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Paper 6B : Strategic Management : Top Questions for May 25

1 INTRODUCTION TO STRATEGIC MANAGEMENT

Q:1 "Each organization must build its competitive advantage keeping in mind the business warfare. This can be done by following the process of strategic management." Considering this statement, explain major benefits of strategic management. [Dec 21, RTP N22, MTP April24]

Strategic management helps an organization to work through changes in the environment to gain competitive advantage. In light of statement discuss its benefits. [RTP Sept24]

Answer:

The major benefits of strategic management are:

- The strategic management gives a direction to the company to move ahead. It defines **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 framework 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 do.
- 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 as how 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 not be possible for organisations to survive in 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.

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

Limitations of Strategic Management

Q:2	**Define Strategic Management. Also discuss the limitations of Strategic Management. [M 18, RTP M21, RTP N21, MTP March 22, MTP Sept 22, MTP Oct 23, RTP M24, MTP Nov24]**
	'Strategic Management is not a panacea for all the corporate ills, it has its own pitfalls which can't counter all hindrances and always achieve success'. Do you agree with this statement? Discuss. [M 19, N 22, RTP N23]
	The presence of strategic management cannot counter all hindrances and always achieve success for an organisation. What are the limitations attached to strategic management? [MTP Apr 21] or
	Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and like till four years back. With shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in last four years. **Analyse the position of Ramesh Sharma in light of limitations of strategic management. [RTP N20, MTP Aug24, RTP M25]**

Answer:

Limitations of Strategic Management

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

The presence of strategic management cannot counter all hindrances and always achieve success.

There are limitations attached to strategic management as follows:

- 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. The environment affects as the organisation has to deal with suppliers, customers, governments and other external factors.

Complex and Turbulent Environment

  Thus, relying on a business strategy blindly could go absolutely wrong if the environment is turbulent. **For example,** German Motor company bought a huge international car brand in recently to grow strategically and were quite confident of the synergy benefit they would get from the deal. However, the pandemic shut down almost all automotive businesses around the world. So, strategy cannot overcome a turbulent environment.

  For example, Two-Wheeler Electric Vehicles brands counted on strategic benefits they would have because of the huge push from the government for electric mobility. However, customers are getting reluctant to purchase EVs due to the safety concerns amid the frequent incidents of battery's catching fire. So, strategy cannot overcome a turbulent environment.

- 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. Planning and strategizing are important but putting them in action is where the actual success lies. Similar to us students, planning and strategizing what to study, from where and at what time of the day to study, consumes so much of our actual study time that by the time we have to study, we are almost exhausted. Similarly in business if way too much time is spent on planning and formulating, then it might not be as fruitful.

Time-consuming Process

- Strategic management is a **costly process**. Strategic management adds a lot of expenses to an organization. Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement. These can be really costly for organisations with limited resources particularly when small and medium organisation create strategies to compete. Strategic Management requires experts and these experts are costly resources. Thus, the process as a whole required good amount of funds to be spent.

Costly Process

- In a competitive scenario, where all organisations are trying to move strategically, it is **difficult to clearly estimate the competitive responses to a firm's strategies.**

Difficult to estimate competitor's response

For example, it is quite difficult to gauge the strategic planning of competitors because most of these decisions are taken within closed doors by the top management.

For example, Apple changed the market dynamics of the speaker industry by choosing to remove 3.5mm audio jack from iPhones. Now, to be relevant in the market, all major speaker brands had to put concentrated efforts to develop their own true wireless speakers (TWS) and compete with new entrants.

Q:3 Why organization should have mission?

"A Company's mission statement is typically focused on its present business scope" Explain the significance of a mission statement. [M 24, RTP Jan25, MTP March25]

Answer :

1) To ensure **unanimity of purpose** within the organization.
2) To provide a **basis for motivating** the use of the organization's resources.
3) To develop a basis, or **standard, for allocating** organizational resources.
4) To **establish** a general tone or **organizational climate**, for example, to suggest a businesslike operation.
5) To **serve as a focal point** for those who can identify with the organization's purpose and direction, and to **deter** those who cannot form participating further in the organization's activities.
6) To facilitate the **translation of objective and goals into a work structure** involving the assignment of tasks to responsible elements within the organization.
7) To specify **organizational purposes and the translation of these purposes into goals** in such a way that cost, time, and performance parameters can be assessed and controlled.

Q:4 ABC Pharmaceuticals, a leading pharmaceutical company, is in the process of formulating its strategic intent. The top management of ABC Pharmaceuticals wants to define the company's future direction, objectives, and goals. Their aim is to create a vision that sets the organization apart and provides a roadmap for future growth. ABC Pharmaceuticals aspires to enrich the lives of people by producing highquality pharmaceutical products at competitive prices and wants to become the world's leading pharmaceutical company by 2030." Based on this context, draft a vision and mission

statement that could be formulated by the top management of ABC Pharmaceuticals. [RTP N23, RTP M24]

Answer:

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

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

ABC Pharmaceuticals may identify mission in the following lines:

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

Q:5 What are the short term and long term objectives?

Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results. [RTP M21, RTP N22]

Answer:

A need for both short-term and long-term objectives: As a rule, a company's set of financial and strategic objectives ought to include both short-term and long term performance targets. Having quarterly or annual objectives focuses attention on delivering immediate performance improvements. Targets to be achieved within three to five years' prompt considerations of what to do now to put the company in position to perform better down the road. A company that has an objective of doubling its sales within five years can't wait until the third or fourth year to begin growing its sales and customer base. By spelling out annual (or perhaps quarterly) performance targets, management indicates the speed at which longer-range targets are to be approached.

Long-term objectives: To achieve long-term prosperity, strategic commonly establish long-term objectives in seven areas.

- Profitability.
- Productivity.

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

Long-term objectives planners represent the results expected from pursuing certain strategies, Strategies represent the actions to be taken to accomplish long-term objectives. The time frame for objectives and strategies should be consistent, usually from two to five years.

Short-range objectives can be identical to long-range objectives if an organisation is already performing at the targeted long-term level. For instance, if a company has an ongoing objective of 15 percent profit growth every year and is currently achieving this objective, then the company's long-range and short-range objectives for increasing profits coincide. The most important situation in which short-range objectives differ from long-range objectives occurs when managers are trying to elevate organisational performance and cannot reach the long-range target in just one year. Short-range objectives then serve as steps toward achieving long term objective.

Clearly established objectives offer many benefits. They provide direction, allow synergy, aid in evaluation, establish priorities, reduce uncertainty, minimize conflicts, stimulate exertion, and aid in both the allocation of resources and the design of jobs.

Q:6 "Management at all levels develop strategies". Explain the different strategies formulated at different levels of management. [M 23]

Outline the main levels of management generally found in an organization. Also explain the types of networks of relationship between these levels and amongst the same levels of a business. [Jan 25]

Answer :

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

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

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

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

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

Q:7 Swagatam was a chain of hotels. The business was good until the whole nation was impacted by COVID-19 pandemic in early 2022.

The management soon understood that pandemic had seriously disrupted the hotel sector and average revenue-per-available room fell by nearly 90% and they expected this decline to continue due to travel bans and fear seen in the society.

Pandemic required 14-day compulsory quarantine for the affected individuals and hospitals were short of rooms.

Management found a small opportunity as they had sufficient rooms, staff and could follow required health and safety standards. They decided to do service transformation by letting some of their units to hospitals to be transformed into covid-care units & rest of the units were rented to individuals as a quarantine facility.

(a) Name the strategic level of management at which such decisions are made.

(b) The above scenario depicts one of the limitations of strategic management. Discuss which limitation of strategic management is depicted here.

(c) Here the decision taken by the management was reactive. Discuss the benefit of proactive approach over reactive approach. [N 23]

Answer :

(i) The strategic level of management at which decisions like transforming hotel units into COVID-care units and quarantine facilities are made is at the **"Corporate Level."** This level of management is responsible for making decisions that affect the overall direction and scope of the entire organization.

(ii) The given scenario highlights a limitation of strategic management known as **highly complex and turbulent environment.** Due to this, there exist environmental uncertainty and unpredictability of the external factors that affect an organization. In this case, **the COVID-19 pandemic created a highly uncertain and unpredictable business environment for Swagatam Hotels.** The pandemic significantly impacted the hotel sector, causing a rapid decline in revenue and necessitating a strategic shift to adapt to the changing circumstances.

(iii) A proactive approach involves anticipating and addressing issues before they become critical, while a reactive approach responds to problems after they have occurred. In the scenario, the decision to transform hotel units into COVID-care units and quarantine facilities was reactive, driven by the unexpected impact of the pandemic.

A proactive approach offers several benefits.

First, it **allows for better risk management** by identifying potential challenges in advance, enabling organizations to develop contingency plans.

Second, proactive strategies **often result in cost savings** as preventive measures can be more efficient than addressing crises retroactively.

Third, organizations can **maintain a competitive edge** by staying ahead of industry trends and changes.

Overall, a proactive approach enhances organizational strength and responsiveness in navigating uncertainties.

Q:8 ABC Limited is in a wide range of business which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer, consider yourself as the HR consultant for ABC Limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it. [Jan 21, MTP Oct 22, MTP Sept 23, MTP July24] or

CDE Holdings operates in various sectors, including manufacturing fitness equipment, organic foods, eco-friendly products and children's educational tools. The organization is currently in the process of recruiting Chief Executive Officer. In this scenario imagine yourself as a HR consultant for CDE Holdings. Identify the strategic level that encompasses this role within CDE Holdings.

Provide an overview of the key duties and responsibilities falling under the Chief Executive Officer's scope. [N 23, RTP Jan25]

Answer :

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

The role of Chief Executive Officer is to:

1. oversee the development of strategies for the whole organization;
2. defining the mission and goals of the organization;

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

Q:9 Explain network relationship between the three levels.

Outline the main levels of management generally found in an organization. Also explain the types of networks of relationship between these levels and amongst the same levels of a business. [Jan 25]

XYZ Enterprises operates in multiple industries. Its automobile division functions independently, with separate teams for electric and fuel-based vehicles. The IT division follows a structure where employees report to both project heads and department managers for various software projects. Meanwhile, its startup incubator encourages open collaboration among employees at all levels. Identify the network relationships used in XYZ Enterprises' divisions and explain why they are appropriate. [MTP March25]

Answer:

The corporate level decides what the business wants to achieve, while the business level draws ideas and plan to execute the same, which eventually flow down to functional level to execute and achieve results. But there are multiple ways in which all the 3 levels of management are interlinked, and interestingly it depends on the organisation as a whole to decide what kind of network of relationship suits their culture and aspirations.

There are 3 major types of networks of relationship between the levels and also amongst the same levels of a business;

- **Functional and Divisional Relationship:** It is an independent relationship, where each function or a division is run independently headed by the function/division head, who is a business level manager, reporting directly to the business head, who is a corporate level manager. Functions maybe like Finance, Human Resources, Marketing, etc. while Divisions may depend on the products like for a toys manufacturer - kids toys, teenager toys, etc. could be divisions.

- **Horizontal Relationship:** All positions, from top management to staff-level employees, are in the same hierarchical position. It is a flat structure where everyone is considered at same level. This leads to openness and transparency in work culture and focused more on idea sharing and innovation. This type of relationship between levels is more suitable for startups where the need to share ideas with speed is more desirable.

- **Matrix Relationship:** It features a grid-like structure of levels in an organisation, with teams formed with people from various departments that are built for temporary task-based projects. This relationship helps manage huge conglomerates with ease where it is nearly impossible to track and manage every single team independently.

  In Matrix relationship - there are more than one business level managers for each functional level teams. It is complex for smaller organisations, but extremely useful for large organisations.

Q:10 Imagine you are a strategic consultant advising a retail company that is facing increasing competition from online retailers. The company is considering several strategic options to improve its market position. Using the concept that strategy is partly proactive and partly reactive, explain how the company can develop a strategic approach to address this challenge. [MTP March24]

Answer :

The retail company can develop a strategic approach that is both proactive and reactive to address the challenge of increasing competition from online retailers. To achieve this, the company can:

- **Proactive Strategy:** The company can proactively analyze market trends and customer preferences to identify opportunities for growth. For example, it can invest in market research to understand what customers value in a retail experience and tailor its offerings to meet those needs. This proactive approach can help the company stay ahead of competitors and attract new customers.

- **Reactive Strategy:** In addition to proactive measures, the company should also be prepared to react to changes in the market environment. For example, if a competitor launches a new online shopping platform, the company should quickly assess the impact on its business and develop a response. This reactive strategy can help the company adapt to changing market conditions and maintain its competitiveness.

By combining proactive and reactive strategies, the retail company can develop a comprehensive approach to addressing the challenge of increasing competition from online retailers. This approach will allow the company to capitalize on opportunities for growth while also mitigating risks and responding to threats in the market.

2 Strategic Analysis : External Environment

Q:1 Describe PESTLE Analysis.

What are the key factors of PESTLE analysis of macro environment? [M 19, MTP Aug24]

ABC Corp, a multinational consumer electronics company, is planning to expand its operations into a new country. The company's senior management is evaluating the potential risks and opportunities of entering this new market. As part of their analysis, they decide to use the PESTLE framework to assess the external factors that could impact their decision. How can the PESTLE framework help ABC Corp assess the external factors affecting its decision to expand into a new country? [MTP March24]

Answer:

The term PESTLE is often used to describe a framework for analysis of macro environmental factors. PESTEL analysis is frequently used to assess the business environment in which a firm operates. Political, economic, social, and technological (PEST) analysis was the name given to the framework in the past; however, later, the framework has been expanded to include environmental and legal factors as well. PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences on an organization and providing a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy.

'PESTLE analysis is an increasingly used and recognized analytical tool, and it is an acronym for:

P- political
E- economic
S- socio-cultural
T- technological
L- legal
E- environmental

The PESTLE analysis is a simple to understand and quick to implement. The advantage of this tool is that it encourages management into proactive and structured thinking in its decision making.

The Key Factors

- **Political factors** are how and to what extent a government intervenes in the economy and the activities of corporate. Political factors may also include goods and services which the government wants to provide or be provided and those that the government does not want to be provided. Furthermore, governments have great influence on the health, education and infrastructure of a nation.

- **Economic factors** have major impacts on how businesses operate and take decisions. **For example,** interest rates affect a firm's cost of capital and therefore to what extent a business grows and expands. Exchange rates affect the costs of exporting goods and the supply and price of imported goods in an economy. The money supply, inflation, credit flow, per capita income, growth rates have a bearing on the business decisions.

- **Social factors** affect the demand for a company's products and how that company operates.
- **Technological factors** can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Furthermore, technological shifts can affect costs, quality, and lead to innovation.
- **Legal factors** affect how a company operates, its costs, and the demand for its products.
- **Environmental factors** affect industries such as tourism, farming, and insurance. Growing awareness to climate change is affecting how companies operate and the products they offer--it is both creating new markets and diminishing or destroying existing ones.

On the basis of these, it should be possible to identify a number of key environmental influences, which are in effect, the drivers of change. These are the factors that require to be considered in the matrix. Then transpose the final items that we have identified from your list to a PESTLE matrix.

