapes the organization and its resources.
- Strategic planning assesses the impact of environmental variables
- Strategic planning takes a holistic view of the organization
- Strategic planning develops overall objectives and strategies.
- Strategic planning is concerned with the long-term success of the organization
- Strategic planning is a senior management responsibility

Question 41

"Management at all levels develop strategies". . Explain the different strategies formulated at different levels of management. (PYP 5 Marks May '23)

Answer 41

At different levels of management, various strategies are formulated to align with organizational goals and objectives which are as follows:

Corporate-Level Strategies: At the highest level of management, corporate-level strategies are developed. These strategies focus on the overall direction and scope of the entire organization. Major corporate-level strategies include Stability strategies, Growth strategies, Retrenchment strategies and Combination strategies.

Business-Level Strategies: Business-level strategies are developed by middle-level management and focus on individual business units or divisions within the organization. These strategies aim to achieve competitive advantage within specific markets. Common business-level strategies include Cost Leadership, Differentiation and Focus strategies.

Functional-Level Strategies: Functional-level strategies are formulated by lower-level management or department heads responsible for specific functional areas, such as marketing, finance, operations, or human resources. These strategies align with business-level strategies and focus on achieving functional objectives. These strategies include Marketing strategies, Financial strategies, Operations strategies

Research & Development strategy and Human Resource strategies.

In conclusion, management at all levels develops strategies that align with the organization's goals. Corporate-level strategies determine the overall direction, business-level strategies focus on competitive advantage within specific markets, and functional-level strategies aim to achieve functional objectives in support of the broader strategies.

MULTIPLE CHOICE QUESTIONS

- 1. Which of the following are responsible for formulating and developing realistic and attainable strategies?**
- (a) Corporate level and business level managers
 - (b) Corporate level and functional level managers
 - (c) Functional level managers and business level managers
 - (d) Corporate level managers, business level managers and functional level managers
- (MTP-Oct '19, 1 Mark)**

Ans: (d)

- 2. What can be defined as the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives?**
- (a) Strategy formulation
 - (b) Strategy evaluation
 - (c) Strategy implementation
 - (d) Strategic management **(MTP-March '19, 1 Mark)**

Ans: (d)

- 3. An important activity in is taking corrective action.**
- (a) Strategy evaluation
 - (b) Strategy implementation
 - (c) Strategy formulation
 - (d) Strategy leadership **(March-19, 1 Mark)**

Ans: (a)

- 4. Strategy helps in:**
- (a) Unraveling complexity
 - (b) Reduce uncertainty
 - (c) Relate the goals with the resources
 - (d) All of the Above **(MTP-April'19, 1 Mark)**

Ans: (d)

- 5. Which of the following statement is not true:**
- (a) Strategic environment is complex
 - (b) Strategic environment is turbulent.
 - (c) High cost of strategy makes them useless for charitable organization.
 - (d) Public sector units should implement business strategy
- (MTP-April '19, 1 Mark)**

Ans: (c)

- 6. Strategic management allows an organization to be more:**

- (a) Authoritative
 - (b) Participative
 - (c) Commanding
 - (d) Proactive
- (1 Mark May 20)**

Ans: (d)

7. Which of the following is correct?

- (a) Strategy is always pragmatic and not flexible
- (b) Strategy is not always perfect, flawless and optimal
- (c) Strategy is always perfect, flawless and optimal
- (d) Strategy is always flexible but not pragmatic **(1 Mark May 20, Mar'21)**

Ans: (b)

8. Which of the following is correct?

- a) Strategy is always pragmatic and not flexible
- b) Strategy is not always perfect, flawless and optimal
- c) Strategy is always perfect, flawless and optimal
- d) Strategy is always flexible but not pragmatic **(1 Mark March 21)**

Ans: (b)

9. Greg was heading the Global Biscuits SBU for Jonky's Ltd. and he got an email congratulating him for being promoted as the head of entire business of Jonky's in India. Which of the following statements is true about Greg's position?

- (a) Greg was a business level manager but now he is a corporate level manager
- (b) Greg was a functional level manager but now he is a corporate level manager
- (c) Greg was a business level manager and now also he is a business level manager
- (d) Greg was a corporate level manager and now also he is a corporate level manager

(2 Marks March '22)

Ans: (a)

10. Bank had strategically decided to setup a separate office in Mumbai back in 2016, specifically to invest in crypto currencies and in development of robust block chain facilities. Which importance of strategic management did BBL Bank made use of?

- (a) Gives direction to the management of the company
- (b) Helps to be proactive instead of being reactive
- (c) Provides a framework for all major future decisions
- (d) Supports development of new SBUs like in this case separate office for Block chain

(2 Marks April 22)

Ans: (b)

11. The strategic landscape of healthcare sector around the world is changing rapidly because of-

- (a) Doctors Educational Interests
- (b) Indian Nurses going to abroad
- (c) Internet and Technological advancement
- (d) Patients being more aware **(MTP 1 Mark Nov 21)**

Ans: (c)

12. Shreya, the owner of Kalahari boutiques, delegated tasks as per competencies of her team. What is she covering here?

- (a) Risk
- (b) Work Culture
- (c) Employee friendly vision
- (d) Proper use of mission statement **(MTP 1 Mark Sep 22)**

Ans:(d)

13. Imagine you are part of a strategic planning team for a company. As you work on defining the company's identity and its current business scope, which of the following elements primarily concentrates on answering the question, "Who we are and what we do?"

- (a) Mission statement
- (b) Vision statement
- (c) Goals and Objectives
- (d) Purpose **(MTP 2 Marks Sep'23)**

Ans: (a)

14. Mr. Prakash and Mr. Pal are partners in a thriving business venture. Recently, they have become aware of their employees' dissatisfaction with their working conditions. Mr. Prakash believes that the situation should be dealt with before the employees explode. Mr. Pal, on the other hand, believes that if the employees have an outburst, then they will handle it. Mr. Prakash and Mr. Pal business philosophy is:

- (a) Reactive, Proactive
- (b) Reactive, Reactive
- (c) Proactive, Proactive
- (d) Proactive, Reactive **(MTP 2 Marks Oct (23))**

Ans: (d)

15. What is one of the key purposes of having an organizational mission?

- (a) Ensuring unanimity of purpose within the organization.
- (b) Setting short-term operational goals.
- (c) Providing a basis for marketing strategies.

(d) Specifying financial forecasts.

(MTP 1 Mark Oct (23))

Ans: (a)

16 In the questions given below select the best answer out of options (a), (b), (c), or (d): Which of the following statement is not true with regards to strategy?

- (a) Strategy reduces uncertainty.
- (b) Strategy is long range blueprint of desired position.
- (c) Strategy relates organizations to the external environment.
- (d) Strategy is perfect and flawless. (RTP May 19)

Ans: (d)

17. Which of the following statement is not true about strategic decisions?

- (a) They need top-management involvement.
- (b) Involve commitment of organizational resources.
- (c) They are based on external environment
- (d) They have insignificant impact on the long-term prosperity (RTP May 19)

Ans: (d)

18 In the questions given below select the best answer out of options (a), (b), (c), or (d); (1) Strategy is

- (a) Proactive in action
- (b) Reactive in action
- (c) A blend of proactive and reactive actions
- (d) None of the above (RTP May'20)

Ans: (1) (c)

19. In the questions given below select the best answer out of options (a), (b), (c), or (d): (ii) Which of the following are responsible for formulating and developing realistic and attainable strategies?

- (a) Corporate level and business level managers
- (b) Corporate level and functional level managers
- (c) Functional managers and business level managers
- (d) Corporate level managers, business level managers and functional level managers (RTP May'20)

Ans: (d)

20. In the questions given below select the best answer out of options (A), (B), (C), or (D): Which of the following statements correctly explain strategic management?

- (i) Strategic management provides framework for major decisions.
- (ii) Strategic management helps to enhance the longevity of the business.
- (iii) Strategic management is an inexpensive process.
- (iv) Strategic management helps organization to be more reactive than proactive.

- (a) (1) and (ii)
- (b) (1), (ii) and (iii)
- (c) (1), (ii) and (iv)
- (d) (1), (iii) and (iv) **(RTP Nov 19)**

Ans: (a)

21. A person who searched for business opportunity and starts a new enterprise to make use of that opportunity called

- (a) Employee
- (b) Entrepreneur
- (c) Entrepreneur
- (d) Investor **(RTP Nov 20)**

Ans: (b)

22. An organization during its strategy planning envisaged entire scenarios and created a strategy framework. But in mean time after implementation, it realized that its framework is not effective in certain unique scenarios. What is the reason for the same?

- (a) Strategy is "partly proactive and Partly reactive"
- (b) Lack of analysis and proper planning.
- (c) Strategy is highly reactive and highly proactive.
- (d) Improper creation of strategic framework. **(RTP Nov'21)**

Ans: (a)

23. Which one is not the element of strategic intent?

- (a) Business model
- (b) Vision
- (c) Business definition
- (d) Business standard **(MTP-Oct '19, 1 Mark)**

Ans: (d)

24. Objectives should be:

- (i) Concrete and specific.**
 - (ii) Related to time frame.**
 - (iii) Standards for performance appraisal. Which of the above statements are true:**
- (a) (i) & (ii).
 - (b) (ii) & (iii).
 - (c) (i) & (iii).
 - (d) (i), (ii) and (iii) **(MTP-April '19, 1 Mark)**

Ans: (d)

25. Financial objectives involve all of the following except:

- (a) Growth in revenues
- (b) Larger market share
- (c) Higher dividends
- (d) Greater return on investment (MTP 1 Mark March 19)

Ans: (b)

26. Which of these basic questions should a vision statement answer?

- (a) What is our business?
- (b) Who are our competitors?
- (c) Where we are to go?
- (d) Why do we exist? (MTP 1 Mark March 19)

Ans: (c)

27. The philosophical base of strategic management falls within the concept of-

- (a) Strategic Intent
- (b) Portfolio Analysis
- (c) Globalization
- (d) Vision Statement (MTP 1 Mark Oct 21, Apr 22)

Ans: (a)

28. VIVITCH Meba Ltd. had a huge capacity of 40,000 Kilo Litres production of Kerosene Oil, and they were able to achieve 90% of it almost always, while the teams were also aware that they can achieve 100% capacity with very less efforts, but always kept margins. Further, the business team was planning to setup two more plants of 20,000 Kilo Litre capacity each in the next five years. This was a welcomed move from state governments as well. From the above, which of the following aspects of objectives is missing by production team?

- (a) They should be clear and quantifiable.
- (b) They should be concise.
- (c) They should be challenging.
- (d) They should provide standard for comparative appraisal. (MTP 2 Marks Nov 21)

Ans: (c)

29. Members of Infinite Care, an NGO, have met and determined that they need to formulate a philosophical basis for their activities. Thereby they have come up with a statement:- "Provide children till age 12, living in homeless or low-income situations, with the essential items they need to thrive at home, at school and at play" Identify the area of strategic intent, which the members have stated?

- (a) Vision
- (b) Business Definition

- (c) Goal and Objective
- (d) Mission **(MTP 2 Marks Oct 20)**

Ans: (d)

30. The statement "where we want to go "denotes company (MTP 1 Mark March'22)

- (a) Objective
- (b) Policy
- (c) Strategy
- (d) Vision

Ans: (c)

31. Mission

- (a) is an internally-focused definition of the organization's societal goals
- (b) is a statement of a firm's unique purpose and scope of operations
- (c) does not limit the firm by specifying the industry in which the firm intends to compete
- (d) is developed by a firm before the firm develops its strategic intent. **(MTP 1 Mark April 19, RTP May'19)**

Ans: (a)

32. Which one of the following, focuses on present business scope-'who we are and what we do'?

- (a) Mission Statement
- (b) Vision Statement
- (c) Goals and objectives
- (d) Purpose **(MTP 1 Mark April '23)**

Ans: (a)

33. Strategic decision making can take place at three common levels of an organization as follows:

- (a) Divisional, group and individual.
- (b) Executive, leader and manager
- (c) Corporate, business and functional
- (d) Strategic, tactical and operational **(RTP May'19)**

Ans: (c) Corporate, business and functional.

34. Which one is not the element of strategic intent?

- (a) Business model
- (b) Vision
- (c) Business definition
- (d) Business standard **(May'20)**

Ans: (d)

35. In the questions given below select the best answer out of options (A), (B), (C), or (D):

Statement that is typically focused on present business scope and broadly describes an organizations

present capabilities, customer focus, activities, and business makeup is:

- (a) Vision
- (b) Mission
- (c) Strategy
- (d) Goals (Nov'19)

Ans:(b)

36. Drishti Care is a not-for profit eye hospital and research Centre. Which one of the following statements is likely to relate to Drishti Care's vision, rather than its mission statement?

- (a) Drishti Care places patient care before all else
- (b) Drishti Care will be the global leader in cutting edge eye surgery
- (c) Drishti Care offers the highest level of patient care throughout country
- (d) Drishti Care consultants strive to continually improve surgical techniques. (Nov'21)

Ans: (b) Drishti Care will be the global leader in cutting edge eye surgery.

37. Jaipur Mart an online marketplace where people from all over Rajasthan come and sell their goods is charging zero commission for listing goods but they take 1% of the sales per month from the seller. It is defined as?

- (a) Business Intent
- (b) Business Idea
- (c) Business Definition
- (d) Business Model (Nov'22)

Ans :(d)

38. Which one of the following cannot be considered as a part of proactive approach in strategy? (RTP Nov'23)

- (a) Planned strategy
- (b) Deliberate management design
- (c) Forecast about future market condition
- (d) Adaptive reactions to changing circumstances

Ans: (d)

Question 1

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

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

Identify and explain that competition from paper bags and old cloth bags fall under which category of Porter's Five Forces Model for Competitive Analysis? (RTP May'20, Old & New SM)

Answer 1

Eco-carry bags Ltd. faces competition from paper bags and old cloth bags and falls under Threat of Substitutes force categories in Porter's Five Forces Model for Competitive Analysis. Paper and cloth bags are substitutes of recyclable plastic bags as they perform the same function as plastic bags. Substitute products are a latent source of competition in an industry. In many cases, they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry.

Question 2

Dinesh Yadav is the owner of a beverage-based private company in Sonipat, Haryana. His unit is producing fruit juices, cold drinks, soda and lime. While its products have significant market share in the northern part of country, the sales are on decline in last couple of years. He seeks help of a management expert who advises him to first understand the competitive landscape. Explain the steps to be followed by Dinesh Yadav to understand competitive landscape. [MTP-March '19 & Sep '22, 5 Marks, Old & New SM, PYP May '19 & July 21 5 Marks, RTP May '18)

Answer 2**Steps to understand the competitive landscape:**

- (i) **Identify the competitor:** The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.
- (ii) **Understand the competitors:** Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.

(iii) Determine the strengths of the competitors: What 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?

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

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees were able to present good answers in this simple and straightforward question. Overall the performance was good.

Performance was below average. Examinees explained the meaning and importance of the competitive advantage instead of competitive landscape. The explanation of steps to understand competitive landscape was not up to the mark.

Question 3

Which of the following statements are 'correct' and which are 'incorrect'? Give reasons, in brief, for your answer:

Economies of scale discourages new entrants. [MTP-March '18, 2 Marks, PYP May'18 2 Marks]

Answer 3

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

Question 4

Examine the significance of KSFS (Key Success Factors) for competitive success. (MTP 5 Marks March '21, PYP 3 Marks, Nov'18)

Answer 4

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

another way, KSFS are the rules that shape whether a company will be financially and competitively successful.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Overall performance of the examinees was below average in both the alternatives related to impact of IT systems on business process reengineering and key success factors.

Question 5

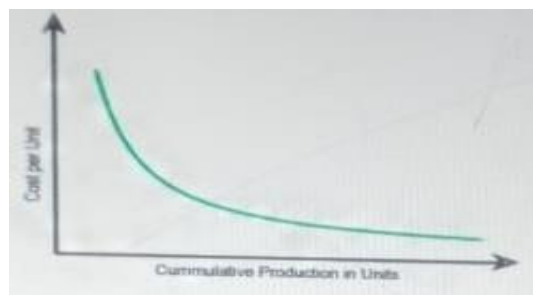
Explain the concept of Experience Curve and highlight its relevance in strategic management. (MTP 5 Marks Oct 20, Oct'18, Old & New SM, RTP May 18)

Answer 5

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

The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage. Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

The concept of experience curve is relevant for a number of areas in strategic management. For instance, experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.



Question 6

Write short note on "Phases and significance of Product Life Cycle". (MTP 5 Marks April 22, Old & New SM)

Answer 6

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

The first stage of PLC is the introduction stage in which competition is almost negligible, prices are relatively high, and markets are limited. The growth in sales is at a lower rate because of lack of knowledge on the part of customers.

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

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

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

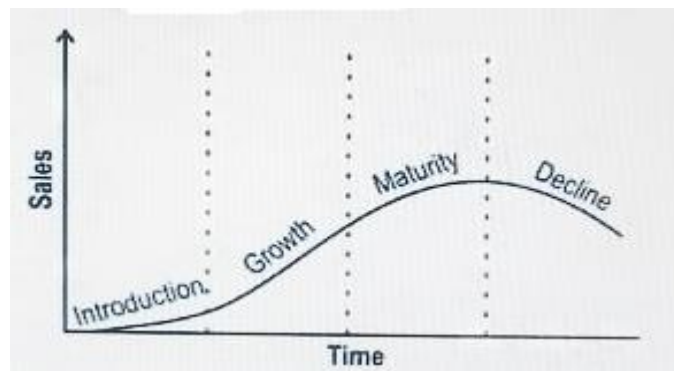


Figure: Product Life Cycle

Significance of PLC

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

Question 7

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

have been the backbone of Atrix Ltd. As a CEO of Atrix Ltd., what can be the strategic options available with you. (MTP 5 Marks Aug '18, Old SM)

Answer 7

Atrix is having a product portfolio that is evidently in the decline stage. The product is being replaced with the technologically superior product. Strategically the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Atrix Ltd., following can be the strategic options available with the CEO:

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

Question 8

The CEO of ABC Enterprises, Mr. Rasik Mehta, had the idea of creating a fitness shake called Robust, which prompted the company to conduct research and development. The company conducted a market survey and feasibility study, which indicated that the idea was feasible and had potential for profitability. Consequently, the product was manufactured, marketed, and launched, which led to its success. As a result, the production of Robust grew, and it became widely available. However, with time, the demand for the product decreased, leading to its obsolescence. Identify and explain the concept highlighted in the above case? (MTP 5 Marks April '23)

Answer 8

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

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

The first stage of PLC is the introduction stage in which competition is almost negligible, prices are relatively high, and markets are limited. The growth in sales is at a lower rate because of lack of knowledge on the part of customers.

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

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

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

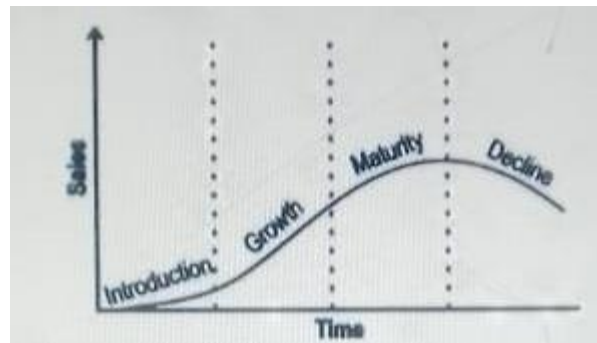


Figure: Product Life Cycle

Question 9

Explain briefly the primary activities that are grouped into five main activities under Value chain analysis. (MTP 5 Marks April '23)

Answer 9

The primary activities of the organization are grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service.

- **Inbound logistics** are the activities concerned with receiving, storing and distributing the inputs to the product/service. This includes materials handling, stock control, transport etc.
- **Operations transform these inputs into the final product or service:** machining, packaging, assembly, testing, etc.
- Outbound logistics collect, store and distribute the product to customers. For tangible products this would be warehousing, materials handling, transport, etc. In the case of services, it may be more concerned with arrangements for bringing customers to the service, if it is a fixed location (e.g., sports events).
- Marketing and sales provide the means whereby consumers/users are made aware of the product/service and are able to purchase it. This would include sales administration, advertising, selling and so on. In public services, communication networks which help users' access a particular service are often important.

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

Question 10

Explain Porter's five forces model as to how businesses can deal with the competition. [MTP-March 19, 5 Marks, MTP-Oct '18, 6 Marks, RTP Nov '18)

Answer 10

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

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

Questions 11

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? (5 Marks April '23)

Answer 11

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

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

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

Question 12

State with reasons which of the following statements are correct/incorrect:

Key success factors determine competitive success. (RTP May'18)

Answer 12

Correct: The purpose of identifying Key Success Factors is to make judgments about things that are more important to competitive success and the things that are less important. To compile a list of every factor that matters even a little bit defeats the purpose of concentrating management attention on the factors truly critical to long-term competitive success.

Question 13

ABC Ltd. manufactures and sells air purifier '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. (RTP May'21)

Answer 13

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

The product 'Fresh Breath' of ABC Ltd. falls under Maturity stage of product life cycle. In this stage, the competition gets tough and market gets stabilized. Profit comes down because of stiff competition. At this stage, ABC Ltd. have to work for maintaining stability by cutting 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.

Question 14

Define key success factors (KSFs). (RTP Nov'18)

Answer 14

An industry's key success factors (KSFs) are those things or strategic elements that affect industry members' ability to prosper in a market place. For a business organization within an industry, it may include, cost structure, technology, distribution system and so on. It is correct to state that the KSFs help to shape whether a company will be financially and competitively successful.

Question 15

State with reasons which of the following statements are correct/incorrect:

Competitive strategy is designed to help firms achieve competitive advantage. (RTP Nov 18).

Answer 15

Correct: Competitive strategy is designed to help firms achieve competitive advantage. Having a competitive advantage is necessary for a firm to compete in the market. Competitive advantage comes from a firm's ability to perform activities more effectively than its rivals.

Question 16

A company has recently launched a new product in the market. Initially, it faced slow sales growth, limited markets, and high prices. However, over time, the demand for the product expanded rapidly, prices fell, and competition increased. Identify the stages of the product life cycle (PLC) that the company went through. (RTP Nov '23)

Answer 16

The company went through the following stages of the product life cycle (PLC):

Introduction stage: Initially, the company faced slow sales growth, limited markets, and high prices, which are characteristic of the introduction stage. During this stage, competition is almost negligible, and customers have limited knowledge about the product.

Growth stage: Over time, the demand for the product expanded rapidly, prices fell, and competition increased. These are typical features of the growth stage in the PLC. In this stage, the product gains market acceptance, and customers become more aware of the product's benefits and show interest in purchasing it.

Question 17

State with reasons the following statement is correct/incorrect:

Substitutes can also exert significant competitive pressures. (RTP May'18)

Answer 17

Correct: According to porter's five forces model, a final force that can influence industry profitability is the availability of substitutes for an industry's product. To predict profit pressure from this source, firms must search for products that perform the same, or nearly the same, function as their existing products.

Question 18

What are the common barriers that are faced by new entrants when an existing firm earns higher profits? (RTP May'18, RTP May '23)

OR

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? (RTP May 19 Old SM)

Answer 18

A firm's profitability tends to be higher when other firms are blocked from entering the industry. New entrants can reduce industry profitability because they add new production capacity leading to increase supply of the product even at a lower price and can substantially erode existing firm's market share. Barriers to entry represent economic forces (or 'hurdles') that slow down or impede entry by other firms. Common barriers to entry include:

- (i) **Capital requirements:** 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.
- (ii) **Economies of scale:** 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. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.
- (iii) **Product differentiation:** Production differentiation refers to the physical or perceptual differences, enhancement, that make a product special or unique in the eye of customers. Firms in the personal care products and cosmetics industries actively engage in product differentiation to enhance their products features. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.
- (iv) **Switching costs:** To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. To make a switch, buyers may need to test a new firm's product, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. Buyers often

incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.

- (v) **Brand identity:** 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. New entrants often encounter significant difficulties in building up the brand identity, because to do so they must commit substantial resources over a long period.
- (vi) **Access to distribution channels:** 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. Often, existing firms have significant influence over the distribution channels and can retard or impede their use by new firms.
- (vii) **Possibility of aggressive retaliation:** Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. For example, introduction of products by a new firm may lead existing firms to reduce their product prices and increase their advertising budgets.

Question 19

Competitive pressures operate as a composite in five areas of the overall market. Elaborate. (RTP May'21)

Answer 19

Competition makes organizations work harder, 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. A powerful and widely used tool for systematically

diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition. This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market as follows:

- (i) **Rivalry among current players:** Competitive pressures associated with the market maneuvering and jockeying for buyer patronage that goes on among rival sellers in the industry.
- (ii) **Threat of new entrants:** Competitive pressures associated with the threat of new entrants into the market.
- (iii) **Threats from substitutes:** Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.
- (iv) **Bargaining power of suppliers:** Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.

(v) Bargaining power of customers: Competitive pressures stemming from buyer bargaining power and seller-buyer collaboration.

Question 20

State with reasons the following statement is correct/incorrect:

Porter's five forces model considers new entrants as a significant source of competition. (RTP Nov 18)

Answer 20

Correct: Direct marketing is done through various advertising media that interact directly with customer. Teleshopping is a form of direct marketing which operates without conventional intermediaries and employs television and other IT devices for reaching the customer. The communication between the marketer and the customer is direct through third party interfaces such as telecom or postal systems.

Question 21

Buyers can exert considerable pressure on business. Do you agree? Discuss. (RTP Nov'19)

Answer 21

Buyers of an industry's products or services can exert considerable pressure on existing firms to secure lower prices or better services. This is evident in situations where buyers enjoy superior position than the seller of product. This leverage is particularly evident when:

- (i) Buyers have full knowledge of the sources of products and their substitutes.
- (ii) They spend a lot of money on the industry's products, i.e., they are big buyers.
- (iii) The industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.

Question 22

Easy Access is a marketing services 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 has an advantage in some way to fight off competitors? Explain (RTP Nov'21, RTP Nov' 23)

Answer 22

Yes, Easy Access and its rivals get advantage by this move. 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 thereby reducing the threat of new entrants. New entrants can reduce an industry's profitability, because they add new production capacity, leading to

increase in supply of the product, sometimes even at a lower price and can substantially erode existing firm's market share position. However, New entrants are always a powerful source of competition. The new capacity and product range they bring in throws up a new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players, which is known as Price War.

Question 23

What are the five competitive forces in an industry as identified by Michael Porter? (RTP May '22, PYP 5 Marks, May '18, Old SM)

Answer 23

Five forces model of Michael Porter is a powerful and widely used tool for systematically diagnosing the significant competitive pressures in the market and assessing their strength and importance. The model holds that the state of competition in an industry is a composite of competitive pressures operating in five are as of the overall market. These five forces are:

- 1. Threat of new entrants:** New entrants are always a powerful source of competition. The new capacity and product range they bring in throw up new competitive pressure. And the bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.
- 2. Bargaining power of customers:** This is another force that influences the competitive condition of the industry. This force will become heavier depending on the possibilities of the buyers' forming groups or cartels. Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or informally and exert pressure on the producer. The bargaining power of the buyers influences not only the prices that the producer can charge but also influences in many cases, costs and investments of the producer because powerful buyers usually bargain for better services which involve costs and investment on the part of the producer.
- 3. Bargaining power of suppliers:** Quite often suppliers, too, exercise considerable bargaining power over companies. The more specialized the offering from the supplier, greater is his clout. And, if the suppliers are also limited in number, they stand a still better chance to exhibit their bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry and, therefore, industry attractiveness and profitability.
- 4. Rivalry among current players:** The rivalry among existing players is quite obvious. This is what is normally understood as competition. For any player, the competitors influence strategic decisions at different strategic levels. The impact is evident more at functional level in the prices being charged, advertising, and pressures on costs, product and so on.

