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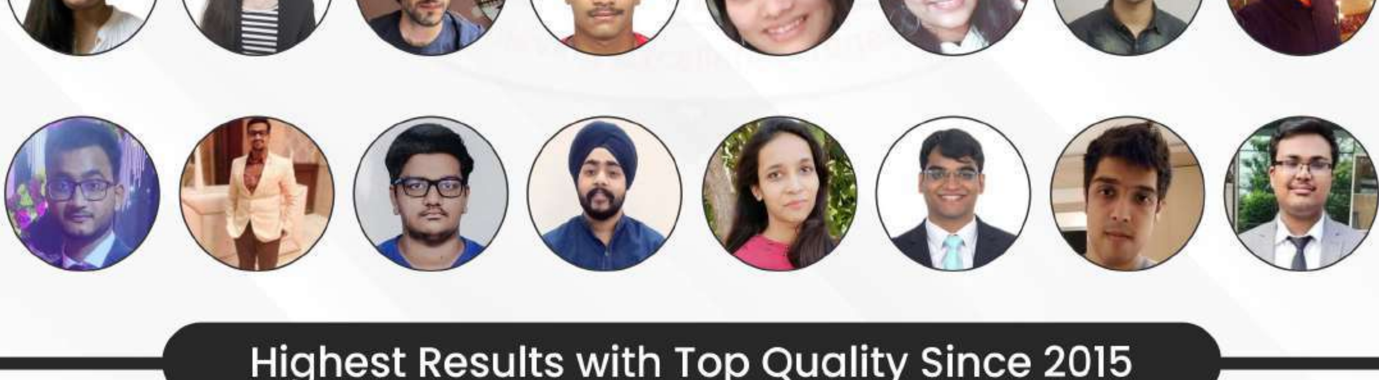

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STRATEGIC MANAGEMENT (PART – 2)

100 IMPORTANT QUESTIONS

Q-1 Rajesh, the CEO of a hypothetical Indian company called "TechVista," is considering implementing strategic management practices. Explain major benefits that strategic management could offer to TechVista based on the provided concept study.

Ans- The term **'strategic management'** refers to the managerial process of developing a strategic vision, setting objectives, crafting a strategy, implementing and evaluating the strategy, and finally initiating corrective adjustments were deemed appropriate. The process does not end, it keeps going on in a cyclic manner.

The major benefits of strategic management are:

♦ The strategic management gives a direction to the company to move ahead. It helps define the goals and mission. It helps management to define realistic objectives and goals which are in line with the vision of the company.

♦ Strategic management helps organisations to be proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control their own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.

♦ Strategic management provides frameworks for all major decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to achieve.

♦ Strategic management seeks to prepare the organisation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means to reach them.

♦ Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments.

♦ Strategic management helps to enhance the longevity of the business. With the state of competition and dynamic environment it may be challenging for organisations to survive in the long run. It helps the organization to take a clear stand in the related industry and makes sure that it is not just surviving on luck. Actions over expectations is what strategic management ensures.

♦ Strategic management helps the organisation to develop certain core competencies and competitive advantages that would facilitate assist in its fight for survival and growth.

Q-2 "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.

Ans- It is true that the presence of strategic management cannot counter all hindrances and always achieve success for an organization. This is on account of complex multiple forces acting on business organization and limiting its success.

These limitations are on account of following factors:

- Environment is highly complex and turbulent. It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. The organisational estimate about its future shape may awfully go wrong and jeopardise all strategic plans.
- Strategic management is a time-consuming process. Organisations spend a lot of time in preparing, communicating the strategies that may impede daily operations and negatively impact the routine business.
- Strategic management is a costly process. Strategic management adds a lot of expenses to an organization – particularly to small and medium organisations. Expert strategic

planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement.

- Competition is unpredictable. In a competitive scenario, where all organisations are trying to move strategically, it is difficult to clearly estimate the competitive responses to the strategies.

Q-3 Briefly discuss the difference between vision and mission.

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

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

i) The vision states the future direction while the mission states the ongoing activities of the organization.

ii) 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.

iii) 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.

Q-4 Explain the difference between three levels of strategy formulation.

Ans- 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 so on rests at the Corporate Level.

The development of strategies for individual business areas is the responsibility of the general managers in these different businesses or business level managers. A business unit is a self-contained division with its own functions - for example, finance, production, and marketing.

The strategic role of business-level manager, head of the division, is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.

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

Q-5 Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former.

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

Ans- Yummy foods is proactive in its approach. On the other hand, Tasty Food is reactive. 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.

Q-6 Why is it crucial for strategic decisions to evolve over time, and how does the balance between external and internal factors play a role in strategic analysis?

Ans- Strategic decisions are influenced by the evolution of factors over time, reflecting the result of numerous small choices made during an extended period. The management may initiate a radical change in strategy to accelerate organizational growth.

In strategic analysis, maintaining a balance between external and internal factors is essential. This involves considering various conflicting challenges and finding a reasonable fit between opportunities, influences, and constraints. External factors, such as entering new markets, and internal constraints, like competition from large opponents, must be carefully weighed. The dynamic nature of the environment introduces complexity, making it crucial to assess and manage risks associated with factors like competitive markets, globalization, technological advancements, and economic fluctuations during strategic analysis. Identifying potential imbalances or risks and understanding their consequences becomes a key aspect of effective strategic analysis.