Political	**Economic**
♦ Political stability ♦ Political principles and ideologies ♦ Current and future taxation policy ♦ Regulatory bodies and processes ♦ Government policies ♦ Government term and change ♦ Thrust areas of political leaders	♦ Economy situation and trends ♦ Market and trade cycles ♦ Specific industry factors ♦ Customer/end-user drivers ♦ Interest and exchange rates ♦ Inflation and unemployment ♦ Strength of consumer spending
Social	**Technological**
♦ Lifestyle trends ♦ Demographics ♦ Consumer attitudes and opinions ♦ Brand, company, technology image ♦ Consumer buying patterns ♦ Ethnic/religious factors ♦ Media views and perception	♦ Replacement technology/solutions ♦ Maturity of technology ♦ Manufacturing maturity and capacity ♦ Innovation potential ♦ Technology access, licensing, patents, property rights and copyrights

Legal	Environmental
♦ Business and Corporate Laws	♦ Ecological/environmental issues
♦ Employment Law	♦ Environmental hazards
♦ Competition Law	♦ Environmental legislation
♦ Health & Safety Law	♦ Energy consumption
♦ International Treaty and Law	♦ Waste disposal
♦ Regional Legislation	

Q:2 Why Do Companies go Global? [N 20]

Elaborate the reasons necessary for the globalization of companies. [M 16, M 18]

Answer :

Why do businesses go global?

Technological developments and evolving political views are two important factors in the rapid rise of multinational organisations. Because of technological advances, the process of internationalisation is now simpler than it was previously. Worldwide communication makes it easier to define and implement global strategy by linking corporate headquarters with their abroad operations. In addition, introduction of improved transportation has increased the mobility of money, people, raw materials, and finished items. **There are several reasons why companies go global. These are explained as follows:**

- The first and foremost reason is needed to grow. It is basic need of organisations. Often finding opportunities in the other parts of the globe organisation extend their businesses and globalise their opeations.
- There is **rapid shrinking of time and distance across** the globe thanks to faster communication, speedier transportation, growing financial flows and rapid technological changes.
- It is being realised that the **domestic markets are no longer adequate and rich**. The competition present domestically may not exist in some of the international markets. For Example: Japanese have flooded the U.S. market with automobiles and electronics because the home market was not large enough to absorb whatever was produced.
- There can be varied other reasons such as need for **reliable or cheaper source of raw-materials,** cheap labour, etc.

  For example: Hyundai got competent engineers at lower cost, industry friendly Maharashtra Govt. which allowed them to setup a unit in India which supplies spare parts for all Hyundai Cars across the world.
- 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.

For example: Making a car in Korea and exporting it in Europe and America is expensive and time consuming therefore India as a manufacturing hub for Hyundai proved to be better place.

- 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.

  For example: Hyundai cars made by Korea, sold in India were highly demanded and Hyundai decided to setup a plant here.

- **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:3 What is Product? What are the characteristics of Product?

What are the key characteristics of business products that contribute to the overall competitiveness and dynamics of the market? [M 24, MTP March25]

Answer :

Businesses sell products. A product can be either a good or a service. It might be physical good or a service, an experience. Business products have certain characteristics as follows:

- **Products are either tangible or intangible.** A tangible product can be handled, seen, and physically felt, such as a car, book, pen, table, mobile handset and so on. Alternatively, an intangible product is not a physical good, such as telecom services, banking, insurance, or repair services.
- **Product has a price.** Businesses determine the cost of their products and charge a price for them. The dynamics of supply and demand influence the market price of an item or service. The market price is the price at which quantity provided equals quantity desired. The price that may be paid is determined by the market, the quality, the marketing, and the targeted group. In the present competitive world price is often given by the market and businesses have to work on costs to maintain profitability.

On account of competition, businesses are not able to fix market price by adding profit margin on the costs. Rather, they work on reducing the costs given the prevailing market price.

- **Products have certain features that deliver satisfaction.** A product feature is a component of a product that satisfies a consumer need. Features determine product pricing, and businesses alter features during the development process to optimise the user experience. Products should be able to provide value satisfaction to the customers for whom they are meant. Features of the product will distinguish it in terms of its function, design, quality and experience. A customer's cumulative experience with a product from its purchase to the end of its useful life is an important component of a product feature.
- **Product is pivotal for business.** The product is at the centre of business around which all strategic activities revolve. The product enables production, quality, sales, marketing, logistics and other business processes. Product is the driving force behind business activities.
- **A product has a useful life.** Every product has a usable life after which it must be replaced, as well as a life cycle after which it is to be reinvented or may cease to exist. We have observed that fixed line telephone instruments have largely been replaced by mobile phones.

Q:4 Product Life cycle and its significance in portfolio diagnosis. [N 13, M 15, N 18, MTP Apr 22]

Answer :

Product Life Cycle:

An important concept in strategic choice is that of product life cycle (PLC). It is a useful concept for guiding strategic choice.

Essentially, PLC is an **S-shaped curve** which exhibits the **relationship of sales with respect of time** for a product that passes through the four successive stages of **introduction, growth, maturity and decline.** If businesses are substituted for product, the concept of PLC could work just as well.

- **Introduction (slow sales growth),**

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

- **Growth (rapid market acceptance)**

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

- **Maturity (slow down in growth rate) and**

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

- **Decline (sharp downward drift).**

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

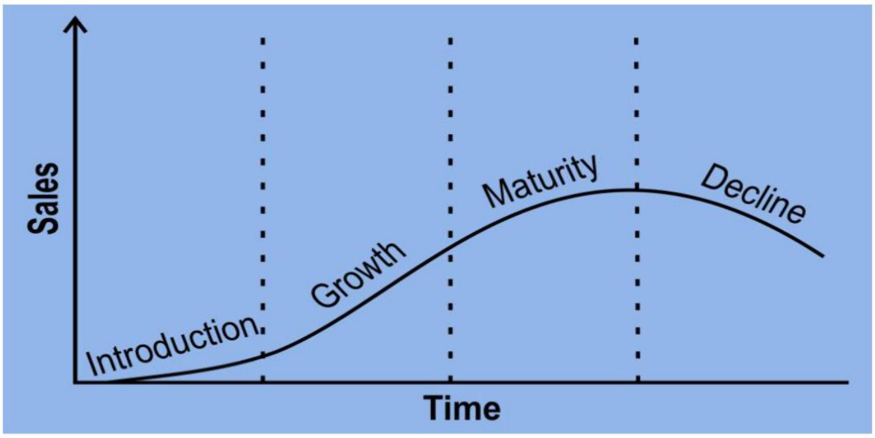


Figure: Product Life Cycle

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

Q:5 What is the treats of New Entrances? To discourage new entrants, existing firms can try to raise barriers to entry. What are those barriers? Or

Rahul Sharma is Managing Director of a company which is manufacturing trucks. He is worried about the entry of new businesses. What kind of barriers will help Rahul against such a threat? or

What are the common barriers that are faced by new entrants when an existing firm earns higher profits? [RTP M23]

In light of the five forces as propagated by Michael Porter, explain the common barriers which may cause restrain for the keenness of new entrepreneurs. [Sept 24]

Answer :

New entrants can reduce industry profitability because they add new production capacity leading to increase supply of the product even at a lower price and can substantially erode existing firm's market share position. New entrants are always a powerful source of competition. The new capacity and product range they bring in throw up new competitive pressure. And the bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players. A firm's profitability tends to be higher when other firms are blocked from entering the industry.

To discourage new entrants, existing firms can try to raise barriers to entry. Barriers to entry represent economic forces (or 'hurdles') that slow down or impede entry by other firms. Common barriers to entry include:

(i) Capital requirements

(ii) Economies of scale

(iii) Product differentiation

(iv) Switching costs

(v) Brand identity

(vi) Access to distribution channels

(vii) Possibility of aggressive retaliation by existing players

(i) Capital Requirements: When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry, thus enhancing the profitability of existing firms in the industry. **For example,** huge investments are needed to build production facilities and establish brand awareness among people for entry into the pharmaceutical industry. This makes the entry of new companies into this sector very difficult.

(ii) Economies of Scale: [NS N 18] Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to new entrants. **For example,** in the semiconductor industry, larger companies, such as IBM, Intel, Samsung and Texas Instruments, enjoy substantial economies of scale in the production of advanced microprocessors, communication chips and integrated circuits that power most consumer electronics, personal computers (PCs) and cellular phones. This acts as a barrier for new entrants.

(iii) Product Differentiation: Product differentiation refers to the physical or perceptual differences, or enhancements, that make a product special or unique in the eyes of customers. Firms in the personal care products and cosmetics industries actively engage in product differentiation to enhance their products' features. Differentiation works to reinforce entry barriers because the cost of creating genuine product differences may be too high for the new entrants.

(iv) Switching Costs: To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. To make a switch, buyers may need to test a new firm'sproduct, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change. **For example,** high switching costs in moving away from Microsoft's Windows operating systems used in personal computers and corporate servers powered the company's stunning growth over the past decade in the software industry.

(v) Brand Identity: The brand identity of products or services offered by existing firms can serve as another entry barrier. Brand identity is particularly important for infrequently purchased products that carry a high unit cost to the buyer. New entrants often encounter significant difficulties in building up the brand identity, because to do so they must commit substantial resources over a long period. For example, during the 1970s, Japanese companies such as Toyota, Nissan, and Honda had to spend huge sums on new product development and promotional activities to overcome the American consumer's preference for domestic cars.

(vi) Access to Distribution Channels: The unavailability of distribution channels for new entrants poses another significant entry barrier. Despite the growing power of the internet, many firms may continue to rely on their control of physical distribution channels to sustain a barrier to entry to rivals. Often, existing firms have significant influence over the distribution channels and can retard or impede their use by new firms. For example, because of control over distribution channels in India by HUL, P & G and Godrej etc., small entrepreneurs find it very difficult to sell their products through the existing channels.

(vii) Possibility of Aggressive Retaliation: Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. **For example,** introduction of products by a new firm may lead incumbents firms to reduce their product prices and increase their advertising budgets.

Q:6 In what conditions rivalry among competitors tends to be cut-throat and profitability of the industry goes down explain in details. [N 19]

Explain the situations when Rivalry among competitors tends to be cutthroat and industry profitability low. What are the factors which determine the nature of rivalry in an industry? [Dec 21]

As per one of the five forces of competition, Michael Porter stated that the more intensive is the rivalry, the less attractive is the industry. In view of this, explain the conditions in which rivalry among competitors tends to be cut throat and industry profitability is low. [Jan 25]

Answer:

The intensity of rivalry in an industry is a significant determinant of industry attractiveness and profitability. The intensity of rivalry can influence the costs of suppliers, distribution, and of attracting customers and thus directly affect the profitability. The more intensive the rivalry, the less attractive is the industry. Rivalry among competitors tends to be cutthroat and industry profitability low under various conditions explained as follows:

(i) **Industry Leader:** A strong industry leader can discourage price wars by disciplining initiators of such activity. Because of its greater financial resources, a leader can generally outlast smaller rivals in a price war. Knowing this, smaller rivals often avoid initiating such a contest.

(ii) **Number of Competitors:** Even when an industry leader exists, the leader's ability to exert pricing discipline diminishes with the increased number of rivals in the industry as communicating expectations to players becomes more difficult.

(iii) **Fixed Costs:** When rivals operate with high fixed costs, they feel strong motivation to utilize their capacity and therefore are inclined to cut prices when they have excess capacity. Price cutting causes profitability to fall for all firms in the industry as firms seek to produce more to cover costs that must be paid regardless of industry demand. For this reason, profitability tends to be lower in industries characterized by high fixed costs.

(iv) **Exit Barriers:** Rivalry among competitors declines if some competitors leave an industry. Profitability therefore tends to be higher in industries with few exit barriers. Exit barriers come in many forms. Assets of a firm considering exit may be highly specialized and therefore of little value to any other firm. Such a firm can thus find no buyer for its assets. This discourages exit. When barriers to exit are powerful, competitors desiring exit may refrain from leaving. Their continued presence in an industry exerts downward pressure on the profitability of all competitors.

(v) **Product Differentiation:** Firms can sometimes insulate themselves from price wars by differentiating their products from those of rivals. As a consequence, profitability tends to be higher in industries that offer opportunity for differentiation. Profitability tends to be lower in industries involving undifferentiated commodities such as, memory chips, natural resources, processed metals and railroads.

(vi) **Slow Growth:** Industries whose growth is slowing down tend to face more intense rivalry. As industry growth slows, rivals must often fight harder to grow or even to keep their existing market share. The resulting intensive rivalry tends to reduce profitability for all.

Q:7 Industry is a composite of competitive pressures in five areas of the overall market. Briefly explain the competitive pressures. [N 11, N 19, RTP M21] or

What are the five competitive forces in an industry as identified by Michael Porter? [N 18, RTP M22]

According to Michael Porter, what are the five competitive forces that exist within an industry? [N 23, RTP Jan25]

Answer :

Competition makes organizations work harder, however, it is neither a coincidence nor bad luck. All organizations have competition and its benefit are enjoyed by the markets. The customers are able to get better products at lower costs. They get better value for their money because of competition.

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

1. **Threat of New Entrants:** New entrants bring added capacity and product variety, intensifying competition and impacting prices. The size of new entrants magnifies their competitive influence, placing constraints on prices and affecting existing players' profitability.

2. **Bargaining power of Buyers:** The ability of buyers to form groups or cartels influences their bargaining power. This force, particularly in industrial products, impacts pricing and often leads to demands for better services, influencing costs and investments for producers.

3. **Bargaining power of Suppliers:** Suppliers with specialized offerings exert significant bargaining power, especially when limited in number. Supplier bargaining power determines raw material costs, affecting industry attractiveness and profitability.

4. **Rivalry among Current Players:** Existing players engage in competition, influencing strategic decisions across various levels. This rivalry is evident in pricing, advertising, cost pressures, and product strategies, impacting the overall competitive landscape.

5. **Threats from Substitutes:** Substitute products can alter an industry's competitive dynamics, offering price advantages or performance improvements. Substitutes limit prices and profits, and industries with substantial R&D investments are particularly susceptible to threats from substitute products.

These forces collectively determine industry attractiveness and profitability by influencing factors such as costs and investments required for industry participation. The strength of these forces varies across industries, ultimately shaping the potential for earning attractive profits.

Q:8 What is Customer Behaviour? Explain elements that influence Customer Behaviour.

You are a strategic manager for a tech company launching a new smartphone model. The company wants to target tech-savvy consumers who value innovation and cutting-edge technology. Using the concept of customer behavior, develop a marketing strategy to promote the new smartphone. [MTP March24, MTP Nov24]

Answer :

Customer behaviour moves beyond the identification of customers to explain how they purchase products. It examines elements like shopping frequency, product preferences, and the perception of your marketing, sales, and service offerings. Understanding these details allows businesses to communicate with customers in an effective manner. Understanding the behaviours of customers enables businesses to establish effective marketing and advertising campaigns, provide products and services that meet their needs, and retain customers for repeat sales.

Consumer behaviour may be influenced by a number of things. These elements can be categorised into the following three conceptual domains:

- **External Influences:** External influences, like advertisement, peer recommendations or social norms, have a direct impact on the psychological and internal processes that influence various consumer decisions. The focus of external effects is on the numerous elements that have an impact on customers as they choose which needs to satisfy and which products to use to do so. These aspects are divided into two groups – the company's marketing efforts and the numerous environmental elements.

- **Internal Influences:** Internal processes are psychological factors internal to customer and affect consumer decision making. Consumer behaviour is influenced by a combination of internal and external influences, including motivation and attitudes.