5. Threats from substitutes: Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition. Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. And they can bring it about all of a sudden. For example, coir suffered at the hands of synthetic fiber. Wherever substantial investment in R&D is taking place, threats from substitute products can be expected. Substitutes, too, usually limit the prices and profits in an industry.

The five forces together determine industry attractiveness/profitability. This is so because these forces influence the causes that underlie industry attractiveness/profitability. For example, elements such as cost and investment needed for being a player in the industry decide industry profitability, and all such elements are governed by these forces. The collective strength of these five competitive forces determines the scope to earn attractive profits. The strength of the forces may vary from industry to industry.

Question 24

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. (RTP Nov'22) (MTP 5 Marks Oct '23)

Answer 24

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

There is no information relating to substitutes and bargaining power of customers in the information given in scenario. However, a domestic vacuum cleaner will directly compete with other options such as house maids. Availability of house maids at low cost can significantly disturb the sales of products. Further, as the products are similar customers can easily shift from from one company to another. This will only enhance competitive rivalry.

The competitive rivalry will be significant in Rajiv Arya's dealing industry as all rivals are similar in sizes and manufacture similar products, making it difficult for anyone manufacturer to dominates 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.

Finally, there is no information relating to substitutes and bargaining power of customers in the information given in scenario.

Question 25

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. (RTP Nov 22)

Answer 25

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: 0

1. The company is working on producing low cost detergent. Keeping other expenses also on the lower side the management can create price advantage that is competitive to the existing established players including the large FMCG.
2. The company focussing on single product in comparison to multiple products of an FMCG can develop competencies to produce and sell the low cost detergent that are difficult to deploy by the FMCG by its strategy that addresses needs of multiple products.
3. The start-up needs to have strong financial strength 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.
4. The start-up should identify the customer segments that are likely to switch to the product 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.
5. The start-up should identify the environmental factors 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.
6. It has to create an image in the market that its products are qualitative and 'Made in India' to attract a particular segment of customers.
7. They need to have a team of experts and dedicated management professionals who can implement strategies formulated by top management.

Question 26

What do you mean by "Economies of Scale"? (PYP 2 Marks, Nov'18 & May '18)

Answer 26

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

While many candidates were able to explain the concept of economies of scale, some candidates wrote vague answers such as discussing about economy of the country.

Question 27

Why companies should go global? Mention any five reasons. (PYP 5 Marks, Nov 20)

Answer 27

There are several reasons why companies go global. These are discussed as follows:

- ◆ One reason could be the **rapid shrinking of time and distance across the globe**- thanks to faster communication, speedier transportation, growing financial flows and rapid technological changes.
- ◆ It is being realized that the **domestic markets are no longer adequate and rich**. Companies globalize to take advantage of opportunities available elsewhere.
- ◆ A new product may **gradually get acceptance and grow locally and then globally**. This may initially be inform of exports and then later production facilities may begin in other countries.
- ◆ Organizations may go global **to take advantage of cheaper raw material and Labour costs**.
- ◆ Companies often set up overseas plants to reduce high transportation costs.
- ◆ The motivation to go global in **high-tech industries** is slightly different. Companies in electronics and telecommunications must spend large sums on research and development for new products and thus may be compelled to seek **ways to improve sales volume to support high overhead expenses**.
- ◆ The companies may also go global **to take advantage of local taxation laws**.
- ◆ **To form strategic alliances to ward off economic and technological threats** and leverage their respective comparative and competitive advantages.

Question 28

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. (PYP 5 Marks, Jan 21, Old SM, PYP May 23 5 Marks)

Answer 28

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

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

1. **Durability:** The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources and capabilities deteriorate. In industries where the rate of product innovation is fast, product patents are quite likely to become obsolete. Similarly, capabilities which are the result of the management expertise of the CEO are also vulnerable to his or her retirement or departure. On the other hand, many consumer brand names have a highly durable appeal.
2. **Transferability:** Even if the resources and capabilities on which a competitive advantage is based are durable, it is likely to be eroded by competition from rivals. The ability of rivals to attack position of competitive advantage relies on their gaining access to the necessary resources and capabilities. The easier it is to transfer resources and capabilities between companies, the less sustainable will be the competitive advantage which is based on them.
3. **Imitability:** If resources and capabilities cannot be purchased by a would-be imitator, then they must be built from scratch. How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based? This is the true test of imitability. Where capabilities require networks of organizational routines, whose effectiveness depends on the corporate culture, imitation is difficult.
4. **Appropriability:** Appropriability refers to the ability of the firm's owners to appropriate the returns on its resource base. Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives the returns on these resources.

Question 29

There are many companies in the market offering COVID vaccine. Analyze the product in terms of threat of new entrants. (PYP 5 Marks, July'21)

Answer 29

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

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Examinees were not able to provide expected answers as they lacked proper knowledge of the concept. The answers given by them were very vague. Being a skill application-oriented question, majority of the examinees were not able to correlate even the correct points with the threats of new entrants to COVID vaccine market.

Question 30

What are the factors which determine the nature of rivalry in an industry? (PYP 5 Marks Dec '21)

OR

Discuss in what conditions rivalry among competitors tends to be cut-throat and profitability of the industry goes down. (PYP 5 Marks, Nov'19)

Answer 30

The intensity of rivalry in an industry is a significant determinant of an industry's attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus, can directly affect the profitability. "The more intensive the rivalry, the less attractive is the industry". Rivalry among competitors tends to be cutthroat and an industry's profitability is low when;

- (i) An industry has no clear leader. Therefore, continuous war for leadership.
- (ii) Competitors in the industry are numerous.
- (iii) Competitors operate with high fixed costs. Thus, aiming for better Return on Investment with more fierce tactics.

- (iv) Competitors face high exit barriers, and therefore, continue to fight for market share.
- (v) Competitors have little opportunity to differentiate their offerings.
- (vi) The industries faces slow or diminished growth.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES: DEC 21

Performance was average. Majority of the examinees lacked proper knowledge of reasons for the difficulty of strategic evaluation. They were not able to write answers on expected lines. In the second option, determinants of rivalry were presented properly by most of the examinees.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES: NOV 19

minees were not able to provide expected answers as they lacked proper knowledge of the concept. They were able to give the points but unable to explain it correctly.

Question 31

"The bargaining power of suppliers determines an industry's attractiveness and profitability." Discuss. (PYP 5 Marks May'22)

Answer 31

Quite often, suppliers too, exercise considerable bargaining power over purchasing companies. The more specialised the offering from the supplier, greater may be its clout. Further, when the suppliers are limited in number, they may openly exhibit their bargaining power. The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry, and therefore, an Industry's attractiveness and profitability. Suppliers can influence the profitability of an industry in a number of ways. Suppliers can command bargaining power over a firm when;

- (i) Their products are crucial to the buyer and substitutes are not available.
- (ii) They can erect/ensure high switching costs.
- (iii) They are more concentrated than their buyers. Less suppliers, more buyers.

Question 32

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. (PYP 5 Marks May '23)

Answer 32

Bargaining Power of Buyers: This is another force that influences the competitive condition of an industry. This force becomes heavier depending on the possibility of buyers forming groups or cartels, Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or even informally and exert pressure

on the producer. The bargaining power of the buyers influences not only the prices that the producer can charge but also influences costs and Investments of the producer. This is because powerful buyers usually bargain for better services which involves more investment on the part of the producer.

Buyers of an industry's products or services can sometimes exert considerable pressure on existing firms: to secure lower prices or better services. This leverage is particularly evident when;

- (i) Buyers have full knowledge of the source(s) of products and their substitutes. Thus, challenging the price being charged by producers.
- (ii) They spend a lot of money on the industry's products i.e. they are big buyers. Thus, in a position to demand favourable terms of contract.

The industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.

MULTIPLE CHOICE QUESTIONS

1. Competitive landscape requires the application of:

- (a) Competitive advantage
- (b) Competitive strategy
- (c) Competitive acumen
- (d) Competitive intelligence (MTP-Oct. '19, 1 Mark, New SM)

Ans: (d)

2. During which stage of the Product Life Cycle will marketing strategies need to concentrate on differentiating a product from competing products, building brand loyalty and offering incentives to attract competitor's customers to switch?

- (a) Decline
- (b) Growth
- (c) Maturity
- (d) Introduction (**MTP 2 Marks Nov 21**)

Ans: (c)

(d) Introduction (MIP 2 Marks Nov 21)

3. Imagine you are tasked with analyzing the competitive landscape for a new product launch. In this context, which of the following factors is not relevant to understanding the competitive landscape?

- (a) Identifying the competitor

- (b) Understanding the customer
- (c) Determining the strength of the competitors
- (d) Determining the weakness of the competitors (MTP 2 Marks Sep '23)

Ans. (b)

4. What will happen in case many new businesses enter a market?

- (a) Barriers to entry will rise.
- (b) Competitive rivalry will intensify.
- (c) Capacity of industry will fall.
- (d) Industry will become more lucrative. (RTP May'19)

Ans: (d)

5. ABC Ltd. has identified that all three of its main products are at the maturity phase of the product life cycle. Which of the following is ABC Ltd. likely to be experiencing due to this?

- (a) High, but declining sales
- (b) Growing numbers of competitors.
- (c) Product diversification and differentiation strategies
- (d) Adoption of price skimming strategies. (RTP May'21)

Ans: (c)

6. Halder & Sons have invested in latest technology in terms of latest printing machines from Germany and Israel. But recent advent of internet has posed a big threat to their printing business as majority of their clients have now turned to more environment friendly options. They are not able to sell off their machines which are now redundant. What condition are they facing right now? (RTP May '22)

- (a) Improper market analysis
- (b) Exit Barriers
- (c) Paralysis of Strategic Vision
- (d) Weak SWOT Analysis

Ans: (b)

7. Raju started a samosa stall in a local market and the existing momos and bhelpuri stall owners started creating problems for him. This is an example of-(May 23)

- (a) Bargaining power of suppliers
- (b) Threat of new entrants
- (c) Substitute products
- (d) Nature of rivalry in industry (Chapter Business Level Strategies)

Ans: (b)

CHAPTER 3

STRATEGIC ANALYSIS: INTERNAL ENVIRONMENT

Question 1

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 "Buffering" to manufacture and sell its Hide seek brand in the country. Putting its best foot forward, it launched extra soft, casual and relaxed footwear for young. Aiming at a brand and image makeover the "Mota Shoes" decided to price the Hide Seek products at premium. What kind of Michael Porter business level strategy is being used by "Mota Shoe company"? State its advantages. (RTP Nov'19, Old & New SM)

Answer 1

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

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

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

Question 2

Infant care is a successful store chain that caters products for expectant mothers and new moms. They offer everything from nursing classes to strollers, toys, infant clothes, diapers and baby furniture. Due to a one-stop shop for infants, they are charging a premium for its products. Identify and explain how the strategy adopted by infant care. [MTP-March '19, 5 Marks, New & Old SM]

Answer 2

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

Question 3

Gennex is a company that designs, manufactures and sells computer hardware and software. Gennex is well known for its innovative products that has helped the company to have advantage over its competitors. It also spends on research and development and concerned with innovative softwares. Often the unique features of their product helps them to gain competitive advantage. Gennex using the strategy is consistently gaining its position in the industry over its competitors. Identify and explain the strategy which Gennex has opted to gain the competitive advantage. [MTP-April '19, 5 Marks, New & Old SM, RTP Nov '18]

Answer 3

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

Gennex has opted differentiation strategy. Its products are designed and produced to give the customer value and quality. They are unique and serve specific customer needs that are not met by other companies in the industry. Highly differentiated and unique hardware and software enables Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.

Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

Question 4

Write short note on Advantages of cost leadership strategy. [MTP-Aug. '18, 5 Marks, RTP May '18]

Answer 4

Advantages of Cost leadership strategy

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

1. **Rivalry-** Competitors are likely to avoid a price war, earn profits after competitors compete away their profits. since the low cost firm will continue to

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

Question 5

Distinguish between cost leadership and differentiation strategies. (MTP 5 Marks Mar'18, May 20 & Oct 20 & April '22, RTP Nov '18 & Nov '20, Old SM)

Answer 5

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

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

Question 6

X-Olympus is a gaming software company specializing in developing games for ZBox and GameStation- The company is facing stiff competition due to saturation of market and price wars, which has excessively favor and highlight their dependence on gaming console manufacturers. Thereby, the company desires to establish a competitive advantage over industry rivals by enhancing the gaming experience by expanding into Edge-Cloud Gaming Service on a monthly subscription basis. This service offering does not require dedicated gaming consoles yet provide customers game streaming in 4K resolution with an ample range of games to select from. This move is expected to insulate X-Olympus from price wars and provide a competitive advantage. Identify and explain the generic strategies adopted by X-Olympus? (MTP 5 Marks March '21)

Answer 6

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

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

Question 7

Domolo is a premium cycles and cycling equipment's brand which targets high spending customer 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 in 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 maximum market? (MTP 5 Marks April 21) (RTP May 23, Old SM)

Answer 7

The Best Cost Provider strategy would ensure a better reach to the not so affluent customers and provide them with good quality cycles and equipments, thus tapping in on the increasing trend of cycling.

Two sub-strategies that can be implemented are.

1. Offering lower prices than rivals for the same quality of products
2. Charging same prices for better quality of products

The idea of Mr. Vijay is to provide almost same quality of products in terms of functionality if not so in terms of branding, to customer who do not have huge sums of money to pay. Thus, sub-strategy number one, offering lower prices for almost same quality should be implemented to become the best cost provider of cycles and related equipment's in the market.

Question 8

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. (MTP 5 Marks Oct 21, PYP 5 Marks Jan 21, Old & New SM)

Answer 8

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

Advantages of Focus Strategy

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

Disadvantages of Focus Strategy

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

Question 9

BHAVNAV is a business which makes and sells laptop computers in France. In recent years it has been struggling to compete with its rivals and has seen a significant fall in its market share. BHAVNAV's managers identify that majority of its products launched by BHAVNAV's rivals were high specification, with good quality materials and many innovative design features. Products with inferior quality, such as those sold by BHAVNAV have not sold well in France. This information led BHAVNAV's management team to decide to select a new business strategy based on Porter's Generic Strategic Model. Identify and suggest the best business strategy BHAVNAV's management has to opt for? (MTP 5 Marks Nov 21)

Answer 9

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

The information about competitor activities indicates that the market is uninterested in low-cost items, so a cost leadership approach is unlikely to be successful for BHAVNAV. It is suggested to adopt a differentiation strategy and find some way of enabling its laptops to stand out from its rivals. Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

Question 10

'Coffee Beans' is a coffeehouse chain that operates across the globe in different countries. 'Coffee Beans' has adopted a strategy to build business by establishing product uniqueness or qualities and gain competitive advantage based on features of its offerings in coffee business. Which type of strategy 'Coffee Beans' has adopted? (MTP 5 Marks Oct '19)

Answer 10

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

Question 11

A private Moneyload Ltd. Bank that targets high worth individuals. They offer a premium service with many additional and personal services not normally available through other banks. They charge a significant annual fee for these services. The company makes full use of information technology throughout its operations in order to minimize costs. Identify and explain the generic strategy adopted by Moneyload Ltd. Bank? (MTP 5 Marks Mar '22)

Answer 11

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies. Moneyland Ltd. Bank targets a narrow segment of the market, offering unique and desirable products. The bank will want to keep its costs under control, but it will not reduce costs at the expenses of reducing the quality levels of the customer service it offers. By maintaining high quality levels, it will still be able to charge a premium for its services. Thus, the strategy adopted by Moneyland Ltd. Bank is Focused Differentiation. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

Question 12

What do you mean by differentiation strategy? How is it achieved? (MTP 5 Marks Sep 22, PYP 5 Marks May 19)

Answer 12

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

Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes.

To achieve differentiation, following measures can be adopted by an organization:

1. Offer utility for the customers and match the products with their tastes and preferences.
2. Elevate the performance of the product.
3. Offer the promise of high quality product/service for buyer satisfaction.
4. Rapid product innovation.
5. Taking steps for enhancing image and its brand value.
6. Fixing product prices based on the unique features of the product and buying capacity of the customer.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Performance was average as the answers were conceptually lacking. The examinees had insufficient knowledge on differentiation strategy.

Question 13

What are the various alternative strategies which the managers need to identify that will create and sustain a competitive advantage in the business? Discuss. (MTP 5 Marks Oct'22)

Answer 13

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

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

- **Focus** means producing products and services that fulfill the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate.

Question 14

Explain in brief the various basis of differentiation strategy. (MTP 5 Marks March '23, RTP Nov '21 & Nov '23)

Answer 14

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

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

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

Organization: Organizational 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.

Question 15

Telecom industry is growing at a rapid speed in India. There is a cut throat competition among the service providers in the industry. Identify the capabilities that will best serve as a source of competitive advantage for a firm over its rivals? (MTP-Oct '19, Apr 22 5 Marks, Old SM)

Answer 15

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

Question 16

'Speed' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail

industry. The Chief executive of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the retail chain. [MTP-April '19, 5 Marks, RTP Nov'18 & Nov '20, Old SM)

Answer 16

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

Question 17

Explain competitive advantage. [MTP-Oct. '18, 3 Marks, MTP-March '18, 2 Marks] (May'20 5 Marks) (PP May '18)

Answer 17

Competitive advantage is the position of a firm to maintain and sustain a favorable market position when compared to the competitors. Competitive advantage is ability to offer buyers something different and thereby providing more value for the money. It is the result of a successful strategy. This position gets translated into higher market share, higher profits when compared to those that are obtained by competitors operating in the same industry. Competitive advantage may also be in the form of low cost relationship in the industry or being unique in the industry along dimensions that are widely valued by the customers in particular and the society at large.

Question 18

Which of the following statements are 'correct' and which are 'incorrect'? Give reasons, in brief, for your answer:

(ii) A core competence is a unique strength of an organization which may not be shared by others. [MTP-Aug. '18, 2 Marks]

Answer 18

(i) Correct: A core competence is a unique strength of an organization which may not be shared by others. If business is organized on the basis of core competence, it is likely to generate competitive advantage. A core competence provides potential access to a wide variety of markets. Core competencies should be such that it is difficult for competitors to imitate them.

Question 19

Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization? (MTP-Aug '18, 5 Marks, RTP May 20, Old SM)

Answer 19

An important component of strategic thinking requires the generation of a series of strategic alternatives, or choices of future strategies to pursue, given the company's internal strengths and weaknesses and its external opportunities and threats. The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as SWOT analysis.

- **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitors.
- **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.
- **Opportunity:** An opportunity is a favorable condition in the organization's environment which enables it to strengthen its position.
- **Threat:** A threat is an unfavorable condition in the organization's environment which causes a risk for, or damage to, the organization's position.

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

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

Question 20

What is a strategic group? Discuss the procedure for constructing a strategic group map. (MTP 5 Marks April 21 & May 18, PYP 5 Marks, July'21, RTP May '19, Old SM)

Answer 20

A strategic group consists of those rival firms which have similar competitive approaches and positions in the market. Companies in the same strategic group can resemble one another in any of the several ways have comparable product-line breadth, same price/quality range, same distribution channels, same product attributes, identical technological approaches, offer similar services and technical assistance and so on.

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

- Identify the competitive characteristics that differentiate firms in the industry typical variables are price/quality range (high, medium, low); geographic coverage (local, regional I, national, global); degree of vertical integration (none, partial, full); product -

line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full).

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees were not able to correctly identify the correct strategic approaches. Better strategic approach was identified correctly but arguments advanced in support of the strategy were not correct. Hence, the performance was average.

Question 21

Define the term 'Marketing'. Distinguish between social marketing and service marketing. (MTP 5 Marks Sep 22, RTP Nov 23, PYP 5 Marks May'18)

Answer 21

In general, marketing is an activity performed by business organizations. In the present day for business, it is considered to be the activities related to identifying the needs of customers and taking such actions to satisfy them in return of some consideration. The term marketing constitutes different processes, functions, exchanges and activities that create perceived value by satisfying needs of individuals.

Social marketing and service marketing are marketing strategies primarily with different orientations. Social Marketing refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group. For instance, the publicity campaign for prohibition of smoking or encouraging girl child, etc.

Question 22

Budget Smart Retailers, a renowned supermarket chain, faced fierce competition in the grocery retail sector due to escalating operational expenses. Rising costs from rent, labor, and inventory management challenged their profitability amidst the emergence of discount stores and online competitors. To counter this, Budget Smart Retailers optimized their supply chain through bulk procurement, revamped store layouts for cost efficiency and customer experience, embraced lean operational practices to minimize waste, and conducted comprehensive staff training to boost productivity and customer service efficiency. Identify and explain the strategy adopted by Budget Smart Retailers to enhance the profitability. (MTP 5 Marks Sep (23)

Answer 22

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

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

Question 23

Explain Best-cost provider strategy (RTP May'18)

Answer 23

Best-cost provider strategy involves providing customers more value for the money by emphasizing low cost and better-quality difference. It can be done:

- (a) through offering products at lower price than what is being offered by rivals for products with comparable quality and features or
- (b) charging similar price as by the rivals for products with much higher quality and better features.

Question 24

Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircrafts with seating capacity ranging between 6 seats to 9 seats. There aircrafts are chartered by big business houses and high net worth individuals for their personalized use. With customized tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet. (RTP Nov'22, RTP May'18, RTP Nov 20, Old & New SM)

Answer 24

The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules. The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

Question 25

A differentiation strategy may help to remain profitable even with rivalry, new entrants, suppliers' power, substitute products, and buyers' power. Explain. (RTP May'20)

Answer 25

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

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

Question 26

Write a short note on the concept of cost leadership strategy and how to achieve it? (RTP May 19, RTP May 21, PYP 5 Marks, Nov '19)

Answer 26

Cost leadership strategy requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs. Accordingly, the cost leader is able to charge a lower price for its products than its competitors and still make satisfactory profits. The low cost leadership should be such that no competitors are able to imitate so that it can result in sustainable competitive advantage to the cost leader firm.

To achieve cost leadership, following are the actions that could be taken:

1. Forecast the demand of a product or service promptly.
2. Optimum utilization of the resources to get cost advantages.
3. Achieving economies of scale leads to lower per unit cost of product/service.
4. Standardization of products for mass production to yield lower cost per unit.
5. Invest in cost saving technologies and try using advance technology for smart working.
6. Resistance to differentiation till it becomes essential.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Examinees were not clear about the concept and nature of business process re-engineering. Accordingly, answers to the first alternative were vague and ambiguous. However, the examinees who chose to explain the concept of cost leadership were able to do reasonable justice to their answers.

Question 27

Explain the meaning of cost leadership strategy. (RTP Nov'18)

Answer 27

A number of cost elements affect the relative attractiveness of generic strategies. A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead cost, and waste reduction. The low cost leadership should be such that no competitors are able to imitate so that it can result in sustainable competitive advantage to the cost leader firm.

Question 28

A business consultancy firm specializes in environment management consultancy. It advises client companies on how to set up environmental management accounting systems. For measuring recording and analyzing environmental costs. A large part of its business involves performing environmental audits to check whether companies have achieved an international assurance standard in environmental management; this is something that rival consultancy firms do not do. The firm also carries out other management consultancy projects for client, but these make up only a small proportion of its total annual fee income. Identify the strategy categories by Michael Porter which best describes the strategy of this firm. (RTP May '22)

Answer 28

By concentrating mainly on the 'market' for consultancy services in environmental management, the firm is pursuing a focus strategy. By offering audit services, which rival firms do not, this indicates a differentiation strategy within this chosen market niche. Hence, the firm is following Focus differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Similar to focused low-cost strategy, narrow markets are defined in different ways in different settings. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target

particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

Question 29

What is an opportunity? (RTP May 18)

Answer 29

An opportunity is a favorable condition in the organization's environment which enables it to consolidate and strengthen its position. An example of opportunity is growing demand for the products or services that are offered by company.

Question 30

Rohitha Patel is having a small chemist shop in the central part of Ahmedabad. What kind of competencies Rohitha can build to gain competitive advantage over online medic in sellers? (RTP May 19, Old SM)

Answer 30

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

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

Question 31

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. (May'20, PYP May '22)

Answer 31

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

- (i) **Valuable:** Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment. A firm created value

for customers by effectively using capabilities to exploit opportunities. Finance companies build a valuable competence in financial services. In addition, to make such competencies as financial services highly successful require placing the right people in the right jobs. Human capital is important in creating value for customers.

- (ii) **Rare:** Core competencies are very rare capabilities and very few of the competitors possess this. Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for any one of them. Competitive advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.
- (iii) **Costly to imitate:** Costly to imitate means such capabilities that competing firms are unable to develop easily. For example: Intel has enjoyed a first-mover advantage more than once because of its rare fast R&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&D cycle time capability.
- (iv) **Non-substitutable:** Capabilities that do not have strategic equivalents are called non-substitutable capabilities. This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

Question 32

Write a short note on SWOT analysis. (RTP May'21, Nov'18, PP May 18) (MTP 5 Marks Sep '23)

Answer 32

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

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

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

Question 33

Core competencies provide edge to a business over its competitors. .(RTP Nov 21, PYP 5 Marks, Jan '21)

OR

Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss. (RTP Nov'19)

Answer 33

A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

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

1. **Competitor differentiation:** The Company can consider having a core competence if the competence is unique and it is difficult for competitors to imitate. This can provide a company an edge compared to competitors. It allows the company to provide better products and services to market with no fear that competitors can copy it.
2. **Customer value:** When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence. It will include all the skills needed to provide fundamental benefits. The service or the product has to have real impact on the customer as the reason to choose to purchase them. If customer has chosen the company without this impact, then competence is not a core competence and it will not affect the company's market position.
3. **Application of competencies to other markets:** Core competence must be applicable to the whole organization; it cannot be only one particular skill or specified area of expertise. Therefore, although some special capability would be essential or crucial for the success of business activity, it will not be considered as core competence if it is not fundamental from the whole organization's point of view.

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

Question 34

State with reasons of the following statements are correct/incorrect: Tele-shopping is an instance of direct marketing. (RTP Nov'18)

Answer 34

Correct: Strategies may require changes in structure as the structure dictates how resources will be allocated. Structure should be designed to facilitate the strategic pursuit

of a firm and, therefore, should follow strategy. Without a strategy or reasons for being, companies find it difficult to design an effective structure.

Question 35

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

Analyze the nature of generic strategy used by Sohan and Ramesh. (PYP 5 Marks, Nov'18, Old & New SM)

Answer 35

Considering the generic strategies of Porter there are three different bases: cost leadership, differentiation and focus. Sohan and Ramesh are contemplating pricing for their product. Sohan is trying to have a low price and high volume are thereby trying for cost leadership. Cost leadership emphasizes producing standardized products at a very low per unit cost for consumers who are price sensitive.

Ramesh desires to create perceived value for the product and charge higher prices. He is trying to adopt differentiation. Differentiation is aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price insensitive.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the candidates were able to correctly identify the generic strategies. However, there were also vague and incorrect answers. Some of the answers have also unnecessarily covered pricing strategies.

Question 36

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 35 percent market share. The R & D of company developed a formula for manufacturing sugar free beverages. On successful trial and approval by the competent authorities, 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. (PYP 5 Marks, Nov 20, Old & New SM)

Answer 36

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies.

ABC Ltd. has opted Differentiation Strategy. The company has invested huge amount in R & D and developed a formula for manufacturing sugar free beverages to give the customer value and quality. They are pioneer and serve specific customer needs that are not met by other companies in the industry. The new product has been accepted by a class of customers. Differentiated and unique sugar free beverages enable ABC Ltd. to charge relatively higher 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. Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique. The uniqueness can be associated with product design, brand image, features, technology, and dealer network or customer service.