Q-7 ABC Electronics, a leading Indian electronics company, has been facing challenges in the market due to changes in consumer preferences and advancements in technology. The management is concerned about the company's future growth and competitiveness. Analyze how strategic management principles can assist ABC Electronics in addressing these challenges.

Ans- ABC Electronics, a prominent player in the Indian electronics market, is grappling with shifts in consumer preferences and technological advancements. To navigate these challenges, strategic management principles play a pivotal role.

i. Determine opportunities and threats: In the context of ABC Electronics, strategic management involves analyzing changes in consumer needs, shifts in laws, and evolving social behaviors. The company needs to identify opportunities in emerging consumer demands and assess potential threats arising from changes in regulations and competitor product launches.

ii. Give direction for growth: Strategic management allows ABC Electronics to identify growth areas and plan expansions effectively. By understanding the changing market dynamics, the company can strategize for successful business ventures and long-term growth.

iii. Continuous Learning: Managers at ABC Electronics should continuously update their knowledge and skills to adapt to predicted changes in the business landscape. This involves staying abreast of technological advancements and consumer trends to make informed strategic decisions.

iv. Image Building: Understanding environmental needs enables ABC Electronics to enhance its image by demonstrating sensitivity to the market. For instance, if there is a power shortage, setting up captive power plants can showcase the company's responsiveness to environmental needs, creating a positive image and fostering prosperity.

v. Meeting Competition: Strategic management aids ABC Electronics in analyzing competitors' strategies and formulating its own strategies accordingly. This approach enables the company to thrive and outperform competitors in the electronics market.

In conclusion, ABC Electronics can leverage strategic management principles to address challenges, foster innovation, and ensure sustained growth and competitiveness in the dynamic Indian electronics market.

Q-8 Explain Porter’s five forces model as to how businesses can deal with the competition.

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

➢ Competitive pressures associated with the market manoeuvring and jockeying for buyer patronage that goes on among rival sellers in the industry.

➢ Competitive pressures associated with the threat of new entrants into the market.

➢ Competitive pressures coming from the attempts of companies in other industries to win buyers over to their own substitute products.

➢ Competitive pressures stemming from supplier bargaining power and supplier-seller collaboration.

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

Q-9 XYZ Motors Pvt. Ltd., an Indian automotive company, has been facing challenges in the market. Analyze how various elements of the macro environment, might influence the business strategies of XYZ Motors.

Ans- In the case of XYZ Motors Pvt. Ltd., the macro environment plays a crucial role in shaping the business strategies of the company.

i. Demographic Environment: XYZ Motors should analyze the demographic characteristics of the population, such as age, income, and region. Understanding the demographic makeup can help the company tailor its product offerings to the specific needs and preferences of different customer segments.

ii. Socio-Cultural Environment: The socio-cultural factors, including social traditions, values, and beliefs, can impact XYZ Motors' marketing and communication strategies. Adapting to the belief systems and behaviors of the target market is essential for the company's success.

iii. Economic Environment: Economic conditions, both at the national and global levels, directly affect XYZ Motors. Fluctuations in the economy can influence consumer purchasing power, affecting the demand for automobiles. The company needs to monitor economic indicators and adjust its strategies accordingly.

iv. Political-Legal Environment: XYZ Motors must consider political stability, legal frameworks, and government interventions in the automotive industry. Changes in political ideologies or regulations can have a significant impact on the business environment. Adapting to political and legal developments is crucial for sustainable operations.

v. Technological Environment: Technology is a key factor for XYZ Motors, influencing both production processes and consumer preferences. Embracing technological advancements, such as electric vehicles or smart features, can give the company a competitive edge. Adapting to new discoveries and leveraging technology is vital for XYZ Motors' growth.

Q-10 XYZ Enterprises, an Indian manufacturing company, is contemplating expanding its operations globally. Analyze the reasons behind XYZ Enterprises' decision to go global, taking into consideration the factors mentioned in the provided concept study.

Ans- XYZ Enterprises, an Indian manufacturing firm, is considering the prospect of global expansion, a decision rooted in various factors outlined in the concept study.

Reasons behind Going Global:

♦ The first and foremost reason is the need to grow. It is basic need of every organisation. Often finding opportunities in the other parts of the globe, organisations extend their businesses and globalise their operations.

♦ There is rapid shrinking of time and distance across the globe, because of faster communication, speedier transportation, growing financial flow of funds and rapid technological changes.

♦ It is being realised that the domestic markets are no longer adequate. The competition present domestically may not exist in some of the international markets.

♦ There can be varied other reasons such as need for reliable or cheaper source of raw-materials, cheap labour, etc. Many foreign businesses shift and set up some of their operations to take advantage of availability of vast pool of talent.

♦ Companies often set up overseas plants to reduce high transportation costs. It may be cheaper to produce near the market to reduce the time and costs involved in transportation.

♦ When exporting organisations find foreign markets to open up or grow big, they may naturally look at overseas manufacturing plants and sales branches to generate higher sales and better cash flow.