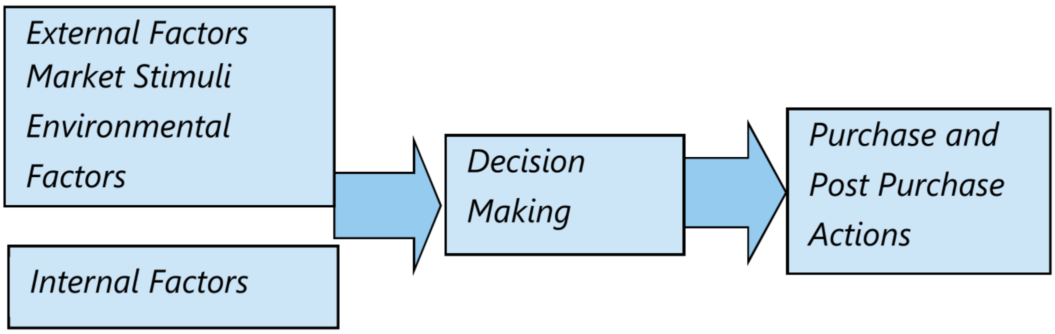


Figure: Process of consumer behaviour

- **Decision Making:** A rational consumer, as decision maker would seek information about potential decisions and carefully integrate this with the existing knowledge about the product. After weighing the advantages and disadvantages of each option, they would make a decision. The stages of decision making process can be described as:

  - Problem recognition, i.e., identify an existing need or desire that is unfulfilled
  - Search for desirable alternative and list them
  - Seeking information on available alternatives and weighing their pros and cons.
  - Make a final choice

  This behaviour of making decisions happens very frequently. However, it mostly applies when the purchase is one that is significant to the customer, such as when the product could have a significant influence on their health or self-image. The process is extremely valid when purchasing a car, television or a refrigerator in contrast to purchase of ice creams or soft drinks.

- **Post-decision Processes:** After making a decision and purchasing a product, the final phase in the decision-making process is evaluating the outcome. The consumer's reaction may vary depending upon the satisfaction. While a happy customer may make repeat purchase and recommend to others, customer with dissonance will neither purchase the product again nor recommend it to others.

Q:9 What is Competitive Landscape? Explain the steps to understand the Competitive Landscape?

What do you understand by 'Competitive Landscape'? What are steps to understand the competitive landscape? [M 19, MTP Sept 22] or

"Understanding the competitive landscape is important to build upon a competitive advantage". Explain. [July 21, MTP July24]

Mr. Arun Kumar has built a successful business in the handmade ceramic products industry in Gujarat. His company, CeramiCrafts, is renowned for crafting distinctive, high-quality ceramic home décor items that have gained a strong foothold in the market. However, recent market shifts and rising competition have impacted sales. Seeking professional guidance, Mr. Kumar consults a strategic advisor who recommends an in-depth analysis of the competitive landscape. To comprehend the competitive landscape, what steps should Mr. Kumar follow? [RTP Jan25]

Answer :

COMPETITIVE LANDSCAPE

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

An in-depth investigation and analysis of a firm's competition allows it to assess the competitor's strengths and weaknesses in the marketplace and helps it to choose and implement effective strategies that will improve its competitive advantage. Thus, understanding the competitive landscape is important to build upon a competitive advantage.

Reality Bite: Hyundai is an important player in the Indian Automobiles (car) market. The company has achieved success year after year since its entry into the Indian market where Maruti has been the industry leader. Hyundai has a deep understanding of its competitive landscape where Tata motors, Mahindra & Mahindra, Toyota, Honda, Ford etc. are competing besides Maruti. To succeed in the competitive environment, it brings out new cars and improved models of existing cars every year to cater to various segments of customers.

Steps to understand the Competitive Landscape

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

   This answers the question:

   ➢ Who are the competitors and how big are they?

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

   This answers the question:

   ➢ What are their product and services?

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

   This answers the questions:

   ➢ What are their financial positions?

   ➢ What gives them cost and price advantage?

   ➢ What are they likely to do next?

   ➢ How strong is their distribution network?

   ➢ What are their human resource strengths?

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

   This answers the question

   ➢ Where are they lacking?

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

   This answers the questions:

   ➢ What will the business do with this information?

   ➢ What improvements does the firm need to make?

➢ How can the firm exploit the weaknesses of competitors?

Q:10 Yash is planning to launch his new tech start-up. He is exploring different locations across the country to establish his company in the right business environment. One option is the city of Bengaluru, the silicon valley of India, with an engaging network of entrepreneurs, investors, advisors and mentors. Coupled with various subsidies for new ventures and tax benefits, Bengaluru might be an ideal choice for Yash to establish his company and increase the chances of success.

Define the term Business Environment with respect to the above scenario. Explain the different ways in which the interaction of a business with its environment can be helpful in developing successful strategy. [M 24, RTP M25]

Answer:

Business Environment refers to all external factors, influences, or situations that affect business decisions, plans, and operations. In Yash's case, these factors include the dynamic and evolving conditions in Bengaluru, which impact the strategic decisions for his tech start-up.

Benefits of Interaction with the Business Environment

- **Determine Opportunities and Threats:** Interaction with the environment **helps Yash identify new consumer needs, emerging trends, and potential market opportunities.** This insight can guide the development of innovative products and services that meet market demands. Understanding changes in laws, social behaviors, and competitor actions enables Yash to anticipate and mitigate potential threats, ensuring the start-up remains resilient and adaptive.

- **Give Direction for Growth:** By analyzing the external environment, Yash can pinpoint areas for expansion and growth. Recognizing market trends and technological advancements allows **him to strategize effectively, ensuring the start-up scales successfully.**

  Awareness of the changes around the business environment facilitates better planning and strategic decisions, aligning the startup's goals with the market dynamics.

- **Continuous Learning:** Continuous interaction with the environment motivates Yash and his team to update their knowledge, understanding, and skills. Staying **informed about industry trends and advancements ensures the start-up remains competitive.** This ongoing learning process enhances the start-up's ability to adapt to changes, promoting innovation and responsiveness to market shifts.

- **Image Building:** Understanding and responding to environmental needs help the start-up build a positive image. For instance, adopting sustainable practices or **contributing to local initiatives can enhance the company's reputation.** Demonstrating sensitivity to the business environment shows that the start-up is responsible and community-focused, attracting customers and partners who value corporate social responsibility.

- Meeting Competition: Interaction with the environment allows Yash to analyze competitors' strategies and adapt accordingly. **Understanding competitors' strengths and weaknesses helps in crafting strategies that provide a competitive edge.** By leveraging insights from the environment, the start-up can position itself uniquely in the market, differentiating its offerings from those of competitors.

Q:11 A company has recently launched a new product in the market. Initially, it faced slow sales growth, limited markets, and high prices. However, over time, the demand for the product expanded rapidly, prices fell, and competition increased. Identify the stages of the product life cycle (PLC) that the company went through. [RTP N23, RTP Sept24, MTP March25]

Answer :

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

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

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

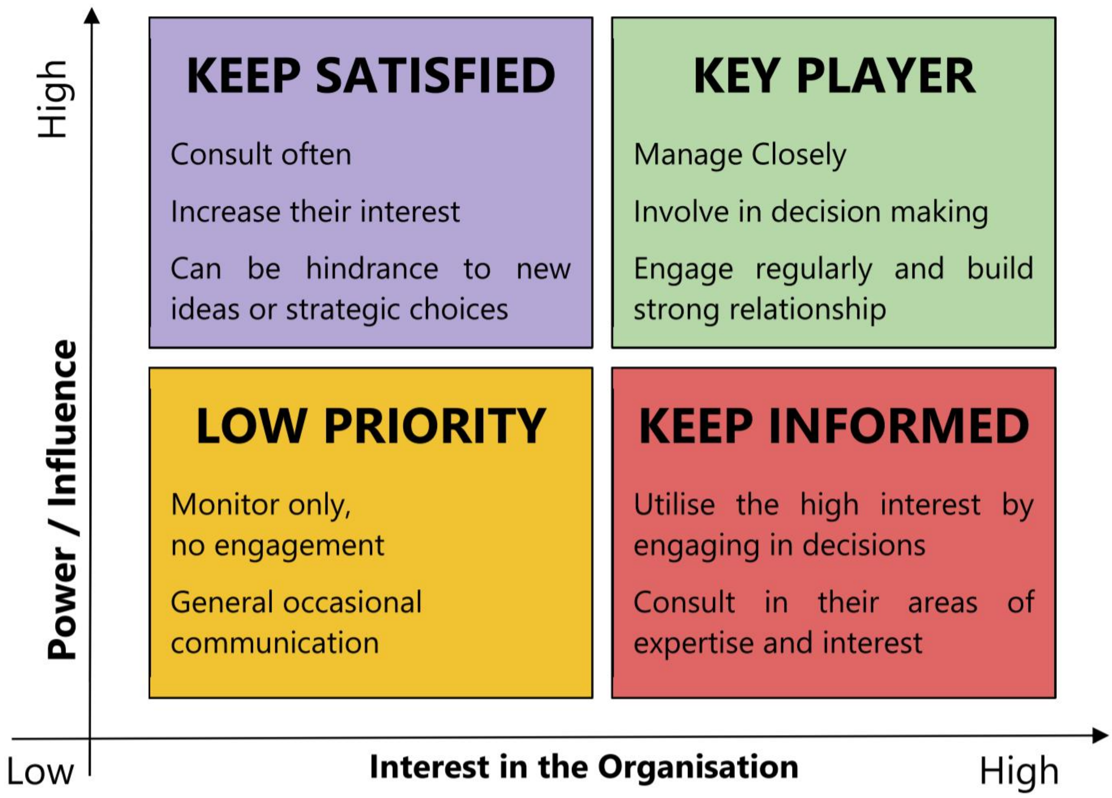
3 Strategic Analysis : Internal Environment

Q:1 Explain Mendelow's Matrix. How to develop grind of Stakeholders.

How can Mendelow's Matrix be used to analyze and manage the stakeholders effectively? [MTP March24, RTP Sept24, MTP March25]

"Managing stakeholders is critical to the success of a project". Explain how Mendelow's Matrix helps in managing stakeholders and categorizing the stakeholders into groups. [Jan 25]

Answer:



In the above figure, we see categorisation of stakeholders into four groups by Mendelow's;

- **KEEP SATISFIED Stakeholders: High power, less interested people -** Organisation should put in enough work with these people to keep them satisfied with their intended information on a regular basis. For example, banks, government, customers, etc.

- **KEY PLAYERS Stakeholders: High power, highly interested people -** Organisation's aim should be to fully engage this group of stakeholders, making the greatest efforts to satisfy them, take their advice, build actions and keep them informed with all information on a regular basis. For example, Shareholders, CEO, Board of Directors, etc.

- **LOW PRIORITY Stakeholders: Low power, a less interested people -** Organisation should only monitor them with no actions to satisfy their expectations. Strategically, minimal efforts should be spent on this group of stakeholders while keeping an eye to check if their levels of interest or power change. For example, business magazines, media houses, etc.
- **KEEP INFORMED Stakeholders: Low power, highly interested people -** Organisation should adequately inform this group of people and communicate with them to ensure that no major issues arise. This audiences can also help with real time feedbacks and areas of improvement for an organisation. For example, employees, vendors, suppliers, legal experts, etc.

Q:2 Mr. Banerjee is head of marketing department of a manufacturing company. His company is in direct competition with thirteen companies at national level. He wishes to study the market positions of rival companies by grouping them into like positions. Name the tool that may be used by Mr. Banerjee? Explain the procedure that may be used to implement the technique. Or

What is a strategic group? Discuss the procedure for constructing a strategic group map. [MTP Apr 21]

A manufacturing company is in direct competition with fifteen companies at national level. Head of marketing department of this company wishes to study the market position of rival companies by grouping them into like positions. Name the tool that may be used by him/her. Explain the procedure that may be used to implement the techniques. [July 21, MTP Aug24]

Recommend a tool to analyze the competitive position of various rival companies in the market and outline the step by step procedure for using the identified tool. [M 24]

A beverage company is launching a new line of energy drinks targeted at health-conscious consumers. The strategic manager wants to study the market position of rival companies in the energy drink segment. Which tool can be used for this analysis, and what is the procedure to implement it effectively? [MTP March24]

Answer :

A tool to study the market positions of rival companies by grouping them into like positions is strategic group mapping. Grouping competitors is useful when there are many competitors such that it is not practical to examine each one in-depth. In the given scenario there are thirteen competitors. A strategic group consists of those rival firms which have similar competitive approaches and positions in the market.

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

- **Identify the competitive characteristics** that differentiate firms in the industry.

Typical variables are price/quality range (high, medium, low); geographic coverage (local, regional, national, global); degree of vertical integration (none, partial, full); product-line breadth (wide, narrow); use of distribution channels (one, some, all); and degree of service offered (no-frills, limited, full).

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

Q:3 Explain the different types of Marketing Strategies

Answer :

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**: It refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group to bring in a social change. For instance, the publicity campaign for prohibition of smoking in Delhi explained the place where one can and can't smoke and also indicates that smoking is injurious to health.
- **Augmented Marketing. [N 18]** : This type of marketing includes additional customer services and benefits that a product can offer besides the core and actual product that is being offered. It can be in the form of introduction of hi-tech services like movies on demand, online computer repair services, secretarial services, etc. Such innovative offerings provide a set of benefits that promise to elevate customer service to unprecedented levels.
- **Direct Marketing**: Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response. Direct marketing includes Catalogue Selling, Mail, Telecommuting, Electronic Marketing, Shopping, and TV shopping.
- **Relationship Marketing**: The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders. For example, Airlines offer special lounges at major airports for frequent flyers. Thus, providing special benefits to select customers to strengthen bonds. It can go a long way in building relationships.
- **Services Marketing**: It is applying the concepts, tools, and techniques, of marketing to services. Services is any activity or benefit that one party can offer to another that is essentially intangible. This marketing requires different marketing strategies since it has peculiar characteristics of its own such as inseparability, variability etc.

- **Person Marketing**: People are also marketed. Person marketing consists of activities undertaken to create, maintain or change attitudes or behavior towards particular people. **For example,** politicians, sports stars, film stars, professional i.e., market themselves to get votes, or to promote their careers and income.
- **Organization Marketing**: It consists of activities undertaken to create, maintain, or change attitudes and behavior of target audiences towards an organization. Both profit and nonprofit organizations practice organization marketing.
- **Place Marketing**: Place marketing involves activities undertaken to create, maintain, or change attitudes and behavior towards particular places say, business sites marketing, tourism marketing.
- **Enlightened Marketing**: A marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system;

  Its five principles include

  - customer-oriented marketing,
  - innovative marketing,
  - value marketing,
  - sense-of-mission marketing, and
  - Societal marketing.
- **Differential Marketing:** A market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each. **For example.** Hindustan Lever Limited has Lifebuoy, Lux and Rexona in popular segment and Liril and Pears in premium segment.
- **Synchromaketing**: **[N 19]** When the demand for the product is irregular due to season, some parts of the day, or on hour basis, causing idle capacity or over-worked capacities, synchromaketing can be used to find ways to alter the same pattern of demand through flexible pricing, promotion, and other incentives. **For example,** products such as movie tickets can be sold at lower price over weekdays to generate demand.
- **Concentrated Marketing**: A market-coverage strategy in which a firm goes after a large share of one or few sub-markets. It can also take the form of Niche marketing.
- **Demarketing**:**[N 19]** Marketing strategies to reduce demand temporarily or permanently- the aim is not to destroy demand, but only to reduce or shift it. This happens when there is overfull demand. For example, buses are overloaded in the morning and evening, roads are busy for most of times, zoological parks are over-crowded on Saturdays, Sundays and holidays. Here demarketing can be applied to regulate demand.

Q:4 Channels are the distribution system by which an organisation distributes its product or provides its service. Explain different kinds of channels.