Achieving Differentiation Strategy

1. To achieve differentiation, following strategies are generally adopted by an organization:
2. Offer utility to the customers and match products with their tastes and preferences.
3. Elevate/Improve performance of the product.
4. Offer the high-quality product/service for buyer satisfaction.
5. Rapid product innovation to keep up with dynamic environment.
6. Taking steps for enhancing brand image and brand value.
7. Fixing product prices based on the unique features of product and buying capacity of the customer.

Question 37

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

The home appliances sector could be an example. After a dismal April-June quarter in the year 221; producers of air conditioners, refrigerators and washing machines are expecting their business to grow by 15-20 percent in the months to come. All the companies operating in the sector have geared up to grab the opportunities available in the market.

A leading company in the home appliances domain, XXP India, is planning to launch various innovative product designs and offer loyalty programmes to lure consumers. With reference to Michael Porter's generic strategies, identify which strategy XXP India has planned for? Explain how this strategy will be advantageous to the company to remain profitable? (PYP 5 Marks Dec '21)

Answer 37

According to Michael Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies. XXP India Ltd. has planned for Differentiation Strategy. The company is planning to launch various innovative product designs and offer loyalty programmes to lure customers. Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty, because consumers may become strongly attached to the differentiated features.

Advantages of Differentiation Strategy

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

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Priority of the examinees was not able to correctly identify the strategy. Those who had identified correctly, they were not able to clearly explain the advantages of differentiation strategy. Hence, the performance was average.

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Examiners' COMMENTS ON THE PERFORMANCE OF EXAMINERS:

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Question 38

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

In the given situation, identify the generic strategy as suggested by Michael Porter. Also state the advantages and disadvantages of such strategy. -by. (PYP PYP5 5 Marks Nov 22)

Answer 38

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

Advantages of Focused Strategy

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

Disadvantages of Focused Strategy

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

Question 39

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? (PYP 5 Marks Nov 22)

Answer 39

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

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

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

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

Some risks of pursuing cost leadership are:

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

Question 40

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. (PYP 5 Marks Dec '21)

Answer 40

Faced with a constantly changing environment, each business unit needs to develop a marketing information system to track trends and developments, which can be categorized as an opportunity or a threat. The company has to review its strength and weakness in the background of environment's opportunities and threat, i.e., an organization's SWOT analysis STU is looking at playing an active role in the key projects taken up by the central government. Following are the potential opportunities and threats to STU:

Potential STU's Opportunities:

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

Potential STU's Threats:

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINES:

The performance was average as examines were able to give only a few opportunities & threats and not commensurate with the required answer.

Question 41

Explain the meaning of core competencies. (PYP 2 Marks, May'18)

Answer 41

A core competency a unique strength of an organization which may not be shared by others. It is defined as a combination of skills and techniques rather than individual skill or separate technique. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.

Question 42

Define Augmented Marketing. Give two examples. (PYP 2 Marks, Nov'18)

Answer42

Augmented Marketing is provision of additional customer services and benefits built around the core and actual products that relate to introduction of hi-tech services like movies on demand, online computer repair services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINES:

Some candidates were not aware of the concept of Augmented Marketing

MULTIPLE CHOICE QUESTIONS

1. In Michael Porter's generic strategy _____ emphasizes producing standardized products at a very low per unit-cost for customers who are price sensitive.
- (a) Cheap leadership
 - (b) Inferior product leadership
 - (c) Cost leadership
 - (d) Cost benefit
- (MTP-Oct'19, 1 Mark, New SM)

Ans: (c)

2. Best-cost provider strategy involves providing customers more value for the money by emphasizing:
- (a) Low cost and low quality difference
 - (b) Low cost and better quality difference
 - (c) High cost and low quality difference
 - (d) High cost and better quality difference
- (MTP-Oct'19, 1 Mark)

Ans: (b)

3. A firm successfully implementing a differentiation strategy would expect:
- (a) Customers to be sensitive to price increases
 - (b) To charge premium prices
 - (c) Customers to perceive the product as standard
 - (d) To automatically have high levels of power over suppliers.
- (MTP-March '19, Apr'21 1 Mark, New SM)

Ans: (b)

4. Michael Porter Generic strategies to gain competitive advantage include all except:
- (a) Cost leadership
 - (b) Differentiation
 - (c) Focus
 - (d) Revenue generation
- (MTP-April '19, 1 Mark)

Ans: (d)

5. Perscopter, a manufacturer of private helicopter offers unique features that fulfill the demands of a narrow market. It competes in market based on its uniqueness and custom-oriented private helicopters Perscopter provides limited number of high-end helicopters with ultimate features. Which business strategy is being followed by Perscopter?
- (a) Differentiation
 - (b) Focused differentiation
 - (c) Cost leadership

(d) Focused cost leadership (MTP 2 Marks May 20)

Ans: (b)

6. Low cost, differentiation and focus are:

- (a) SBU level strategies
- (b) Corporate level strategies
- (c) Business level strategies
- (d) Functional level strategies (MTP 1 Mark oct20)

Ans: (c)

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

- (a) Market Penetration
- (b) Cost Differentiation
- (c) Cost Leadership
- (d) Market Development (MTP 1 Mark Oct 21 & March '23)

Ans: (c)

8. Best Cost provider strategies

- (a) Seek to attract buyers on the basis of charging low price for low quality
- (b) Aim at giving customers less value for more money
- (c) Seek to attract buyers on the basis of charging high price for high quality
- (d) Aim to giving customers low cost and better quality
(MTP 1 Mark Mar '22 & March 23)

Ans: (d)

9. Which one out of the following, is not a generic strategy as suggested by Michael Porter?

- (a) Focus Strategy
- (b) Differentiation Strategy
- (c) Cost Leadership Strategy
- (d) Best-Cost Provider Strategy (MTP 1 Mark April '23)

Ans: (d)

10. Anything that a firm does especially well compared to rival firms is referred to as

- (a) Competitive advantage
- (b) Comparative advantage
- (c) Opportunity cost
- (d) Sustainable advantage (MTP-Oct. '19,Mar19 1 Mark)

Ans: (a)

11. Internal _____ are activities in an organization that are performed especially well.

- (a) Opportunities
- (b) Competencies
- (c) Strengths
- (d) Management (MTP-March'19,1 Mark, New SM)

Ans: (c)

12. Which of the following is not part of external analysis:

- (a) Customer segments
- (b) Organizational constraints
- (c) Entry barriers
- (d) Competitors. (MTP-April'19,1Mark)

Ans: (b)

13. A core competence is all except?

- (a) Valuable
- (b) Rare
- (c) Impossible to imitate
- (d) Non-substitutable (MTP-April 19,1 Mark)

Ans: (c)

14. 'Strategic group mapping' helps in

- (a) Identifying the strongest rival companies
- (b) Identifying weakest rival companies
- (c) Identifying weakest and strongest rival companies
- (d) None of the above (MTP 1 Mark Oct 20, RTP May'20, New SM)

Ans:(c)

15. Marketing and Sales of Hindustan Unilever Limited and lowering of operating cost by Wal-Mart are examples of what?

- (a) Competitive Advantage
- (b) Core Competency
- (c) Strategic Planning
- (d) Key Performance Indicators (KPIs) (1 Mark Nov 21)

Ans: (b)

16. Dharam, an organic farming expert was consulting a group of farmers to build sustainable brand of their own produce. He suggested to follow the strategy of the biggest player in this business. Which of the following can be used to identify such a player?

- (a) BCG Matrix

- (b) ADL Matrix
- (c) Dominant Force Analysis of the Industry
- (d) Strategic Group Mapping **(2 Marks April 22)**

Ans: (d)

17. Tomtom a sneaker brand wanted to understand their competitive landscape and thus were looking for the weakest competitors to buy them and thereby decrease competition. Which of the following will be most helpful for them to begin with their plans?

- (a) Mergers and Acquisition Planning
- (b) BCG Growth Matrix
- (c) Strategic Group Mapping
- (d) GE Stop Light Matrix **(MTP 2 Marks March 23)**

Ans: (c)

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

- (a) Social Marketing
- (b) Augmented Marketing
- (c) Concentrated Marketing
- (d) Differential Marketing **(MTP 1 Mark April'23)**

Ans: (b)

19. The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholder is:

- (a) Social marketing
- (b) Augmented marketing
- (c) Direct marketing
- (d) Relationship marketing **(MTP 1 Mark May 20)**

Ans: (d)

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

- (a) Augmented Marketing
- (b) Synchrony Marketing
- (c) Social Marketing
- (d) Relationship Marketing **(MTP 1 Mark Sep 23)**

Ans:(d)

21. ABC Fashion provides early access and exclusive designs to its exclusive clientele, emphasizing personalized experiences. Which marketing type does this exemplify?

- (a) Augmented marketing
- (b) Service marketing
- (c) Person marketing
- (d) Relationship marketing **(MTP 2 Marks Oct'23)**

Ans:(d)

22. According to Porter, which of the following is important to achieve competitive advantage?

- (a) Differentiation and cost advantage.
- (b) Outsourcing activities.
- (c) Having strong relationship with buyer and sellers.
- (d) Focus on most competitive businesses. **(RTP May 19)**

Ans:(a)

23. In the questions given below select the best answer out of options (a), (b), (c), or (d): Differentiation Strategy can be achieved by following measures:

1. Match products with tastes and preferences of customers.
2. Elevate the performance of the product.
3. Rapid product innovation Which of the above is true?

- (a) (1) and (2)
- (b) (1) and (3)
- (c) (2) and (3)
- (d) (1), (2) and (3) **(RTP May'20, New SM)**

Ans: (d)

24. In the question given below select the best answer out of options (a), (b), (c), or (d): Competitive rivalry has the most effect on the firm's strategies than the firm's other strategies.

- (a) Business level
- (b) Corporate level
- (c) Functional level
- (d) All of these **(RTP May'20)**

Ans: (a)

25. Sanjivni Pharmaceuticals Limited manufacturers a cough syrup Zeus. It has modified Zeus syrup, claiming that the Zeus cough syrup is sugar-free, and the consumer will not feel drowsiness after consuming this cough syrup.

Consumers found this product as unique. The sales of Zeus cough syrup have increased as expected. The price of this sugar-free syrup is higher by 20% than the earlier syrup. Identify the strategy adopted by Sanmina Pharmaceuticals Limited.

- (a) Focus strategy
- (b) Best cost provider strategy
- (c) Differentiation strategy
- (d) Cost leadership strategy. (RTP May'21)

Ans: (c)

26. In the questions given below select the best answer out of options (A), (B), (C), or (D): Best-cost provider strategy is related to providing customers more for money by:

- (a) Highlighting low cost and low quality difference.
- (b) Emphasizing low cost and better quality difference.
- (c) Producing high cost and low quality difference.
- (d) Managing high cost and low quality difference. (RTP Nov'19)

Ans: (b)

27. In the questions given below select the best answer out of options (A), (B), (C), or (D): Porter' cost leadership is a strategy

- (a) Functional level
- (b) Business level
- (c) Corporate level
- (d) Implementation (RTP Nov'19)

Ans: (b)

28. Trekking Poles is a small company based in the Himalayan ranges in India. It is known in the region for its hill walking sticks. Trekking Poles sell specialist walking equipment in their small shop at the foot of the mountains. They do not have a website yet are able to sell their products at premium prices. Which of the following one of Porter's generic strategies best fits Trekking Poles?

- (a) Cost leadership
- (b) Differentiation
- (c) Focused cost leadership
- (d) Focused differentiation. (RTP Nov/21)

Ans: (d)

29. A Ltd. has recently decided to install a new IT system to improve the efficiency of its payroll function. A ltd. believes this will reduce the cost of running the payroll system by 20%. Which one of the following levels of strategy is the above IT system most closely linked to?

- (a) Corporate level

- (b) Functional level
- (c) Business level
- (d) Strategic level (RTP Nov 21)

Ans: (b)

30. Airlines providing special lounge access to loyal customers is a type of which marketing? (RTP May 22, RTP May'23)

- (a) Augmented Marketing
- (b) Directing Marketing
- (c) Relationship Marketing
- (d) Services Marketing

Ans: (c)

31. A market consists of those rival firms which have similar competitive approaches and positions in the market.

- (a) BCG Matrix
- (b) Strategic group.
- (c) Strategy Map.
- (d) Industry (RTP May 19)

Ans: (b)

32. According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas and application to other markets.

- (a) Competitor differentiation, customer value
- (b) Competitor differentiation, focus
- (c) Cost leadership, differentiation
- (d) Profits, growth (RTP May 19).

Ans: (a)

33. A thing that a firm does especially well in comparison to the rival firms is:

- (a) Opportunity availed.
- (b) Successful leadership.
- (c) Competitive advantage.
- (d) Comparative advantage (RTP May 19)

Ans: (c)

34. ABC is a marketing consultancy business. ABC's most recent corporate analysis has identified that three new businesses have recently entered its market and started aggressively targeting ABC's key client. As part of ABC's corporate analysis, these three new businesses would be a

- (a) Strength
- (b) Opportunity

- (c) Weakness
- (d) Threat (RTP Nov'21)

Ans: (d)

35. The activity of identifying the strongest and weakest companies is known as: (RTP May 23)

- (a) Strategic Audit
- (b) Portfolio Analysis
- (c) Strategic Surveillance
- (d) Strategic Group mapping (Chapter Dynamics of Competitive Strategy)

Ans: (d)

36. Big retail stores (e.g., Big Bazaar) and supermarkets have special core competencies in the areas of:

- A Merchandising
 - B. Securing supplies at lower cost
 - C. In-house activity management
 - D. Computerized stock ordering and billing systems.
 - E. Own brand labels
- Select the correct options:
- (a) A, C, D
 - (b) B, D, E
 - (c) A, B, C, D
 - (d) A, B, D, E (RTP Nov 23)

Ans:(d)

37. XYZ is a high-end department store chain that is struggling to survive. A number of other department store chains compete with it and are also struggling. How should XYZ best analyze the industry in order to work out how to increase performance?

- (a) Identify groups of department stores that compete in a similar way.
- (b) Show the competitive pathways that various competitors will adopt.
- (c) Determine the combined effect of all the stores' different strategies.
- (d) Ignore key success factors that affect discount stores. (RTP Nov'23)

38. In the questions given below select the best answer out of options (A), (B), (C), or (D): Which of the following is not true for core competency?

- (a) It distinguishes a company competitively
- (b) It is a source of competitive advantage
- (c) It is an individual skill and separate technique.
- (d) It is often visible in the form of organizational functions. (RTP Nov'19)

Ans: (c)

- 39. In the questions given below select the best answer out of options (a), (b), (c), or (d): The marketing strategy which is used to reduce or shift the demand is:**
- (a) Enlightened Marketing
 - (b) Synchro-Marketing
 - (c) Place Marketing
 - (d) Demarcating **(RTP May 20)**

Ans: (d)

- 40. Indian Company plans to offer snack during travel through ropeways and two free movies tickets on completion of the travel. This marketing technique is known as**
- (a) Augmented marketing
 - (b) Synchro
 - (c) Social
 - (d) DE marketing **(RTP Nov'23)**

Ans: (a)

CHAPTER 4 STRATEGIC CHOICES

Question 1

Write a short note on need for turnaround strategy. (MTP-Oct'19, Oct'18 5 Marks)

Answer 1

Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well. It is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult. The overall goal of turnaround strategy is to return an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics.

Question 2

Leatherite Ltd., was started as a leather company to manufacture footwear. Currently, they are in the manufacturing of footwears for males and females. The top management desires to expand the business in the leather manufacturing goods. To expand they decided to purchase more machines to manufacture leather bags for males and females. Identify and explain the strategy opted by the top management of Leatherite Ltd. (MTP-March '19, 5 Marks, RTP Nov/21)

Answer 2

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

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

Question 3

A company manufactures computers that are of low in production cost, competitive price, and quality to their competitor's product. Profits and market share are declining day by day. Shree, a senior executive realizes that drastic strategies have to

be created for the survival of a company. After SWOT analysis by assessing the strengths and weaknesses, they come up with the conclusion that they cannot compete in the computers with the competitors. The management directs Shree to act quick and develop a suitable strategic plan. Discuss the strategy which can be opted by Shree. (MTP-April '19, Mar'18 5 Marks, Old SM)

Answer 3

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

Conditions for turnaround strategies

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

Action plan for turnaround strategy

- Stage One – Assessment of current problems.
- Stage Two-Analyze the situation and develop a strategic plan
- Stage Three-Implementing an emergency action plan
- Stage Four-Restructuring the business
- Stage Five-Returning to normal

Question 4

What do you understand by co-generic merger? (MTP-March '18, 2 Marks, PYP 2 Marks May 18)

Answer 4

In co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. Such merger includes the extension of the product line or acquiring components that are required in the daily operations. It offers great opportunities to business to diversify around a common set of resources and strategic requirements.

Question 5

Which of the following statements are 'correct' and which are incorrect'? Give reasons, in brief, for your answer: Divesting a major product line or market is termed as retrenchment strategy. (MTP- Oct 18, 2 Marks)

Answer 5

Correct: An organization can redefine its business by divesting a major product line or market. The divesting can be termed as retrenchment strategy. The enterprise may withdraw from marginal markets, withdraw some brands or sizes of products, it may also withdraw some of slow moving products in an extreme manner, it may seek retirement either from the production or the marketing activity.

Question 6

Explain in brief the reasons to adopt turnaround strategy. (MTP 5 Marks May 20)

Answer 6

Reasons to adopt Turnaround Strategy:

1. Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well.
2. It is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level.
3. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.
4. The overall goal of turnaround strategy is to return an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow.
5. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics.

Question 7

Write short note on expansion through acquisitions and mergers. (MTP 5 Marks Oct 20, RTP May 20, Old & New SM)

Answer 7

Acquisitions and mergers are basically combination strategies. Some organizations prefer to grow through mergers. Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created

entity. In a merger, two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

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

Question 8

Justify the statement "Stability strategy is opposite of Expansion strategy". (MTP 5 Marks March '21, RTP May'21)

Answer 8

Stability strategies, as name suggests, are intended to safeguard the existing interests and strengths of business. It involves organizations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing strategy'. This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position. On the other hand, expansion strategy is aggressive strategy as it involves redefining the business by adding the scope of business substantially, increasing efforts of the current business. In this sense, it becomes opposite to stability strategy. Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor, promise and success. Expansion also includes diversifying, acquiring and merging businesses. This strategy may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls.

Question 9

Distinguish between the following:

Divestment and Liquidation strategy. (MTP 5 Marks Nov 21, Oct '19, & April 21, Old SM, PYP 5 Marks Nov '20)

Answer 9

Divestment Strategy	Liquidation Strategy
Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center or SBU.	It involves closing down a firm and selling its assets.
Divestment is usually a part of rehabilitation	Liquidation becomes only option in case

or restricting plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful. Option of a turnaround may even be ignored if it is obvious that divestment is the only answer.	of severe and critical conditions where either turnaround and divestment are not seen as solution or have been attempted but failed.
Efforts are made for the survival of organization.	Liquidation as a form of retrenchment strategy is considered as the most extreme and unattractive.
Survival of organization helps in retaining personnel, at least to some extent.	There is loss of employment with stigma of failure.

Question 10

There has been fierce demand for both Gecko and Fly Bee for the last 3 years. Gecko makes mass consumption pens while Fly bee is a notebook and diary brand both being complementary goods of each other. But to grow further, Fly Bee decided to take up competition with Gecko in pens segment and thereby launched, Fly Pens. Identify and explain the growth strategy opted by Fly bee? (MTP 5 Marks March 22)

Answer 10

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

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

Question 11

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. (MTP 5 Marks April 22, Old & New SM, PYP 5 Marks Jan "21)

Answer 11

It is advisable that divestment strategy should be adopted by X Pvt. Ltd. In the given situation where the business of co-working spaces became unprofitable and unviable due to Global pandemic, the best option for the company is to divest the loss-making business. Retrenchment may be done either internally or externally. Turnaround strategy is adopted

in case of Internal retrenchment Where emphasis is laid on improving internal efficiency of the organization, While divestment is strategy is adopted.

When a business turns unprofitable and unviable Due to some external factors. In view of the above , the company should go for divestment strategy. Further, divestment helps address issues like:

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

Question 12

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 Jyn X for athletes. Identify and explain the growth strategy adopted by Jynklo Ltd.? (MTP 5 Marks Sep 22, RTP Nov '23)

Answer 12

Currently Jynklo Ltd. is performing in the children gaming industry. But now its management has decided to expand their business by starting a premium sports drink named Jynx for athletes. As there are no Tinkages in both products with respect to customer groups, customer functions, or the technologies being used, so Jynklo Ltd, have opted Conglomerate diversification

Jynklo Ltd. diversifies in a business that is not related to their existing line of product and can be termed as conglomerate diversification. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way; it is a unrelated diversification, In process/technology/function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

Question 13

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 vertically diversification? Explain. (MTP5 Marks Oct 22, RTP May'22)

Answer 13

Diversification strategy involves expansion into new businesses that are outside the current business and markets of an organization. Based on the nature and extent of their relationship to existing businesses, diversification can be classified into four broad categories:

- (i) Vertically integrated diversification
- (ii) Horizontally integrated diversification
- (iii) Concentric diversification
- (iv) Conglomerate diversification

Concentric diversification takes place when the products are related. The new product is a spin-off from the existing facilities and products/processes. This means that in concentric diversification too, there are benefits of synergy with the current operations. However, concentric diversification differs from vertically integrated diversification in the nature of the linkage the new product has with the existing ones.

In vertically integrated diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process. Sequence moves forward or backward in the chain and enters specific product/process steps with the intention of making them into new businesses for the firm. The new product falls within the firm's current process-product chain, in concentric diversification, there is a departure from this vertical linkage, a new related product is added to the existing business. The new product chain is only connected in a loop-like manner at one or more points in the firm's existing process/technology/product

Question 14

Jeff Inc., a leading USA based Mobile company decides to make India a hub for the company's Android Mobile having largest storage memory to be manufactured in collaboration with the Desi Group, a leading Indian mobile manufacturer. The production is to be exported to the company's home market as well as to other European countries.

What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration. (MTP 5 Marks March 23, PYP Dec '21 & Nov/19)

OR

What are the advantages of a strategic alliance? (MTP 5 Marks Nov/21]

OR

Strategic alliances are formed if they provide an advantage to all the parties in the alliance. Do you agree? Explain in brief the advantages of a strategic alliance. (RTP May 18, May 19)

Answer 14

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

more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated

Advantages of Strategic Alliance

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

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

EXAMINER'S COMMENTS ON THE PERFORMANCE OF EXAMINES:

Answers, in general, were correct as most of the students were identified the advantages of strategic alliance and explained it properly.

Question 15

Which of the following statements are 'correct' and which are incorrect'? Give reasons, in brief, for your answer:

- (i) "B" in BCG Matrix stands for balance. (MTP Aug 18 2 Marks)**

Answer 15

- (i) Incorrect:** The acronym BCG stands for Boston Consulting Group, an organization that developed a matrix to portray an organizational corporate portfolio of investment.

This matrix depicts growth of business and the business share enjoyed by an organization. The matrix is also known for its cow and dog metaphors and is popularly used for resource allocation in a diversified company.

Question 16

Distinguish between the following:

Market Development and Product Development under Ansoff's Product Market Growth Matrix (MTP 5 Marks March '21 & April 23, RTP Nov '22)

Answer 16

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

Market Development	Product Development
<p>Meaning It refers to a growth strategy where the business seeks to sell its existing products into new markets. It is a strategy for company growth by identifying and developing new markets for current company products.</p> <p>Strategy Application It may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing to attract different customers or create new markets segments.</p>	<p>Meaning It refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets.</p> <p>Strategy Application It is for company's growth and requires the development of new competencies and the business to develop modified products which can appeal to existing markets.</p>

Question 17

How Ansoff's Product Market Growth Matrix is a useful tool for business organizations? (MTP 5 Marks Oct 21 & April '19, RTP May 18)

Answer 17

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

Companies should always be looking to the future. Businesses that use the Ansoff matrix can determine the best strategy. The matrix can help them to decide how to do this by demonstrating their options clearly, breaking them down into four strategies, viz., Market Penetration, Market Development, Product Development, Diversification. Determining

which of these is best for their business will depend on a number of variables including available resources, infrastructure, market position, location and budget.

Question 18

Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's product market growth matrix. (MTP 5 Marks March 22, MTP 5 Marks Oct 22, RTP May 23, Old SM)

Answer 18

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

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

Sky chemical industry can adopt market penetration, product development, market development or diversification simultaneously for its different products.

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

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

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

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

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

Question 19

"XYZ Ltd., a multi-product company, has been experiencing consistent losses in recent years, leading to a significant erosion of its net worth. What strategic options should the management consider addressing the company's current situation? Provide recommendations along with supporting reasons." (MTP 5 Marks Oct (23))

Answer 19

XYZ Ltd. is a sick company with accumulated losses that have eroded its net worth. The multi-product company may analyze its various products to take decisions on the viability

of each. The company may consider a retrenchment strategy. Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.

Retrenchment strategy is adopted because of continuous losses and unviability and stability can be TSU ensured by reallocation of resources from unprofitable to profitable businesses Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment

Strategies as follows:

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

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

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

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

Question 20

Explain the meaning of the Combination strategies (RTP May 18 & Nov '18)

Answer 20

Combination Strategies refer to a mix of different strategies like stability, expansion, diversification or retrenchment to suit particular situations that an enterprise is facing. For instance, a strategy of diversification/acquisition may call for retrenchment in some obsolete product lines.

Question 21

State with reasons if the following statement is correct/incorrect: Turnaround should succeed liquidation strategy. (RTP May 18)

Answer 21

Incorrect: A retrenchment strategy considered the most extreme and unattractive is liquidation strategy, which involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. In an ideal scenario, turnaround should be attempted first and should precede option of liquidation n.

Question 22

Swift Insurance is a company engaged in the business of providing medical insurance maintaining a market share of 25 to 30 per cent in 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 the Swift Insurance with its advantages. (RTP May 18, Old SM)

Answer 22

Overall Swift insurance is following growth or expansion strategy as it is redefining the business and enlarging its scope. The step will also substantially increase investment in the business.

The new business is related and at the same time caters to a different segment and accordingly can be termed as related diversification. The new business falls within the scope of general insurance and horizontally related to the existing business.

In the process of expansion, the company will be able to exploit:

- Its brand name.
- The marketing skills available.
- The existing sales and distribution infrastructure.
- Research and development.
- Economies of scale.

Question 23

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

Suggest a grand strategy that can be opted by Soft Cloth Ltd. (RTP May 19, Old & New SM)

Answer 23

Soft Cloth Ltd, is facing internal as well as external challenges. The external environment is in economic recession and the organization is facing cash crunch. The

company needs to work on retrenchment/turnaround strategy. The strategy is suitable in case of issues such as:

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

The company may consider to substantially reduce the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems.

These steps result in different kinds of retrenchment strategies. If the organization chooses to focus on ways and means to reverse the process of decline, it adopts a turnaround strategy. If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a divestment strategy. If none of these actions work, then it may choose to abandon the activities totally, resulting in a liquidation strategy.

Question 24

Distinguish between the following: Mergers and acquisitions. (RTP May 19 & May 18)

Answer 24

Merger and acquisition in simple words are defined as a process of combining two or more organizations together.

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

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

Question 25

Oregano is a large supermarket chain. It is considering the purchase of a number of farms that provides Oregano with a significant amount of its fresh produce. Oregano feels that by purchasing the farms, it will have greater control over its supply chain. Identify and explain the type of diversification opted by Oregano? (RTP May 20)

Answer 25

Oregano is a large supermarket chain. By opting backward integration and purchase a number of farms, it will have greater control over its supply chain. Backward integration is a step towards, creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lessen its cost of production.