♦ The rise of services to constitute the largest single sector in the world economy; and regional economic integration, which has involved both the world's largest economies as well as certain developing economies.

♦ The apparent and real collapse of international trade barriers redefines the roles of state and industry. The trend is towards increased privatization of manufacturing and services sectors, less government interference in business decisions and more dependence on the value-added sector to gain marketplace competitiveness. The trade tariffs and custom barriers are getting lowered, resulting in increased flow of business.

♦ Globalization has made companies in different countries to form strategic alliances to ward off economic and technological threats and leverage their respective comparative and competitive advantages.

Q-11 Imagine you are a strategic management consultant advising a hypothetical Indian company, "GlobalTech Innovations," which is contemplating international expansion. Discuss the importance of analyzing the international environment for GlobalTech Innovations. Provide a detailed explanation of the three levels of international environment.

Ans- Analyzing the international environment is crucial for GlobalTech Innovations, an Indian company aspiring for international expansion. This process involves understanding various global aspects, such as political risks, cultural differences, exchange rate fluctuations, legal compliances, and taxation issues. **The three levels of international environmental analysis** – multinational, regional, and country – play pivotal roles in shaping successful market entrance strategies.

1. Multinational environmental analysis involves identifying, anticipating, and monitoring significant components of the global environment on a large scale. Understanding global developments covering economic and other macro elements is important. Governments may have free or interventionist tendencies in economies that needs to be carefully considered. These characteristics are evaluated based on their present and expected future impact.

2. Regional environmental analysis is a more in-depth evaluation of the critical factors in a specific geographical area. The emphasis would be on discovering market opportunities for a goods, services, or innovations in the chosen location.

3. Country environmental analysis has to take a deeper look at the important environmental factors. Study of economic, legal, political, and cultural dimensions is required in order for planning to be successful. The analysis must be customized for each of the countries to develop effective market entrance strategies.

Q-12 Write a short note on Product Life Cycle (PLC) and its significance in portfolio diagnosis.

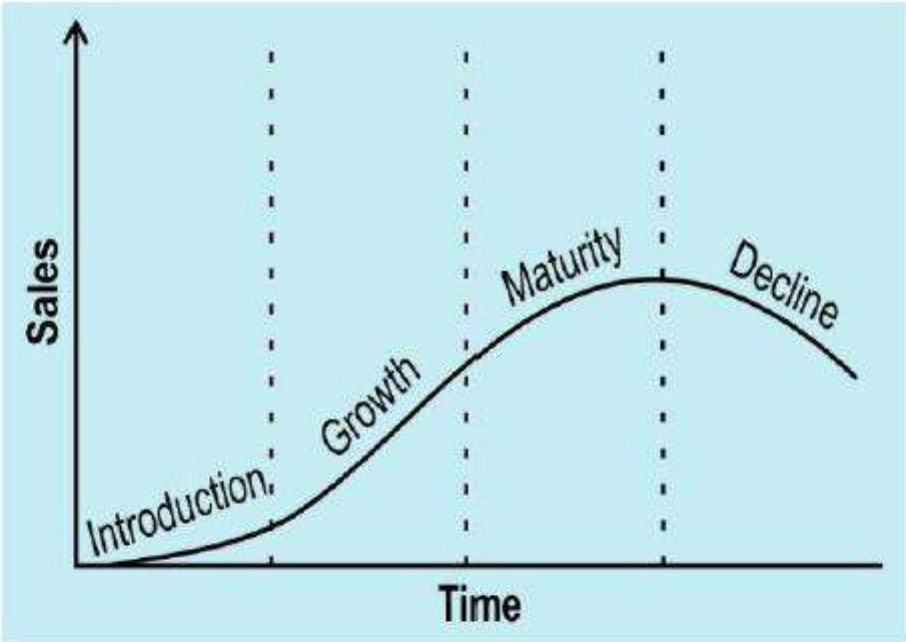
Ans- Product Life Cycle is an important concept in strategic choice and S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages.

The **first stage** of PLC is the introduction stage in which competition is almost negligible, prices are relatively high and markets are limited. The growth in sales is also at a lower rate.

The **second stage** of PLC is the growth stage, in which the demand expands rapidly, prices fall, competition increases and market expands.

The **third stage** of PLC is the maturity stage, where in the competition gets tough and market gets stabilized. Profit comes down because of stiff competition.

The **fourth stage** is the declining stage of PLC, in which the sales and profits fall down sharply due to some new product replaces the existing product.



Product Life Cycle

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

Q-13 Explain the significance of understanding customer behavior for businesses, and elaborate on the three conceptual domains influencing consumer behavior.

Ans- Understanding customer behavior is crucial for businesses as it goes beyond merely identifying customers; it delves into the intricacies of how customers make purchasing decisions. This comprehension involves factors like shopping frequency, product preferences, and perceptions of marketing, sales, and service offerings. By grasping these details, businesses can communicate effectively, devise targeted marketing campaigns, offer products and services that align with customer needs, and foster customer loyalty.

Consumer behavior is influenced by three conceptual domains:

1. External Influences:

- These are factors like advertisements, peer recommendations, and social norms that directly impact the psychological and internal processes influencing consumer decisions.
- External influences can be categorized into the company's marketing efforts and various environmental elements.