What are channels? Why is channel analysis important? Explain the different types of channels? [M 24, RTP Jan25]

What are distribution channels, and why is analyzing them crucial for business expansion? Describe the three main types of channels explaining their roles in ensuring products reach customers efficiently and with the necessary support. [MTP Aug24]

Answer :

There are typically three channels that should be considered: sales channel, product channel and service channel.

The sales channel - These are the intermediaries involved in selling the product through each channel and ultimately to the end user. The key question is: Who needs to sell to whom for your product to be sold to your end user? **For example,** many fashion designers use agencies to sell their products to retail organisations, so that consumers can access them.

The product channel - The product channel a focuses on the series of intermediaries who physically handle the product on its path from its producer to the end user. This is true of Australia Post, who delivers and distributes many online purchases between the seller and purchaser when using eBay and other online stores.

The service channel - The service channel refers to the entities that provide necessary services to support the product, as it moves through the sales channel and after purchase by the end user. The service channel is an important consideration for products that are complex in terms of installation or customer assistance. For example, a Bosch dishwasher may be sold in a Bosch showroom, and then once sold it is installed by a Bosch contracted plumber.

Channel analysis is important when the business strategy is to scale up and expand beyond the current geographies and markets. When a business plans to grow to newer markets, they need to develop or leverage existing channels to get to new customers. Thus, analysis of channels that suit one's products and customers is of utmost importance.

For example - if a healthcare brand wants to reach out to elderly customers - they need to be more focused on offline mode of business where agents reach out physically to the elderly as most of their potential customers (i.e. the old aged) are not active on smartphones.

Another example being - if a new drink brand wants to acquire customers - they need to place their products via every channel possible to get more attraction from customers like placing their drinks in stores, and shops alike, offering competitive campaigns to create awareness via online modes (social media) and so and so forth. Thus, channels, the partners in growth, play a crucial role in internal strategic alignment.

Thus, channels, the partners in growth, play a crucial role in internal strategic alignment.

Q:5 Explain the meaning of core competencies. [M 18] or

'Speed' is a leading retail chain, on account of its ability to operate its business at low costs. The retail chain aims to further strengthen its top position in the retail industry. The Chief executive of the retail chain is of the view that to achieve the goals they should focus on lowering the costs of procurement of products. Highlight and explain the core competence of the retail chain. [RTP N20]

Answer :

A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. A core competency for a firm is whatever it does is highly beneficial to the organisation. 'Speed' is the leader on account of its ability to keep costs low. The cost advantage that 'Speed' 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:6 '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.

Answer :

A core competence is a unique strength of an organization which may not be shared by others. Core competencies are those capabilities that are critical to a business achieving competitive advantage. In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses. A core competency for a firm is whatever it does is highly beneficial to the organisation.

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

Q:7 Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss.[RTP N19, Jan 21, RTP N21, MTP July24, MTP Nov24]

Answer :

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,
- ✓ Customer value, and
- ✓ Application to other markets

Competitor differentiation:

Competitor differentiation is one of the main three conditions. 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. The company has to keep on improving these skills in order to sustain its competitive position. Competence does not necessarily have to exist within one company in order to define as core competence. Although all companies operating in the same market would have the equal skills and resources, if one company can perform this significantly better; the company has obtained a core competence. **For example,** it is quite difficult to imitate patented innovation, like Tesla has been winning over competition in electric vehicles.

Customer value:

The second condition to be met is **customer value.** When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence. It will include all the skills needed to provide fundamental benefits. **The service or the product has to have real impact on the customer as the reason to choose to purchase them.** If customer has chosen the company without this impact, then competence is not a core competence, and it will not affect the company's market position. The essence is that the consumer should value the differentiation offered. Without it, the core competency does not make sense.

Application of competencies to other markets:

The last condition refers to **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:8 What are criteria for building a Core Competencies? or

Capabilities that are valuable, rare, costly to imitate, and non-substitutable are core competencies. Explain these four specific criteria of sustainable competitive advantage

that firms can use to determine those capabilities that are core competencies. [RTP M20] or

There are four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are known as core competencies. Explain. [M 22, RTP M24]

Explain the four specific criteria of sustainable competitive advantages that a company can use to determine the capabilities that are core competencies. [Sept 24, MTP March25]

Answer :

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

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

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

(iii) **Costly to imitate:** Costly to imitate means such capabilities that competing firms are unable to develop easily. For example: Intel has enjoyed a first-mover advantage more than once because of its rare fast R&D cycle time capability that brought SRAM and DRAM integrated circuit technology, and brought microprocessors to market well ahead of the competitor. The product could be imitated in due course of time, but it was much more difficult to imitate the R&D cycle time capability.

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

For example, For years, firms tried to imitate Tata's low cost strategy, but most have been unable to duplicate Tata's success. They did not realize that Tata has a unique culture and attracts some of the top talent in the industry. The culture and excellent human capital worked together in implementing Tata's strategy and are the basis for its competitive advantage.

The strategic value of capabilities increases as they become more difficult to substitute.

For example, Competitors are deeply aware about Apple's operating system's (iOS) successful model. However, to date, no competitor has been able to imitate Apple's capabilities. These are also protected through copyrights.

To sum up, we can say that only when a capability is valuable, rare, costly to imitate, and non-substitutable, it is a core competence and a source of competitive advantage. Over a time, core competencies must be supported. Core competencies are a source of competitive advantage only when they allow the firm to create value by exploiting opportunities in its external environment.

Q:9 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?

Answer :

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

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

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

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

Q:10 Discuss strategic alternatives with reference to Michael Porter's strategies. Or

According to Michael porter, strategies allow organizations to gain competitive advantages from different bases. Explain these bases as mentioned by Porter. [M 13, M 18]

Answer :

According to Porter, strategies allow organizations to gain competitive advantage from three different bases: cost leadership, differentiation, and focus. Porter called these base generic strategies. These strategies have been termed generic, because they can be pursued by any type or size of business firm and even by not-for-profit organisations.

- **Cost leadership** emphasizes on producing standardized products at a very low per-unit cost for consumers who are price-sensitive.
- **Differentiation** is a strategy aimed at producing products and services considered unique industry-wide and directed at consumers who are relatively price-insensitive.
- **Focus** means producing products and services that fulfil the needs of small groups of consumers with very specific taste.

Porter's strategies imply different organizational arrangements, control procedures, and incentive systems. Larger firms with greater access to resources typically compete on a cost leadership and/or differentiation basis, whereas smaller firms often compete on a focus basis.

COMPETITIVE SCOPE			
	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Focussed Cost Leadership	Focussed Differentiation
		Low-Cost products/services	Differentiated products/services
		COMPETITIVE ADVANTAGE	

Figure: Michael Porter's Generic Strategies

Porter stresses the need for strategists to perform cost-benefit analysis to evaluate "sharing opportunities" among the firm's existing and potential business units. Sharing activities and resources enhances competitive advantage by lowering costs or raising differentiation. In addition to prompting sharing, Porter stresses the need for firms to "transfer" skills and expertise among autonomous business units effectively in order to gain competitive advantage. Depending upon factors such as type of industry, size of firm and nature of competition, various strategies could yield advantages in cost leadership differentiation, and focus.

Q:11 Explain in brief the various basis of differentiation strategy. [RTP N21, MTP March23, MTP Nov24]

Answer :

Basis of Differentiation

There are several basis of differentiation: product, pricing and organization.

- **Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors. The pursuit of new product offerings can be costly – research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product. **For example,** Apple iPhone, has invested huge amounts of money in R&D, and the customers' value that. They want to be among the first ones to try the new offerings from the company.

- **Pricing:** It can fluctuate based on its supply and demand, and also be influence by the customer's ideal value for the product. Companies that differentiate based on product price can either determine to offer the lowest price, or can attempt to establish superiority through higher prices. **For example,** Apple iPhone dominates the smart phone segment by charging higher prices for its products.

- **Organisation:** Organisational differentiation is yet another form of differentiation. Maximizing the power of a brand, or using the specific advantages that an organization possesses can be instrumental to a company's success. Location advantage, name recognition and customer loyalty can all provide additional ways for a company differentiate itself from the competition. **For example,** Apple has been building customer loyalty since years and has a fanbase of consumers that are called "Apple Fanboys/Fangirls".

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

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

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

With reference to Michael Porter's generic strategies, identify which strategy XXP India has planned for? Explain how this strategy will be advantageous to the company to remain profitable? [Dec 21, RTP Sept24]

Answer :

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

XXP India Ltd. has planned for Differentiation Strategy. The company is planning to launch various innovative product designs and offer loyalty programmes to lure customers.

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

Advantages of Differentiation Strategy

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

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

Q:13 Explain the Advantages and Disadvantages of Focused Strategy. Or

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. [Jan 21, MTP Oct 21]

Answer :

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 Focused Strategy

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

Disadvantages of Focused Strategy

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

Q:14 Quick N Sturdy Inc., a multinational company, is undergoing feasibility study to introduce new luxury and sports car for specific group of customers. The product is meant for customers with distinctive preferences and special requirements. The product is not a standard one and as such the target market is also narrow. Company knows that demand for the product is large enough to be profitable for the company, but small enough to be ignored by other major industry players. The company wants to position itself in the niche market with the prime consideration to offer unique features in the product for the target market.

In the given situation, identify the generic strategy as suggested by Michael Porter. Also state the advantages and disadvantages of such strategy. [N 22]

Answer :

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

Advantages & Disadvantages of Focused Strategy : As Above

Q:15 Domolo is a premium cycles and cycling equipments brand which targets high spending customer with a liking for quality and brand name. Their cycles range from rupees fifteen thousand to rupees one lac. The recent trend of fitness through cycling has created humongous demand for cycles and peripherals like helmets, lights, braking systems, fitness applications, etc. The customer base has grown 150% in the last three months. Mr. Vijay, who is an investor wants to tap in this industry and bring about cheaper options

to people who cannot spend so much. Which business level strategy would best suit for Mr. Vijay's idea and what are the major sub-strategies that can be implemented to capture maximum market? [MTP Apr 21, RTP M23]

Answer :

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

Two sub-strategies that can be implemented are:

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

2. Charging same prices for better quality of products

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

Q:16 EasyLife Corporation, a leading manufacturer of consumer electronics, is considering launching a new line of smart home devices. As a strategic manager, conduct a SWOT analysis for EasyLife Corporation to assess the feasibility and potential success of this new venture. Consider both internal and external factors that could impact the success of the new product line. [MTP April24]

ABC Corporation, a leading manufacturer of consumer electronics, is considering launching a new line of smart home devices. As a strategic manager, conduct a SWOT analysis for ABC Corporation to assess the feasibility and potential success of this new venture. Consider both internal and external factors that could impact on the success of the new product line. [RTP Jan25]

Answer :

SWOT Analysis for EasyLife Corporation's New Smart Home Devices Venture:

Strengths	Weaknesses
• Strong brand reputation in consumer electronics. • Established distribution network. • Access to technological expertise for product development. • Financial resources to support product launch and marketing.	• Limited experience in the smart home devices market. • May require additional investments in research and development. • Potential challenges in integrating a new product line with existing offerings. • Lack of established customer base for smart home devices.

Opportunities	Threats
• Growing market for smart home devices due to increasing consumer interest in home automation. • Possibility of partnering with existing smart home platform providers. • Potential to leverage brand loyalty from existing customers. • Ability to differentiate through innovative features and design.	• Intense competition from established players in the smart home devices market. • Rapid technological advancements lead to short product life cycles. • Potential for cybersecurity threats in connected devices. • Economic factors impacting consumer spending on discretionary items.

The SWOT analysis highlights that while EasyLife Corporation has several strengths that can support the launch of a new smart home devices line, there are also significant weaknesses and threats to consider. To maximize the chances of success, EasyLife Corporation should focus on leveraging its brand reputation and distribution network while carefully addressing the weaknesses and threats identified. Additionally, staying informed about technological developments and consumer trends will be essential for maintaining competitiveness in the dynamic smart home devices market.

Q:17 Chic Threads, a boutique fashion brand renowned for its commitment to sustainability and ethical practices, has recently launched a new line of eco-friendly clothing made from recycled materials. The brand recognizes the growing influence of environmentally conscious consumers who actively shape industry standards through their advocacy and purchasing decisions. These consumers align with Chic Threads' values and have a significant impact on its market position and reputation. How should Chic Threads effectively manage its relationship with environmentally conscious consumers, considering their high power and high interest in shaping the brand's success? [MTP Nov24]

Answer:

According to Mendelow's Matrix, environmentally conscious consumers who influence industry standards fall into the Key Players quadrant. These stakeholders possess both high power and high interest, making them crucial to the success of Chic Threads' sustainability-focused initiatives. Their high interest stems from their alignment with the brand's ethical and eco-friendly values, while their high power arises from their ability to shape market trends, advocate for sustainable practices, and impact on the brand's reputation through their purchasing decisions and influence within the industry.

As Key Players, these consumers require active engagement. Chic Threads must focus on satisfying their expectations by providing regular updates on sustainability efforts, maintaining transparent communication, and incorporating their feedback to ensure continued support. The brand should actively involve these stakeholders in its decision-making processes by seeking their input on product design and sustainability measures. Additionally, building strong relationships through targeted marketing campaigns, collaborations, and awareness initiatives will further solidify their trust and advocacy. Effectively managing this stakeholder group is vital, as their support and satisfaction directly contribute to the success of the brand's eco-friendly clothing line.

Q:18 Write a short note on the key strategic drivers of an organization. [Jan 25]

Answer:

Key Strategic Drivers of an Organization Strategic drivers are essential elements that influence an organization's ability to differentiate itself from its competitors and achieve competitive advantage. These drivers assess the current performance of the business and provide insights into areas that need focus.

The key strategic drivers include:

1. Industry and Markets: Understanding the industry and markets is crucial for identifying the organization's relative position. Industries group similar companies based on their primary products, while markets are defined by the buyers and sellers of these products. Analyzing industry and market dynamics, often through tools like strategic group mapping, helps organizations evaluate competition and refine strategies.

2. Customers: Identifying and understanding customers is a critical driver. Customers are segmented based on their needs and spending capacity, which guides product development and marketing strategies. Differentiating between customers (buyers) and consumers (users) is vital to tailoring pricing, design, and usability strategies effectively.

3. Products and Services: Products and services are central to defining the business. Organizations must assess their offerings, classify products, and devise strategies for differentiation, branding, and pricing. Product innovation and marketing are key to maintaining competitiveness.

4. Channels: The channels through which products and services are delivered impact accessibility and customer satisfaction. Strategies related to direct, digital, or relationship-based marketing ensure the efficient distribution of offerings to target customers.

By aligning these drivers with organizational goals, businesses can achieve sustained growth and maintain a competitive edge.

Q:19 EliteWheels Ltd. is a luxury automobile manufacturer that caters to affluent customers seeking exclusivity and high-end features. The company offers premium vehicles with cutting-edge technology, showed customization options, and top-tier customer service. Unlike massmarket car brands, EliteWheels Ltd. charges a significant premium for its automobiles, ensuring that only a niche segment of customers can afford them. Additionally, the company invests heavily in advanced engineering and innovation to

maintain its superior quality and brand prestige. Identify and explain the strategy adopted by EliteWheels Ltd. [RTP M25]

Answer:

According to Michael Porter, competitive advantage can be derived from three generic strategies: cost leadership, differentiation, and focus.