Question 26

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. we're having 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. Identify and explain the corporate strategy adopted by the leadership team of Mini Theatre Ltd. (RTP May'21)

Answer 26

The leadership team of Mini Theatre Ltd. decided to cut off the loss-making units, reduce the functions performed that some of regional content like 'Bangla movies', 'Gujarati shows' etc. we're having high cost and less viewership, it adopts a divestment strategy. The leadership team of Mini Theatre Ltd. decided to sell the rights and curtail any further content development in these areas.

Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center or SBU. Divestment is usually a part of 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.

Question 27

**State with reasons which of the following statements are correct/incorrect:
Stability strategy is not a 'do-nothing' strategy. (RTP Nov'18)**

Answer 27

Correct: Porter's five forces model considers new entrants as major source of competition. The new capacity and product range that the new entrants bring in throw up new competitive pressure. The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players.

Question 28

Forward integration and backward integration. (RTP Nov'18)

Answer 28

Forward and backward integration form part of vertically integrated diversification. In vertically integrated diversification, firms opt to engage in businesses that are vertically related to the existing business of the firm. The firm remains vertically within the same process. While diversifying, firms opt to engage in businesses that are linked forward or backward in the chain and enter specific product/process steps with the intention of making them into new businesses for the firm, Backward integration is a step towards creation of effective supply by entering business of input providers. Strategy employed to expand profits and gain greater control over production of a product whereby a company will purchase or build a business that will increase its own supply capability or lower its cost of production. On the other hand, forward integration is moving forward in the value chain and entering business lines that use existing products. Forward integration will also take place where organizations enter into businesses of distribution channels.

Question 29

Vastralok Ltd., was started as a textile company to manufacture cloth. Currently, they are in the manufacturing of silk cloth. The top management desires to expand the business in the cloth manufacturing. To expand they decided to purchase more machines to manufacture cotton cloth. Identify and explain the strategy opted by the top management of Vastralok Ltd. (RTP Nov 18, Old SM)

Answer 29

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

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

Question 30

Pizza Galleria was India's first pizza delivery chain enjoying monopoly for several years. However, after entry of Moline and Uncle Inck it is struggling to compete. Both Molino and Uncle Jack have opened several eateries and priced the product aggressively. In last four years the chain has suffered significant losses. The chain

wishes to know whether they should go for turnaround strategy. List out components of action plan for turnaround strategy. (RTP Nov 19, Old 5M)

Answer 30

Pizza Chain may choose to have turnaround strategy if there are:

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

For turnaround strategies to be successful, it is imperative to focus on the short and long-term financing needs as well as on strategic issues. The chain may attempt to leverage the potential Indian market 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.

A workable action plan for turnaround would involves

Stage One- Assessment of current problems. The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused.

Stage Two-Analyze the situation and develop a strategic plan: Before making any major changes, determine the chances of the business's survival, identify appropriate strategies and develop a preliminary action plan.

Stage Three-appropriate action plan must be developed to stop the bleeding and enable the organization to survive. A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

Stage Four-Restructuring the business: 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. Efforts to be made to position the organization for rapid improvement.

Stage Five-Returning to normal: in the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added. Emphasis is placed on a number of strategic efforts such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market share, etc.

Question 31

What is a stability strategy? What are the reasons to pursue stability strategy? (RTP Nov'19 & Nov '23)

Answer 31

One of the important goals of a business enterprise is stability 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. A stability strategy is pursued by a firm when:

- It continues to serve in the same or similar markets and deals in same or similar products and services.
- The strategic decisions focus on incremental improvement of functional performance
- Major reasons for stability strategy are as follows:
- A product has reached the maturity stage of the product life cycle.
- It is less risky as it involves less changes and the staff feels comfortable with things as they are.
- The environment faced is relatively stable.
- Expansion may be perceived as being threatening
- Consolidation is sought through stabilizing after a period of rapid expansion.

Question 32

General public is discerning from buying air conditioning units based on the Health Ministry guidelines regarding emergence of a contagious viral pandemic. Consequently, Nebula Pvt. Ltd, a manufacturer of evaporation coils used in air conditioning units has faced significant loss in working capital due to sharp fall in demand. The company conducted financial assessment and developed a workable action plan based on short and long term financial needs. But for immediate needs, an emergency plan has been implemented. It includes selling scrap, asset liquidation and overheads cost reduction. Further, to avoid any such untoward event in future, they plan to diversify into newer business areas along with its core business. Identify and explain the strategy opted by M/s. Nebula Pvt. Ltd.? (RTP Nov 20)

Answer 32

M/s. Nebula Pvt Ltd has opted Turnaround Strategy as the company while facing serious working capital crunch persistently conducted an assessment of current problem and developed a workable action plan based on short and long term financial needs and strategic issues. A workable action plan for turnaround would involve:

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

Stage Two-Analyze the situation and develop a strategic plan: identify major problems and opportunities, develop a strategic plan with specific goals and detailed functional actions.

Stage Three Implementing an emergency action plan: if the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive.

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

Stage Five-Returning to normal: in the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on Investments and enhancing economic value-added.

Question 33

What is Divestment strategy? When is, it adopted? (RTP Nov 20, Nov 18, Old SM)

Answer 33

Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center or SBU. For a multiple product company, divestment could be a part of rehabilitating or restructuring plan called turnaround.

- A divestment strategy may be adopted due to various reasons:
- When a turnaround has been attempted but has proved to be unsuccessful.
- A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
- Persistent negative cash flows from a particular business create financial problems for the whole company.
- Severity of competition and the inability of a firm to cope with it.
- Technological up gradation is required if the business is to survive but where it is not possible for the firm to invest in it.
- A better alternative may be available for investment.

Question 34

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. (RTP Nov 21)

Answer 34

Acquisition or merger with an existing concern is an instant means of achieving expansion. It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialize growth.

Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises. Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on.

Many organizations in order to achieve quick growth, expand or diversify with the use of mergers and acquisitions strategies. Merger and acquisition in simple words are defined as

a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases.

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

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

Question 35

Racers Ltd. manufactures bicycles. Until recently it has adopted a differentiation strategy, offering high quality bicycles which Racers Ltd. sells at a high profit margin. In recent years, Racers Ltd. has entered a period of decline due to the market becoming flooded with cheaper, high quality bicycles from abroad, where labor costs are lower.

Racers Ltd. has therefore decided to adjust its strategy and adopt a focus approach, targeting its bicycles 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? (RTP May (22))

Answer 35

Racers Ltd. has adopted Turnaround strategy. This involves Racers Ltd. repositioning itself in the market in an attempt to once again gain competitive advantage.

Turnaround is needed when an enterprise's performance deteriorates to a point that it needs a radical change of direction in strategy, and possibly in structure and culture as well. It is a highly targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level, it is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.

The overall goal of turnaround strategy is to return an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow. To achieve its objectives, turnaround strategy must reverse causes of distress, resolve the financial crisis, achieve a rapid improvement in financial performance, regain stakeholder support, and overcome internal constraints and unfavorable industry characteristics.

Question 36

Write a short note on Merger and Acquisition Strategy. (RTP Nov'22)

Answer 36

Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms but the impact of combination is completely different in both the cases. Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity. In a merger two organizations combine to increase their strength and financial gains along with breaking the trade barriers.

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

Question 37

Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain. (RTP May 23) (MTP 5 Marks Sep '23)

Answer 37

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.

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

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

Question 38

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. (RTP May 23)

Answer 38

The management of ABC Inc. implemented turnaround strategy which is a highly-targeted effort to return ABC Inc. to profitability and increase positive cash flows to a sufficient level. Organizations those have faced a significant crisis that has negatively affected operations require turnaround strategy. Once turnaround is successful the organization may turn to focus on growth.

Conditions for turnaround strategies

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

Action plan for turnaround strategy

- Stage One-Assessment of current problems
- Stage Two-Analyze the situation and develop a strategic plan
- Stage Three-Implementing an emergency action plan
- Stage Four-Restructuring the business
- Stage Five-Returning to normal

Question 39

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.

Option 1: Selling the same alarms although with different coverings to smaller and low income group households at a lower price.

Option 2: Development of new, more sophisticated alarms and a wide range of security services (guards and surveillance) for sale to industrial clients for higher prices.

The senior management team of Ajanta & Sons Limited are keen to analyze the two options using Ansoff's matrix. (Nov 21)

Answer 39

Selling the same alarms with different coverings to smaller and low income group households at a lower price represents Market Development as the same products are being sold into a new market development refers to a growth strategy where the business seeks to sell its existing products into new markets it is a strategy for company growth by identifying and developing new markets for the existing products of the company.

While the development of new and more sophisticated alarms and a wide range of security services (guards and surveillance) for sale to industrial clients for higher prices is classified as Diversification, because it involves a new product, being sold in a new market. Diversification refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

Question 40

Explain the strategic implications of each of the following types of business in a corporate portfolio

(a) Stars

(b) Question Marks

(C) Cash Cows

(d) Dogs (RTP May (22))

Answer 40

In the BCG growth share metric portfolio of investments are represented in two-dimensional space. The vertical axis represents market growth rate, and the horizontal also represents relative market share. The strategic implications for various business types under BCG in the corporate portfolio are:

Stars are products or businesses that are growing rapidly and are best opportunity for expansion. Stars may follow build strategy. They need heavy investments to maintain their position and finance their rapid growth potential.

Cash Cows are low-growth, high market share businesses or products. They generate cash and have low Costs They are established, successful, and need less investment to maintain their market share Strategic alternative advocated for cash cows is harvest.

Question Marks are low market share business in high growth markets Strategic option for them is hold for which they need heavy investments. Question marks if left unattended are capable of becoming cash traps

Dogs are low-growth, low share businesses and products. Relevant strategy is divest Dogs may generate enough cash to maintain themselves, but do not have much future. Dogs should be minimized by means of divestment or liquidation.

Question 41

Explain the role of ADI Matrix in assessing competitive position of a firm, (RTP May 22, Nov 20)

Answer 41

The ADL matrix has derived its name from Arthur D. Little which is a portfolio analysis method based on product life cycle. The approach forms a two-dimensional matrix based on stage of industry maturity and the firm's competitive position, environmental assessment and business strength assessment. The role of ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:

- **Dominant:** This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong h
- **Strong:** By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.
- **Favorable:** This position, which generally comes about when the industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom
- **Tenable:** Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.
- **Weak:** The performance of firms in this category is generally unsatisfactory although opportunities for improvement do exist

Question 42

ABC Corporation is a conglomerate with a diverse portfolio of businesses. One of its businesses is a well-established division in a mature and stable market. The division has maintained a high market share over the years but is experiencing slow growth due to market saturation. The management team is contemplating the best course of action for this division. How should ABC Corporation approach this division according to the BCG growth-share matrix, and what would be the rationale behind it? (RTP Nov (23))

Answer 42

According to the BCG growth share matrix, the division in a mature and stable market falls into the "Cash Cows" category "Cash Cows" are low-growth, high market share businesses that generate cash with low costs. The recommended approach for ABC Corporation would be to adopt the "Hold" strategy. This means the company should preserve the market share of the division and continue generating cash with low costs. Since the market is mature and growth opportunities are limited, the division's focus should be on maintaining profitability and using the generated cash to support other high-potential businesses within the conglomerate. By holding onto the "Cash Cow" division, ABC can leverage its stability and cash flow to invest strategically in other areas of the business for future growth and innovation.

Question 43

Wood world Ltd. is a company manufactures a variety of household furniture items. They offered traditional designs, low cost furniture items to low income group customers. During the last couple of years, the company has been observing a fall in the market share. This is due to the change in the taste and preferences, designing, better quality, increase in purchasing power of buyers towards the household furniture. The customers are switching away traditional designs and material that have been the backbone of Wood world Ltd.

As a CEO of Wood world Ltd., what can be the strategic options available with you. (RTP Nov/22)(MTP 5 Marks Oct '23)

Answer 43

Wood world is having a product portfolio that is evidently in the decline stage. The product is being replaced with the latest designs with better quality of the product. Strategically, the company should minimize their dependence on the existing products and identify other avenues for the survival and growth. As a CEO of Wood world Ltd., following can be the strategic options available with the CEO:

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

Question 44

Explain the meaning of Directional Strategy: (PVP 2 Marks, May 18)

Answer 44

Directional strategies, also called **grand strategies**, provide basic directions for strategic actions towards achieving strategic goals. Such strategies are formulated at the corporate level so are also **known as corporate strategies**. The corporate strategies a firm can adopt have been **classified into four broad categories: stability, expansion, retrenchment, and combination**.

Question 45

XYZ Ltd. is a multi-product company, suffering from continuous losses since last few years and has accumulated heavy losses which have eroded its net worth.

What strategic option is available to the management of this sick company? Advise with reasons. (PYP 5 Marks, May 18, Old SM)

Answer 45

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

Retrenchment strategy is adopted because of continuous losses and unviability and stability can be ensured by reallocation of resources from unprofitable to profitable businesses. Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems.

These steps result in different kinds of retrenchment strategies as follows:

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

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

Liquidation Strategy: in the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure. The management of multiproduct sick company manufacturing various items need to understand pros and cons of each strategic option. The decision will depend upon the specific circumstances of each product and management goals of the company.

Question 46

List the advantages of Strategic Alliances. (PYP 2 Marks, Nov'18)

Answer 46

Advantages of strategic alliance are:

- (i) **Organizational:** learn skills and obtain capabilities from strategic partners.
- (ii) **Economic:** Sharing of costs and risks by members of alliance.
- (iii) **Strategic:** Rivals can join together to cooperate rather than compete.
- (iv) **Political:** Alliance with partners with political influence improve overall power position of the organization.

EXAMINER'S COMMENTS ON THE PERFORMANCE OF EXAMINES:

Answers were lacking as either the areas of advantages of strategic alliance or their explanations were missing. Students were not able to do justice to their answers.

Question 47

Which of the following statements are correct and which are incorrect? Give reasons in brief for your answer.

Acquiring of ambulance services by a hospital is an example of forward integration strategy. (PYP 2 Marks, Nov'18)

Answer 47

Incorrect: Acquiring of ambulance services by hospital is an example of backward integration strategy. Backward integration is a step towards creation of effective supply by entering business of input providers Forward integration is moving forward in the value chain

Question 48

Which of the following statements are correct and which are incorrect? Give reasons in brief for your answer.

There is no such thing as backward integration. (PYP 2 Marks, Nov'18)

Answer 48

Incorrect: Organizations may diversify into new businesses that are vertically integrated with their existing business: Backward integration firms create effective supply by entering business of input providers. This strategy is employed to expand profits and gain greater control over production.

Question 49

Gautama 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.

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

Discuss the nature of corporate strategies being suggested by two brothers and risks involved in it. (PYP 5 Marks May '19, Old & New SM)

Answer 49

Gautama wishes to diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification. He is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies, which is not related to their existing product. In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way, it

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

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

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

EXAMINER'S COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees were not able to correctly identify the correct corporate strategy. Hence, the performance was average.

Question 50

An XYZ Company is facing continuous losses. There is decline in sales and product market share. The products of the company became uncompetitive and there is persistent negative cash flow. The physical facilities are deteriorating and employees have low morale. At the board meeting, the board members decided that they should continue the organization and adopt such measures that the company functions properly. The board has decided to hire young executive Shyamalan for improving the functions of the organization. What corporate strategy should Shyamalan adopt for this company and what steps to be taken to implement the corporate strategy adopted by Shyamalan? (PYP 5 Marks, Nov'19, Old & New SM)

OR

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. (PYP 5 Marks, July'21)

Answer 50

XYZ Company is facing continuous losses, decline in sales and product market share, persistent negative cash flow, uncompetitive products, declining market share, deterioration in physical facilities, low morale of employees. In such a scenario, Shyamalan may choose turnaround strategy as this strategy attempts to reverse the process of decline and bring improvement in organizational health. This is also important as Board has decided to continue the company and adopt measures for its proper functioning.

For success, Shyamalan needs to focus on the short and long-term financing needs as well as on strategic issues. During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. A workable action plan for turnaround would involve:

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

Stage Two-Analyze the situation and develop a strategic plan: Identify major problems and opportunities, develop a strategic plan with specific goals and detailed functional actions.

Stage Three-Implementing an emergency action plan: if the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive.

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

Stage Five Returning to normal: in the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added.

EXAMINER'S COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees were able to correctly identify the turnaround strategy but not very clear about the steps to be taken to implement the turnaround strategy. Hence, the performance was average.

Question 51

"There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive". Discuss. (PYP 5 Marks Dec '21)

Answer 51

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

Conditions for turnaround strategies: When firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment, they have to identify danger signals as early as possible and

undertake rectification steps immediately. These are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:

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

Question 52

ABC Steel Industries finds out that its products have reached at maturity stage and already has overcapacity. Therefore, it concentrates on maintaining operational efficiency of its plants. Identity the strategy implemented by ABC Steel Industries along with reasons. (PYP 5 Marks May'22)

Answer 52

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

Major reasons for Stability strategy are:

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

Question 53

What do you understand by diversification? Distinguish between concentric and conglomerate diversification. (PYP 5 Marks May'22, Old SM)

Answer 53

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

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

Concentric Diversification	Conglomerate Diversification
Meaning: It occurs when a firm adds related products or markets.	Meaning: It occurs when a firm diversifies into areas that are unrelated to its current line of business.
Linkage: The new business is linked to the existing business through process, technology or marketing.	Linkage: Here no such linkages exist; the new business/product is disjointed from the existing business/products.
Reasons for pursuing: The most common reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.	Reasons for pursuing: The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

Question 54

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 last 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? (PYP 5 Marks Nov 22)

Answer 54

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

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

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

Retrenchment may be done either internally or externally. Turnaround strategy is adopted in case of internal retrenchment where emphasis is laid on improving internal efficiency of the organization while divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors, in view of the above, the company should go for divestment strategy.

A divestment strategy may be adopted due to various reasons:

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

Question 55

Health Pharma Pvt. Ltd. (HPPL) a one person company with limited liability is manufacturing generic and medicinal drugs in India.

Hygiene Laboratories Plc. (HLP) a multinational company with its strong financial position is one of the major players in pharmaceutical sector.

Individually, each company has its own core competencies. However, additional focus by the state on generic medicine with renewed regulatory requirements are posing challenges in fierce competitive environment.

Considering benefits of synergies, both the companies are considering to join hands for better growth opportunities. Earlier, they tried to go for joint venture or strategic alliance but the arrangement could not materialize.

In view of the facts given above:

- (i) If HPPL and HLP join hands and make new entity named Health N Hygiene Pharma Ltd., what type of growth strategy will this strategic development be?**
- (ii) In case, HLP is sold out to HPPL and HLP ceased to exist, what type of growth strategy will this strategic deal be?**
- (iii) What are the differences between the above two identified growth strategies? (PYP 5 Marks May '23)**

Answer 55

- (i) If HPPL and HLP join hands and form a new entity named Health N Hygiene Pharma Ltd., this strategic development would be considered a Merger growth strategy. A merger is a combination of two or more companies to form a new entity with shared ownership and control.**
- (ii) If HLP is sold out to HPPL and HLP ceases to exist, this strategic deal would be categorized as an Acquisition growth strategy. An acquisition occurs when one**

company purchases another, resulting in the acquiring company gaining control over the acquired company's assets, operations, and intellectual property.

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

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

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

MULTIPLE CHOICE QUESTIONS

- 1. If suppliers are unreliable or too costly, which of these strategies may be appropriate?**
- (a) Horizontal integration
 - (b) Backward integration
 - (c) Market penetration
 - (d) Forward integration **(MTP-Oct '19, 1 Mark, New SM, RTP May 21)**

Ans: (b)

- 2. Which strategy is implemented after the failure of turnaround strategy?**
- (a) Expansion strategy
 - (b) Diversification strategy
 - (c) Divestment strategy
 - (d) Growth strategy **(MTP-Oct '19, Apr 21, 1 Mark, New SM)**

Ans: (c)

- 3. Vertical integration may be beneficial when**
- (a) Lower transaction costs and improved coordination are vital and achievable through vertical integration.
 - (b) Flexibility is reduced, providing a more stationary position in the competitive environment
 - (c) Various segregated specializations will be combined
 - (d) The minimum efficient scales of two corporations are different. **(MTP-March '19, 1 Mark, New SM, RTP May 20)**

Ans: (a)

- 4. Stability strategy is a strategy.**
- (a) SBU level
 - (b) Corporate level
 - (c) Business level
 - (d) Functional level

Ans: (b)

- 5. Conglomerate diversification is another name for which of the following?**
- (a) Related diversification
 - (b) Unrelated diversification
 - (c) Portfolio diversification
 - (d) Acquisition diversification
- (MTP-March '19, 1 Mark, New SM, MTP 1 Mark Oct 22)**

Ans: (d)

- 6. Which of the following can be used in retrenchment strategy?**

- (a) Reducing assets.
- (b) Operational improvement.
- (c) Cutting cost
- (d) All of the above.

(MTP-April'19, 1 Mark)

Ans: (d)

7. Conglomerate diversification can also be explained as:

- (a) Merger
- (b) Combination strategy.
- (c) Related diversification
- (d) Unrelated diversification (MTP-April '19, 1 Mark)

Ans: (d)

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

1. Should another range of shops be established?
2. Should the company float more share capital?
3. How will the premises be fitted out for the new range of shops? Which of the above decisions will be taken by corporate level managers?

- (a) Only (1)
- (b) Only (2)
- (c) (1)&(2)
- (d) (2) & (3) (MTP 1 Mark Oct 20)

Ans: (c)

9. When two organizations combine to increase their strength and financial gains along with reducing competition is called

- (a) Hostile takeover
- (b) Liquidation
- (c) Merger
- (d) Acquisition (MTP 1 Mark Oct 20)

Ans: (c)

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

- (a) Backward integration
- (b) Forward integration
- (c) Conglomerate diversification
- (d) Horizontal integrated diversification (MTP 2 Marks March '21)

Ans: (a)

11. Baba Pvt Ltd has seventeen factories, nine of which they recently gave to other producers on lease. This has increased their cash inflows to a great extent, and they are enjoying this surplus by investing the same in financial assets. Such a strategy can be termed as which of the following?

- (a) Divest
- (b) Harvest
- (c) Hold
- (d) Build **(MTP 2 Marks Oct 21)**

Ans: (b)

12. Mixfix was having a tough time with its operations and wanting to restructure itself from scratch. For this, they consult a veteran in business strategy, Mrs. Sunita K, who post analysis of their business said, "your dead business is worth more than alive". What did Mrs. Sunita hint at?

- (a) Restructuring Business
- (b) Liquidation
- (c) Business Process Re-engineering
- (d) Divestment **(MTP 2 Marks Oct 21)**

Ans: (b)

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

- (a) Conglomerate Diversification
- (b) Concentric Diversification
- (c) Horizontal Integration
- (d) Vertical Integration **(MTP 1 Mark Nov 21)**

Ans: (b)

14. The business news anchor said that "chillflix's dead business is worth more than alive". What did she hint at?

- (a) Restructuring Business
- (b) Liquidation
- (c) Business Process Re-engineering
- (d) Divestment **(MTP 1 Mark Sep 22)**

Ans:(b)

15. Acquisition of a company producing readymade garments by a company manufacturing yarn is.

- (a) Horizontal integration
- (b) Horizontal Diversification
- (c) Forward integration
- (d) Backward integration **(MTP 1 Mark April '19)**

Ans: (c)

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

- (a) Horizontal Merger
- (b) Vertical Merger
- (c) Co-generic Merger
- (d) Conglomerate Merger (MTP 1 Mark March '23)

Ans: (b)

17. A company that produces and sells athletic shoes may acquire or merge with another athletic shoe manufacturer in order to increase their market share and reduce competition is an example of

- (a) Horizontal integration
- (b) Backward integration
- (c) Market penetration
- (d) Forward integration (MTP 2 Marks April '23)

Ans: (a)

18. What does Dogs symbolize in BCG matrix?

- (a) Invest
- (b) Harvest
- (c) Build
- (d) Divest (MTP-March '19, 1 Mark)

Ans: (d)

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

- (a) Star
- (b) Dog
- (c) Cash cow
- (d) Question mark (2 Marks March '21)

Ans: (a)

20. A beverage company has more than 500 soft drink brands, but none of them is anywhere close to its premium brand One Sip in awareness, revenue and profits. As per BCG's Matrix, One Sip brand for the beverage company is?

- (a) Star
- (b) Dog
- (c) Cash cow
- (d) Question mark (2 Marks April 21)

Ans: (c)

21. In context to BCG matrix, which of the following statements is not correct?

- (a) The BCG assumes that all products will grow and mature.
- (b) The BCG can be used to examine a company's current product portfolio.
- (c) A company with only Cash cows and dogs has limited long-term prospects.
- (d) All of the above **(1 Mark Nov 21)**

Ans: (a)

22. Dogs in BCG Matrix can be minimized through?

- (a) Converting to Cash cows
- (b) Liquidation or Divesting
- (c) Foreign Direct Investment Opportunity
- (d) Bad Debt writing off **(MTP 1 Mark Sep'22)**

Ans: (b)

23. You have been appointed as a strategic manager at ABC Company, which is currently facing a situation where one of its products has entered the maturity stage of its Product Life Cycle (PLC). The company has made a deliberate decision to maintain its existing business operations and is content with achieving incremental growth for this product aligns with which of the following strategies?

- (a) Expansion strategy
- (b) Stability strategy
- (c) Retrenchment strategy
- (d) Combination strategy **(MTP 2 Marks Sep (23))**

Ans: (b)

24. XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e commerce platform, a mature industrial machinery division, and a newly established software development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix?

- (a) Consumer Electronics Division
- (b) E-commerce Platform
- (c) Industrial Machinery Division
- (d) Software Development Unit **(MTP 2 Marks Oct (23))**

Ans: (b)

25. Which of the following is not a type of diversification strategy?

- (a) Vertical diversification
- (b) Concentric diversification
- (c) Conglomerate diversification
- (d) Co-generic diversification. **(RTP May 19)**

Ans:(d)

26. An organization acquires its supplier is an example of:

- (a) Horizontal integrated diversification
- (b) Forward integrated diversification
- (c) Backward integrated diversification
- (d) Conglomerate diversification. **(RTP May'19)**

Ans: (c)

27. In the questions given below select the best answer out of options (a), (b), (c), or (d): Retrenchment strategy in the organization can be explained as

- (a) Reducing trenches (gaps) created between individuals
- (b) Divesting a major product line or market
- (c) Removal of employees from job through the process of reorganization
- (d) Removal of employees from job in one business to relocate them in other business **(RTP May 20, New SM)**

Ans:(b)

28. In the questions given below select the best answer out of options (A), (B), (C), or (D): Arrange divestment, liquidation, stability and turnaround strategies in order of preference for adoption by a typical organization.

- (a) Turnaround, stability, liquidation and divestment.
- (b) Divestment, liquidation, stability and turnaround
- (c) Stability, turnaround, liquidation and divestment
- (d) Stability, turnaround, divestment and liquidation **(RTP Nov'19)**

Ans: (d)

29. In the questions given below select the best answer out of options (A), (B), (C), or (D): Acquisition of another organization that was using your product in their manufacturing is:

- (a) Horizontal integrated diversification
- (b) Forward integrated diversification
- (c) Backward integrated diversification
- (d) conglomerate diversification **(RTP Nov'19)**

Ans: (b)

30. Velvet Limited is a full-service airline. The company is making the following decisions:

- (i) Should a 'no-frills', 'low-fare' subsidiary be set-up?
- (ii) If it is set up, how should the cabin staff be recruited?