2. Internal Influences:

- Internal processes refer to psychological factors within the customer that affect decision-making, such as motivation and attitudes.
- Consumer behavior is a result of the interplay between internal and external influences.

3. Decision Making:

- Rational decision-making involves seeking information about potential decisions, integrating it with existing knowledge, and weighing the pros and cons of alternatives.
- The decision-making process includes problem recognition, searching for alternatives, seeking information, and making a final choice.

4. Post-decision Processes:

- After making a purchase decision, consumers evaluate the outcome based on satisfaction.
- Satisfied customers are likely to make repeat purchases and recommend products, while dissatisfied customers may not repurchase or recommend the product to others.

Q-14 Rajesh Verma is the proprietor of an agri-based private company located in Amritsar, Punjab. His business, specializing in the production of puree, ketchups, and sauces, has witnessed a decline in sales over the past few years. Seeking expert advice, Rajesh consults a management expert who suggests understanding the competitive landscape. Outline the steps that Rajesh Verma should follow to gain insights into the competitive landscape.

Ans- Steps to understand the competitive landscape:

(i) Identify the Competitors: The initial step involves identifying competitors within the industry. Rajesh Verma should gather actual data about their respective market shares and presence in the market.

(ii) Understand the Competitors: Once competitors are identified, Rajesh can utilize various sources such as market research reports, the internet, newspapers, social media, and industry reports to comprehend the products and services offered by them in different markets.

(iii) Determine the Strengths of the Competitors: Rajesh needs to assess the strengths of his competitors. This involves understanding what competitors excel at, whether it's offering superior products, employing effective marketing strategies that reach a broader consumer base, or other factors that attract customers.

(iv) Determine the Weaknesses of the Competitors: Identifying weaknesses (and strengths) can be achieved by reviewing consumer reports and reviews across various media platforms. Consumer opinions provide valuable insights, especially when products or services are either highly praised or critically flawed.

(v) Put All Information Together: In this stage, Rajesh should compile all the gathered information about competitors. Drawing inferences about what competitors might be lacking and identifying areas where his firm can excel will guide strategic decision-making. It's also an opportunity to identify areas within the business that require strengthening.

Q-15 'Value for Money' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. Marshal, the CEO of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products.

Highlight and explain the core competence of the 'Value for Money' retail chain.

Ans- 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.

'Value for Money' is the leader on account of its ability to keep costs low. The cost advantage that 'Value for Money' has created for itself has allowed the retailer to price goods lower than competitors. The core competency in this case is derived from the company's ability to generate large sales volume, allowing the company to remain profitable with low profit margin.

Q-16 What is the purpose of SWOT analysis? Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization?

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

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

▪ **Weakness:** A weakness is an inherent limitation or constraint of the organization which creates strategic disadvantage to it.

▪ **Opportunity:** An opportunity is a favourable condition in the organization's environment which enables it to strengthen its position.

▪ **Threat:** A threat is an unfavourable 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:**

i) It provides a logical framework.

ii) It presents a comparative account.

iii) It guides the strategist in strategy identification.

Q-17 Zara Cosmetics, an Indian beauty brand, has recently gained popularity for its quality skincare and makeup products. The company is contemplating expanding its market presence beyond its current locations. Considering the importance of channels in business distribution, discuss how Zara Cosmetics can strategically analyze and leverage different channels for the distribution of its products.

Ans- Zara Cosmetics, an emerging Indian beauty brand, has a desire to expand its market footprint. To achieve this, the company must strategically analyze and leverage various channels for product distribution.

1. Sales Channel: One crucial aspect for Zara Cosmetics is determining the most effective sales channels. For instance, the company can establish partnerships with popular beauty retail chains like Shimmer Stores or collaborate with online platforms such as Myntra Beauty. By doing so, Zara Cosmetics can ensure its products reach a wider audience.

Additionally, exploring the possibility of utilizing beauty influencers or agents to promote and sell products to end-users can be a viable strategy.

2. Product Channel: In terms of the product channel, Zara Cosmetics needs to strategize the physical journey of its products from the manufacturer to the end-user. Utilizing courier services like BlueDart for timely and reliable deliveries could be beneficial. Moreover, establishing partnerships with cosmetic specialty stores or supermarket chains like BigBazaar for in-store availability can enhance accessibility.

3. Service Channel: Considering the complexity of beauty products, the service channel becomes crucial. Zara Cosmetics should invest in customer service initiatives, providing assistance in terms of product usage and addressing customer queries. Offering in-store demonstrations and beauty consultations, especially in collaboration with beauty salons, can add value to the customer experience.

Q-18 Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss.

Ans- According to C.K. Prahalad and Gary Hamel, major core competencies are identified in three areas - competitor differentiation, customer value, and application to other markets.

• **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 or services to market with no fear that competitors can copy it.

• **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.

• **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 organisation to open up potential markets to be exploited.

Q-19 Surya Electronics, an Indian consumer electronics company, is aiming to establish core competencies to gain a sustainable competitive advantage. Explain the four specific criteria for determining core competencies. Provide insights into how Surya Electronics can identify and develop such competencies to strengthen its position in the highly competitive electronics market in India.

