




The Institute of Chartered Accountants of India


Code: IN6BS620536
Subject : 06B Strategic Management

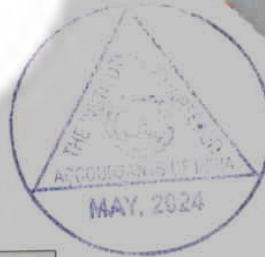
Total Marks: 35
Marks Obtained : 25.5

Subject : STRATEGIC MANAGEMENT
Number of Answer Books used : Main + additional sheets

For use by ICAI only


 620536





Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1							
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Total							

ICAI

17 MAY 2024



Use only Blue / Black Ball Point Pen to write and shade the circles.
AVOID RED PEN.
Write the marks in the boxes before shading the respective circles.

Total Marks awarded

Total Marks awarded (in words) _____

Examiner's Signature _____



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INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

1. Roll number should be written in figures and words in the allotted space at the right hand corner of the cover sheet only and nowhere else including additional answer book/s and graph paper.
2. Roll number should be written in the box in numbers and darken the appropriate circles of the OMR portion provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Fill particulars such as name of Examination, Paper No. and subject at the appropriate space at the left hand upper corner.
4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
6. The answers should be written neatly and legibly.
7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
9. The candidates are required to write answers of Section A in the answer booklet with the marking (A) on the cover page and answers of Section B in the answer booklet with the marking (B) on the cover page. In case a candidate writes the answers in wrong set of answer books the same will be not be valued and no correspondence in this regard will be entertained.
10. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
11. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



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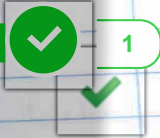
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Answer to Question 8(a)

Channels :-

8aStep1

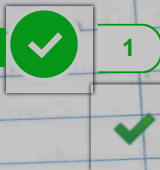


Channels are the distribution network used by the organisation to make their product available to the consumer.

For example :- Lakme has online distribution network as well as offline stores.

Importance of Channel Analysis :-

8aStep2



A analysis of the channels used by the firm is important as it affects the movement of goods from the producer to consumer. A good well established channel can make the product of organisation available in new market which will lead to increase in revenue and thereby increase in profitability.

Types of Channels :-

There are 3 types of channels :-

- A) The sales channel
- B) The product channel
- C) The service channel



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A) The Sales Channel

These are the intermediaries involved in selling the product from the producer to consumer.

✓ It provides answer to a key question:-
Who needs to sell to whom for your product to reach the end user?

B) The Product Channel

These are the intermediaries involved in handling the product physically as it moves through different channels i.e. from producer to the consumer.

C) The Service Channel

8aStep3



2.5

These are the intermediaries involved in providing necessary services to maintain the value of product during its movement from the location of supplier to the end user. It also provides after sales service.

8a



4.5

The service channel becomes important in products which involves complex installation process.
Example:- Air Conditioner.



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Answer to Question 8(b)

The organisations in today's world are working in a very competitive environment involving large number of competitors or rivals.

The understanding of the competitive position of rivals is important in order to develop effective strategies.

The tool used for the analysis of the competitive position of rival firms is called 'Strategic Group Mapping'

The process of strategic group mapping is like this :-

a) Identify the characteristics that differentiates the firms within the industry.



These characteristics can be geographical segment, distribution network, pricing strategies etc.

b) The second step is to plot the firms on a two variable ~~basis~~ plane using a combination of the differentiating characteristics.





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c) Assign the firms that belongs in same strategic ~~group~~ space to same strategic group

d) The last step is to draw circles around each of the strategic group. The circles drawn should be proportional to the group's respective share in the total industry.

8bStep1



4

8b



4

8



8.5

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Answer to Question 6(a)

Statement :- Innovation leads to unnecessary expenses that do not give as many return.

6aStep1



1

I do not agree to this statement because of the reasons listed below.

Reasons :-

- Innovation can be in the form of developing new product or modifying the existing one which will lead to greater revenue, market share and most importantly greater customer satisfaction.
- Innovation can help in solving complex problems.

The businesses try to find opportunities in the existing problems of the society which can be done through planned innovation.

- Innovation increases productivity.

Innovation may lead to reduction in time taken to produce or may lead to automation of the work done.



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for example:- MS Excel is used by finance professional to automate the work done.

- Innovation can lead to competitive advantage

There is a saying that 'Faster a business innovates, farther it goes from the reach of the competition'

Innovation can give ^{competitive} advantage which can be used by firm to satisfy the needs of the customers.



Innovation not only helps to retain the existing customers but can lead to attract new customers with ease.