Which of the above decisions will be taken by corporate level managers

- (a) Only (i)
- (b) Only (ii)
- (c) Both (i) & (ii)
- (d) Neither (i) nor (ii) **(RTP Nov/20)**

Ans: (a)

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

- (a) New market
- (b) Growing market
- (c) Matured market
- (d) None of the above **(RTP Nov 20)**

Ans: (c)

32. A tea farm owners plan to open tea cafes in tourist spots and to sell their own premium tea to build a brand. Which of the following can this be termed as?

- (a) Backward integration
- (b) Forward Integration
- (c) Diversification
- (d) Horizontal Integration **(RTP May 22)**

Ans: (b)

33. Hupo a honey brand decided to start a new brand for making honey ginger candies to meet the rising demand. Identify their growth strategy?

- (a) Conglomerate Diversification
- (b) Concentric Diversification
- (c) Vertical Integration
- (d) Horizontal Integration **(RTP Nov'22)**

Ans: (a)

34. Sumedha has a home grown brand which makes traditional lehengas. She thought of expanding her business and added linen jackets and cotton trousers to her product line. Which strategy is she working on?

- (a) Backward integration
- (b) Intensification
- (c) Diversification

- (d) Horizontal Diversification (Chapter Corporate Level Strategies)
(RTP May 23)

Ans: (b)

35 Under BCG an SBU with products having little market share but in an attractive industry is referred to as

- (a) Cash cow.
(b) Star
(c) Dog (RTP May 19)

Ans: (b)

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

- (a) Build
(b) Hold
(c) Harvest
(d) Divest (RTP May (22))

Ans: (b)

37. Sanjay guided the team of young entrepreneurs to hold to the current position in the market till they get a big opportunity. What could be their business termed as basis Sanjay's advice?

- (a) Question Mark
(b) Cash Cow
(c) Star
(d) Dog (Chapter Dynamics of Competitive Strategy) (RTP May 23)

Ans: (a)

CHAPTER 5
STRATEGY IMPLEMENTATION AND EVALUATION

Question 1

Strategic Planning and Operational Planning. (MTP 5 Marks March'22 & Oct'23, RTP May'22)

Answer 1

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

Question 2

HQ is a service company? Two years back the company hired a reputed management consultant to formulate its strategy. The consultant recommended an aggressive expansion plan. Now in an internal review meeting the company finds that many of the suggestions are not even fully considered. Which part of strategic management process is missing in HQ? (MTP-APRIL-2019-5 Marks)

Answer 2

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

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

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

Question 3

What is implementation control? Discuss its basic forms. (MTP-MARCH-2019 & OCT-2018 5 Marks, RTP May 18, Nov 19, Nov'21, Nov'23)

Answer 3

Implementation Control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

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

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

Question 4

Dr. Raman has been running a nursing home for about twenty two years now, and has gained enormous name for his benevolence in Balram district of Chhattisgarh. Recently, his daughter, Dr. Radhika completed her medicine degree from the United States of America and returned to her hometown to be a part of her father's practice. She has been given the baton to promote modern medicine and retain the local skilled youth in their practice. However, their nursing home's skilled youth has been more inclined to E-Commerce employment opportunities. Dr. Radhika has taken it as a challenge to imbibe the very essence of service in them, by being employed as nurses and caretakers of the ill. This shall be very crucial in growing the practice as desired. Which of the following phases of Kurt Lewin's Model of Change will be most challenging for Dr. Radhika to strategically positioning her father's nursing home? (MTP 5 Marks May 20)

Answer 4

Kurt Lewin's Model of Change proposes three phases of change process to make the change lasting. They are Compliance, Identification and Internalization. For Dr. Radhika, Compliance and Identification will not a big challenge, as her father has been one of the

most sort after personalities serving the ill in their district. And her return from the USA to serve her country, especially her district, will help the workforce identify her as a role model and there would actually be no need for compliance, i.e. Reward and Punishment for bringing about a change. However, the new lucrative E-Commerce employment opportunities will have to be fought through Internalization, i.e. internal changing of the individual's thought process, to give them freedom to learn and succeed. Thus, Internalization will be the most challenging phase.

Question 5

Distinguish between Strategy Formulation and Strategy Implementation. (MTP 5 Marks March '21 & March 23, Old SM, PYP 3 Marks May '19)

Answer 5

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

Strategy Formulation	Strategy Implementation
<ul style="list-style-type: none"> • Strategy formulation focuses on effectiveness. • Strategy formulation is primarily an intellectual process. • Strategy formulation requires conceptual intuitive and analytical skills. • Strategy formulation requires coordination among the executives at the top level. 	<ul style="list-style-type: none"> • Strategy implementation focuses on efficiency. • Strategy implementation is primarily an operational process. • Strategy implementation requires motivation and leadership skills. • Strategy implementation requires coordination among the executives at the middle and lower levels.

EXAMINER'S COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Overall performance of the examinees was good in both the alternatives related to hourglass structure and difference between strategy formulation and strategy implementation.

Question 6

Explain the steps for initiating strategic change. (MTP 5 Marks'22, RTP Nov'21) (PYP 5 Marks May'23)

Answer 6

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

Three steps for initiating strategic change are:

- (i) **Recognize the need for change** - The first step is to diagnose the which facets of the present corporate culture are strategy supportive and which are not.

- (ii) **Create a shared vision to manage change** - Objectives of both individuals and 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.
- (iii) **Institutionalize the change**-This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

Question 7

Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem. (MTP 5 Marks April 22, Old & New SM)

Answer 7

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

The process of control has the following elements:

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

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

Question 8

Why is strategy evaluation more difficult? Give reasons. (MTP 5 Marks Sep 22, PYP 5 Marks Dec '21)

Answer 8

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

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

- A dramatic increase in the environment's complexity.
- The increasing difficulty of predicting the future with accuracy.
- The increasing number of variables in the environment
- The rapid rate of obsolescence of even the best plans.
- The increase in the number of both domestic and world events affecting organizations.

- The decreasing time span for which planning can be done with any degree of certainty.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Performance was average. Majority of the examinees lacked proper knowledge of reasons for the difficulty of strategic evaluation. They were not able to write answers on expected lines, in the second option, determinants of rivalry were presented properly by most of the examinees.

Question 9

Distinguish between Operational Control and Management Control. (MTP 5 Marks Oct 22 & Sep 23, Old & New SM)

Answer 9

Differences between Operational Control and Management Control are as under:

- (i) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions. When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organization, instead or mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
- (ii) Many of the control systems in organizations are operational and mechanistic in nature. A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is the achievement of enterprise goals-short range and long range-in an effective and efficient manner.

Question 10

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? (MTP 5 Marks Sep 22, RTP Nov '23)

Answer 10

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

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

Question 11

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 the top management's argument? Give reasons. (MTP 5 Marks April '23)

Answer 11

Yes, agreeing with the top management's argument. Corporate strategy is basically the growth design of the firm; it spells out the growth objective- the direction, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. Corporate strategy ensures the growth of the firm because of the following arguments:

- It ensures the correct alignment of the firm with its environment. It also serves as the design for filling the strategic planning gap.
- It gives importance to combination, sequence, timing, direction and depth of various moves and action initiatives taken by managers to handle environmental uncertainties and complexities.
- It helps build the relevant competitive advantages for the firm. Masterminding and working out the right fit between the firm and its external environment.
- It is to harness the opportunities available in the environment, countering the threats embedded therein.

Question 12

To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create a strategy supportive work climate, and meet or beat performance targets. Explain the principal aspects of strategy-execution process. (MTP-March '19,5 Marks)

OR

Strategy execution is an operations-oriented activity which involves a good fit between strategy and organizational capabilities, structure, climate & culture. Enumerate the principal aspects of strategy execution process which are used in most of the situations. (MTP 5 Marks Oct 21)

OR

Describe the principal aspects of strategy-execution process, which are included in most situations. (MTP 5 Marks Sep 22 & Oct 23, PP 5 Marks May '18, Old & New SM, RTP Nov '18 & Nov '21)

OR

What are the important aspects of the process of implementation of strategy? (PYP 5 Marks Dec '21 & Jan '21)

Answer 12

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

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Performance was below average. Majority of the examinees were not able to present good answers. The principal aspects of strategy implementation process were not expressed in the

Question 13

How can a company deal with strategic uncertainty? (MTP-Aug. 18, 3 Marks, RTP May 18)

Answer 13

Strategic uncertainty denotes the uncertainty that has crucial implications for the organization. A typical external analysis will emerge with dozens of strategic uncertainties. To be manageable, they need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to information gathering and analysis.

Question 14

Strategy Formulation and Strategy implementation. (MTP 5 Marks Oct 21)

Answer 14

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

Strategy Formulation	Strategy Implementation
Strategy formulation focuses on effectiveness.	Strategy implementation focuses on efficiency.
Strategy formulation is primarily an intellectual process.	Strategy implementation is primarily an operational process.
Strategy formulation. requires conceptual intuitive and analytical skills.	Strategy implementation requires motivation and leadership skills.
Strategy formulation requires coordination among the executives at the top level	Strategy implementation requires coordination among the executives at the middle and lower levels.

Question 15

State with reasons the following statement is correct/incorrect: Information gathering and deep analysis can eliminate uncertainty. (RTP May 18)

Answer 15

Incorrect: Strategic uncertainty is often represented by a future trend or event that has inherent unpredictability. Information gathering and additional analysis is not able to eliminate uncertainty.

Question 16

How can a corporate culture be both strength and weakness of an organization? (MTP-Oct 19, Mar'19 5 Marks, MTP 5 Marks Oct 20, PYP 5 Marks Nov'18)

Answer 16

The most important phenomenon which often distinguishes one organisation with another is its corporate culture Corporate culture refers to a company's values, beliefs, business principles, traditions, and ways of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behavior of managers.

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Performance was below average. Candidates had little knowledge about corporate culture. and accordingly were not able to discuss the same in terms of strength and weakness

Question 17

Mathew & Sons Ltd. is a diversified business entity having business operations across the globe. Presently, Mr. Mathew is the CEO of Mathew & Sons Ltd. He is going to retire in next 4 months, so he has decided to change the company's leadership and hand over the pedals to his elder son Marshal. Marshal is a highly educated with an engineering degree from USA. However, being very young he is not clear about his role and responsibilities. in your view, what are the responsibilities of Marshal as CEO of Mathew & Sons Ltd. (MTP-Aug 18, 5 Marks, RTP May 20, RTP Nov 18, Old & New SM)

Answer 17

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

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

Question 18

Discuss the concept of Multi Divisional Structure. (MTP-April '19, 5 Marks, RTP May 19)

Answer 18

Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day today operations and business unit strategy to division managers. By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional or M-form structure was developed in the 1920s, in response to co-ordination-and control-related problems in large firms Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products.

Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution. Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible) Top managers became over involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long term strategic issues. Multidivisional structure calls for:

- Creating separate divisions, each representing a distinct business
- Each division would house its functional hierarchy,
- Division managers would be given responsibility for managing day-to-day operations;
- A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi-autonomous divisions.

Question 19

What is a strategic business unit? What are its advantages? (MTP 5 Marks May 20, New & Old SM, RTP May'20)

Answer 19

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

Advantages of SBU are:

- Establishing coordination between divisions having common strategic interests.
- Facilitates strategic management and control on large and diverse organizations
- Fixes accountabilities at the level of distinct business units.

- Allows strategic planning to be done at the most relevant level within the total enterprise
- Makes the task of strategic review by top executives more objective and more effective
- Helps allocate corporate resources to areas with greatest growth opportunities

Question 20

Delta Co. is an organization specializing in Information Technology enabled Services (ITeS) and Communications business. Last year, the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool, using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organizational 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 quick decision making. The skewed middle level managers now perform cross-functional duties. Which type of organizational structure is the company transitioning into? (MTP 5 Marks Oct 20, RTP Nov 20)

Answer 20

The Delta company is transitioning into the hourglass organization structure because it has used technological tools to transform various business processes and operations and has significantly diminished the role played by specialist managers of the middle management. The technological tool in addition to saving organizational 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. All these factors indicate towards hourglass organization structure.

Question 21

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? (MTP 5 Marks March'21 & Oct'22) (RTP May'21)

OR

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. (May 23)

Answer 21

Corporate culture refers to company's values, beliefs, business principles, traditions, ways of operating and internal work environment. Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a

period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy supportive.

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

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

Question 22

Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in execution of strategy. (MTP 5 Marks April 21, Old & New SM, RTP May '18)

OR

Discuss the leadership roles played by the managers in pushing for good strategy execution. (PYP 5 Marks, May 19)

OR

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. (PVP 5 Marks Nov 22)

Answer 22

A manager as a strategic leader 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 a so on. Managers have five leadership roles to play in pushing for good strategy execution:

- (i)** Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution
- (ii)** Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level
- (iii)** Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities:

- (iv) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen
- (v) Pushing corrective actions to improve strategy execution and overall strategic performance.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Examinees were not able to provide expected answers as they lacked proper knowledge of the concept. The answers given by them were very vague instead of leadership qualities, some of the examinees mentioned the role of a manager.

Question 23

Maadhyam, a hearing aid manufacturer recently introduced an AI based management tool in its organization which are having the qualities and capabilities of managing teams across functions. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organisation and assists in quick decision making. The skewed middle level managers now perform cross-functional duties. What could be their new organizational structure post implementation of AI based management tool? How can this structure benefit the organization? (MTP 5 Marks Oct 21, New SM)

Answer 23

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

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

Question 24

Distinguish between the following:

Transformational leadership and Transactional leadership. (MTP 5 Marks Oct 21, Sept 22, Old & New SM, PYP 5 Marks Nov '19, RTP Nov 20, RTP Nov'21)

Answer 24

Following are the differences between transformational and transactional leadership:

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees were not able to distinguish between transformational leadership style and transactional leadership style. The performance was average.

Question 25

What do you understand by functional structure? (MTP5 Marks March '22)

Answer 25

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

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

Question 26

Ramesh is owner of a popular brand of Breads. Yashpal, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ramesh preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Yashpal believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Discuss the difference in leadership style of father and son. RTP May '19) (MTP 5 Marks April 22 & Sep 23, Old & New SM, RTP May'19)

Answer 26

Ramesh is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its

office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

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

Question 27

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 operation, 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 Pvt Ltd in resolving the problem? (MTP 5 Marks March 23, Nov 21, RTP Nov '21)

Answer 27

To deal with the problems facing by the Bunch Pvt Ltd., we suggest Multi divisional structure for the organization. Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers. By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional or M-form structure was developed in the 1920s, in response to coordination and control-related problems in large firms. Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution. Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible). Top managers became over involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

Question 28

Define Refreezing in Kurt Lewin's change process (RTP May 18)

Answer 28

Kurt Lewin proposed three phases of the change process - Unfreezing, changing and then Refreezing occurs when the new behavior becomes a normal way of life. The new behavior must replace the former behavior completely for successful and permanent change to take place it may be achieved through continuous reinforcement.

Question 29

State with reasons which of the following statements are correct/incorrect: Strategic surveillance is highly focused and organized control activity. (RTP May 18)

Answer 29

Incorrect: The strategic surveillance is unfocused it involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy it involves casual environmental browsing. Reading financial and other newspapers, business magazines, attending meetings, conferences, discussions and so on Strategic surveillance, a loose form of strategic control, is capable of uncovering information relevant to strategy.

Question 30

HQ is a service company? Two years back the company hired a reputed management consultant to formulate its strategy. The consultant recommended an aggressive expansion plan. Now in an internal review meeting the company finds that many of the suggestions are not even fully considered. Which part of strategic management process is missing in HQ? (RTP May'19, Old SM)

Answer 30

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

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

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

Question 31

Why is Strategic Control important for organizations? Discuss briefly 4 types of strategic control that can be implemented to achieve the enterprise goals. (RTP May'21)

Answer 31

Importance of strategic control: Strategic control is an important process that keeps organization on its desired path. It involves evaluating strategy as it is formulated and implemented. It is directed towards identifying problems and changes in premises and making necessary adjustments. Strategic control focuses on the dual questions of whether (1) the strategy is being implemented as planned, and (2) the results produced by the strategy are those intended.

There are four types of strategic control:

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

Question 32

Explain premise control. (RTP Nov'18)

Answer 32

A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational 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. It primarily involves monitoring two types of factors:

- (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and regulatory.
- (ii) Industry factors such as competitors, suppliers, substitutes.

Question 33

State with reasons which of the following statements are correct/incorrect: Control systems run parallel with strategic levels. (RTP Nov'18)

Answer 33

Correct: There are three strategic levels in an organization corporate, business and functional Control systems are required at all the three levels. At the top level, strategic controls are built to check whether the strategy is being implemented as planned and the results produced by the strategy are those intended Down the hierarchy management controls and operational controls are built in the systems. Operational controls are required for day-to-day management of business

Question 34

Discuss three methods for reassigning new patterns of behavior as proposed by H.C. Kellman. (RTP Nov 20, Old SM)

Answer 34

H.C. Kellman has proposed three methods for reassigning new patterns of behavior. These are compliance, identification and internalization.

Compliance: It is achieved by strictly enforcing the reward and punishment strategy for good or bad behavior. Fear of punishment, actual punishment or actual reward seems to change behavior for the better

Identification: 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.

Internalization: Internalization involves some internal changing of the individual's thought processes in order to adjust to a new environment. They have given freedom to learn and adopt new behavior in order to succeed in the new set of circumstances.

- i. **Formulate a redesign process plan:** Formulation of redesign plan is the real crux of the reengineering efforts. Customer focused redesign concepts are identified and formulated. In this step alternative processes are considered and the best is selected.
- ii. **Implement the redesigned process:** It is easier to formulate new process than to implement them. Implementation of the redesigned process and application of other knowledge gained from the previous steps is key to achieve dramatic improvements.

Question 35

Glassware Ltd. is about to go through a significant restructuring. The strategic change involves moving from a decentralized to a centralized structure. This will help Glassware avoid duplication of support activities and lower its costs.

The management has 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 the Leein's stage model of change? (RTP May'22)

Answer 35

Glassware Ltd. is currently in the 'unfreezing' stage, where management is attempting to explain the need for change in an attempt to maximize buy-in by employees and reduce the amount of resistance.

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

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

Question 36

What is strategic control? Briefly explain the different types of strategic control? (RTP Nov 22, RTP May 20, PYP 3 Marks, May 18, Old & New SM) (MTP 5 Marks Oct '23)

Answer 36

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

There are four types of strategic control:

- **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on organizational strategy.
- **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.

Implementation control: Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps implementation control is directed

towards assessing the need for changes in the overall strategy in light of unfolding events and results.

Question 37

With the help of a model explain strategic management process. (RTP Nov'19)

OR

Present a diagrammatic representation of a Strategic Management model. (PYP 2 Marks, Nov'18)

Answer 37

The strategic management process can best be studied and applied using a model. Identifying an organization's vision, mission, goals and objectives, is the starting point for strategic management process. The strategic management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components. Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually. Formulating, implementing, and evaluating strategies are the major components of the strategic management that are represented in the following model:

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

EXAMINER'S COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Many Candidates failed to present the strategic Management Model diagrammatically.

Question 38

Explain the concept of Network structure (RTP May 18)

Answer 38

Network structure is a newer and somewhat more radical organizational design. The network structure could be termed as 'non-structure' as it virtually eliminates in-house business functions and outsource many of them. A corporation organized in this manner is a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

Question 39

State with reasons of the following statement is correct/incorrect: Network Structures eliminate many in-house functions (RTP May 18).

Answer 39

Correct: The network structure can be termed a "non-structure" by its virtual elimination of in-house business functions. Many activities are outsourced. A corporation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

Question 40

Transformational and transactional leadership (RTP May'18)

Answer 40

Transformational leadership style use charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style 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. Transformational leaders offer excitement, vision, intellectual stimulation, and personal satisfaction. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.

On the other hand, transactional leadership style focus more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current practices. Transactional leadership style uses 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 leadership style is more suitable in settled environment, in growing or mature industries, and in organizations that are performing well.

Question 41

Surah Prakash and Chandler Prakash are two brothers engaged in the business of spices. Both have different approaches to management. Surah Prakash prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Chandler Prakash believes in democratic participative management approach, involving employees to give their best. Analyze the leadership style followed by Surah Prakash and Chandler Prakash. (RTP May'21)

OR

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 democratic participative management approach, involving employees to give their best.

Analyze the leadership style followed by Ram and Shyam. (PYP 5 Marks, May 18)

Answer 41

Surah Prakash is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. Such a leader believes in using authority of its office to exchange rewards, such as pay and status. They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement. Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.

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

Question 42

Explain strategic business unit (SBUs). (RTP Nov'18)

Answer 42

A strategic business unit (SBU) is a unit of the company that has a separate mission and objectives which can be planned independently from other company businesses. SBU can be a company division, a product line within a division or even a single product/brand, specific group of customers or geographical location. The SBU is given the authority to make its own strategic decisions within corporate guidelines as long as it meets corporate objectives

Question 43

State with reasons which of the following statements are correct/incorrect: Strategies may require changes in organizational structure. (RTP Nov'18)

Answer 43

Incorrect: Benchmarking relates to setting goals and measuring productivity based on best industry practices. The idea is to learn from the practices of competitors and others to improve the firm's performance. On the other hand, business process reengineering relates

to analysis and redesign of workflows and processes both within and between the organizations.

Question 44

Importance of corporate culture. (RTP Nov'18)

Answer 44

A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy. 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 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 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. Employees are stimulated to take on the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to success.

Question 45

Davis and Lawrence have proposed three distinct phases to develop matrix structure. Explain. (RTP Nov 18)

Answer 45

For development of matrix structure, Davis and Lawrence have proposed three distinct phases:

- **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.
- **Product/brand management:** if the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, function is still the primary organizational structure, but product or brand managers act as the integrators of semi- permanent products or brands
- **Mature matrix:** 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

Question 46

Jupiter Electronics Ltd. is known for its ability to come out with path-breaking products. Though the work environment at Jupiter's is relaxed and casual, yet, there is a very strong commitment to deadlines. The employees believe in "work hard play hard" ethic. The organization has moved away from 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 working. They are closely related to values, practices, and norms of organizations What aspects of an organization that are being discussed Explain? (RTP Nov 19, Old SM)

Answer 46

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

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

Question 47

Discuss the concept of Hourglass Structure (RTP Nov 19)

Answer 47

Information technology and communications have significantly altered the functioning of organizations The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers with constricted middle layer. The structure has a short and narrow middle management level information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities. Contrary to traditional middle level managers who are often specialist, the managers in the hourglass structure are generalists and perform wide variety of tasks. They would be handling cross-functional issues emanating such as those from marketing, finance or production.

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

Question 48

How the 'Strategic Business Unit (SBU), structure becomes imperative in an organization with increase in number, size and diversity of divisions? (RTP May (22)

Answer 48

SBU is a part of a large business organization that is treated separately for strategic management purposes The concept of SBU is helpful in creating an SBU organizational structure. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organization with increase in number, size and diversity. SBUs help such organizations by.

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

Question 49

"A network structure is suited to unstable environment." Elucidate this statement. (RTP May (22)

Answer 49

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

The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response. Instead of having salaried employees, it may contract with people for a specific project or length of time Long-term contracts with suppliers and

distributors replace services that the company could provide for itself through vertical integration. The network structure provides organization with increased flexibility and adaptability to cope with rapid technological change and shifting pattern of international trade and competition.

Question 50

A strategy-supportive culture promotes good strategy execution. - Explain. (RTP Nov/22) (MTP 5 Marks Oct 23)

Answer 50

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

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

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

Question 51

"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 organizational activities, like manufacturing, distribution channels, after sales service. Now the organization's businesses functions are scattered worldwide with a small headquarter connected to independent business units digitally. What type of organizational 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. (RTP Nov 22)

Answer 51

Samar Electronics Limited transitioning into network structure. It is a newer and somewhat more radical organizational design. Its essential features are as follows:

1. It is termed as "non-structure" as it eliminates in house functions and outsources many of them.
2. An organization organized in this manner is often called "virtual organisation" because it is composed of a series of project groups or collaborations linked by constantly changing nonhierarchical, cob-web like structures.
3. Network structures become most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response.
4. Instead of having salaried employees, it may contract with people for a specific project or length of time.
5. Long term contracts with suppliers and distributors replace services that company could provide for itself.

However, network structure does have following disadvantages that the company may face in future:

1. The availability of numerous potential partners can be a source of trouble.
2. Co-ordination among the functioning of business partners is perhaps, the biggest problem for the management in the networking structure.
3. Employees may lack the level of confidence necessary to participate actively in organization sponsored learning experiences.

Question 52

Anshuman was a CEO at a struggling company. Despite the challenges, he believed in the potential of his team and was determined to turn the company around. He started by communicating his vision to his employees. He encouraged them to think outside the box, take risks and be creative. He also invested in training programs to help employees develop new skills. He regularly recognized and rewarded employees for their hard work, which increased their job satisfaction and commitment. As a result, the company began to see positive changes. Identify and discuss the leadership style adopted by Anshuman? (RTP May 23)

Answer 52

Being a CEO of a struggling company, Anshuman has adopted Transformational leadership style. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self- confidence, and also promote innovation throughout the organization. Anshuman believed in the potential of his team. He started by communicating his vision to his employees. He encouraged them to think outside the box, take risks and be creative. He also invested in

training programs to help employees develop new skills. He regularly recognized and rewarded employees for their hard work, which increased their job satisfaction and commitment.

Question 53

Write a short note on Matrix structure. (RTP Nov '23, PYP 5 Marks, Jan '21)

Answer 53

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

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

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

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

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

Question 54

Write a short note on strategic change and explain the process of strategic change. (PYP 7 Marks, Nov'18)

Answer 54

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

Three steps for initiating strategic change are;

- (i) Recognize the need for change - The first step to diagnose the which facets of the present corporate culture are strategy supportive and which are not.

(ii) Create a shared vision to manage change - Objectives of both individuals and 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.

(iii) Institutionalize the change - This is an action stage which requires the implementation of the changed strategy., Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

Kurt Lewin proposed three stages of the change process for moving the organization from the present to the future.

(i) Unfreezing the situation- The process of unfreezing makes the individuals or organizations aware of the necessity for change and prepares them for it. The change should not come as a surprise to the members of the organization. Sudden and unannounced change would be socially destructive and morale lowering.

(ii) Changing to new situation once unfreezing is complete and members of the organization recognize the need for change then their behavior patterns need to be redefined as

1. Compliance -enforcing reward and punishment strategy for good or bad behavior
2. Identification members are psychologically impressed to identify themselves with some given role models whose behavior they would like to adopt.
3. Internalization - involves some internal changing of the individual's thought process. They are given the freedom to learn and adopt new behavior.

(iii) Refreezing -occurs when the new behavior becomes a normal way of life. The new behavior must replace the former behavior completely for successful and permanent change. This can be achieved by continuously reinforcing the newly acquired behavior.

Change process is not a one-time application but a continuous process due to dynamism and ever-changing environment.

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

The candidates were not comfortable with the concept and accordingly they were neither able to explain the change nor provide process of strategic change.

Question 55

What is strategic control? Kindly explain the statement that "premise control is a tool for systematic and continuous monitoring of the environment". (PYP 5 Marks, Nov'20)

Answer 55

Strategic Control

Strategic control is the process of evaluating formulated and implemented strategy It is directed towards identifying changes in the internal and external environments of the organization and making necessary adjustments accordingly.

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

Yes, 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. It primarily **involves monitoring two types of factors:**

- (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and legal-regulatory.
- (ii) Industry factors such as competitors, suppliers, substitute.

It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amount of control. Thus, managers are required to select those premises that are likely to change and would severely impact the functioning of the organization and it's strategy.