Ans- Surya Electronics, a prominent player in the Indian consumer electronics sector, is seeking to build core competencies for sustainable competitive advantage. Let's delve into the four specific criteria that help identify and develop such competencies:

1. Valuable: To be valuable, Surya Electronics needs capabilities that effectively exploit opportunities or mitigate threats in the external environment. For instance, creating a valuable competence in after-sales service could enhance customer satisfaction and loyalty. Human capital, in the form of skilled service personnel, becomes crucial in delivering value to customers and distinguishing Surya Electronics from competitors.

2. Rare: Core competencies must be rare, possessed by only a few competitors. Surya Electronics could differentiate itself by developing unique technological capabilities, such as exclusive partnerships for advanced manufacturing processes. By doing so, the company ensures that its capabilities are distinct and not easily replicated by other players in the market.

3. Costly to Imitate: For Surya Electronics, developing capabilities that are costly to imitate is key to maintaining a competitive edge. This could involve investing in cutting-edge research and development to stay ahead in product innovation. **For example**, having a robust R&D team that consistently brings new and innovative products to market faster than competitors can be a formidable barrier to imitation.

4. Non-Substitutable: Capabilities must be non-substitutable, meaning there are no equivalent resources that are not rare or imitable. Surya Electronics could leverage a unique company culture and talent acquisition strategy to create a workforce that is not easily replicable. This would contribute to the overall competitive advantage of the company, making it challenging for competitors to imitate its success.

Q-20 Himalaya Pharmaceuticals, a leading Indian pharmaceutical company, is currently enjoying a competitive advantage in the herbal medicine market. Analyze the sustainability of Himalaya Pharmaceuticals' competitive advantage by considering the four major characteristics of resources and capabilities. Provide insights into how these characteristics impact the company's ability to maintain its competitive edge in the rapidly evolving pharmaceutical industry in India.

Ans- Himalaya Pharmaceuticals, a prominent player in the Indian pharmaceutical industry, holds a competitive advantage in the herbal medicine market. To assess the sustainability of this advantage, **we will examine the characteristics of resources and capabilities:**

1. Durability: The durability of Himalaya Pharmaceuticals' competitive advantage depends on the longevity of its resources and capabilities. Herbal medicine formulations, backed by extensive research and development, may possess enduring appeal. However, if the company heavily relies on specific management expertise, such as a renowned herbalist, the departure of this individual could impact the sustainability of the advantage.

2. Transferability: The ability of rivals to challenge Himalaya Pharmaceuticals' competitive advantage hinges on their access to similar resources and capabilities. If Himalaya's herbal formulations are easily replicable or if competitors can gain access to the same botanical resources, the competitive advantage becomes less sustainable. The degree of difficulty in transferring these unique elements will influence the long-term viability of the advantage.

3. Imitability: In the pharmaceutical industry, the imitability of products is a critical factor. If Himalaya Pharmaceuticals' herbal formulations lack legal protection and can be easily copied, the competitive advantage may diminish. However, if the company's capabilities involve intricate organizational routines and a corporate culture that enhances effectiveness, imitation becomes more challenging, providing a degree of defense.

4. Appropriability: The appropriability of returns on resources and capabilities is vital for sustaining a competitive advantage. Himalaya Pharmaceuticals must ensure that the rewards from its herbal medicine market success are directed to those who invested capital. This requires effective management of intellectual property rights, brand positioning, and distribution channels to maintain a balance between creating value and capturing a fair share of the returns.

Q-21 Explain the Cost Leadership Strategy, outlining its key components and providing examples from well-known companies. Discuss the associated risks of pursuing this strategy.

Ans- Cost Leadership Strategy Overview:

Cost Leadership Strategy is a competitive approach focused on achieving a low-cost position in the market to target a broad mass market. This strategy involves intense efforts to reduce costs in procurement, production, storage, distribution, and overhead areas. Successful implementation allows the cost leader to offer products or services at lower prices than competitors, gaining a competitive edge.

Examples: Well-known examples of companies employing Cost Leadership include McDonald's fast-food restaurants and Decathlon Group's mega sports stores. These companies have successfully utilized the low-cost leadership strategy to attain international recognition and outperform competitors.

Risks of Cost Leadership: Several risks are associated with pursuing Cost Leadership:

1. Imitation by Competitors: Competitors may replicate the strategy, leading to increased competition and potential decline in overall industry profits.

2. Technological Breakthroughs: Advances in industry technology may render the cost leadership strategy less effective or obsolete.

3. Shifting Buyer Preferences: Changing consumer interests, focusing on factors other than price, may reduce the strategy's effectiveness.

Q-22 Explain the concept of Differentiation Strategy, emphasizing its goals and potential bases, such as product innovation, pricing, and organizational distinctiveness. Discuss the risks and factors contributing to the success of differentiation.

Ans- Differentiation Strategy aims to create a product or service perceived as unique in the broad mass market, allowing businesses to charge a premium. This distinctiveness can be associated with product design, brand image, features, technology, dealer network, or customer service. While differentiation can lead to a competitive advantage, it does not guarantee success, especially if standard products meet customer needs or if competitors can quickly imitate.