EliteWheels Ltd. targets a niche market segment by offering unique and high-value automobiles tailored to the needs of affluent consumers. While the company manages its costs efficiently, it does not compromise on the quality or exclusivity of its products. By maintaining superior craftsmanship, advanced technology, and high personalization levels, the brand commands a premium price for its vehicles. Thus, the strategy adopted by EliteWheels Ltd. is Focused Differentiation. A focused differentiation strategy involves offering distinctive features that cater to a specific market segment. Companies employing this strategy may target a specific customer demographic, geographic region, or sales channel. Firms that compete based on uniqueness and focus on a specialized market segment follow a **Focused Differentiation Strategy.**

4 Strategic Choices

Q:1 Justify the statement "Stability Strategy is opposite of Expansion Stratgy". [N 19, MTP March 21, RTP M24]

Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain.[RTP M23]

Answer:

Stability Strategies, as name suggests, are intended to safeguard the existing interests and strengths of business. It involves organisations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on. A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' s trategy. 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:2 Which strategy is implemented by redefining the business, by enlarging its scope of business and substantially increasing investment in the business? Explain the major reasons for adopting this strategy. [MTP Aug24]

Answer :

The strategy in question is the growth/expansion strategy.

The Growth/Expansion strategy involves redefining the business, expanding its scope, and significantly increasing investments. This dynamic and vigorous approach is synonymous with promise and success. It entails a substantial reformulation of goals, major initiatives, and strategic moves, including investments, exploration into new products, technologies, and markets, and innovative decision-making. While promising growth, this strategy navigates the enterprise through relatively unknown and risky paths, rich with potential but also pitfalls.

Major Reasons for Growth/Expansion Strategy

- It may become imperative when environment demands increase in pace of activity.

- Strategists may feel more satisfied with the prospects of growth from expansion; chief executives may take pride in presiding over organizations perceived to be growth-oriented.
- Expansion may lead to greater control over the market vis-a-vis competitors.
- Advantages from the experience curve and scale of operations may accrue.
- Expansion also includes intensifying, diversifying, acquiring and merging businesses. Therefore, growth strategies can take the following forms:

Types of Growth/ Expansion Strategy

The growth strategies can be classified into two main types:

A. Internal growth strategies

B. External growth strategies

A. Internal growth strategies

Internal growth strategies can be further divided into:

I. Expansion through Intensification

II. Expansion through Diversification

Q:3 Explain the Expansion Strategy by intensification given by Igor Ansoff?

What are the various bases on which an existing firm can diversify strategically?

Answer :

Expansion or growth through Intensification

Expansion or growth through intensification means that the organisation tries to grow internally by intensifying its operations either by market penetration or market development or by product development. It tries to cash on its internal capabilities and internal resources. The firm can intensify by adopting any of the following strategies:

(i) **Market Penetration :** Highly common expansion strategy is market penetration/ concentration on the current business. The firm directs its resources to the profitable growth of its existing product in the existing market.

(ii) **Market Development :** It consists of marketing present products, to customers in related market areas by adding different channels of distribution or by changing the content of advertising or the promotional media.

(iii) **Product Development :** Product Development involves substantial modification of existing products or creation of new but related items that can be marketed to current customers through establish channels.

Igor. H. Ansoff gave a framework as shown in figure below which describes the intensification options available to a firm.

Product-Market Expansion Grid

Market Penetration	**Product Development**
♦ Increase market share. ♦ Increase product usage. ♦ Increase the frequency used. ♦ Increase the quantity used. ♦ Find new application for current users.	♦ Add product features, product refinement. ♦ Develop a new-generation product. ♦ Develop new product for the same market.
Market Development ♦ Expand geographically Target new segments.	**Diversification involving new products and new markets** ♦ Related / Unrelated.

Q:4 Explain Conglomerate Diversification.

Answer :

Conglomerate Diversification: In conglomerate diversification, no linkages related to product, market or technology exist; the new businesses/products are disjointed from the existing businesses/products in every way; it is a totally unrelated diversification. In process/technology/function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position. For example, A cement manufacturer diversifies into the manufacture of steel and rubber products.

RELATED DIVERSIFICATION	UNRELATED DIVERSIFICATION
♦ Exchange or share assets or competencies by exploiting. ♦ Brand name. ♦ Marketing skills. ♦ Sales and distribution capacity ♦ Manufacturing skills. ♦ R&D and new product capability. ♦ Economies of scale.	♦ Investment in new product portfolios. ♦ Employment of new technologies. ♦ Focus on multiple products. ♦ Reduce risk by operating in multiple product markets. ♦ Defend against takeover bids. ♦ Provide executive interest.

Q:5 Jynklo Ltd. is an established online children gaming company in Japan. They are performing good in the gaming industry. The management of Jynklo Ltd. has decided to

expand its business. They decided to start a premium sports drink named JynX for athletes.

Identify and explain the growth strategy adopted by Jynklo Ltd.?[MTP Sept 22, RTP N23, RTP M25]

Answer :

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

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

Q:6 Explain Expansion through Innovation.

"Innovation leads to unnecessary expenses that do not give as many returns". Do you agree with the statement? Give reasons in support of your answer. [M 24]

Answer :

Innovation: Innovation drives upgradation of existing product lines or processes, leading to increased market share, revenues, profitability and most important, customer satisfaction**. Some may argue that innovation leads to unnecessary expenses that do not give as much returns, but on the contrary, for a business to grow long term, innovation offers the following;**

- **Helps to solve complex problems:** A business strives to find opportunities in existing problems of the society, and it does so though planned innovation in areas of expertise. This guided innovation help solve complex problems by developing customer centric sustainable solutions. **For example,** the pressing problem of environmental damage is being tackled heads on by shifting to renewable sources of energy like solar, wind, sea waves, etc. It might be costly in introductory stages but in the long run it will only have environmental sustainability.
- **Increases Productivity:** Innovation leads to simplification and in most cases automation of existing tasks. Productivity is defined as a measure of final output from a task or a process, and companies are willing to spend millions on increasing their productivity, Innovation, by automating repetitive tasks, and simplifying the long chain of processes, adds to productivity of teams and thereby the organisation as a whole. For example, MSExcel, every finance professional uses this software to simplify and automate their manual tasks. Such digital innovation which leads to improved productivity, creates opportunities to further

develop processes and products within and outside the organisatoin. Thus, innovation creates a ripple effect that has a far and wide impact across industries.

- **Gives Competitive Advantage:** Being ahead of competition is a need, and businesses spend majority of their strategic time building solutions to achieve this advantage. An interesting concept about innovation is the faster a business innovates, the farther it goes from its competitor's reach. Innovative products need less marketing as they aim to provide added satisfaction to consumers, thus, creating a competitive advantage. Innovation not only helps retain the existing customers but helps acquire new ones with ease.

Q:7 Explain the types of Mergers.

Answer :

Types of Mergers

(a) Horizontal Merger

The types of mergers are similar to types of diversification. Horizontal merger is a combination of firms engaged in the same industry. It is a merger with a direct competitor. The principal objective behind this type of merger is to achieve economies of scale in the production process by shedding duplication of installations and functions, widening the line of products, decrease in working capital and fixed assets investment, getting rid of competition and so on. **For example,** formation of Brook Bond Lipton India Ltd. through the merger of Lipton India and Brook Bond.

(b) Vertical Merger:

It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system. This often leads to increased synergies with the merging firms. If an organization takes over its supplier/producers of raw material, then it leads to backward integration. On the other hand, forward integration happens when an organization decides to take over its buyer organizations or distribution channels. Vertical merger results in many operating and financial economies. Vertical mergers help to create an advantageous position by restricting the supply of inputs to other players, or by providing the inputs at a higher cost. **For example,** backward integration and forward integration.

(c) Co-generic Merger: [M 18]

In Co-generic merger two or more merging organizations are associated in some way or the other related to the production processes, business markets, or basic required technologies. Such merger include the extension of the product line or acquiring components that are required in the daily operations. It offers great opportunities to businesses to diversify around a common set of resources and strategic requirements. For example, an organization in the white goods category such as refrigerators can diversify by merging with another organization having business in kitchen appliances.

(d) Conglomerate Merger: [M 15]

Conglomerate mergers are the combination of organizations that are unrelated to each other. There are no linkages with respect to customer groups, customer functions and technologies being used. There are no important common factors between the organizations in production, marketing, research and development and technology. In practice, however, there is some degree of overlap in one or more of these factors.

Q:8 What is Expansion through Strategy Alliance? Explain advantages and disadvantages of Strategic Alliance?

List the advantages of Strategic Alliances. [N 18, MTP Nov 21]

Explain the Strategic Allience. Describe the advantages of Strategic Alliance. [N 19, N 23, RTP Jan25]

GWA, a leading Japan based automobile company decides to make India a hub for the company's 250 cc motor cycle to be manufactured in collaboration with the TPR Group, a leading Indian motorcycle manufacturer. The production is to be exported to the company's home market as well as to other African countries.

What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration. [Dec 21, MTP March 23]

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. [MTP April24, MTP Dec24]

Answer :

Expansion through Strategic Alliance

A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. The strategic partners maintain their status as independent and separate entities, share the benefits and control over the partnership, and continue to make contributions to the alliance until it is terminated. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

GWA of Japan and TRP group of India opted for strategic alliance as their growth strategy.

Advantages of Strategic Alliance

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

1. **Organizational:** Strategic alliance helps to learn necessary skills and obtain certain capabilities from strategic partners. Strategic partners may also help to enhance productive capacity, provide a distribution system, or extend supply chain. Strategic partners may provide a good or service that complements thereby creating a synergy. Having a strategic

partner who is well-known and respected also helps add legitimacy and creditability to a new venture

2. **Economic:** There can be reduction in costs and risks by distributing them across the members of the alliance. Greater economies of scale can be obtained in an alliance, as production volume can increase, causing the cost per unit to decline. Finally, partners can take advantage of co-specialization, creating additional value, such as when a leading computer manufacturer bundles its desktop with a leading monitor manufacturer's monitor.

3. **Strategic:** Rivals can join together to cooperate instead of compete. Vertical integration can be created where partners are part of supply chain. Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills. This may also help with future business opportunities and the development of new products and technologies. Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

4. **Political:** Sometimes strategic alliances are formed with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry. Forming strategic alliance with politically-influential partners may also help improve your own influence and position.

Disadvantages of Strategic Alliance

Strategic alliances do come with some disadvantages and risks. The major disadvantage is **sharing.** Strategic alliances require sharing of resources and profits, and also sharing knowledge and skills that otherwise organisations may not like to share. Sharing knowledge and skills can be problematic if they involve trade secrets. Agreements can be executed to protect trade secrets, but they are only as good as the willingness of parties to abide by the agreements or the courts willingness to enforce them.

Strategic alliances may also create a potential competitor. An ally may become a competitor in future when it decides to separate out.

Q:9 What is Turnaround Strategy? Explain conditions/indicators which point out turnaround strategy is needed.

"There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive." Discuss. [Dec 21]

Answer :

Turnaround Strategy :

Retrenchment may be done either internally or externally. For internal retrenchment to take place, emphasis known as turnaround strategy.

There are certain conditions or indicators which point out that a turnaround is needed if the company has to survive. These danger signals are:

- Persistent negative cash flow from business(es)

- Uncompetitive products or services
- Declining market share
- Deterioration in physical facilities
- Over-staffing, high turnover of employees, and low morale
- Mismanagement

Q:10 Explain the Action plan for Turnaround Strategy. [RTP N19]

Answer :

Action plan for turnaround strategy [RTP N19]

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. Once the problems are identified, the resources should be focused toward those areas essential to efficiently work on correcting and repairing any immediate issues.

Stage Two– Analyze the situation and develop a strategic plan: Before you make any major changes; determine the chances of the business's survival. Identify appropriate strategies and develop a preliminary action plan. For this one should look for the viable core businesses, adequate bridge financing and available organizational resources. Analyze the strengths and weaknesses in the areas of competitive position. Once major problems and opportunities are identified, develop a strategic plan with specific goals and detailed functional actions.

Stage Three – Implementing an emergency action plan: If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. The plan typically includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, prune product lines and accelerate high potential products. A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.

Stage Four– Restructuring the business: The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Prepare cash forecasts, analyze assets and debts, review profits and analyze other key financial functions to position the organization for rapid improvement.

During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning. Core products neglected overtime may require immediate attention to remain competitive. Some facilities might be closed; the organization may even withdraw from certain markets to make organization leaner or target its products toward a different niche.

Morale building is another important ingredient in the organization's competitive effectiveness. Reward and compensation systems that encourage dedication and creativity amongst employees to think about profits and return on investments.

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:11 What is Divestment Strategy? When is it adopted? [N 12, N 20]

State the reasons in which a company thinks for going to divestment strategy. [N 17]

A company started its operation in 2015 with Product Alpha. In early 2021, with intent to have its better presence in the market, the company diversifies by acquiring a company with product Beta. After sometime, it was observed that product Beta is not faring well. Aggressive competition was therein market for the product. It was also revealed that though customers are not price sensitive, but product was not keeping pace with the fast changing unique features as expected by its customers.

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

As a strategist, suggest the retrenchment strategy to be adopted by the company. Also delineate reasons why a company should adopt such strategy? [N 22]

Answer :

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:12 Describe the Ansoff's product market growth matrix and discuss its utility in strategic management. **[M 13, MTP Oct 22, RTP M23]**

How Ansoff's product Market Growth Matrix is a useful tool for business organizations? [M 17, MTP Oct 21]

Explain the 'product market growth matrix' as propagated by Igor Ansoff as a device for identifying growth opportunities for the future. **[Jan 25]**

Answer :

Ansoff's product market growth matrix

The Ansoff's product market growth matrix (proposed by Igor Ansoff) is a useful tool that helps businesses decide their product and market growth strategy. With the use of this matrix a business can get a fair idea about how its growth depends upon it markets in new or existing products in both new and existing markets. Companies should always be looking to the future. One useful device for identifying growth opportunities for the future is the product/market expansion grid. The product/market growth matrix is a portfolio-planning tool for identifying company growth opportunities.

	Existing Products	New Products
Existing Markets	**Market Penetration**	**Product Development**
New Markets	**Market Development**	**Diversification**

Figure: Ansoff's Product Market Growth Matrix

Market Penetration: **Market penetration refers to a growth strategy where the business focuses on selling existing products into existing markets.** It is achieved by making more sales to present customers without changing products in any major way. Penetration might require greater spending on advertising or personal selling. Overcoming competition in a mature market requires an aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors. Penetration is also done by effort on increasing usage by existing customers. For example, Gucci, a luxury clothing brand, selling its luxury clothing in European markets with new designs, is market penetration.

Market Development: **Market development refers to a growth strategy where the business seeks to sell its existing products into new markets.** It is a strategy for company growth by identifying and developing new markets for current company products. This strategy 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. For example, Gucci, a luxury clothing brand, selling its luxury clothing in Chinese markets, is market development.

Product Development: Product development refers to a growth strategy where business aims to introduce new products into existing markets. It is a strategy for company growth by offering modified or new products to current markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. For example, Gucci, a luxury clothing brand, selling casual clothing in European markets, is product development.

Diversification: Diversification refers to a growth strategy where a business markets new products in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets. This strategy is risky because it does not rely on either the company's successful product or its position in established markets. Typically, the business is moving into markets in which it has little or no experience. For example, Gucci, a luxury clothing brand, selling casual clothing in Chinese markets, is diversification.

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

Q:13 Ajanta & Sons Limited are manufacturers of domestic household security alarms for high income group homeowners in India. The company is currently reviewing two strategic options.