Question 56

Sonya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the planning department was performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem. (PYP 5 Marks, Jan 21)

Answer 56

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

The process of control has the following elements:

- (a) Objectives of the business system which could be operationalized into measurable and controllable standards
- (b) A mechanism for monitoring and measuring the performance of the system.
- (c) A mechanism (1) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.
- (d) A mechanism for feeding back corrective and adaptive information and instructions to the system. for effecting the desired changes to set right the system to keep it on course.

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

Question 57

"Strategy formulation and strategy implementation are intertwined and linked with each other." Elucidate this statement with suitable arguments. (PYP 5 Marks May'22)

Answer 57

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

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

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

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

Question 58

XYZ Ltd. is an automobile company that offers diversified products for all customer segments. Due to COVID-19, the changes took place in the economy forced the company to change its strategy. Being the CEO of the company, what stages will you follow for developing and executing the new strategy? (PYP 5 Marks May'22)

Answer 58

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

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

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

- (i) Recognize the need for change. This is the first step to diagnose facets of the corporate culture that are strategy supportive or not. This has already identified by the XYZ Ltd.
- (ii) Create a shared vision to manage change Objectives and vision of both individuals and organization should coincide The CEO of XYZ Ltd need to constantly and consistently communicate the vision not only to inform but also to overcome resistance.
- (iii) Institutionalize the change: Creating and sustaining a different attitude towards change is essential to ensure that the XVZ Ltd does not slip back into old ways of thinking or doing things. All these changes should be set up as a practice to be followed by the company and be able to transfer from one level to another as a well settled practice.

Question 59

Which of the following statements are 'correct' and which are incorrect? Give reasons, in brief, for your answer: Corporate culture is always identical in all business organizations (PVP 2 Marks, May 18)

Answer 59

Incorrect: Every company has its own organizational culture. Each has its own business philosophy and principles, its own ways of approaching to the problems and making decisions, its own work climate, work ethics, etc. Therefore, corporate culture is not

identical in all organizations. Organizations over a period of time inherit and percolate down its own specific work ethos and approaches.

Question 60

Which of the following statements are correct and which are incorrect? Give reasons in brief for your answer Structure has no impact on the strategy of the organization. (PYP 2 Marks, Nov'18)

Answer 60

Incorrect: Structures are designed to facilitate the strategic pursuit of a firm and, therefore, follows strategy. Without a strategy or reason for being, it will be difficult to design an effective structure. Strategic developments may require allocation of resources and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

Question 61

Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors. Draw the organization structure Manor should implement in his organization and name it. (PYP 5 Marks, Nov 18, Old & New SM)

Answer 61

Manor has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional areas that are desired in the organizational structure Further there is inherent need to have a department for the management of telecom services/operations.

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

The performance of the candidates was average. It appears that the examinees were not able to understand the question. Some of the examinees have either explained structure diagram or have provided name of structure.

Question 62

What is an Hourglass structure? How is it beneficial for an organization? (PYP 3 Marks, May 19, Old & New SM)

Answer 62

In the recent year's information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.

Hourglass organization structure consists of three layers in an organization structure with constricted middle layer. The structure has a short and narrow middle management level. Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities.

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Overall performance of the examinees was good in both the alternatives related to hourglass structure and difference between strategy formulation and strategy implementation.

Question 65

Draw Divisional Structure with the help of a diagram. Also, give advantages and disadvantages of this structure in brief. (PYP 5 Marks, Nov'20, Old & New SM)

Answer 63

Advantages of divisional structure

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

Disadvantages of divisional structure

- **Higher cost:** Owing to following reasons: (1). requires qualified functional specialist at different divisions and needed centrally (at headquarters), (ii). It requires an elaborate, headquarters-driven control system.
- **Conflicts between divisional managers:** Certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, company-wide practices.

Question 64

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. (PYP 5 Marks, Jan 21, Old & New SM)

Answer 64

It is advisable for Moonlight Private Limited to follow the strategic business unit (SBU) structure. Moonlight Private Limited has a multi-product and multi-business structure where, each of these businesses has its own set of competitors. In the given case, Strategic Business Unit (SBU) structure would best suit the interests of the company.

SBU is a part of a large business organization that is treated separately for strategic management purposes. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units, just as is the case for Moonlight Private Limited. SBU structure becomes imperative in an organization with increase in number, size and diversity.

Benefits of SBUS:

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

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

Question 65

A Chennai based fast moving consumer goods (FMCG) major CDtd. recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams FMCG, E-commerce, Retail, and Research & Development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day-to-day operations and business unit strategy to the concerned managers. Identify the organization structure that CDE Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. (PYP 5 Marks Dec '21)

Answer 65

COE Ltd. has planned to implement Strategic Business Unit (SBU) structure. Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be

better managed by creating strategic business units SBU structure becomes imperative in an organization with increase in number, size and diversity.

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

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

EXAMINERS' COMMENTS ON THE PERFORMANCE OF EXAMINEES:

Majority of the examinees identified the correct organization structure but failed to provide proper explanation. Hence, the performance was below average

Question 66

Due to reoccurrence of various variants of Corona virus, LMN Ltd. is facing unstable environment and it has started unbundling and disintegrating its activities. It also started relying on outside vendors for performing these activities. Identify the organization structure LMN Ltd. is shifting to. Under what circumstances this structure becomes useful? (PYP 5 Marks May'22)

Answer 66

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

The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response Instead of having salaried employees, it may contract with people for a specific project or length of time: Long-term contracts with suppliers and

distributors replace services that the company could provide for itself through vertical integration. The network structure provides organization with increased flexibility and adaptability to cope with rapid technological change and shifting pattern of international trade and competition.

Question 67

Write short note on Strategic Business Unit (SBU). (PYP 5 Marks Nov 22)

Answer 67

SBU is a part of a large business organization that is treated separately for strategic management purposes. It is separate part of large business serving product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organization. with increase in number, size and diversity.

The three most important characteristics of a SBU are:

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

Benefits of SBUs:

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

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

Question 68

Ramesh and Suresh own software development firms ACS Ltd. and BDS Ltd. Ramesh and Suresh pitch their business in international markets and win international contracts. Ramesh has fifty software engineers in his team. Suresh, on the other

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

- (a) Identify the leadership style employed by Ramesh and Suresh.
- (b) What are the conditions/situations that make such leadership styles more appropriate?
- (c) Discuss the characteristics of the leadership styles. (PYP 5 Marks May (23))

Answer 68

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

Question 69

You have been appointed as head of the Strategic Business Unit (SBU) of a large multiproduct company. Explain the leadership roles, you have to play as a Manager in pushing for good strategy execution. (PYP 5 Marks May '23)

Answer 69

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

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

MULTIPLE CHOICE QUESTIONS

1. The purpose of strategy evaluation is to:

- (a) increase the budget annually
- (b) alert management to problems or potential problems
- (c) make budget changes
- (d) evaluate employees' performance (MTP-Oct'19,1 Mark)

Ans: (b)

2. In evaluating strategies, which one of Rumelt's criteria for evaluating strategies, refers to the need for strategists to examine sets of trends?

- (a) Consistency
- (b) Consonance
- (c) Feasibility
- (d) Advantage (MTP-March '19, 1 Mark)

Ans: (b)

3. Which of the following is not a phase in Kurt Lewin's Model of Change?

- (a) Changing
- (b) Deep freezing
- (c) Refreezing
- (d) Unfreezing (MTP-April '19, 1 Mark)

Ans: (c)

4. The following are part of Richard Rumelt's criteria for strategy audit, except:

Adaptation

- (a) Consistency
- (b) Consonance
- (c) Feasibility (MTP-April '19, 1 Mark)

Ans: (a)

5. Which of the following would be chosen by the core strategist to implement operational control?

- (a) Premise Control
- (b) Special Alert Control
- (c) Implementation Control
- (d) Budgetary Control (1 Mark Oct 20, New SM)

Ans: (d)

6. As the head of an MNC, you have been asked to bring in radical changes in your organization through BPR. Which of these is the thrust area you would focus on reducing:

- (a) Total cycle time

- (b) Total order time
 - (c) Total inventory time
 - (d) None
- (2 Marks March '21)**

Ans: (a)

7. Which one is NOT a type of strategic control?

- (a) Operational control
- (b) Strategic surveillance
- (c) Special alert control
- (d) Premise control **(1 Mark April 23, New SM)**

Ans: (a)

8. Systematic and continuous monitoring of the business environment to verify the accuracy of assumptions on which strategy is built is achieved by?

- (a) Premise Control
- (b) Special Alert Control
- (c) Implementation Control
- (d) Strategic Surveillance **(2 Marks Oct 21)**

Ans: (a)

9. Anshul joined a telecom company after his MBA and started working as market research analyst. His job included analyzing industry factors like competitors, suppliers and substitutes. Which of the strategic controls is he working on?

- (a) Strategic Surveillance
- (b) Special Alert Control
- (c) Premise Control
- (d) Benchmarking **(2 Marks April 22)**

Ans: (c)

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

- (a) Strategy Formulation
- (b) Strategy Model
- (c) Strategy Implementation
- (d) Strategy Decision **(2 Marks) (Oct 22 & March '23)**

Ans: (c)

11. You being the core strategist of your company, entrusted with bringing about strategic change in your company, how will you initiate "unfreezing of the situation"?

- (a) Promoting new ideas throughout the organization
- (b) Promoting compliance throughout the organization
- (c) Promoting change in process throughout the organization
- (d) None of the above **(MTP 2 Marks Oct 22, RTP May 20)**

Ans: (a)

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

- (a) Backward Linkages
- (b) Forward Linkages
- (c) Vertical Linkages
- (d) Horizontal Linkages **(1 Mark April 22, Nov 21, Oct 22)**

13. Technique to cope up with sudden change in Government, natural calamities, terrorist attacks, industrial disasters etc. is called

- (a) Special Alert Control
- (b) Strategic Surveillance
- (c) Premise Control
- (d) Implementation Control **(1 Mark March 23)**

Ans: (a)

14. As the head of an MNC, you have been asked to bring in radical changes in your organization through BPR. Which of these is the thrust area you would focus on reducing:

- (a) Total cycle time
- (b) Total order time
- (c) Total inventory time
- (d) None **(2 Marks April '23)**

Ans: (a)

15. Leadership style may be appropriate in turbulent environment.

- (a) Transactional
- (b) Transformational
- (c) Autocratic
- (d) None of these **(MTP-Oct '19, 1 Mark, New SM)**

Ans: (b)

16. What type of organizational structure do most small businesses follow?

- (a) Divisional structure
- (b) Functional structure
- (c) Hour Glass structure

(d) Matrix structure **(MTP-March '19, 1 Mark)**

Ans: (d)

17. Who is a transformational leader?

- (a) Someone who is involved in organizational change
- (b) A leader, who provides new ways of carrying out management.
- (c) A leader who inspires the workers to new levels by offering them a vision of a better future.
- (d) A leader who tries to transform their staff by giving them rewards for what they do **(MTP-April '19, 1 Mark)**

Ans: (c)

18. Individual investors are reliant on upon the organization's managers to

- (a) Maximize short-term returns in the form of dividends.
- (b) Add value to their investments in a way that the stockholders could not accomplish on their own
- (c) Achieve risk reduction at a lower cost than stockholders could obtain on their own.
- (d) Diversify the stockholder's investments in order to reduce risk. (Mar '19, 1 Mark)

Ans: (b)

19. Which of the following is more radical organisation design and is also called as non-structure which virtually eliminates in-house business functions and outsources many of them?

- (a) Network structure
- (b) Strategic business unit
- (c) Hourglass structure
- (d) Simple structure **(MTP 1 Mark May 20)**

Ans: (b)

20. A corporation organized in network structure is often called

- (a) Virtual organization
- (b) Hierarchical organization
- (c) Structured organization
- (d) Simple organization **(MTP 1 Mark March '21)**

Ans: (a)

21. J&P, a western wear brand has contracted Pee Kaw marketing firm from Singapore, product design team working as an outsource company from Mexico and Humans branding company taking care of its people's operations. What kind of structure is this?

- (a) Hourglass Structure
- (b) Outsourcing
- (c) Network Structure
- (d) Tree Branch Structure (MTP 2 Marks March '22)

Ans: (c)

22. Swabhaav, a social media marketing firm introduced an AI based management tool that has the capabilities of managing teams across functions all while being creative. What is the most likely organizational structure post this implementation?

- (a) Divisional
- (b) Matrix
- (c) Hourglass
- (d) Network (MTP 2 Marks Sep/22)

Ans: (c)

23. Maadhyam, a hearing aid manufacturer recently introduced an AI based management tool that has the capabilities of managing teams across functions. What could be their new organizational structure post this implementation?

- (a) Divisional Structure
- (b) Matrix Structure
- (c) Hourglass Structure
- (d) Network Structure (MTP 2 Mark Oct'22)

Ans: (c)

24. Corporate culture refers to:

- (a) Company's values and beliefs
- (b) Company's business principles
- (c) Internal work environment
- (d) All the above (MTP 1 Mark Oct'22)

Ans: (d)

25. A strategic business unit is a grouping of businesses.

- (a) unrelated
- (b) differentiated
- (c) related
- (d) None of these. (MTP 1 Mark April 22)

Ans: (c)

26. Abhishek a freelancer writes promotional materials. He decided to collaborate without requiring physical presence of employee, and hired virtual assistants to

transcribe voice mail, update his website, and design PowerPoint graphics. What kind of structure is he using for his business?

- (a) Functional structure
- (b) Divisional structure
- (c) Network structure
- (d) Multi-divisional structure **(MTP 2 Marks April '23)**

Ans: (c)

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

- (a) Market/external management
- (b) Functional matrix
- (c) Mature matrix
- (d) internal management **(MTP 2 Marks April 21)**

Ans: (c)

28. Shreya, the owner of Kalakaari boutiques, wanted to reduce uncertainty of their business strategy for which she gathered a lot of information from peers, groups, industry reports and experts. But it did not give her comfort to take up new strategies. What tool can help her in this regard?

- (a) Risk Analysis
- (b) BCG Analysis
- (c) ADL Matrix
- (d) Scenario Analysis **(MTP 2 Marks Oct 21)**

Ans: (d)

29. Which is true for Hourglass Organization Structure?

- (a) Wide at the bottom and widest at the top.
 - (b) Middle level managers are generalist and perform wide variety of tasks
 - (c) Decision making is slow
 - (d) Difficult to keep motivation level high among lower-level staff
- (MTP 1 Mark Sep (23))**

Ans: (b)

30. TechNo Solutions, a dynamic tech company, is considering a shift in its organizational structure to enhance efficiency. The management team is evaluating various strategies and decided to virtually eliminate in-house business functions. Which of the following organizational structures is TechNo Solutions shifting towards?

- (a) Network Structure

- (b) Matrix structure
- (c) Hourglass Structure
- (d) SBU Structure

(MTP 2 Marks Oct (23))

Ans: (a)

31. Which of the following does not form part of Richard Tumult's criteria for strategy audit?

- (a) Adaptation
- (b) Consistency.
- (c) Consonance
- (d) Feasibility. **(RTP May 19)**

Ans: (a)

32. Which of the following is not a phase in Kurt Lewin's Model of Change?

- (a) Changing
- (b) Deep freezing
- (c) Refreezing
- (d) Unfreezing **(May 19)**

Ans: (b)

33. In the questions given below select the best answer out of options (a), (b), (c), or (d):

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

- (a) Strategy Formulation
- (b) Strategy Model
- (c) Strategy implementation
- (d) Strategy Decision **(May'20)**

Ans: (c)

34. In the questions given below select the best answer out of options (A), (B), (C), or (D): Strategy evaluation is difficult on account of following trends, except:

- (a) There is dramatic increase in the environment's complexity.
- (b) It is difficult to predict future.
- (c) Firms have unlimited resources.
- (d) Obsolescence is rapid. **(Nov'19)**

Ans:: (c)

35. Training company operates a network of accounting training centers throughout Europe, the US and Australia. The business intends to enter developing markets in order to drive growth and has now decided to enter India which is 7,500 kilometers from the Training Co.'s UK headquarters. The Board has suggested that it will require externally focused management information to move into India. Which of the following is an external factor(s) that the Board should consider while implementing its strategy?

- (a) Key local rivals and their strengths and weaknesses
- (b) Courses are suitable for this market
- (c) Timing of the courses (Public holidays, religious festivals, etc. to be avoided)
- (d) All of the above **(Nov'20)**

Ans: (d)

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

- (1) Acquiring and fitting out clinics**
 - (2) Hiring and/or transferring staff**
 - (3) Publicity, so that patients know where and when to go**
 - (4) Liaison with general practitioners and the main hospitals**
- (a) Only (d)
 - (b) (b) & (d)
 - (c) (a), (b) & (d)
 - (d) (a), (b), (c) & (d) **(Nov 20)**

Ans: (d)

37. The tool for analyzing and comparing the best practices being used by established players in each segment, is known as:

- (a) Benchmarking
- (b) Strategic Analysis
- (c) Strategic Decision making
- (d) BPR

Ans: (a)

38. What is the first step in the comprehensive strategic-management model?

- (a) Developing vision and mission statements
- (b) Performing external audits
- (c) Measuring and evaluating performance
- (d) Establishing long-term objectives **(MTP-Oct '19, 1 Mark)**

Ans: (a)

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

- (a) Formulation
- (b) Implementation
- (c) Evaluation
- (d) Feedback **(MTP 1 Mark March 19)**

Ans: (a)

40. Gennex industries are analyzing the technological forces for the firm which may provide it opportunities and threats for which of the following stage/s of strategic management process?

- (a) Strategy formulation
- (b) Strategy implementation
- (c) Strategy evaluation
- (d) All of the above **(MTP 1 Mark May 20)**

Ans: (d)

41. What is the first step in the comprehensive strategic-management model?

- (a) Developing vision and mission statements
- (b) Performing external audits
- (c) Measuring and evaluating performance
- (d) Establishing long-term objectives **(MTP 1 Mark April 21)**

Ans: (a)

42. Developing vision and mission, identifying an organization's external opportunities and threats, and determining internal strengths and weaknesses are:

- (a) SBU planning
- (b) Strategy formulation
- (c) Strategy implementation
- (d) Business process reengineering **(MTP 2 Marks March (21))**

Ans: (b)

43. The strategic management process is:

- (a) a solution that guarantees prevention of organizational failure
- (b) concerned with a resources, capabilities, and competencies, but not the conditions in its external environment
- (c) not to be used in the not-for-profit organizations
- (d) full set of commitments, decisions, and actions related to the firm **(RTP May 19)**

Ans: (d)

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

- (a) Formulation.
- (b) Control
- (c) Evaluation
- (d) Implementation **(May'20)**

Ans:(d)

45. Which of the following situation will most likely suit a transformational leader?

- (a) An organization that is in trouble
- (b) A growing organization
- (c) An organization in a stable environment
- (d) An organization at maturity stage of product life cycle **(RTP May 19)**

Ans:(a)

46. In the questions given below select the best answer out of options (a), (b), (c), or (d): In strategic management, there are two main styles of leadership. These are transformational and:

- (a) Transparent
- (b) Transitional
- (c) Translational
- (d) Transactional **(RTP May'20)**

Ans: (d)

47. In the questions given below select the best answer out of options (A), (B), (C), or (D):

Which of the following is not true for SBUs?

- (a) It is relevant for multi-product, multi-business enterprises.
- (b) It provides for more control at enterprise level with centralized strategic planning.
- (c) A SBU has its own set of competitors.
- (d) SBUs can be created for units at distant geographical locations. **(RTP Nov/19)**

Ans: (b)

48. Maadhyam, a hearing aid manufacturer recently introduced an AI based management tool that has the capabilities of managing teams across functions. What could be their new organizational structure post this implementation?

- (a) Divisional Structure
- (b) Matrix Structure
- (c) Hourglass Structure

(d) Network Structure (RTP May '22)

Ans: (c)

49. Which of the following is more radical organisation design and is also called as non- structure which virtually eliminates in house business functions and outsources many of them?

- (a) Network Structure
- (b) Strategic Business Unit
- (c) Hourglass Structure
- (d) Divisional Structure (RTP Nov 22)

Ans: (a)

50. In which type of organization are Strategic Business Units (SRLIS) commonly found?

- (a) Sole proprietorships
- (b) One-business organizations
- (c) Non-profit organizations
- (d) Multi-business organizations (RTP Nov/23)

Ans: (d)

CHAPTER 6 CASE SCENARIOS

Case Scenario (MTP May'20)

Trepico Trito Company is one of the most famous brands in food and beverages industry in the world. It has seventeen food and beverage brands worth more than 100 crores. Trepico Trito, Crispy Chips (subsidiary), Tasty Chips (acquisition), Tangy (joint venture), Twisters (acquisition), and Threshold drink are just some of the household names that Trepico Trito Company manages.

Trepico Trito's mission is to provide consumers around the world with delicious, affordable, convenient and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats. Convenient F&B defines Trepico Trito's business. Trepico Trito's vision is articulated as achieving business and financial success while leaving a positive imprint on society delivering what it calls Piformance with Purpose. For example, Trepico Trito India's Agri program presently benefits over 24,000 farmers across 14 states through various Agri and sourcing initiatives. All the potato used in Crispy Chips and Tasty Chips is grown in India and sourced from Indian farmers. Through its 360-degree farmer connect initiatives for potato cultivation, Trepico Trito provides training and seed support, advanced plant protection programs, and assured buy-back with reasonable returns. Besides backward integration with farmers it has invested in cold storages along its supply chain. Since 2009 it has been Water Positive by conserving, utilising and managing this important resource in a sustainable manner.

The company is geographically diverse too. Trepico Trito operates all around the world- only 50 per cent of its sales come from the United States and Canada.

Given this breadth of business and market scope, Trepico Trito faces a variety of strategic scenarios: capitalizing on scale advantage in its core brand where it is a global leader; building businesses in fast-developing and unpredictable markets, categories, and products more so on account of shifts in consumer behaviour such as a greater focus on healthy living away from its "star" carbonated beverages and "cash cow" fried snacks businesses; the need for greater experimentation and innovation, for example in new flavours of chips to create and capitalize on newer sources of growth.

It is not inconceivable that Trepico Trito's different businesses at different times go through different stages of strategy thus necessitating a portfolio approach to strategy formulation with reference to market/business growth and market share such as BCG Matrix. While it competes fiercely with Chilled drink in different countries, it proactively fosters strategic partnerships with quick service restaurants and multiplex players.

Based on the above Case Scenario, answer the Multiple Choice Questions which are as follows:

(1) Match the columns in respect of the following elements of the strategic intent and their descriptions:

Column A	Column B
(i) Vision	(a) Product-Market Configuration
(ii) Business Model	(b) The way business is conducted
(iii) Business Definition	(c) Aspiration for a desired future
(iv) Mission	(d) The scope of Business

- (a) (i)-(a);(ii)-(b);(iii)-(c);(iv)-(d)
 (b) (i)-(b);(ii)-(c);(iii)-(d);(iv)-(a)
 (c) **(i)-(c);(ii)-(b);(iii)-(d);(iv)-(a)**
 (d) (i)-(d);(ii)-(c);(iii)-(b);(iv)-(a) **(1 Mark)**

(ii) State the two dimensions implied by portfolio approach to strategy formulation in Trepsico Trito's experiences are:

- (a) Vision and Mission
 (b) Food Business and Beverages Business
 (c) **Market Growth and Relative Market Share**
 (d) Performance and Purpose (1 Mark)

(iii) The business/ product portfolio classification implied by BCG Matrix comprises which of the following combinations?

- (a) Growth; Stability; Retrenchment; Turnaround
 (b) Weakness-Threat; Weakness-Opportunity; Strength-Opportunity; Strength-Threat
 (c) **Cash-Cows; Stars; Question Marks; Dogs**
 (d) Market Penetration; Product Development; Market Development; Diversification
(1 Mark)

(iv) Which of the following may be cited as instances of collaborative approach/ strategic alliance Trepsico Trito follows in its strategy?

- (a) Diversification from carbonated drinks to fruit juices
 (b) Diversification from fried to baked chips
 (c) **Partnerships with quick service restaurants and multiplexes**
 (d) Diversification into breakfast cereals (1 Mark)

(v) Which of the following is the most correct corporate level strategic alternative by the overall strategic direction evident from Trepsico Trito's corporate strategy?

- (a) **Growth/Expansion strategy**
 (b) Stability strategy
 (c) Retrenchment strategy

(d) Turnaround strategy (1 Mark)

Case Scenario (MTP Oct' 20)

Aero Mind Bridge Technologies Ltd (AMBTL) is a software development company work as a solution provider to airlines industry. The company was established more than a decade ago by Mr. Pranshu Gupta having experience of working in United States of America (USA). His entrepreneurial desires brought him back to India to promote Aero Mind Bridge Technologies Ltd (AMBTL). The company started its operations with a meagre capital of 10 lakhs with limited workforce. Currently, it enjoys a valuation of more than 50 crores. Almost everybody acknowledged the competency of AMBTL in developing customized software for the airlines industry.

The high growth of the company was mainly on account of the heavy inflows of the funds in the airlines industry from various big business houses that have diversified into airlines industry. Currently, these business houses were in the manufacturing of FMCG, textiles, packaging etc. and having good expertise and uniqueness in these industries. However, AMBTL saw stagnation in last three years. The order position was shrinking day by day. The margins were also reducing. Last year was particularly bad for the AMBTL and its annual sales reduced by 20% for the first time since its inception.

Most of the business houses that had entered in the airlines industry had less knowledge and experience in the industry. However, their desire to diversify and seeing new opportunity in the airlines industry prompted them to invest heavily into the industry. However, things did not turn out to be as expected. The tough competition between several players, reduction in the fare by railways and high prices of aviation fuel created problems for the industry. The sector was not able to generate reasonable profits thus resulting difficulty in maintaining operations. They were in need for hard to come by capital. Lately, the airlines industry is witnessing some consolidation with companies planning for mergers or even contemplating closures.

The general global recession also resulted in the reduction of travel expenditure of corporates resulting in decrease in the order position of AMBTL.

Based on the above Case Scenario, answer the Multiple Choice Questions which are as follows:

Multiple Choice Questions (MCQs)

(i) Identify the nature of diversification by the business houses entering into airlines industry.

- (a) Concentric diversification
- (b) Conglomerate diversification**
- (c) Vertically integrated diversification
- (d) Horizontal integrated diversification (1 Mark)

(ii) The big business houses were in the manufacturing of FMCG, textiles, packaging etc. and having good expertise and uniqueness in these industries. But they are not performing well in airlines industry because of

- (a) Non availability of fund
- (b) Incompetent workforce
- (c) Rapid technological changes
- (d) **Lacking core competence (1 Mark)**

(iii) According to Michael Porter's model, identify the competitive pressures faced by airlines industry as per the given scenario.

- 1. Competitive pressure among rival sellers**
- 2. Competitive pressure from suppliers**
- 3. Competitive pressure from substitute products**
- 4. Competitive pressure from buyers**
- 5. Competitive pressure from new entrants**

Select the correct combination in the above scenario:

- (a) 1,2 & 3**
- (b) 1,3 & 4
- (c) 2,3 & 5
- (d) 1,4 & 5 (1 Mark)**

(iv) AMBTL can be identified as a Star as per BCG's Growth Matrix, basis the rapid growth it has shown to maintain market and fuel the growth potential. For last three years, AMBTL turn into, as per the BCG matrix, when its growth slows down?

- (a) Dog**
- (b) Question Mark
- (c) Will remain a star
- (d) Cash Cow (2 Marks)**

(v) Mr. Pranshu Gupta as a core strategist of AMBTL, authorised for bringing about strategic change in his company, how he will initiate "unfreezing of the situation"?