Bases of Differentiation:

There are several bases of differentiation, including:

- Product: Innovative products meeting customer needs provide a competitive advantage. However, the pursuit of new offerings can be costly.
- Pricing: Differentiation can be based on pricing, either offering the lowest price or establishing superiority through higher prices.
- Organization: Organizational differentiation, leveraging brand power, location, and customer loyalty, can be instrumental to a company's success.

Risks and Success Factors:

Differentiation success depends on factors like product flexibility, compatibility, lower costs, improved service, less maintenance, greater convenience, or more features. Rapid imitation and shifting buyer preferences pose risks to differentiation.

Q-23 Preeti Sharma owns a small chemist shop in the central part of Jaipur. What competencies can Preeti develop to gain a competitive advantage over online medicine sellers?

Ans- 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. Preeti Sharma 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.

Q-24 Explain various marketing strategies with illustrative examples in the context of Indian companies.

Ans- Products and services need heavy investment in reaching out to customers. Over the years, a number of marketing strategies have been evolved, which are given to handle marketing strategically and fight the competition in the market.

- **Social Marketing:** Social marketing involves programs aimed at increasing the acceptability of social ideas, causes, or practices. An example in India is the anti-smoking campaign in Delhi, which educates the public on designated smoking areas and highlights the health risks associated with smoking.

- **Augmented Marketing:** Augmented marketing includes additional customer services beyond the core product. In India, companies like XYZ Electronics offer online computer repair services along with their products, enhancing customer experience.

- **Direct Marketing:** Direct marketing engages consumers through various media, prompting direct responses. Indian companies often use email and TV shopping; for instance, ABC Retail promotes its products through televised shopping programs.
- **Relationship Marketing:** Building strong relationships with customers is vital. Indian Airlines provides special lounges at major airports for frequent flyers, creating a bond with select customers.

- **Services Marketing:** Applying marketing concepts to intangible services is crucial in India. For instance, DEF Banking uses personalized service strategies due to the unique characteristics of the service industry.

- **Person Marketing:** In India, politicians like Mr. Sharma or Bollywood stars market themselves to gain public support, showcasing the application of person marketing.

- **Organization Marketing:** Both profit and non-profit organizations in India practice organization marketing. For instance, the NGO ABC Trust engages in marketing efforts to garner support for its social initiatives.

- **Place Marketing:** Place marketing involves shaping attitudes towards specific locations. The tourism board of Goa engages in marketing to attract visitors, promoting the state as a desirable destination.

- **Enlightened Marketing:** Companies in India adopting enlightened marketing principles focus on customer-oriented, innovative, value-based, mission-driven, and societal marketing. For instance, EFG Corporation integrates these principles to enhance long-term performance.

- **Differential Marketing**: Hindustan Unilever Limited practices differential marketing with brands like Lifebuoy and Lux in the popular segment, and Dove and Pears in the premium segment.

- **Synchro-marketing:** In India, synchro-marketing is applied to adjust demand patterns. For instance, movie theaters offer lower ticket prices on weekdays to boost attendance during off-peak times.

- **Concentrated Marketing:** Companies in India may pursue concentrated marketing by targeting specific sub-markets. This approach can be seen in niche marketing efforts, such as GHI Boutique focusing on a specific fashion niche.

- **Demarketing:** Indian companies employ demarketing strategies to regulate demand. For example, a local transport company might implement demarketing during peak hours to manage overcrowded buses and reduce demand temporarily.

Q-25 Write short notes on Advantages of cost leadership strategy

Ans- Advantages of Cost leadership strategy

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

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

2. Buyers – Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product

3. Suppliers – Cost leaders are able to absorb greater price increases before it must raise price to customers.

4. Entrants – Low-cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.

5. Substitutes – Low-cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

Q-26 Explain the concept of competitive advantage in strategic management. Why is it considered the ultimate challenge for most companies, and how is competitive advantage achieved?

Ans- Competitive advantage in strategic management refers to the superior performance a company attains relative to its rivals, resulting in a unique edge in the market. This advantage is crucial for a firm's success, as it allows it to outperform competitors. Achieving competitive advantage involves the development of competencies that managers can leverage to enhance performance.

According to Jack Welch, former CEO of General Electric, "If you don't have a competitive advantage, don't compete." The ultimate challenge for most companies lies in surpassing rivals to establish a dominant market position.

Competitive advantage is realized when a company's profitability exceeds the industry average. It stems from the effective formulation and implementation of a value creation strategy that rivals either cannot replicate or find too costly to imitate. Success in achieving competitive advantage is affirmed when other firms' attempts to duplicate or imitate these strategies fail. In essence, it is the uniqueness and perceived superiority of a company's features and products in the eyes of the target market that contribute to its competitive advantage.

Q-27 Pizza Galleria was India's first pizza delivery chain enjoying monopoly for several years. However, after entry of Molino and Uncle Jack it is struggling to compete. Both Modino 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.

Ans- 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 involve:

- **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 – 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. A positive operating cash flow must be established as quickly aspossible 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.

Q-28 what is stability strategy? What are the reasons to pursue stability strategy?