6aStep2



3

- Innovation can lead to increase in costs in short term but it will only give benefits in the future

6a



4



for example:- Solar power plant are expensive in starting but are a good alternative of source of power/electricity as it is cheaper.

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Answer to Question 6(b)

Strategic Uncertainty means the unpredictability of the environmental ~~that~~ factors that have affected or are likely to affect the firm or organisation.

Organisation have to manage these uncertainties to grow in the market. Organisation can do so by :-

A) Flexibility :- Organisation can manage the uncertainties by ~~pro~~ increasing the flexibility in the strategy to adapt to new or changing market condition.



B) Diversification :- Organisation can diversify the range of products or services that it offers which can help in reducing the effect of the uncertainties in the market.



For example :- Entering into new business, or developing new product in different market.

C)

Monitoring and Scenario Planning :-





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The organisation should continuously monitor the changes happening in the environment and undertake scenario planning in order to determine the effect or potential effect of these factors in the market.

D) Building Resilience :- Organisation can try to

build resilience in the system to counter the effects of uncertainties like increasing the financial flexibility or improving their risk management capabilities.

6bStep1



4

6b



4

Partnership and Collaborations :-



Organisation can enter into partnership or collaboration with firms in different segment in order to reduce the risk by as the risk is shared by the partners.

6



8

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Answer to Question 5(a)

Hard and Soft Element as per McKinsey 7S
Organisational Framework :-

A) Hard Elements

- Strategy → It is a blueprint of company's direction to develop core competencies or achieve competitive advantage to drive margin and lead the industry.
- Structure → The organisation select the structure based on resource availability, degree of centralisation or decentralisation it wants



Systems → It is the development of daily tasks and teams in order to achieve goals and objective

B) Soft Elements

- Shared Value → It refers to the core values with which is reflected in organisation's culture and influences the code of ethics of organisation





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- Style :- This refers to the leadership style in the organisation
- Staff :- This is the talent pool of the organisation.

5aStep1



2

- Skills :- This refers to the key skills that is required to be present in the staff as it will affect the success of the organisation



In this case, BOYA Ltd. is interested to leverage new skills in marketing, technology, product development and financial management.

Hence, the organisation may use the functional structure. It consists of Chief Executive Officer or other Senior Staff supported by functional managers for each functions like human resource, production, marketing, research and development etc.

It overcomes the growth related constraints in the simple structure.

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The limitations of this model are :-

A) Functional managers may develop a myopic (narrow) vision losing the sight of organisation's vision, mission and objective.

5aStep2



0.5

B) The different orientations of each functions may lead to conflict or affects effective coordination.



C) Functional managers may indulge in conflict with other managers on same level.



5a



2.5



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Answer to Question 5(b)

Mr. Raghav has been appointed by Elvis Global as the sales & marketing manager.

Hence, Mr. Raghav is a functional manager.



The role of functional manager is to develop functional strategies to achieve the objectives set by corporate and business level managers.

5bStep1



1

The benefits of Strategic Management in overcoming different challenges to Raghav are :-

1) The Strategic Management can help Raghav to avoid costly mistakes and pitfalls as it acts as a corporate defence mechanism against mistakes and pitfalls.



2) The Strategic Management can help Mr. Raghav in identifying opportunities and provide ways and means to achieve them.





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3) The Strategic Management will also help in developing functional strategies based on taking account the analysis of external and internal environment with respect to company's strength and weakness.

4) The Strategic Management can help Mr. Raghav in quickly adapting to the ~~ant~~unanticipated market development or fresh market condition in changing environments.



5bStep2



2



5b

3



Answer to Question 5(c)

→ Business Environment refers to the sum total of factors, within or outside the entity, which affect or may affect the organisation & its strategy

5cStep1



0.5



Business Environment can be further classified into :-

- A) Internal Environment
- B) External Environment.

→ Business interacts with the environment on a regular basis. The interaction of business with environment may have certain advantages which can help in developing strategy. Advantages are listed below :-

a) Understanding the complex environment →

The interaction with business environment helps in obtaining knowledge about the competitor and their strategy, market share, strength, weakness etc.

It can also help in gaining information about new customer needs, preference, trends etc.

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b) Continuous learning :- Due to the interaction, managers are motivated to continuously update their knowledge to meet the predicted changes in the realm of business.

c) Gives direction for growth :- After understanding the business environment and the competitor's strategy, the organisation can plan and strategise to achieve their goals.

d) Image Building :- Organisation can build their image by showing sensitivity towards the environment in which it operates

5cStep2

3

for examples :- Organisations are now installing power generation plant for their captive consumption.

e) Meeting Competition :- The company can meet the competition in a more efficient way by developing strategies taking account the competitor's strength and weakness.

5c 3.5

5 9



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