- (a) Promoting new ideas throughout the organization**
- (b) Promoting compliance throughout the organization
- (c) Promoting change in process throughout the organization
- (d) None of the above (1 Mark)**

Case Scenario (MTP Mar' 21)

Rohansh Bakshi a 22-year-old from Maharashtra, started a gaming equipment company called TEEMOX, which specialises in gaming chairs, gaming consoles, controllers, wireless keyboard, and touchscreen mouse pads. Rohan has been an innovator and loves building products. Hence, to prioritise his time more on

development, he insisted Mr. N. Muniyappa, his mentor, to be the CEO of the company and spearhead business from the front. Rohansh has always believed in bringing something new to the consumer and that is clearly projected in the products offered by TEEMOX. His designs reflect youth with exciting colors and comfort, and they match the quality of global big brands. However, to make his products worth the money that his customers are paying, the procurement is done from Indonesia and Vietnam, where the materials are easily available at low costs.

Interestingly, Rohansh's AI based gaming chairs have been a huge hit for the company, bringing in the maximum revenue and margins. The business has gone from 200 units sold to over 5000 units sold in just six months. To add to it, a famous FMCG Brand approached TEEMOX to collaborate for a sports drink focused on gamers. The team is excited about this collaboration as the deal shall bring in more awareness and open newer markets for them. But Mr. Muniyappa insists that this might as well displease the existing consumers who relate to TEEMOX as a customer-oriented brand rather than yet another money minting business. The relate to TEMOX as a customer oriented Nonetheless, the plans seem to be working in the company's favour for now and the future seems bright. To put in context, the gaming industry is booming with a Compound Annual Growth Rate (CAGR) of 190%, adding over 20 million new customers every quarter. Clearly, opportunities are enormous, and the brand is on track. A well-established vision and mission for the company could be a strong strategic advantage for challenging times to come.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(i) Based on the above case which of the following seems true above the Strategy of TEEMOX?

- (a) Strategy was unified and comprehensive.
- (b) Strategy was comprehensive and integrated.
- (c) Strategy was integrated and unified.
- (d) Strategy was integrated, unified and comprehensive. (1 Mark)**

(ii) Gaming chair business of TEEMOX is a cash cow. Which of the following strategies helped it become such an influential business?

- (a) Organization differentiation
- (b) Product differentiation**
- (c) Focused differentiation
- (d) Low-cost product provider (1 Mark)**

(iii) By routing its products from Indonesian and Vietnam, TEEMOX was able to achieve which of the following strategies on the holistic level of business?

- (a) Product differentiation
- (b) Horizontal integration of business

- (c) **Best cost provider in the industry**
- (d) Globalization of business **(1 Mark)**

(iv) With the appointment of Mr. N. Muniyappa, Rohansh can be designated as which of the following?

- (a) Vice President
- (b) CEO Emeritus
- (c) Chairman
- (d) **Functional Head (1 Mark)**

(v) Which Ps of marketing have been the winning Ps for TEEMOX?

- (a) Product and Place
- (b) Promotion and Price
- (c) **Price and Product**
- (d) Promotion and Place **(1 Mark)**

Case Scenario (MTP Apr 21)

Amrutha, a third year computer science student living in Tamilnadu, realised that during covid-19 pandemic her mother was not able to buy the basic products that she used in her worship routine. As a result, many small vendors also went out of business during the lockdown. She started studying more about the market and observed that the way the business was conducted had many gaps and loopholes. She dedicated herself to develop a small market place where consumers like her mother and small vendors could meet and trade, and called it Saamagree.

Her interaction with small vendors was a success factor, where she was able to convince them to bring their business online and give them volume in sales. Vendors were hesitant early on, but followed suit when they saw the benefits coming in. Amrutha, being a student was happy with the growth and wanted to focus on studies more and let the business operate as usual.

To her surprise, her father's company which was a big FMCG brand took over her business within a year itself, and designated Ms. Srividya Rajanan, to lead the division with Amrutha. Amrutha, knew her customers and vendors very closely and Ms. Rajanan was an expansion expert. So their division was developed as a simple structure within the organization as an experiment.

Ms. Rajanan's marketing team expanded swiftly to rope in vendors from areas far and beyond backed by their in-house distribution channels. However, the initial

vendors and customers felt betrayed as their trust rested in Amrutha and her personalized touch to the business. It took the team months to build an identity that matched the sincerity of a one woman led brand.

The market segment has been a very niche one for the FMCG brand however the results have been satisfying. The plan is to go Pan-India in the coming years with Amrutha leading from the front and Ms. Rajanan exiting the division. New markets, new ways of business are inevitable and bring a freshness to business is what Saamagree has proven.

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

(i) Which of the following characteristics has been one of the biggest strengths of Saamagree's management?

- (a) Induce and direct events
- (b) **Induce and direct people**
- (c) Influence process to make things happen
- (d) Gain command over the phenomena **(1 Mark)**

(ii) The leadership team decided to keep the organisation structure straight and simple based on the intricacies of?

- (a) Goals and objectives
- (b) Vision statement
- (c) **Business definition**
- (d) Business model **(1 Mark)**

(iii) Before Ms. Srividya Rajanan joined the company, Amrutha's intent was inclined towards which of the following strategies?

- (a) Combination strategy
- (b) Retrenchment strategy
- (c) Expansion strategy
- (d) **Stability strategy (1 Mark)**

(iv) The marketing team of Saamagree could not gauge a very crucial aspect of markets that led to a temporary dent in its brand positioning. Which of the following is being mentioned in the above scenario?

- (a) Switching costs of products
- (b) Distribution channel accessibility
- (c) Retaliation from the market**
- (d) Political influence in the industry **(1 Mark)**

(v) The very ideation of the business was based on bringing about a change in existing ways of business. What can be said about the basis of building Saamagree?

- (a) Market penetration
- (b) Business process reengineering**
- (c) Product differentiation
- (d) Best cost provider strategy **(1 Mark)**

Case Scenario (MTP Oct 21)

Zuberia, a London based choreographer with a master's degree in social entrepreneurship, wanted to do something innovative and impactful with her international degree. Following which she took on her dream to inculcate dance as a part of basic curriculum in primary education back in India. For this, she set up a digital dance education company called DanceXT.

The business model was simple; approach active NGOs working on the field, conduct local competitions to spread awareness, offer scholarships to talented kids to lure in support, and finally build a community of interested individuals. This would act as a base for marketers to market their products amongst youth and also divert some of their CSR funds to a good cause. Interestingly, there are numerous NGOs working for the same cause, but the business monetisation of DanceXT's consumer data and easy approachability for businesses has created an advantage over others.

A startup incubator was consulted to ensure free flow of funds in the initial few months until sponsors were arranged. The best alternative to bank loans was crowdfunding and that is what DanceXT opted for. Individuals and corporates were

encouraged to provide for basic expenses while volunteerism was encouraged for on field support. The operations were smooth and foolproof.

The company expanded exponentially in major cities of Delhi, Mumbai and Kolkata, while making a surprising foothold in Jaipur, Indore, Surat and Nashik. With over 500 volunteers and 100 teamleaders, many more college students expressed interest in joining the field force. Sports brands, FMCG giants, political candidates, and even government schools showed immense support to the company. It built a massive workforce making numerous local teams with one single target of inculcating extra-curricular in primary students especially through dance.

The highlight of their success was when four of their students got selected in a dance reality show on television. Following it, the business is booming with marketers eyeing youth while being true to the underlying cause of the company.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(i) Similar businesses in dance tutoring operated on different business models because of?

- (a) The external environment
- (b) Customer Geographies.
- (c) **Choice of Strategy**
- (d) Political Influence **(1 Mark)**

(ii) The differentiating factor for Dance XT in comparison to its competitors has been which of the following?

- (a) Research and Development Strategy Innovative Dance Forms
- (b) Vision Statement - Cultural Arts NGO aiming underprivileged talent
- (c) **Marketing Mix Strategy - Product, Potential Consumer Insights for final businesses**
- (d) Human Resource Strategy Hiring quality dance trainers Pan-india **(1Mark)**

(iii) Incubator was approached for which of the following aspects of financial strategy?

- (a) Budgeting

- (b) Management of Funds
- (c) Evaluating worth of business
- (d) **Acquisition of Capital (1 Mark)**

(iv) Dance XT can be categorized as which of the intensification strategies?

- (a) Market Penetration
- (b) Market Development.
- (c) Product Development
- (d) **Diversification of Services (1 Mark)**

(v) Which of the following could be the biggest challenge from Chandler's Strategy-Structure Relationship for DanceXT?

- (a) Too many levels of management
- (b) **Too much attention diverted to intercompany conflicts**
- (c) Too many objectives to achieve
- (d) **Too large aspan of control (1 Mark)**

Case Scenario (MTP Nov 21)

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

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

Mukesh has been instrumental in achieving targets, but the core team has been a group of close- knit partners who have built the company on trust. And as the

business grew, the partners took up individual responsibilities in an autonomous fashion, where each one of them was responsible for their own segment's operations and process improvement, and collectively driven by positive and margins. The policy of "trust all, ask no questions" could be seen at the leadership level.

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

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

Based on the above Case Scenarin, answer the Multiple Choice Questions which are as follows:

(i) Mukesh Bakshi, has been trading Aloe Vede from the front with a spear headed strategy on Innovating which of the following?

- (a) Product
- (b) Price
- (c) Place
- (d) Promotion (1 Mark)**

(ii) Aloe Veda has been taking up competition with big FMCG brands in which of the following segments?

- (a) Cost Leadership of Supply Chain
- (b) Differentiation of Product
- (c) Focused Cost Leadership of Product**
- (d) Focused Differentiation of Product (1Mark)

(iii) Which important aspect of organisational structure configuration is missing in Alse Veda?

- (a) Configuration of intended Roles

- (b) Configuration of Processes
- (c) Configuration of Decision Making
- (d) Configuration of Governance Mechanism (1 Mark)**

(iv) As per strategic group mapping done by the marketing team, which of the following is the biggest threat for Aloe Veda for its niche market?

- (a) Ele
- (b) IndCos**
- (c) Strategic group mapping does not tell that clearly
- (d) There are no threats to their niche market(1 Mark)

(v) Suppose Aloe Veda asks its customers to plant Aloe Vera plant in their houses to get additional discounts. From Aloe Veda's strategic intent of being environmentally inclined while retaining its customers, much before rivals try to poach them, can be termed as?

- (a) Planned Strategy**
- (b) Reactive Strategy
- (c) Adaptive Strategy
- (d) This is not a strategy, it is a marketing gimmick (2 Marks)

Case Scenario (MTP Mar '22)

Pantheon Yoga Center (PYC), situated in the dense forests of Chhattisgarh by Dr. Manohar Dasgupta, a less known meditation center is visited by affluent Indians and foreign seekers, only by invitation. The uniqueness of his methodologies remains in the fact that only a few people have been able to experience them yet.

Recently, CEO of a big investment bank approached Dr. Dasgupta to take special sessions for his management team in Los Angeles, USA and given Dr. Dasgupta's popularity amongst business leaders, he wanted to strengthen his network as well for business purposes by building relations with him. Though Dr. Dasgupta was reluctant at first but understanding the need to publicize his practice and an offer by

the CEO to get access to more corporates through this route, he took the opportunity, and called his corporate suite of sessions, the 'Shanti Classes'.

There were certain risks though; first, his techniques could be shunned by the top management as being too orthodox and old. Second, maybe they could be revealed to the outside world in a very disruptive manner, thus taking away the core uniqueness of exclusivity, and lastly, how would he monetize his methodologies if they expanded so quickly.

With above risks also came the need to build a strong team of like minded individuals who could support and propagate the ideologies in a positive fashion. For this he relied on his daughter, Sukanya. She took three months to build a team of fifty young-vibrant men and women from different backgrounds and trained them with basics and a few specializations opened its first branch in Los Angeles, USA, and then took the opportunity to open three more in India. One each in Madhya Pradesh, Gujarat and Assam.

The center and its techniques have now been recognized globally, especially in Northern America, while Europe is still to be explored business wise. One thing that Pantheon model reassures is that strategy has no foundation with respect to product or service; it applies to each kind in its own way.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(i) Core competencies cannot be built on single know how, instead it has to be integration of many resources. From the above case, what was the core competency of PYC and which of the following competencies were missing from its bunch of competencies?

(a) Customer Satisfaction was the core competency and its competencies did not include meditation expertise.

(b) Location of the Yoga Center was the core competency and its competencies did not include technological know-how

(c) Exclusivity was the core competency and its competencies did not include easy scalability.

(d) Dr. Dasgupta's brand name was the core competency and its competencies did not include exclusivity (2 Marks)

(ii) Suppose you are a banker funding PYC's new ventures. Please apprise the management about the third risk mentioned above and which of the functional level strategies is it associated with for PYC?

(a) Associated with Delivering Value to Customer, Marketing Strategy

(b) Associated with Sources of Funds, Financial Strategy

(c) Associated with Free Publicity Marketing Strategy

(d) Associated with Management of Funds Financial Strategy (Marks)

(iii) The formation of "Shanti Classes by Dr. Dasgupta to popularise his business can be categorized as which of the following growth strategies?

(a) Product Development

(b) Diversification

(c) Market Penetration

(d) Market Development (1 Mark)

(iv) Which growth strategy was the CEO of the investment bank trying to achieve with Dr. Dasgupta's classes?

(a) Merger

(b) Diversification

(c) Acquisition

(d) Strategic Alliance (1 Mark)

(v) The biggest challenge that you think Sukanye would face while implementing human Resource Strategy for the newly trained 50 odd individuals would be?

(a) Building core competency with faith in employees

(b) A Creating Competitive Advantage based on employee skills

(c) Managing Diversity of workforce

(d) Providing Purposeful Direction (1 Mark)

Case Scenario (MTP Apr' 22)

In a recent board meeting, the Chairman of Inclusive Health Pharma Ltd. (IHL) a major pharmaceutical company in India, proposed reassigning around 100 employees and lay off of another 275. The chairman proposed to cut jobs throughout the country under a restructure of the pharmaceutical business. Some of the employees who will be taken off from pharmaceutical business will be redeployed on a new project for entry into wellness segment that is increasingly becoming lucrative. The company has been looking for growth opportunities for a couple of years. The proposal came after failed takeover of another company Rosy Cheek Health Ltd. (RCHL), a prominent manufacturer of various nutritional supplements that include proteins, vitamins and minerals. IHL, tried hard to acquire RCHL and raised its bid three times and finally offered Rs 450 crores in form of cash of Rs 250 crores and balance in shares. The offer was found to be unattractive by RCHL.

IHL wanted to expand and have a separate product line to include health and wellness products in its portfolio to create two distinct business groups. With the entry into new segment there will be need to explain the business undertaken by IHL in a new form as there will be difference with respect to the customer needs and target markets. The Chairman said that the organisational changes underpin pursuit for growth that remains top priority for the organisation.

The Chairman informed the board that the proposed new organisation will result in a reduction in middle management roles by around fifteen per cent and reduction in junior management roles by ten per cent. It is proposed to redesign workflows and processes both within IHL and its interactions with suppliers, hospitals and other associate organisations, Improvements in organisational reporting structures and use of technology will make many middle level positions redundant and lead to reduction in the jobs. It will not only reduce the salary costs but bring overall efficiencies. New enlarged team can be created later at the time of launch of wellness products.

Based on the above Case Scenario, answer the Multiple Choice Questions which are as follows:

(i) Managerial activity to redesign workflows and processes both within IHPL and its interactions with suppliers, hospitals and other associate organisations is:

- (a) Strategic implementation
- (b) Growth and Improvement
- (c) Organizational Change
- (d) Reengineering (1 Mark)**

(ii) Changes in the business undertaken by the IHPL with respect to the customer needs, target markets shall directly amount to changes in:

- (a) Organisational vision
- (b) Business mission
- (c) Business definition**
- (d) Organisational goals (1 Mark)

(iii) A shift to wellness products is part of:

- (a) Growth
- (b) Forward integration
- (c) Backward integration
- (d) Horizontal diversification (1 Mark)**

(iv) Division of organisation into two distinct segments for pharma products and wellness products is a form of:

- (a) Simple structure
- (b) Functional structure
- (c) Divisional structure**
- (d) Matrix structure (1 Mark)

(v) By not raising the bid and creating a structure to produce wellness product, IHPL is shifting from strategy to strategy.

- (a) Merger, Retrenchment
- (b) Diversification, Growth
- (c) Acquisition, Diversification**
- (d) Acquisition, intensification (2 Marks)

Case scenario (MTP Sep'22)

Chantele, a management consultant from Rome (Italy) was on an official tour of Rajasthan, when she realised the tourism boom that the state experiences from around the globe. More surprising for her was the price offering of major cafes and lounges which were about 1/6th of what was charged in her city Rome. Being a business enthusiast, she decided to explore the business potential in Udaipur for a year.

She had five major areas to learn about and plan;

- Existing Competition**
- Location and Rental of her Lounge**
- Trainable Team of Individuals (english speaking)**
- Raw Material Sourcing and Pricing**
- Promotion**

Existing competition was high as people were already serving foreign tourists and even tourists liked the desi touch and feel. However, Chantele saw the segment of customers who were willing to find travel partners for their further trips. They would enjoy a cup of coffee, or a jug of cooler to chit chat and build a network on their vacation. For location, she got lucky with an old property just on the lake side but had to spend a little over budget to renovate even though she took multiple quotations from designers. The rentals in Udaipur have always been high, but she was confident of the cash flow from the business so decided to take the risk.

Rajasthani youth is well trained in english, french and german, and that came as a blessing for her. She was able to employ three girls (customer facing) and two boys (for logistics). Raw Material was a bit tricky to handle though. Good quality coffee beans and fruits were available only from Delhi and Jaipur, which had its own cost of transportation. Milk being a main component for most of the things on the menu needed to be of prime quality. For fruits, she found an alternative in sourcing from nearby villages through local agents, while the milk and coffee had to come from Delhi.

Promotion had been her area of expertise, and this came in handy as she executed a fool proof digital promotion strategy for her lounge. She named it Aroma Lounge, as

"A" would give top results in alphabetic order of search by customers online. Within three months itself she managed to get great reviews on major travel websites and thus, loads of customers.

The business was good, cashflows were strong, brand equity gained momentum and Chantele now already plans to open two more branches in the state.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(1) Even though Chantele knew she was giving higher rent for the location of her lounge, which of the following strategies helped her take that Risk?

- (a) Marketing Strategy
- (b) **Financial Strategy**
- (c) Negotiation Strategy
- (d) Supply Chain Strategy (1 Mark)

(ii) Suppose Chantele decides to expand her business through franchises across different states that attract major foreign tourists. For this she combines different retailers to source from and makes her main employees as trainers to train more local youth. Which element of strategic intent would this strategy need to focus on and what strategy would best suit her, given the fact that she strongly believes in incremental growth over exponential growth?

- (a) It would need focus on Goals & Objectives and the strategy that would best suit her would be Growth Strategy.
- (b) It would need focus on Mission and the strategy that would best suit her would be Combination Strategy.
- (c) **It would need focus on Business Model and the strategy that would best suit her would be Stability Strategy.**
- (d) It would need focus on Vision and the strategy that would best suit her would be Growth Strategy. (2 Marks)

(iii) For Chantele, pricing was an issue as she wanted to deliver international standards of quality at traveler friendly prices. Cost plus pricing was one of the options she considered but quickly realised its shortcomings. Which of the following could be a major reason for not selecting cost plus pricing?

- (a) Outsourcing of Products from Delhi was already costly
- (b) Labour cost was low, but training cost was high so allocation of cost was difficult
- (c) The cost of fruits fluctuates a lot, and hence cost plus also fluctuated variably
- (d) **The segment is highly competitive and her margin on cost was irrelevant as customers already knew comparable prices (2 Marks)**

(iv) Suppose a big hotel chain which has no cafe business as yet, acquires Aroma Lounge and its franchises. Can it group these cafes as an SBU? Which factors would be considered for the same?

- (i) No, they cannot be called as an SBU, as the cafe is not a separate business but same line of business as hotels ZIVITSU**
- (ii) Yes, as it has its own set of distinct competitors and strategy**
- (iii) Yes, as it can be subdivided from the core business in terms of functionalities and objectives**
- (iv) No, as an SBU shall have a CEO and its set of business functions and Aroma Cafes aren't that big to be categorised as an SBU**

- (a) Only (i) is correct
- (b) Both (i) and (iv) are correct
- (C) Only (ii) is correct
- (d) Both (ii) and (iii) are correct (2 Marks)**

(v) For her vendors, Chantele had a clear thought and she iterated to them as well. The ideology was to foster a long term relationship so as to introduce high quality innovative products that would bert the customers and other stakeholders?

- (a) Mission**
- (b) Vision
- (c) Business Definition
- (d) Strategic Intent (1 Mark)

Case scenario (MTP Oct'22)

SKS, a Bollywood actor, was so affected by the chaos in the country due to the Pandemic that he and his team took upon themselves to cater to the poorest section of the society and formed SKS Foundation. They had to plan in accordance with the policies of the government, arrange for quality medical care especially the internationally acclaimed medicine, which was available in extreme scarcity, transportation of people to and from their hometowns, and on time delivery of basic necessities. The task was humongous given the number of people to be cared for and the restrictions in place for goods/people movement. To execute the plan, they distributed the work amongst themselves as follows;

- Two people worked on the communication flow - WhatsApp, Facebook and IVR systems, were setup to reach out people, and for arrangements.
- Three people setup logistics finding medicine suppliers around India, negotiating prices, fixing transportation agents, making basic necessities available at the doorstep (last mile delivery)
- Three other people were given the responsibility of food distribution they took help from temples, gurdwaras and NGOs for making food available to the most needy first, aim was to provide at least two meals a day.
- Finally, one person worked on fund management - major sources being crowd funding, NGO support, further support was carried through high net worth individuals networking, and celebrity support.

The major challenges were getting the medicines and hospital beds as the demand was sky high and the availability was skewed. But the team was passionate and as they gathered support from the general public, it became easier to operate and arrange necessities.

Management is tougher when the motive is not making profit, because all essential elements of strategy are to be considered, while the only way to measure success is people's safety, satisfaction and happiness. The numeric metrics fail to give a direction and the only measurement is psychological. Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

- (i) Given the prices of medicines were widely fluctuating every single day based on the media reports and various medical practitioners recommendations, plus

oxygen availability was also not under control, which of the following aspects of Financial Strategy would have been most challenging for the team member responsible?

- (a) Strategising sources of funds
- (b) **Budgeting of available funds**
- (c) Strategizing usage of funds
- (d) Valuing the worth of operations (1 Mark)

(ii) Let us suppose the foundation wants to expand with a dedicated 7 to 10 member team for each city. Which of the following structures would ensure each area to be handled by the central team to ensure no compromise on the quality and prices?

- (a) Matrix Structure
- (b) Divisional Structure
- (c) Multidivisional Structure
- (d) **Functional Structure (1 Mark)**

(iii) Which of the following questions would have to be taken care of by the logistics team in particular?

- i. What are the most reliable sources of medicine sellers?
- ii. How many of them would be willing to supply at affordable rates?
- iii. Nature of their business, whether sole proprietorship, LLP, Partnership or Company, for compliance ease?
- iv. Method of distribution they use if the transportation had to be done nationwide?
- v. What volumes can these distributors handle per day/week/month?

- (a) **Only (i), (ii), (iv) and (v)**
- (b) Only (i), (ii) and (v)
- (C) Only (iv) and (v)
- (d) All of these would have to be taken care (2 Marks)

(iv) Given the huge demand and extremely low supply of a new internationally acclaimed medicine, the unethical retailers followed which of the following strategies for maximum profits. Further, in the long term, when the availability stabilizes, what would help them define the target selling price?

- (a) Skimming Pricing Policy followed currently, and later on stabilization they would need penetration price strategy to set target price.
- (b) Skimming Pricing Policy followed currently, and later on stabilization they would need benchmarking to set target price.**
- (c) Penetration Pricing Policy followed currently, and later on stabilisation they would need skimming to win customer who could afford it.
- (d) Penetration Pricing Policy followed currently, and later on stabilisation they would need flexible pricing strategy to set target price. (2 Marks)

(v) Strategizing a not for profit demands a different strategic mindset. Which of the following would not form part of the food distribution team's strategic checklist?

- i Cost Saving
- ii. Reduced Inventory
- iii. Improved Delivery Time
- iv. Competitive Advantage

- (a) Options (1) and (iv)
- (b) Only (1)
- (c) Only (iv)**
- (d) Options (i), (ii) and (iv) (1 Mark)

Case scenario (MTP March (23)

ABC Ltd. and CHEETA Ltd. are two companies that are in the business of manufacturing electric scooters. Sales of ABC Ltd. are rising while sales of CHEETA Ltd. have been falling. During the last five years, the market share of CHEETA Ltd. reduced from second to fifth position. Mr. Ramesh was appointed as the CEO of

CHEETA Ltd., last year, when the company was unable to make a mark for itself in the industry. As an immediate corrective measure Mr. Ramesh decided to emulate the successful standards of ABC Ltd. and set them as their own yardsticks. With the help of standards, he intended to compare, measure and judge the performance. Further, he introduced a company-wide competition for the best innovation. He has been influential in bringing about a culture of oneness and inspiration amongst the employees. Under his direction one of the employees came up with the idea of inbuilt GPS system in the electric scooter. Another employee gave the idea of mobile charging point in the scooter with a pocket to hold the mobile handset. CHEETA Ltd., adopted the innovations suggested by its employees in their new model. The new modified model 'RAFTAR' loaded with new features was launched with a slogan "Reach right place in right time and stay connected". Mr Ramesh's leadership turned around the company to be a leader in innovation. CHEETA Ltd., envisaged to innovate mobility solutions with passion to enhance quality of life. The shape of scooter was made attractive. It was available in many colours. The price of new model was higher than the other electric scooters in the market. 'RAFTAR' was widely accepted by the young population.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(i) What is the strategic tool adopted by CHEETA Ltd., as an immediate corrective measure?

- (a) Business Process Reengineering
- (b) Strategic Audit
- (c) Strategic Control
- (d) **Benchmarking (1 Mark)**

(ii) Which leadership style has been adopted by Mr. Ramesh and this style is appropriate in:

- (a) **Transformational Leadership, Turbulent Environment**
- (b) Transactional Leadership, Static Environment
- (c) Transactional Leadership, Settled Environment
- (d) Transformational Leadership, Mature Industries (2 Marks)

(iii) Which of the following Michael Porters' Generic strategics has been followed in launching "RAFTAR"?

- (a) Cost Leadership
- (b) Differentiation**
- (c) Focused Cost Leadership
- (d) Focused Differentiation (1 Mark)

(iv) CHEETA Ltd., envisages to innovate mobility solutions with passion to enhance quality of life. This is of the company.

- (a) Vision
- (b) Strategy
- (c) Mission**
- (d) Objective (1 Mark)

Case scenario (MTP April (23))

Hi-tech Corporation has been a pioneer in developing innovative products and core technologies that have played a vital role in shaping the future of electronics. The company's expertise in liquid crystal displays (LCDs) and digital technologies has helped it offer one of the most comprehensive and advanced lines of consumer electronics, information products, and electronic components while also creating new network businesses. However, it hasn't always been a leader in the industry. Hi-tech Corporation has travelled a long way from an assembler of televisions to a leading TV manufacturer. In the early days, Hi-tech was making low-quality, low-priced televisions and was overshadowed by big players like LG, Sony and Samsung. It was a technology follower in the beginning and was using secondary technology, which resulted in a low brand image. The company went through a major transformation under the leadership of Mr. Joyce, who focused on R&D and innovation to enhance its market coverage and reputation.

Hi-tech's innovation in LCD technology and developing products featuring LCDs made it the world's largest manufacturer of LCD TVs. The company's success has been attributed to its focus on innovation, which is a critical factor in sustaining its position as a leader in the industry. However, the global economic downturn has

affected Hi-tech, and the industry has realized that only innovation in terms of quality, cost, and competitive strength can help companies survive. Additionally, every new technology becomes obsolete faster, which means companies have to continuously innovate to stay ahead of the competition.