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

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

The senior management team of Ajanta & Sons Limited are keen to analyse the two options using Ansoff's matrix. [RTP N21]

Answer :

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

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

Q:14 Describe the various competitive positions and its assessment criteria as per ADL Matrix. [N 16, M 19] Or

Write a short note on the role of ADL Matrix in assessing competitive position of a firm. [RTP N20, RTP M22, RTP M25]

Answer :

According to the ADL Matrix, the competitive position of a firm is based on an assessment of the following criteria:

Dominant: This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.

Strong: By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitions.

Favourable: This position, which generally comes about when the industry is fragmented and no one competitor stand out clearly, results in the market leaders a reasonable degree of freedom.

Tenable: Although the firms within this category are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition from stronger and more proactive companies in the market.

Weak: The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.

Q:15 Describe the construction of BCG matrix and discuss its utility in strategic management. [J 09]

Explain the Strategic implication of each of the following types of business in a corporate portfolio:

a) Star b) Question Marks c) Cash cows d) Dogs [M 18, RTP M22, MTP Dec24]

State the four strategic options described in BCG Growth-Share matrix. Briefly explan the scenario in which each strategic option is suitable to pursue. [N 19]

Answer :

Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units or major product lines. The BCG growth-share matrix named after its developer facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth.

The BCG growth-share matrix is the simplest way to portray a corporation's portfolio of investments. Growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company. Using the BCG approach, a company classifies its different businesses on a two- dimensional growth-share matrix. In the matrix:

- The vertical axis represents market growth rate and provides a measure of market attractiveness.
- The horizontal axis represents relative market share and serves as a measure of company strength in the market.

Thus the BCG matrix depicts four quadrants as per following:

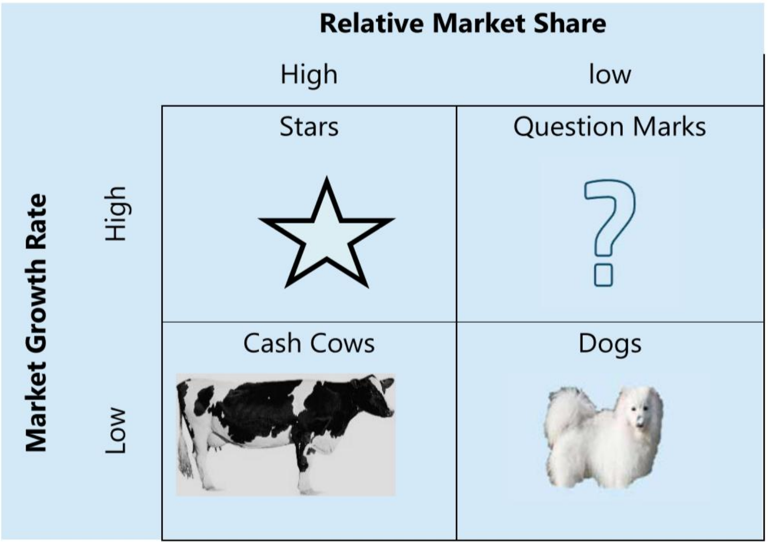


Figure: BCG Growth-Share Matrix

Different types of business represented by either products or SBUs can be classified for portfolio analyses through BCG matrix. They have been depicted by meaningful metaphors, namely:

(a) **Stars** are products or SBUs that are growing rapidly. They also need heavy investment to maintain their position and finance their rapid growth potential. They represent best opportunities for expansion.

(b) **Cash Cows** are low-growth, high market share businesses or products. They generate cash and have low costs. They are established, successful, and need less investment to maintain their market share. In long run when the growth rate slows down, stars become cash cows.

(c) **Question Marks,** sometimes called problem children or wildcats, are low market share business in high- growth markets. They require a lot of cash to hold their share. They need heavy investments with low potential to generate cash. Question marks if left unattended are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organisations to turn them stars and then to cash cows when the growth rate reduces.

(d) **Dogs** are low-growth, low-share businesses and products. They may generate enough cash to maintain themselves, but do not have much future. Sometimes they may need cash to survive. Dogs should be minimised by means of divestment or liquidation.

Q:16 Atrix Ltd. is a company engaged in the designing, manufacturing, and marketing of mechanical instruments like speed meters, oil pressure gauges, and so on. Their products are fitted into two and four wheelers. During the last couple of years, the company has been observing a fall in the market share. This is on account of shift to the new range of electronic instruments. The customers are switching away mechanical instruments that have been the backbone of Atrix Ltd.

As a CEO of Atrix Ltd., what can be the strategic options available with you.

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

As a CEO of Woodworld Ltd., what can be the strategic options available with you. [RTP N22, MTP Oct 23]

Answer :

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

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

Q:17 Health Pharma Pvt. Ltd. (HPPL) a one person company with limited liabililty is manufacturing generic and medicinal drugs in India.

Hygiene Laboratories Plc. (HPL) a multinational company with its strong financial position is one of the major players in pharmaceutical sector.

Individually, each company has its own core competencies. However, additional focus by the state on generic medicine with renewed regulatory requirements are posing challenges in fierce competitive environment.

Considering benefits of synergies, both the companies are considering to join hands for better growth opportunities. Earlier, they tried to go for joint venture or strategic allliance but the arrangement could not materialize.

In view of the facts given above:

(i) If HPPL and HLP join hands and make new entity named Health N Hygiene Pharma Ltd., what type of growth strategy will this strategic development be?

(ii) In case, HLP Is sold out to HPPL and HLP ceased to exist, what type of growth strategy will this strategic deal be?

(iii) What are the differences between the above two identified growth Strategies?[M 23]

Answer :

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

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

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

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

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

Q:18 Distinguish between Concentric Diversification and Conglomerate Diversification. [MTP March24, RTP Sept24, MTP March25]

Answer :

The following are the principal points of distinction between concentric diversification and conglomerate diversification:

(i) Concentric diversification occurs when a firm adds related products or markets. On the other hand, conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business.

(ii) In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. In conglomerate diversification, no such linkages exist; the new business/product is disjointed from the existing businesses/ products.

(iii) The most common reasons for pursuing concentric diversification are that opportunities in a firm's existing line of business are available. However, common reasons for pursuing a conglomerate growth strategy are that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

Q:19 The following are the principal points of distinction between concentric diversification and FreshDelight, renowned for its organic fruit juices, aims to expand its market presence by identifying emerging markets in countries where organic products are gaining popularity. To achieve this, FreshDelight launches targeted marketing campaigns and partners with local distributors to introduce its juices to these new regions. This strategy involves adapting product packaging and marketing messages to align with local preferences and regulations. By entering these new markets, FreshDelight hopes to increase its customer base and drive sales growth. What strategy is FreshDelight using to expand its market presence? [MTP July24]

Answer :

FreshDelight is employing a **market development strategy** to expand its market presence. This approach involves introducing their existing organic fruit juices to new markets, specifically targeting countries where the demand for organic products is on the rise. To achieve this, FreshDelight is launching targeted marketing campaigns and partnering with local distributors to effectively introduce their products to these new regions. Additionally, they are adapting their product packaging and marketing messages to align with local preferences and regulations, ensuring their offerings resonate with the new customer base. By entering these emerging markets, FreshDelight aims to increase its customer base and drive sales growth, leveraging the growing popularity of organic products.

Q:20 TechNova, a leading software development firm known for its cuttingedge operating systems, is developing a groundbreaking new platform. ElectroWave, an emerging player in the electronics and hardware industry, specializes in manufacturing advanced devices. TechNova and ElectroWave have decided to join forces to design innovative laptops and smartphones, aiming to tap into new markets and broaden their business

horizons. What kind of external growth strategy is being considered by TechNova and ElectroWave? [MTP Aug24]

Answer :

The collaboration between TechNova, a software development firm, and ElectroWave, an electronics and hardware manufacturing company, represents a co-generic merger. This type of external growth strategy involves the merger of companies from related but non-competing industries, allowing them to leverage complementary strengths and diversify their product offerings.

TechNova specializes in creating cutting-edge software, while ElectroWave focuses on manufacturing advanced electronic devices. By joining forces, they can combine their expertise to design innovative laptops and smartphones, creating products that neither company could have developed as effectively on their own. This strategic partnership allows them to enter new markets, enhance their competitive advantage, and explore synergies between software and hardware.

The co-generic merger provides significant opportunities for both companies to capitalize on shared technologies, streamline their operations, and expand their customer base. It is a strategic move that enables them to diversify while maintaining a strong focus on their core competencies, ultimately helping them to grow and compete more effectively in the global market.

Q:21 InnovaTech, a technology company with a range of business units, is assessing its investment opportunities. To allocate resources effectively, InnovaTech uses a matrix that evaluates each business unit based on two key factors: industry attractiveness and business unit strength. For example, the AI solutions division, positioned in a highly attractive industry with a strong competitive edge, receives a "go ahead" for further investment. In contrast, its legacy software division, operating in a less attractive industry with a weaker position, receives a "be careful" rating, suggesting limited investment. Identify and explain which analytical tool InnovaTech is using for this evaluation. [RTP Jan25]

Answer:

InnovaTech is using the **GE Matrix,** a strategic tool designed to assess the resource allocation needs of different business units based on two factors: **industry attractiveness and business unit strength.** This matrix is a nine-cell grid that helps companies prioritize investments by categorizing units into “grow,” “hold,” or “harvest” zones, depending on their positions within the matrix.

For InnovaTech, the **AI solutions division,** which operates in a highly attractive industry with a strong competitive position, falls into the “grow” category, meriting further investment. Meanwhile, the **legacy software division** operates in a less attractive industry with weaker positioning, likely placing it in the “harvest” or “hold” category, where investments are minimized.

The GE Matrix enables companies like InnovaTech to systematically evaluate each business unit's potential, optimize resource allocation, and focus on divisions that align with long-term growth and profitability goals.

Q:22 Ecro Ltd. is an e-commerce company that specializes in selling eco-friendly products. Although the company has been doing well, it still continues actively to strengthen its brand identity, launch creative and impactful marketing campaigns, and introduce new and innovative eco-friendly products.

However, the company has started facing increasing competition from large retailers who are entering the eco-friendly space. To face competition the company quickly started to adapt to the changing market conditions, analyse the competitors' strategies, adopt different styles of marketing in response to competitors action and counteract competitors' pricing strategies.

Discuss the strategic approaches taken by Ecro Ltd. in the two different situations to stay competitive. Explain the strategy that Ecro Ltd. should adopt in future to remain competitive and gain competitive advantage. [Jan 25]

Answer:

Ecro Ltd. employs both **proactive** and **reactive** strategic approaches to stay competitive in a dynamic market.

Initially, the company was proactive in its approach by adopting the features of proactive strategies:

• **Strengthening Brand Identity:** Proactively building a strong ecofriendly image to appeal to environmentally conscious consumers.

• **Innovative Marketing Campaigns:** Crafting impactful and creative campaigns to enhance market visibility and differentiate its products.

• **Product Innovation:** Consistently introducing new and innovative eco-friendly products to meet evolving customer demands and maintain a competitive edge.

These proactive strategies are deliberate, reflecting planned actions to improve market position and financial performance.

However, when the company started facing competition from large retailers, it forced the company to quickly adapt to the changing market conditions by following the features of reactive strategies:

• **Adapting to Market Changes:** Responding to the entry of large retailers in the eco-friendly segment by quickly adjusting strategies.

• **Competitor Analysis:** Studying competitors' strategies to counteract their actions effectively.

• **Dynamic Marketing:** Implementing varied marketing techniques to respond to competitors' campaigns.

• **Pricing Adjustments:** Adopting counter-pricing strategies to remain competitive without compromising profitability.

These **reactive strategies** demonstrate Ecro Ltd.'s ability to adapt to unforeseen developments and changing market conditions.

Future Strategy for Competitive Advantage To remain competitive and gain a sustainable edge, Ecro Ltd. should adopt a blended approach of proactive and reactive strategies:

1. **Sustainable Differentiation:** Focus on continuous innovation and exclusive eco-friendly product lines to strengthen its unique position.
2. **Customer-Centric Approach:** Use data analytics to understand consumer preferences and tailor offerings.
3. **Operational Efficiency:** Optimize supply chain and reduce costs to balance affordability and quality.
4. **Strategic Alliances:** Partner with eco-certification organizations to build credibility and trust.

By crafting a strategy that integrates **planned proactive initiatives** with **adaptive responses,** Ecro Ltd. can navigate uncertainty, tackle competition, and ensure long-term success.

Q:23 Organic Beverages has been manufacturing various soft drinks for over a decade. It has developed a sugar free beverage to cater to the needs of specific customers by spending heavily on research and development for this product. In addition, a lot of money was spent on marketing (branded as 'Say no to Sugar') and in obtaining licence for it. In a span of five months, company has gained a major share in the market for this new product and it is growing rapidly. Profitability of this product is also better. In order to take the advantage of best opportunity for expansion, it has to make heavy investment to maintain their position in current and new market.

Classify 'Say no to Sugar' product in the most related category in the two dimensional growth share matrix as per Boston Consulting Group. Explain the strategies which can be pursued post identification and classification of products in such matrix. Also state the limitations of this technique as one of the strategic options. [Jan 25]

Answer:

The 'Say No to Sugar' product by Organic Beverages can be classified as a Star in the BCG Growth-Share Matrix. This classification is due to the product's rapid market growth and the company's strong market share achieved within a short span of five months. Additionally, the product requires heavy investment to maintain its market position and expand further, which aligns with the characteristics of a Star.

Strategies Post-Identification: After identifying the 'Say No to Sugar' product as a Star, the following strategies can be pursued:

1. **Build Strategy:** Increase market share through sustained investments in marketing, distribution, and product development. This ensures the product remains competitive and capitalizes on its growth potential.
2. **Hold Strategy:** Focus on maintaining the current market share and profitability by optimizing resources and sustaining brand reputation.
3. **Harvest Strategy:** This strategy is not suitable for Stars as it prioritizes short-term cash flow over long-term growth, which contradicts the objectives for a Star.
4. **Divest Strategy:** Selling or liquidating the product is unsuitable here, as Stars represent the best opportunities for expansion.

Limitations of BCG Matrix:

1. **Complexity and Cost:** The matrix can be difficult, time-consuming, and costly to implement.
2. **Subjectivity:** Defining SBUs and measuring market share or growth can be challenging and subjective.
3. **Focus on Present:** It emphasizes current business scenarios but provides limited guidance for future strategic planning.
4. **Overemphasis on Growth:** This may lead to unwise investments in high-growth markets or premature divestment of established products.

Thus, while the BCG matrix provides a simplified framework for portfolio analysis, it should be used alongside other strategic tools for balanced decision-making.

Q:24 ABC Fashion, a prominent brand in the domestic market, is now venturing into the international arena. As part of its global expansion strategy, the company is introducing a variety of products tailored to meet the unique tastes and preferences of customers in different regions. By customizing its offerings for each market, ABC Fashion aims to capture a broader audience and establish a strong international presence. Which expansion strategy from Ansoff's Product-Market Growth Matrix best aligns with ABC Fashion's approach? [MTP March25]

Answer:

ABC Fashion's expansion into international markets, offering different products tailored to the unique preferences of various customer segments, aligns with the diversification strategy in Ansoff's Product-Market Growth Matrix. This strategy involves introducing new products to new markets, which represents the highest level of risk and reward in the matrix.

By entering international markets, ABC Fashion is stepping into unfamiliar territories where it must navigate different cultural preferences, market dynamics, and consumer behaviours. The decision to offer a variety of products that cater to the specific needs and tastes of each region demonstrates the company's commitment to localizing its offerings, which is a hallmark of diversification. This strategy is particularly beneficial for companies like ABC Fashion that seek to maximize their growth potential by not only expanding their geographical footprint but also by innovating and adapting their product lines. It allows the company to tap into new revenue streams and diversify its business risk by not relying solely on its domestic market. However, it also requires significant market research, investment, and adaptation to different regulatory environments. In summary, ABC Fashion's approach reflects a strategic diversification, enabling the brand to establish a strong international presence while meeting the diverse needs of global customers.