Ans- One of the important goals of a business enterprise is stability strategy is to stabilise- it may be opted 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 optimise 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.
- This strategy is typical for those firms whose product have reached the maturity stage of product life cycle or those who have a sufficient market share but need to retain that. They have to remain updated and have to pace with the dynamic and volatile business world to preserve their market share.

Hence, stability strategy should not be confused with 'do nothing' strategy. Small organizations may also follow stability strategy to consolidate their market position and prepare for the launch of growth strategies.

Q-29 In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

i) A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.

ii) A business giant in hotel industry decides to enter into dairy business.

iii) One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.

iv) A renowned auto manufacturing company launches ungeared scooters in the market.

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

i) Market Penetration: A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on selling existing products into existing markets.

ii) Diversification: A business giant in hotel industry decides to enter into dairy business. It refers to a growth strategy where a business markets new product in new markets.

iii) Market Development: One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to sell its existing products into new markets.

iv) Product Development: A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where business aims to introduce new products into existing markets.

Q-30 Distinguish between the following:

Market Development and Product Development under Ansoff's Product Market Growth Matrix.

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

Basis	**Market Development**	**Product Development**
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	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.

	products.	
Strategy Application	It may be achieved through new geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments	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

Q-31 What is Divestment strategy? When is it adopted?

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

A divestment strategy may be adopted due to various reasons:

- 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, creating the need for divestment of that business.
- Severity of competition and the inability of a firm to cope with it may cause it to divest.
- It is not possible for the business to do Technological upgradation that is required for the business to survive, a preferable option would be to divest.

➢ A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

Q-32 Define the concept of a turnaround strategy in the context of retrenchment. What are the key indicators or danger signals suggesting the need for a turnaround, and how is internal retrenchment typically implemented?

Ans- A turnaround strategy, within the framework of retrenchment, involves the internal restructuring of a company to enhance internal efficiency. This strategy is employed when a company faces challenges that threaten its survival. Internal retrenchment focuses on improving organizational performance to overcome difficulties.

Key Indicators or Danger Signals for Turnaround:

♦ Persistent negative cash flow from business(es)

♦ Uncompetitive products or services

♦ Declining market share

♦ Deterioration in physical facilities

♦ Over-staffing, high turnover of employees, and low morale

♦ Mismanagement

Q-33 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.

Ans- Strategic alliances are formed if they provide an advantage to all the parties in the alliance. **These advantages can be broadly categorized as follows:**

a) Organizational: Strategic alliances may be formed to learn necessary skills and obtain certain capabilities from the strategic partner. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. A strategic partner may provide a good or service that complements each other, thereby creating a synergy. If one partner is relatively new or untried in a certain industry, having a strategic partner who is well-known and respected will help add legitimacy and creditability to the venture.

b) Economic: Alliances can reduce costs and risks by distributing them across the members of the alliance. Partners can obtain greater economies of scale in an alliance, as production volume increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, where specializations are bundled together, creating additional value.

c) Strategic: Organizations may join to cooperate instead of compete. Alliances may also create vertical integration 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

d) Political: Sometimes there is need to form a strategic alliance 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 overall influence and position.'

Q-34 Justify the statement "Stability strategy is opposite of Expansion strategy".

Ans- 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.

Q-35 Suppose ABC Enterprises recently entered the co-working spaces business, and unfortunately, the venture became unprofitable and unsustainable due to the global pandemic. However, the company's other business lines are relatively less impacted. Provide a strategic recommendation for ABC Enterprises, justifying your choice.

Ans- It is advisable that divestment strategy should be adopted by ABC Enterprises Ltd. In the given situation where the business of co-working spaces became unprofitable and unviable due to Global pandemic, the best option for the company is to divest the loss-making business. Retrenchment may be done either internally or externally. Turnaround strategy is adopted in case of internal retrenchment where emphasis is laid on improving internal efficiency of the organization, while divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors. In view of the above, the company should go for divestment strategy.

Further, divestment helps address issues like:

a) Persistent cash flows from loss making segment could affect other profit-making segments, which is the case in the given scenario.

b) Inability to cope from the losses, which again is uncertain due to pandemic.

c) Better investment opportunity, which could be the case if ABC Enterprises can invest the money it generates from divestment.

Q-36 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

Ans- 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

a) Premium prices can be charged by the organizations for their focused product/services.

b) 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

a) The firms lacking in distinctive competencies may not be able to pursue focus strategy.

b) Due to the limited demand of product/services, costs are high which can cause problems.

c) In the long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

Q-37 Distinguish between Forward integration and backward integration.

Ans- 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 enters 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 organisations enter into businesses of distribution channels.

Q-38 Explain the concept of mergers and acquisitions, highlighting the different types of mergers with examples of each type.

Ans- Merger is 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 of the trade barriers.

In acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during recession in economy or during declining profit margins. In this process, the stronger one overpowers the weaker one. The combined operations then run under the name of the powerful entity.

Types of Mergers:

(a) Horizontal Merger: A horizontal merger involves the combination of firms operating in the same industry, typically with direct competition. The primary objective is to achieve economies of scale, reduce duplication, widen product lines, and eliminate competition. For instance, imagine a merger between "Tata Tea" and "Wagh Bakri Tea," resulting in the formation of a new entity named "Tata Wagh Tea India Ltd."