Hi-tech is facing challenges from the ever-changing competitive scenario, with global competitors striving to dethrone it and the entry of low-cost manufacturers from Asia. The emergence of newer display technologies with superior quality at a lower price has posed one of the biggest challenges for Hi-tech. While Hi-tech has taken the first-mover advantage, it is facing competition from late entrants.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(i) Can Hi-tech's initial position in the industry be called as cost leadership strategy?

- (a) Initial Position: A manufacturer of low-quality, low-priced televisions. No, not a cost leader, as cost leader does not necessarily mean low quality with low prices.
- (b) Initial Position: A manufacturer of low-quality, low-priced televisions. Yes, a cost leader, as they offered low prices.
- (c) Initial Position: Technology follower. Yes, a cost leader, as technology followers are always cost leaders.
- (d) Initial Position: Technology leader. Yes, a cost leader as technology leaders is always cost leaders due to advanced cost cutting techniques. (2 Marks)

(ii) Mr. Joyce's focussed results from moving to an innovative company were?

- (a) Increased market share.
- (b) **Increased market coverage and reputation.**
- (c) Enjoy price skimming in the market.
- (d) Change the business model of the organisation. (1 Mark)

(iii) As consultant who studies industries, what would be your highlighted areas of industry analysis for Hi-tech?

- (a) Competition from late entrants
- (b) Emergence of newer display technologies

(c) Global economic downturn

(d) **All of the above (1 Mark)**

(iv) From the case above, which of the following has been the most crucial learning for the company from a long-term product life cycle perspective?

(a) Innovation is the key to success.

(b) Change in management leads to required growth

(c) **Continuous innovation is essential to stay ahead of the competition.**

(d) Industry analysis should be the first as well as the last step in strategic management. (1 Mark)

(v) What was the Key Success Factor in Hi-tech's success?

(a) Market coverage

(b) Reputation

(c) **Innovation**

(d) Cost

Case scenario (MTP Sep'23)

One Earth Limited (OEL) operates as a diversified conglomerate with involvement in various sectors including FMCG, stationery, apparel, heavy engineering, and cement industries. Benefitting from a substantial free reserve of Rs. 75,000 crores, OEL has established a robust brand reputation, largely attributed to its dominant market positions in multiple sectors.

In the cement industry, OEL has maintained its industry leadership for the past two decades. The cement division's recent performance has been notably strong. A significant development in the industry landscape took place when two competitors, Raksha Products Limited and Strongman Cement Limited - initially ranked third and fourth in market share respectively merged to form a new entity, Unnati Cement Ltd (UCL). As a result, UCL now secures the second position in terms of market share.

Amidst this backdrop, the Chairman of OEL convened a comprehensive meeting involving the Board, divisional heads, marketing leadership, and the Group CFO. The meeting's objectives encompassed devising concrete strategies for the cement

division, exploring avenues for broader corporate expansion, and determining an interim dividend strategy in celebration of OEL's golden jubilee anniversary.

Mr. Hrishikesh Raj, the CEO of the cement division, articulated the industry's lag in modernization when compared to global standards. He highlighted the immense potential within emerging product categories such as high-strength Portland Pozzolana Cement (PPC), ready-mix products, and cement blocks. Anticipating a swift consumer attention to these innovations, he proposed a modernization initiative demanding an investment of approximately Rs. 5,000 crores. This transformation is predicted to yield a 22% reduction in overhead costs post-modernization, along with a 10% reduction in wastage.

Analyzing the financial landscape of competitors, the CFO presented insights indicating that other players are unlikely to undertake expansion or upgrades for the next 7-8 years. In response, the Board greenlit the proposed modernization effort and earmarked an additional Rs. 1,000 crores to fortify the distribution channels.

Another proposal discussed during the meeting centered on OEL's diversification into the home appliances sector. The Board granted approval for this strategic expansion, allocating Rs. 6,500 crores to facilitate entry into this new market. Additionally, the Board endorsed the distribution of an interim dividend amounting to Rs. 50 per share as part of the celebrations marking OEL's golden jubilee year.

Based on the above Case Scenario, answer the Multiple Choice Questions which are as follows:

(i) What strategic level are the decisions to foray into the home appliances business and approve the interim dividend made on?

- (a) Business Level
- (b) Corporate Level**
- (c) Functional Level
- (d) Operational Level (1 Mark)

(ii) In the context of Michael Porter's Five Forces framework, the merger between Raksha Products Limited and Strongman Cement Limited leading to Unnati Cement Ltd (UCL) moving to the second position in market share demonstrates:

- (a) Bargaining power of suppliers
- (b) Threat of new entrants
- (c) Intensity of industry rivalry**
- (d) Bargaining power of buyers (2 Mark)

(iii) What type of diversification strategy is OEL pursuing by entering the home appliances segment?

- (a) Horizontal diversification
- (b) Vertical integration.
- (c) Concentric diversification
- (d) Conglomerate diversification (1 Mark)**

(iv) Which strategic management concept does Mr. Hrishikesh Rai emphasize when discussing the industry's lag in modernization?

- (a) Benchmarking**
- (b) Business Process Reengineering (BPR)
- (c) Competitive positioning
- (d) Market segmentation (1 Mark)

(v) Which of the following best describes OEL's overall corporate strategy in light of the above case scenario?

- (a) Cost leadership
- (b) Product differentiation
- (c) Market expansion and diversification**
- (d) Focused niche strategy (1 Mark)

Case scenario (MTP Oct'23)

In the wake of increasing incomes among salaried individuals and a surge in economic consumption, Anant Khanna, a 23-year-old graduate from IIT Mumbai,

identified a lucrative market opportunity. He launched a digital credit payback platform named Money Mox, targeting the growing second-generation demographic. Since its inception last year, the company has swiftly garnered a user base of approximately two million active customers. The availability of disruptive technology from earlier FinTech startups facilitated the establishment of the platform. Money Mox's concept is straightforward: create an exclusive community of high-income, high-spending individuals and incentivize their purchases through credit and debit card rewards.

The company recently made headlines, attracting the interest of global investors. Following this, early investor Josh Kattings met with the team and advised them not to merely mimic the approach of Batuya, a key competitor with a distinct business model, but rather to learn, enhance, and refine the process for customers.

Surprisingly, Josh also proposed a collaboration between Money Mox and Batuya for enhanced market penetration. However, Anant and his team hesitated, as they were dealing with their own infrastructure issues and were more inclined towards outperforming the competition rather than forming alliances at this stage. Last month, the company publicly disclosed its revenue projections, which caught the attention of established players in the banking sector. CBZ Bank, at the forefront of this interest, extended an offer to purchase Money Mox for 50 crores, under a 100% equity arrangement. Anant and his team are yet to respond to this substantial offer from the well-established bank, underscoring how unique ideas are valued in developing economies like India.

Based on the above Case Scenario, answer the Multiple-Choice Questions which are as follows:

(1) Which model has been thoughtfully considered while taking the decision to dive into FinTech market?

- (a) BCG growth share matrix
- (b) ADL matrix
- (c) **Stop-Light strategy model**
- (d) SWOT analysis (1 Mark)

(ii) Money Mox's market strategy falls under which of Michael Porter's generic strategies?

- (a) Cost leadership strategy
- (b) Focused differentiation strategy**
- (C) Focused cost leadership
- (d) Differentiation strategy (1 Mark)

(iii) Which of the following may be true about the downsides of the plan to work along with Batuya, that Anant and team might have considered?

- (a) Trade secrets can be spilled out
- (b) Ally may become a competitor
- (C) There may be good sharing of skills and technology and thus the costs will rise.
- (d) Only A and B (1 Mark)**

(iv) Which procedural approach was brought out in the investor meeting by Josh Kattings for a better market standing of Money Mox?

- (a) Business process re-engineering (BPR)
- (b) Benchmarking**
- (c) Change management
- (d) Strategy control (1 Mark)

(v) CBZ Bank's offer to buy 100% equity of Money Mox is an example of?

- (a) Horizontal merger
- (b) Concentric diversification
- (C) Strategic alliance
- (d) Co-generic merger (1 Mark)**

Case Scenario (RTP Nov'20)

Connect Private Limited, a Mumbai based company is launching a smartphone, under the brand name of Poppy. The company recognizes plethora of options that customers have from Chinese manufacturers flooding the smartphone landscape. With recent COVID-19 pandemic hurting the global sentiment towards Chinese

products, the company plans to play on the patriotic card and advertise Poppy as the "Desi" smartphone of India.

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

The company is also aware that their product can easily be imitated at same costing as well as pricing, and thus the very essence of their product can be lost. A team of marketing professionals was hired to tackle this issue. The solution they suggested was to take the first mover advantage by spending huge sums in advertising and promotion.

Based on sound consciousness of the competition from huge money backed international players, the company decided to manufacture smartphone covers and accessories with the same "Desi" tag, along with Poppy smartphones. This shall help them mitigate the risk of being completely thrown out of business. Consequently, they invested a fairly good amount in manufacturing of these accessories. The investors made it an objective for the team to reach an annual sales volume of 15,000 handsets and 70,000 pieces of accessories. The accessories sales surpassed the expectations by a fairly good margin. However, Poppy A and Poppy B did not receive the much anticipated response and the leadership decided to reduce the scope and focus purely on accessories business going forward. With a new focus on accessories production, the "Desi" tag will still play an important part in the success. However, they need to ensure creation of strong barriers to entry for domestic players, and for that, they have plans to increase the production to enormous level This shall reduce their unit cost, thus, eliminating the new entrants due to extremely competitive pricing.

Based on the above case scenario, answer the multiple choice questions which are as follows:

- (i) Connect Private Limited, entered a saturated market of smartphones, after a due market study of understanding the competitive landscape. Put the below steps in correct sequence of understanding the competitive landscape.

(i) Understanding the competitors

(ii) Determining strengths and weaknesses of the competitors

(iii) Identify the competitors

(iv) Put all information gathered together

(a) (I), (III), (II), (IV)

(b) **(III), (I), (I), (IV)**

(c) (II), (II), (IV), (I)

(d) (1), (10), (10), (IV)

(ii) Annual sales volume as an objective by the investors was crucial to establish the company in the market. In which stage of strategic management are such annual objectives especially important?

(a) Formulation

(b) Control

(c) Evaluation

(d) **Implementation**

(iii) Following the sales numbers reported at the end of year, the leadership took a serious strategic stand point to move forward and shift to a new core business which was more profitable. Under which of the following category of business strategy can this decision be categorized?

(a) **Retrenchment strategy**

(b) Strategic alliance

(c) Diversification strategy

(d) Market development

(iv) After getting results from the market, accessories business of the company can be classified under which category of BCG's growth share matrix?

(a) Star

(b) Question mark

(c) **Cash cow**

(d) Dog

(v) In the second phase of shifting the business focus to peripheral accessories production, Connect Private Limited has planned setting up entries to barrier for its potential competitors. Which of the following barrier have they planned to implement?

- (a) Capital requirement
- (b) Product differentiation
- (c) Access to distribution channels
- (d) Economies of scale.**

Case Scenario (RTP Nov 21)

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

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

To create newer demands and position themselves against the local farming practice changes, they reached out to West Asian and African Nations for their farm inputs, just like many other small traders from their segment. Accordingly, they ordered dry fruits from Afghanistan, whole wheat from Nigeria, and citrus fruits from Turkey. This has helped them get raw inputs at cheaper than usual rates and even better contractual terms, thus, reducing input costs and thereby, passing on the surplus margins to customers.

Further, the marketing team roped in big cricket stars and many social media influencers to aware customers about the brand's customer orientation and product benefits. But, as the focus was on minimal spending, the team smartly locked in affiliate marketing terms with the influencers and even celebrities, instead of

upfront promotion fee. This also helped in saving a lot of cost initially. With the changing environment in the Indian subcontinent around agriculture production, the team is confident with its strategic positioning. The sales have been just at the break- even bars for now, and the projected CAGR is 19% year on year, taking the sales volume to 10X in the next 4 years. Farming has been a respected profitable business with big players as huge as oil companies. Nonetheless, it is complex, as it involves a lot of stakeholders, especially as it still remains a Labour intensive industry.

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

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

- (a) **Organizational operations are highly influenced by ripple effect of environmental changes.**
- (b) Organizational structure is highly influenced by ripple effect of environmental changes.
- (c) Organizational operations are not affected by the ripple effect of environmental changes.
- (d) Organizational structure can influence the environmental changes.

(ii) The shift of O-Farm from "Kisaan Kalyan" to "Upbhokta Sew" is a change in?

- (a) Mission
- (b) **Vision**
- (c) Promotion
- (d) Product.

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

- (a) Economies of Scale was achieved very early on
- (b) Prompt forecast of product's demand
- (c) Becoming customer oriented
- (d) **Well negotiated purchase contracts.**

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

(a) Person Marketing

(b) Augmented Marketing

(c) Enlightened Marketing

(d) Synchro Marketing.

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

(a) Competitors would imitate its modus operandi

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

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

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

Case Scenario (RTP May '22)

Since its inception in 1910, the family business of Indian ethnic wear firm Shanti Prasad & Sons, run by Mr. Mukesh Gupta and his three sons has seen major transformation in supply chain, product development and management. The inheritance over generations hasn't been easy, as it was subject to family brawls, but the company stood strong to its core principles. Since 2011, major foreign brands have been eyeing the segment with world class designers opening up their boutiques in plush areas around the country. JJM, a French design house, recently branded its Indian wear with leading film personalities, to attract masses. This damaged existing supply chains, attracted new age buyers and has been profitable from the very beginning.

The three sons reach out to you for management consultancy, to help them meet the competition, if not beat it. You study the business inside out and come up with three options.

First, to exit Indian Market, and start exporting their designs to European markets. This would ensure bigger revenue and forex gains, and also the distribution chains were well built there.

Second, to become the major manufacturer of IMM and other big foreign brands. This would ensure they stay relevant in the market as all the promotional spend would be taken care of by IMM and the volumes they would rope in would actually mean growth for Shanti Prasad & Sons too.

Third, to sell their designs to the global brands with patent protection. This would ensure a perpetual flow of revenue and a new market altogether, with global business exposure. The family after considering your proposals, knowing the intricacies of business, and its environment, decided to blend options two and three. The success or failure could only be gauged in three quarters, when they sit down for an internal post implementation review. Based on the above Case Scenario, answer the Multiple choice questions.

(i) What can be said about the attitude of the owners with regards to their strategy mindset when they reached out for consultancy?

- (a) Expansion Oriented
- (b) Stability Oriented**
- (c) Retrenchment Oriented
- (d) Combination Oriented

(ii) If the owners went with option two, which of the following components of marketing strategy would be irrelevant for them?

- (a) Product and Promotion
- (b) Price and Product
- (c) Promotion only**
- (d) Place only

(iii) Option three if opted, would help in sustainability of which of the following, and would ensure so because of what major characteristic of sustainability?

- (a) Sustainability of Competitive Advantage by ensuring Transferability

- (b) Sustainability of Value Creation by ensuring Appropriability
- (c) Sustainability of Value Creation by restricting Imitability
- (d) **Sustainability of Competitive Advantage by ensuring Durability**

(iv) For Shanti Prasad & Sons well as JJM, globalisation has been a key area of consideration. As times change, and new players enter a market, the existing firms need to be careful about their survival. Which of the following statements about Globalisation is false for JJM?

- (a) It unifies the trade and such trade barriers become irrelevant
- (b) **It needs ability to compete in domestic market with foreign competitors**
- (c) It includes commitment to invest heavily in other countries
- (d) It brings in foreign investment in the form of FDI

(v) For JMM, which of the following structures would be best suited, in case all major Indian family run businesses start producing designs for them, while JMM simply takes care of distribution and marketing?

- (a) Simple Structure
- (b) **Network Structure**
- (c) Matrix Structure
- (d) Divisional Structure

Case Scenario (RTP Nov'22)

In July 2014, Fresh Air Hospitality and Resorts launched a major project called 'Fit in Future' after being in losses for three consecutive years. According to analysis by senior management many customers were not returning and repeat sales of rooms were low. The costs were also high with a lot of wastage in kitchen. If the losses were allowed to continue the survival of the organisation was doubtful.

'Fit in Future' project was organisation-wide, employee driven initiative that focused in reversing the trend and find ways to find out how the organisation can survive. Focus was to provide high-quality services while finding new ways of delivery to improve customer satisfaction and reduce costs. The idea was to create a conducive organisational culture and work climate. At the time, Shailja Mehta joined the

organisation as the new Resident Manager. She brought with her considerable experience in improving the quality of services in restaurants, banquet sale and room reservations. She immediately set about spending two months talking to staff on the front line followed by a series of meetings, where discussions were held about bringing a guest-first approach. Some of the staff members expressed frustration that their suggestions on improving services were often not heard making them demotivated. The new manager noted their concerns. Over time, she offered enthusiasm and inspired staff to exert them for the good of the organization.

As an outcome of the project, it was decided that both in internal as well as external interactions, customers will be called guests and treated accordingly. There was general agreement that reducing wastages and improving the quality of services shall be chief priority from top to bottom. It was decided that the team leaders shall always work together with front-line staff for speedy decisions. Focussed training programmes were organised to train the front-line staff to remain well-groomed and courteous to guests at all times. Accordingly, a new system was put in place from January 2015. As a result of the efforts, the satisfaction level of guests improved, and their loyalty reflected in form of increase in repeat sales over next two years. After two years, while the organisation was able to make some profits, they were still low considering the capital employed. In July 2018, Shailja Mehta suggested to make extensive study to radically redesign existing ways of doing work and deliver services.

Based on the above case scenario answer the following multiple-choice questions:
(Nov'22)

(i) 'Fit in Future' project can be best related to:

- (a) Improving leadership
- (b) Improving morale
- (c) Coordination
- (d) **Turnaround**

(ii) Name the strategic tool to measure and set goals for wastage in kitchen as per best practices.

- (a) **Benchmarking**
- (b) Cost control
- (c) Loss assessment
- (d) Turnaround

(iii) The leadership style of Shailja Mehta can be best described as

- (a) Autocratic
- (b) Motivational
- (c) Transactional
- (d) Transformational

(iv) The suggestions made by Shailja Mehta in July 2018 are related to:

- (a) **Business Process Reengineering**
- (b) Leverage
- (c) Organisational redesign
- (d) Strategic Control

(v) To succeed Fresh Air Hospitality and Resorts needs to:

- (i) Deliver better value to customers.
- (ii) Improve efficiencies.
- (iii) Fix minimum profit percentage over costs.

- (a) (i) and (ii)**
- (b) (i) and (iii)
- (C) (ii) and (iii)
- (d) (i), (ii) and (iii)

Case Scenario (RTP May'21)

Increasing investment in the share market, mutual funds, and equity/debt investment plans from the growing salaried middle class gave birth to Scripzy, an Artificial Intelligence based market predictor and digital brokerage company. The company is headquartered in Mumbai and has a team of 100+ IT professionals working on building a safe and secure digital infrastructure.

The market is saturated. There is fierce competition and big brands have all jumped in with digital offerings for their existing customers. Scripzy, on the other hand, is new and vulnerable but its organic reach to the young earning set of customers is a winning streak. This was achieved by project Force.

Project Force was a secret market analysis conducted by internal teams to find sustainable competitive advantages, focus on final product attributes most valued by customers and imitate the competitive capabilities of competitors. It was a complete final product-customer approach which helped them win over youngsters.

Interestingly, the company being AI based has also automated its internal decision making with in- house AI decision making bots. The top management explains their requirements to the AI bot and the bot makes functional decisions that are to be executed by respective teams. It also engages with team leaders and sends regular reports on fulfilments. This projected a very strong image for the company in the international market and a Chinese investor offered them a huge undisclosed amount to buy out the AI system. Scripzy immediately accepted the offer and earned huge sums from the unexpected sale.

Repercussions followed and their core customers, the youth, boycotted their product. The team had to approach the share market leaders to support and with a little influence from the share market leaders, they were able to regain their "True Indian Company" status in the media. Nonetheless, damage had been done and they saw their customer base shattered to an all time low. Decisions which seem economically attractive are multi-faceted, and this is one lesson that Scripzy shall remember for times to come. Business for now is low and weak, but a good strategy can change the landscape for Scripzy's future.

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

- (i) Which of the following statement by Ansoff is most appropriate for Scripzy's strategy
- (a) in the changing environment?
 - (b) Preparedness of worst case scenarios
 - (c) Far fetched planning of leadership
 - (d) Money has the power to influence environment

(e) Blend of proactive and reactive actions

(ii) Project Force was crucial in determining Scripzy's position in the market. However, which of the following metrics was missed by the team while understanding KSFS?

- (a) Crucial product attributes
- (b) Sustainable competitive advantage
- (c) **Resources for competitive success**
- (d) Competitive capabilities to be competitively successful.

(iii) Scripzy's huge investment in Artificial Intelligence has caused its organizational structure to be which of the following structures?

- (a) SBU Structure
- (b) Divisional Structure
- (c) **Hourglass Structure**
- (d) Multidivisional Structure.

(iv) In future, to fight out uncertainties like geo-political influences, which of the following can be used by Scripzy?

- (a) Strategic Audit
- (b) **Scenario Analysis**
- (c) Benchmarking
- (d) ADL Matrix.

(v) Not all customers can be satisfied, and Scripzy addressed the same by connecting with the right customers. Arrange the following in the order that Scripzy followed while pursuing their customer reach out.

- (i) Market Positioning
- (ii) Market Segmentation
- (iii) Market Target
- (a) (i), (ii), (iii)
- (b) **(ii), (ii), (i)**

(C) (ii), (ii), (i)

(d) (i), (ii), (ii).

Case Scenario (RTP May' 23)

Anand, a fashion designer from Mumbai, started a nail art parlour in a posh Mumbai urban area, in partnership with his college friend Aanya. They had a clear choice of business as per their field of study and were assured that cosmetics is one of the biggest industries in India.

Cosmetics include a huge range of products, from skin care to hair care, makeup (the most profitable), lip care, hygiene products and many more lines of personal care. However, Aanya being a trained nano art designer and Anand driven by Nail Art, happened to share common interests, and hence, built Naileo.

The business plan was simple, collaborate with online service providers, be active on social media, offer paid promotions, and give out free trials to lure in customers. The focus being on creating a connection. Clearly, the target group was young working females who could spend decent amounts of money on personal luxury. The brand wanted to cash on easy disposal income of the target consumers. However, in the same segment for men, tattoo parlours were already taking away the share of business. These tattoo brands could easily transition into Nail Art and be a tough competition to Naileo. The team had to be aware of the competitor dynamics.

Anand had personal connections in Solan district of Himachal Pradesh, where they planned to open small workshops to produce artificial nails of high quality to be sold pan- India, online as well as to other parlours. The team of two also wanted to add value to the society. For that they offered free training to young girls and offered them permanent employment. The customers found the initiative quite enriching and supported them by being loyal to their services. This was an unplanned aspect of brand building that added more value than paid promotions.

The brand has been doing well lately, with the economic model being sustainable so far. They plan to open two more stores in Mumbai and a flagship store in Bengaluru. With a set vision of the future and a socially impactful mission, Naileo has been a profitable bet for Anand and Aanya.

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

(i) Tattoo Parlours are an indirect competition to Naileo. Application of which of the following can be utilised to understand the in-depth intricacies of their competitive strength?

- (a) Competitive Landscape
- (b) Identification Tools
- (c) **Competitive Intelligence**
- (d) Collation of all gathered information

(ii) Anand's decision of opening Solan Workshop can be described as?

- (a) Horizontal Integration Diversification
- (b) **Vertical Integration Diversification**
- (c) Concentric Diversification
- (d) Strategic Alliance

(iii) The main idea behind marketing is to connect with the customers. In this context, which of the following has been willingly ignored by the marketing team at Naileo?

- (a) Market Segmentation
- (b) Market Scanning
- (c) Market Positioning
- (d) **Marketing Target**

(iv) Based on question three above, what was the core methodology behind willingly ignoring a major aspect of marketing?

- (a) **SWOT Analysis, founders' area of expertise**
- (b) BCG Matrix, Artificial Nails being a cash cow
- (c) Vision, to employ underprivileged youth
- (d) Mission, to be a national leader in new cosmetic segment

(v) Anand being the strategy implementer of Naileo, should be aware of which of the following statements around corporate culture?

- (a) Corporate Culture prevails strategic decisions
- (b) **Change all the hindering facets of corporate culture for effective strategy execution**
- (c) Implementation is a superset of corporate culture
- (d) Leadership Style is a subset of culture

Case Scenario (RTP Nov' 23)

Easy Drinks LLP, a company in the health drink industry, found itself grappling with a severe cash crunch due to high production costs and sluggish sales amid tough competition. Led by KK Batra, the team realized that a significant overhaul of their existing processes and business approach was necessary to turn the tide. Taking a bold leap, they took the decision to invest all of their debt in their balance sheet into brand building.

Their new strategy comprised of two key elements. First, they sought to position their brand as a leading extreme sports drink, aiming to elevate the customer's experience and perceived value. Second, they opted to outsource their production and distribution to external vendors. This move was driven by the intention to reduce operational costs significantly and channel the savings into strengthening their brand positioning.

With these transformative changes in mind, the company reimagined itself as "Purple Tiger." The brand's new identity featured a distinctive logo—a roaring tiger on a bright purple can, setting it apart from its competitors in the market.

To build a brand that resonated with consumers, Easy Drinks LLP heavily invested in extreme sports sponsorships. They supported world record holders' attempts, sponsored skydiving, fishing, deep diving, paragliding, bullfights, hot air balloon races, and various other adventure sports worldwide. The vision was to capture the attention of every individual who identified with the thrill of adventure sports. This approach marked a revolutionary step for the company.

Another aspect that set Purple Tiger apart from its competitors was its packaging. While most other brands offered standard 150 ml cans, Purple Tiger introduced a unique 180 ml long slimmer can. This differentiation allowed the company to charge

a premium for the perceived "pride" it added to the consumer's experience, a strategy they termed "Pride Premium Pricing."

However, the decision to outsource the entire operations posted its own set of risks, mainly concerning quality control and measurement. Despite this, Easy Drinks LLP carefully selected Thai Beverages, a reputable Thailand-based company, as their strategic partner to support them in this endeavour. To instill confidence and ensure a long-term relationship, Thai Beverages was offered a share in the profits. This move aimed to free up the team's focus from operational and supply chain matters, enabling them to concentrate fully on brand building.

Purple Tiger's transformation exemplifies how a change in strategy can bring about a complete shift in the outlook, vision, and mission of a company. The successful execution of their new approach demonstrates the potential for newer dimensions to emerge in the business landscape.

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

(i) How did Purple Tiger's unique packaging contribute to its competitive advantage?

- (a) It attracted more customers
- (b) It reduced production costs
- (c) It allowed them to charge a premium**
- (d) It strengthened the partnership with Thai Beverages

(ii) Which of the following growth strategy did Easy Drinks LLP use to free up their own teams and focus on their core specification of brand building?

- (a) Horizontal integrated diversification
- (b) Vertical integrated diversification**
- (c) Conglomerate diversification
- (d) Concentric diversification

(iii) The partnership with Thai Beverages is an outbound version of which of these?

- (a) Supply chain management**
- (b) Logistics management
- (c) Financial strategy
- (d) Ease of operational control

(iv) Purple Tiger's decision to involve Thai Beverages in profit sharing reflects a strategic focus on:

- (a) **Strategic alliances**
- (b) Competitive benchmarking
- (c) Financial leverage
- (d) Outsourcing

(v) Easy Drinks LLP's decision to sponsor extreme sports aligns with which strategic objective?

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