5. Strategy Implementation and Evaluation

Q:1 Explain the principal aspects of strategy-execution process. [RTP N21, MTP Sept 22, MTP Aug24] Or

Strategy execution is an operations-oriented activity which involves a good fit between strategy and organizational capabilities, structure, climate & culture. Enumerate the principal aspects of strategy execution process which are used in most of the situations. [Jan 21, MTP Oct 21] or

What are the important aspects of the process of implementation of strategy ? [Dec 21]

Answer :

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

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

Q:2 Differentiation between Strategic Planning and Operational Planning. [MTP March 22, RTP M22, MTP Oct23, MTP Nov24, RTP M25]

Answer :

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:3 What is Strategic Planning? How to deal with uncertainty and impact of uncertainty?

Explain how organizations can effectively manage strategic uncertainties in a rapidly changing business environment. [M 24]

Answer :

Strategic Planning: The game plan that really directs the company towards success is called "corporate strategy". The success of the company depends on how well this game plan works. Because of this, the core of the process of strategic planning is the formation of corporate strategy.

Strategic uncertainty and how to deal with it?

Strategic uncertainty refers to the unpredictability and unpredictability of future events and circumstances that can impact an organization's strategy and goals. It can be driven by factors such as changes in the market, technology, competition, regulation, and other external factors. Dealing with strategic uncertainty can be challenging and organizations need to have the flexibility, resilience, and agility to quickly respond to changes in the environment and minimize its impact. To be manageable, they need to be grouped into logical clusters or themes. It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis. **[M 24]**

- **Flexibility:** Organizations can build flexibility into their strategies to quickly adapt to changes in the environment.
- **Diversification:** Diversifying the organization's product portfolio, markets, and customer base can reduce the impact of strategic uncertainty.
- **Monitoring and Scenario Planning:** Organizations can regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.

- **Building Resilience:** Organizations can invest in building internal resilience, such as strengthening their operational processes, increasing their financial flexibility, and improving their risk management capabilities.
- **Collaboration and Partnerships:** Collaborating with other organizations, suppliers, customers, and partners can help organizations pool resources, share risk, and gain access to new markets and technologies.

Q:4 What is Strategy Implementation. Explain relationship of Strategy Implementation with Strategy Formulation. Explain Strategy Formulation Implementation Matrix.

Answer :

Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into action. It deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results. Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

Relationship with strategy formulation

Many managers fail to distinguish between strategy formulation and strategy implementation. Yet, it is crucial to realize the difference between the two because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent. There is no such thing as successful strategic design. This sounds obvious, but in practice the distinction is not always made. Often people, blame the strategy model for the failure of a company while the main flaw might lie in failed implementation. Thus, organizational success is a function of good strategy and proper implementation. The matrix in the figure below represents various combinations of strategy formulation and implementation:

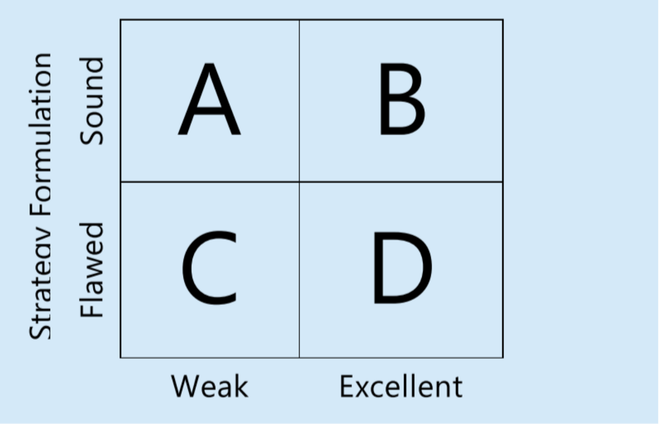


Figure: Strategy formulation and implementation matrix

The above-mentioned figure depicts the distinction between sound/flawed strategy formulation and excellent/ weak strategy implementation.

- **Square A** is the situation where a company apparently has formulated a very competitive strategy but is showing difficulties in implementing it successfully. This can be due to various factors, such as the lack of experience (e.g. for startups), the lack of resources, missing leadership and so on. In such a situation the company will aim at moving from square A to square B, given they realize their implementation difficulties.
- **Square B** is the ideal situation where a company has succeeded in designing a sound and competitive strategy and has been successful in implementing it.
- **Square D** is the situation where the strategy formulation is flawed, but the company is showing excellent implementation skills. When a company finds itself in square D the first thing, they have to do is to redesign their strategy before readjusting their implementation/execution skills.
- **Square C** is denotes for companies that haven't succeeded in coming up with a sound strategy formulation and in addition are bad at implementing their flawed strategic model. Their path to success also goes through business model redesign and implementation/execution readjustment.

Taken together all the elements of business strategy, it is to be seen as a chosen set of actions by means of which a market position relative to the competing enterprises is sought and maintained. This gives us the notion of competitive position.

It needs to be emphasized that 'strategy' is not synonymous with 'long-term plan' but rather consists of an enterprise's attempts to reach some preferred future state by adapting its competitive position as circumstances change. While a series of strategic moves may be planned, competitors' actions will mean that the actual moves will have to be modified to take account of those actions.

Q:5 Short Note : Efficient Effective Matrix.

Answer :

In contrast to this view of strategy there is another approach to management practice, which has been followed in many organizations. In organizations that lack strategic direction there has been a tendency to look inwards in times of stress, and for management to devote their attention to cost cutting and to shedding unprofitable divisions. In other words, the focus has been on efficiency (i.e., the relationship between inputs and outputs, usually with a short time horizon) rather than on effectiveness (which is concerned with the attainment of organisational goals - including that of desired competitive position). While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment. The responsibility for efficiency lies with operational managers, with top management having the primary responsibility for the strategic orientation of the organization.

Strategic Formulation

Operational Management		Effective	Ineffective
	Efficient	1 Thrive	2 Die Slowly
	Inefficient	3 Survive	4 Die Quickly

Figure: Principal combinations of efficiency and effectiveness

An organization that finds itself in cell 1 is well placed and thrives, since it is achieving what it aspires to achieve with an efficient output/input ratio. In contrast, an organization in cell 2 or 4 is doomed, unless it can establish some strategic direction. The particular point to note is that cell 2 is a worse place to be than is cell 3 since, in the latter, the strategic direction is present to ensure effectiveness even if rather too much input is being used to generate outputs. To be effective is to survive whereas to be efficient is not in itself either necessary or sufficient for survival.

In crude terms, to be effective is to do the right thing, while to be efficient is to do the thing right. An emphasis on efficiency rather than on effectiveness is clearly wrong. But who determines effectiveness? Any organization can be portrayed as a coalition of diverse interest groups each of which participates in the coalition in order to secure some advantage. This advantage (or inducement) may be in the form of dividends to shareholders, wages to employees, continued business to suppliers of goods and services, satisfaction on the part of consumers, legal compliance from the viewpoint of government, responsible behaviour towards society and the environment from the perspective of pressure groups, and so on.

Even the most technically perfect strategic plan will serve little purpose if it is not implemented effectively. Many organizations tend to spend an inordinate amount of time, money, and effort on developing the strategic plan, treating the means and circumstances under which it will be implemented as afterthoughts. Change comes through implementation and evaluation, not through the plan. A technically imperfect plan that is implemented well will achieve more than the perfect plan that never gets off the paper on which it is typed.

Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation).

Q:6 Distinguish/Difference between Strategic Formulation and Strategic Implementation. [M 11, M 15, N 16, M 19, MTP Oct 21, MTP March 23]

Answer :

Distinction between strategy formulation and strategy implementation:

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

Strategy formulation	Strategy implementation
Strategy Formulation 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.
Strategy formulation is **placing** forces before the action.	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.
Strategy formulation focuses on **effectiveness**	Strategy implementation focuses on **efficiency.**
Strategy formulation is primarily an **intellectual process.**	Strategy implementation is primarily an **operational process.**
Strategy formulation requires good **intuitive and analytical skills**.	Strategy implementation requires special **motivation and leadership skills**
Strategy formulation precedes Strategy Implementation	Strategy implementation follows Strategy formulation

Q:7 ABC Ltd. is a shoe manufacturing company. The strategic manager of ABC ltd. is Ms. Suman. Ms. Suman hired the best designers she could find online for her ethnic shoe brand but later she found that the designers were better at leather designs. Identify and explain linkage in the given situation as she had to change her strategy basis the actual resources she had? [MTP Sept 22, RTP N23]

Answer :

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

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

Q:8 What is strategic change? Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies? [M 11, M 13] or

Distinguish between Unfreezing the situation and Refreezing – the two stages of kurt lewin change process. Or

Discuss three methods for reassigning new patterns of behavior as proposed by H.C. Kellman. [RTP N20]

Answer :

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 and it involves a corporate strategy focused onnew markets, products, services and new ways of doing business. To make the change lasting, Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future. These stages are unfreezing, changing and refreezing.

(a) **Unfreezing the situation:** The process of unfreezing simply makes the individuals or organizations 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 cleanslate. This can be achieved by making announcements, holding meetings and promoting the ideas throughout the organization.

(b) Changing to New situation: [RTP N20] Once the unfreezing process has been completed and the members of the organization recognise the need for change and have been fully prepared to accept such change, their behaviour patterns need to be redefined. 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.

(c) Refreezing: Refreezing occurs when the new behaviour becomes a normal way of life. The new behaviour must replace the former behaviour completely for successful and permanent change to take place. In order for the new behaviour to become permanent, it must be continuously reinforced so that this new acquired behaviour does not diminish or extinguish.

Change process is not a one time application but a continuous process due to dynamism and ever changing environment. The process of unfreezing, changing and refreezing is a cyclical one and remains continuously in action.

Q:9 Explain five best practices of change management strategy for digital transformation in small and medium sized businesses.

Imagine you are a consultant advising a small manufacturing company embarking on a digital transformation journey. The company's leadership is concerned about managing the change effectively. Using the best practices for managing change in small and medium-sized businesses, outline a strategy to help the company navigate this transformation successfully.

[MTP March24]

Answer :

One of the most important area of focus for guaranteeing a successful transformation is change management. Businesses nowadays increasingly find themselves responsible for managing more than simply their staff, clients, and products. Additionally, they are handling the introduction of new technology, the unexpected emergence of new market opportunities, and changes in customer preferences regarding the brands they choose, interact with, and hold to. In essence, modern firms must be able to manage change. They must modify their management techniques in order to achieve this. **The five best practices for managing change in small and medium-sized businesses are:**

1. **Begin at the top:** A focused, invested, united leadership that is on the same page about the company's future is reflected in change that begins at the top. The culture that will motivate the rest of the organisation to accept change can only be generated and promoted in this way.

2. **Ensure that the change is both necessary and desired:** The fact that decision-makers are unaware of how to properly handle a digital transformation and the effects it will have on their firm is one of the main causes of this. If a corporation doesn't have a sound strategy in place, introducing too much too fast can frequently become a major issue down the road.

3. **Reduce disruption:** Employee perceptions of what is required or desirable change can differ by department, rank, or performance history. It's crucial to lessen how changes affect staff. The introduction of new tactics or technologies intended to improve management and corporate operations causes employee concern about change. It is possible to reduce workplace disruption by:

   a. Getting the word out early and preparing for some interruption.

   b. Giving staff members the knowledge and tools, they need to adjust to change.

   c. Creating an environment that encourages transformation or change.

d. Empowering change agents to provide context and clarity for changes, such as project managers or team leaders.

e. Ensuring that IT department is informed of changes in technology or infrastructure and is prepared to support them.

4. **Encourage communication:** Create channels so that workers may contact you with queries or complaints. Encourage departmental collaboration to propagate ideas and innovations as new procedures take root. Communication promotes efficiency and has the power to influence culture, just like your vision. The people who will be affected the most by these changes are reassured that they are not in danger through effective communication, which keeps everyone on the same page.

5. **Recognize that change is the norm, not the exception:** Change readiness may be defined as "the ability to continuously initiate and respond to change in ways that create advantage, minimize risk, and sustain performance." In order to keep up with the customers, businesses must also adapt their operations. They must prepare for change in advance and expect them. It may run into difficulties because change is not a project but rather an ongoing process.

Q:10 Why is change management crucial during digital transformation, and what are some key strategies for navigating change effectively? [RTP M24]

Explain the pointers for navigating change during digital transformation. [Sept 24, MTP March25]

Answer :

Any organisation may find the work of digital transformation challenging and overwhelming. To ensure that a digital transition is effective, change management is essential. Here are some pointers for navigating change during the digital transformation:

1. **Specify the digital transformation's aims and objectives:** What is the intended outcome? What are the precise objectives that must be accomplished? It will be easier to make sure that everyone is on the same page and pursuing the same aims if everyone has a clear grasp of the goals.

2. **Always, always, always communicate:** It might be challenging for people to accept change and adjust to it. Ensure that you routinely and honestly discuss the objectives of the digital transformation and how they will affect stakeholders, including employees, clients, and other parties.

3. **Be ready for resistance:** Even when a change is for the better, it can be challenging for people to embrace it. Have a strategy in place for dealing with any resistance that may arise.

4. **Implement changes gradually:** Changes should ideally be implemented gradually rather than all at once. In order to avoid overwhelming individuals with too much change at once, this will give people time to become used to the new way of doing things.

5. **Offer assistance and training:** Workers will need guidance in the new procedures, software applications, etc.

In conclusion, effective completion of the massive project known as digital transformation depends on meticulous planning and change management. Digital transformation efforts are more likely to fail without change management. Organizations can successfully integrate a new digital system by planning for and managing the changes that must take place. Any project involving digital transformation must include it

Q:11 The McKinsey 7S Model refers to a tool that analyzes a company's "organizational design." Explain

Boya Ltd. is a venture in the market present for a decade. Till, 2023 it was working on the values and vision of its founder while operating in limited area of operations.

Growth Opportunities exists for Boya Ltd. considering the changing environment, company is interested to leverage new skills in marketing, technology, product development and financial management. As a known fact, modifying one aspect might have ripple effect on other elements. The company wants to understand various hard and soft elements interrelated with each other in the company and having a bearing on effective operational results.

As a strategist, you intend to prepare a questionnaire based on both types of elements by analysing the organizational design. The response to the same will help in finding an answer to ensure effectiveness through the interaction of such elements.

Briefly discuss the strategic model you will use in the given situation.

State the limitation of the model as well. [M 24] or

GloWare Ltd., an apparel manufacturer, has been in the market for over a decade. Until 2023, it operated on the founding principles of its CEO, focusing on a limited regional market. With new growth opportunities arising, GloWare is now interested in developing new competencies in areas such as digital marketing, product innovation, sustainable materials, and financial management. Recognizing that changing one area may impact others, the company wants a comprehensive understanding of the interconnected elements that contribute to its operational effectiveness.

As a strategist, you are tasked with creating a questionnaire to analyze both the "hard" and "soft" elements of the organization. This assessment will enable GloWare to understand the factors that influence its effectiveness and to strategically align its structure, skills, and culture with its growth ambitions. [RTP Jan25]

Answer :

The McKinsey 7S Model refers to a tool that analyzes a company's "organizational design." The goal of the model is to depict how effectiveness can be achieved in an organization through the interactions of hard and soft elements. The McKinsey 7s Model focuses on how the "Soft Ss" and "Hard Ss" elements are interrelated, suggesting that modifying one aspect might have a ripple effect on the other elements in order to maintain an effective balance.