(b) Vertical Merger: This type of merger occurs when two organizations in the same industry operate at different stages of the production or distribution process. Backward integration involves acquiring suppliers or producers of raw materials, while forward integration entails taking over buyers or distribution channels. Consider a hypothetical merger between "Reliance Petrochemicals" and "Reliance Retail," showcasing vertical integration within the Reliance Group.

(c) Co-generic Merger: In a co-generic merger, merging organizations are associated in some way related to production processes, business markets, or required technologies. This type of merger allows for the extension of product lines or acquiring components necessary for daily operations. For example, "Godrej Appliances" merging with "Havells Home Appliances" to diversify within the white goods category.

(d) Conglomerate Merger: Conglomerate mergers involve the combination of organizations that are unrelated in terms of customer groups, functions, and technologies. While there may be no significant common factors, there is often some degree of overlap. Consider a conglomerate merger between "Infosys IT Solutions" and "Marico Consumer Goods," where the organizations have no direct linkages but may find synergies in certain business aspects.

Q-39 Distinguish between Strategic Planning and Operational Planning.

Ans-

Strategic planning	**Operational planning**
Strategic planning shapes the organisation 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 organisation.	Operational planning projects current operations into the future.
Strategic planning develops overall objectives and strategies.	Operational planning makes modifications to the business functions but not fundamental changes
Strategic planning is concerned with the long-term success of the organisation.	Operational planning is concerned with the short-term success of the organisation.
Strategic planning is a senior management responsibility.	Operational planning is the responsibility of functional managers.

Q-40 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 have held the first staff briefing in which they went to great lengths to explain that the change was necessary to equip the company to face future competitive challenges. Identify and explain the current stage of Glassware Ltd. from the Lewin's three-stage model of change?

Ans- 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.

Q-41 What is strategic control? Kindly explain the statement that "premise control is a tool for systematic and continuous monitoring of the environment".

Ans- 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, substitutes.

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 its strategy.

Q-42 Connect Group was one of the leading makers of the mobile handsets till a few years ago and which went at the bottom of the heap. Connect Group didn't adapt to the current market trends which eventually lead to its downfall. Which would have helped Connect Group to change, adapt and survive? Explain the steps to initiate the change.

Ans- Connect Group has to do strategic change for its survival. 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. Unless companies embrace change, they are likely to be freeze and unless companies prepare to deal with sudden, unpredictable, discontinuous, and radical change, they are likely to be extinct.

Three steps for initiating strategic change are:

(i) Recognise the need for change – The first step is to diagnose the which facets of the present corporate culture are strategy supportive and which are not.

(ii) Create a shared vision to manage change – Objectives of both individuals and organisation should coincide. There should be no conflict between them. This is possible only if the management and the organisation members follow a shared vision.

(iii) Institutionalise the change – This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

Q-43 "Strategy formulation and strategy implementation are intertwined and linked with each other." Elucidate this statement with suitable arguments.

Ans- 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.

Q-44 How can you differentiate between transformational and transactional leaders?

Ans- Difference between transformational and transactional leadership:

i) 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.

ii) 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.

iii) 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.

Q-45 What is implementation control? Discuss its basic forms.

Ans- Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results associated with incremental steps and actions.

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

i) Monitoring strategic thrusts: Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.

ii) Milestone Reviews: All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

Q-46 Distinguish between Strategy Formulation and Strategy Implementation.

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

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is placing the Forces before the action.	In short, Strategy Implementation is managing forces during the action.
An Entrepreneurial Activity based on strategic decision-making	An Administrative Task based on strategic and operational decisions.

Emphasizes on effectiveness	Emphasizes on efficiency
Primarily an intellectual and rational process.	Primarily an operational process
Requires co-ordination among few individuals at the top level.	Requires co-ordination among many individuals at the middle and lower levels.
Requires a great deal of initiative, logical skills, conceptual intuitive and analytical skills.	Requires specific motivational and leadership traits.
Strategic Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

Q-47 Davis and Lawrence have proposed three distinct phases to develop matrix structure. Explain.

Ans- For development of matrix structure; Davis and Lawrence have proposed three distinct phases:

a) 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

b) 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.

c) 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.

Q-48 What steps would you suggest to change a company's problem culture?

Ans- 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 instill ones that are more strategy-supportive

i) The first step is to diagnose which facets of the present culture are strategy supportive and which are not

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

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

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

Q-49 Discuss three methods for reassigning new patterns of behavior as proposed by H.C. Kellman.

Ans- H.C. Kellman has proposed three methods for reassigning new patterns of behaviour. These are compliance, identification and internalisation.

• **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour. Fear of punishment, actual punishment or actual reward seems to change behaviour for the better.

• **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 behaviour in order to succeed in the new set of circumstances.

Q-50 Why is Strategic Control important for organizations? Discuss briefly 4 types of strategic control that can be implemented to achieve the enterprise goals.

Ans- Importance of strategic control: Strategic control is an important process that keeps organisation 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 unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

• **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.

• **Implementation control:** Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.