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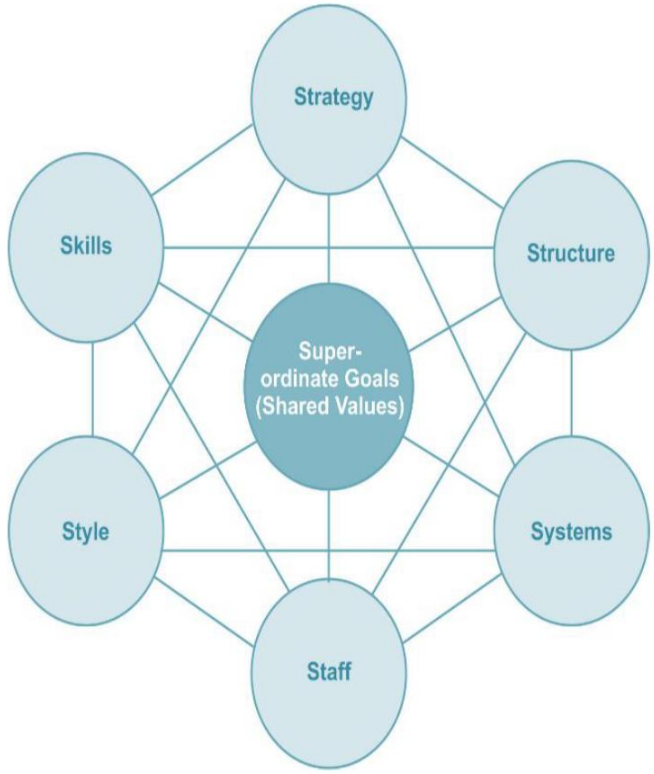
<td>
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<td>Hard elements are:
Strategy: What steps does the company intend to take to address current and futures challenges?
Structure: How is work divided, how do different departments work and collaborate?
Systems: Which formal and informal processes is the company's structure based on?</td>
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<td></td>
<td>Soft elements are:
Shared Values: What is the idea the organization subscribes to? Is this idea communicated credibly to others?
Staff: This elements refers to employees development and relevant processes, performances and feedback programs etc.
Skill: What is the company's base of skills and competencies?
Style: This depicts the leadership style and how it influences the strategic decisions of the organization.</td>
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The **Hard elements** are directly controlled by the management. The following elements are the hard elements in an organization.

- **Strategy:** the direction of the organization, a blueprint to build on a core competency and achieve competitive advantage to drive margins and lead the industry
- **Structure:** depending on the availability of resources and the degree of centralisation or decentralization that the management desires, it choses from the available alternatives of organizational structures.
- **Systems:** the development of daily tasks, operations and teams to execute the goals and objectives in the most efficient and effective manner.

The **Soft elements** are difficult to define as they are more governed by the culture. But these soft elements are equally important in determining an organization's success as well as growth in the industry. The following are the soft elements in this model;

- **Shared Values:** The core values which get reflected within the organizational culture or influence the code of ethics of the management.
- **Style:** This depicts the leadership style and how it influences the strategic decisions of the organisation. It also revolves around people motivation and organizational delivery of goals.
- **Staff:** The talent pool of the organisation.
- **Skills:** The core competencies or the key skills of the employees play a vital role in defining the organizational success.

But like any other strategic model, this model has its limitations as well;

- It ignores the importance of the external environment and depicts only the most crucial elements within the organization.
- The model does not clearly explain the concept of organizational effectivness or performance.
- The model is considered to be more static and less flexible for deicion making.
- It is generally criticized for missing out the reals gaps in conceptualization and execution of strategy.

Q:12 Draw "Divisional Structure" with the help of a diagram. Also, give advantages and disadvantages of this structure in brief. [N 20]

Answer :

Divisional structure is that organizational structure which is based on extensive delegation of authority and built on division basis. The divisional structure can be organized in one of the four ways: by geographic area, by product or service, by customer, or by process. With a divisional structure, functional activities are performed both centrally and in each division separately.

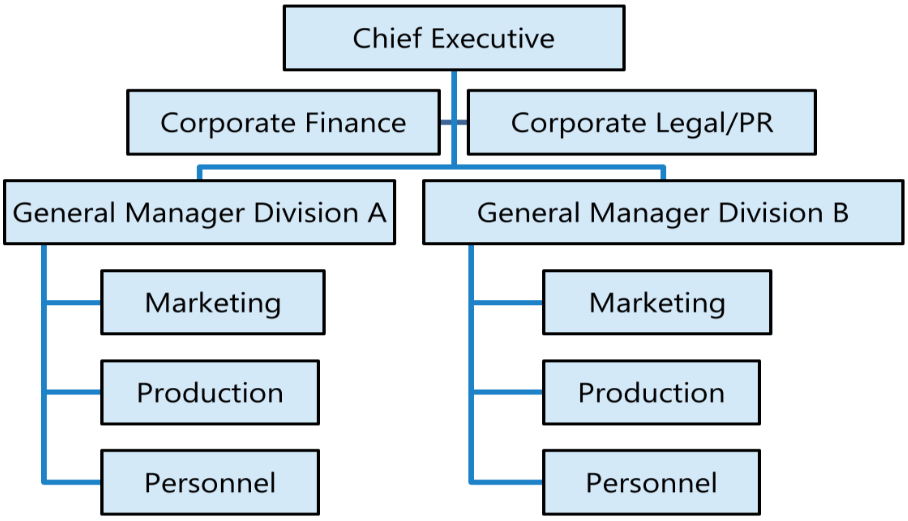


Figure: Divisional Structure

Advantages of Divisional Structure

♦ **Accountability is clear:** Divisional managers can be held responsible for sales and profit levels. Because a divisional structure is based on extensive delegation of authority, managers and employees can easily see the results of their good or bad performances and thus their morale is high.

♦ **Other advantages:** It creates career development opportunities for managers, allows local control of local situations, leads to a competitive climate within an organization, and allows new businesses and products to be added easily.

Disadvantages of Divisional Structure

♦ **Higher cost:** Owing to following reasons: (i) requires qualified functional specialist at different divisions and needed centrally (at headquarters); (ii) It requires an elaborate, headquarters – driven control system.

♦ **Conflicts between divisional managers:** Certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, company-wide practices.

Q:13 Give Reasons to justify that a divisional structure is costly. [M 17]

Answer :

A Divisional Structure is costly for several reasons which are as follows:

- First, each division requires functional specialists who must be paid.
- Second, there exists some duplication of staff services, facilities, and personnel; for instance, functional specialists are also needed centrally (at headquarters) to coordinate divisional activities.
- Third, managers must be well qualified because the divisional design forces delegation of authority better-qualified individuals requires higher salaries. A divisional structure can also be costly because it requires an elaborate, headquarters-driven control system.
- Finally, certain regions, products, or customers may sometimes receive special treatment, and It may be difficult to maintain consistent, companywide practices.

Q:14 Bunch Pvt Ltd is dealing in multiproduct like electronics and FMCG and are having outlets in different cities and markets across India. Due to scale of operation, it is having technical difficulty in dealing with distinct product line and markets especially in coordination and control related problems. Identify and suggest an ideal organizational structure for Bunch Pvt Ltd in resolving the problem? [RTP N21, MTP Nov 21, MTP March 23]

Answer :

To deal with the problems facing by the Bunch Pvt Ltd., we suggest Multi divisional structure for the organisation. Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business to which the top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers. By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.

Multidivisional or M-form structure was developed in the 1920s, in response to coordination- and control-related problems in large firms. Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products. Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution. Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible). Top managers became over-involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

Q:15 Moonlight Private Limited deals in multi-products and multi-business. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its products or businesses. As a strategic manager, suggest type of structure best suitable for Moonlight Private Limited and state its benefit. [Jan 21] Or

What is a strategic business unit? What are its advantages? Or

How the 'Strategic Business Unit (SBU), structure becomes imperative in an organization with increase in number, size and diversity of divisions? [RTP M22, MTP Dec24]

A Mumbai-based conglomerate, PQR Ltd., has announced a major restructuring of its business operations. The company has decided to split its business into four separate units: Manufacturing, Retail, Services, and Technology. Each unit will operate as a separate business, with delegated responsibility for day-to-day operations and strategy to the respective unit managers. Identify the organization structure that PQR Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. [MTP April24, RTP Sept24]

Answer :

It is advisable for Moonlight Private Limited to follow the strategic business unit (SBU) structure.

Moonlight Private Limited has a multi-product and multi-business structure where, each of these businesses has its own set of competitors. In the given case, Strategic Business Unit (SBU) structure would best company. SBU is a part of a large business organization that suit the interests of the is treated separately for strategic management purposes. It is separate part of large business serving

product markets with readily identifiable competitors. It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Very large organizations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units, just as is the case for Moonlight Private Limited. SBU structure becomes imperative in an organization with increase in number, size and diversity.

Benefits of SBUs:

1. Establishing coordination between divisions having common strategic interest.

2. Facilitate strategic management and control. 3. Determine accountability at the level of distinct business units.
3. Allow strategic planning to be done at the most relevant level within the total enterprise.
4. Make the task of strategic review by top executives more objective and more effective.
5. Help to allocate resources to areas with better opportunities.

Thus, an SBU structure with its set of advantages would be most suitable for the company with the given diverse businesses having separate identifiable competitors, but a common organizational goal.

Q:16 Davis and Lawrence have proposed three distinct phases to develop matrix structure. [M 17]

Answer :

For development of matrix structure Davis and Lawrence, have proposed three distinct phases:

1. 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.

2. 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 isstill the primary organizational structure, but product or brand managers act as the integrators of semi permanent products or brands.

3. Mature matrix: The third and final phase of matrix development involves a true dualauthority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager. Functional and product managers have equal authority and must work well together to resolve disagreements over resources and priorities.

However, the matrix structure is not very popular because of difficulties in implementation and trouble in managing.

Q:17 "A network structure is suited to unstable environment." Elucidate this statement. [RTP M22] or

Due to reoccurrence of various variants of Corona virus, LMN Ltd. is facing unstable environment and it has started unbundling and disintegrating its activities. It also started relying on outside vendors for performing these activities. Identify the organisation structure LMN Ltd. is shifting to. Under what circumstances this structure becomes useful? [M 22]

Answer :

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

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

Q:18 What is Hourglass Structure? How is it beneficial for an organization? [NS M 19] Or

Maadhyam, a hearing aid manufacturer recently introduced an AI based management tool in its organization which are having the qualities and capabilities of managing teams across functions. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organisation and assists in quick decision making. The skewed middle level managers now perform cross -functional duties. What could be their new organizational structure post implementation of AI based management tool? How can this structure benefit the organization? [MTP Oct 21]

Answer :

Hourglass Structure

In the recent year's information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools. Hourglass organization structure consists of three layers with constricted middle layer. The structure has a short and narrow middle-management level. Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers. A shrunken middle layer coordinates diverse lower level activities. Contrary to traditional middle level managers who are often specialist, the managers in the hourglass structure are generalists and perform wide variety of tasks. They would be handling cross-functional issues emanating such as those from marketing, finance or production.

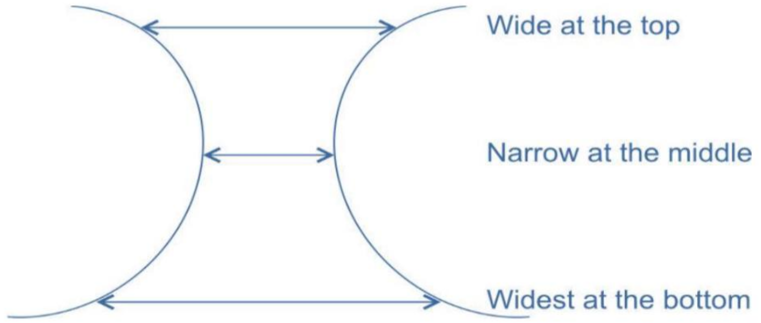


Figure: Hourglass Organisation Structure

Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making. Decision making authority is shifted close to the source of information so that it is faster. However, with the reduced size of middle management the promotion opportunities for the lower levels diminish significantly. Continuity at same level may bring monotony and lack of interest and it becomes difficult to keep the motivation levels high. Organisations try to overcome these problems by assigning challenging tasks, transferring laterally and having a system of proper rewards for performance.

Q:19 Define corporate culture. Also elucidate the statement "Culture is a strength that can also be a weakness". [M 11] or

Briefly describe the impact of corporate culture on an organization. [M 14]

Describe corporate culture. Elaborate the statement "Culture is a strength that can also be a weakness". [N 18]

Answer :

Every organisation has a unique organizational culture. It has its own philosophy and principles, its own history, values, and rituals, its own ways of approaching problems and making decisions, its own work climate. It has its own embedded patterns of how to do things. Its own ingrained beliefs and thought patterns, and practices that define its corporate culture.

Corporate culture refers to a company's values, beliefs, business principles, traditions, ways of operating, and internal work environment.

"Culture is a strength that can also be a weakness". This statement can be explained by splitting it in to two parts.

Culture as a strength: As a strength, culture can facilitate communication, decision-making & control and create cooperation & commitment. An organization's culture could be strong and cohesive when it conducts its business according to a clear and explicit set of principles and values, which the management devotes considerable time to communicating to employees and which values are shared widely across the organization.

Culture as a weakness: As a weakness, culture may obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterized as weak when many subcultures exist, few values and behavioral norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty and sense of identity.

Culture: ally or obstacle to strategy execution?

When the beliefs, vision, objectives, and business approaches and practices supporting a company's strategy are compatible with its culture, then the culture becomes a valuable ally in strategy implementation and execution.

When the culture is in conflict with some aspect of the company's direction, performance targets or strategy, the culture becomes an obstacle that impedes successful strategy implementation and execution.

Q:20 Describe the concept of corporate culture. Elaborate the problems that business houses are facing while changing their culture to remain adaptive with the globally changing scenario. [M 16] Or

How can management communicate that it is committed to creating a new culture assuming that the old culture was problematic and not aligned with the company strategy? [N 19, RTP M21, MTP March 21, RTP M23] or

What steps would you suggest to change a company's problem culture? [N 14]

You are Research and Development manager of Sun Ltd. You are assigned the responsibility of technology enhancement. You have to take a decision either to acquire R & D expertise from external firms or develop R & D expertise internally. Do you need guidelines to help you take decision? Validate your answer. [MTP Oct 22]

Answer :

Corporate culture refers to company's values, beliefs, business principles, traditions, ways of operating and internal work environment.

Changing a problem culture: Changing a company's culture to align it with strategy is among the toughest management tasks--easier to talk about than do.

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 instilones that are more strategy -supportive.

- The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
- Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.

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

Management through communication has to create a shared vision to manage changes. The menu of culture-changing actions includes revising policies and procedures in ways that will help drive cultural change, altering incentive compensation (to reward the desired cultural behaviour), visibly praising and recognizing people who display the new cultural traits, recruiting and hiring new managers and employees who have the desired cultural values and can serve as role models for the desired cultural behaviour, replacing key executives who are strongly associated with the old culture, and taking every opportunity to communicate to employees the basis for cultural change and its benefits to all Concerned.

Q:21 Discuss the leadership role played by the managers in pushing for good strategy execution.[M 14, NS M 19]

Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr Sinha about the leadership role to be played by him in execution of strategy. [MTP Apr 21, N 22]

You have been appointed as head of the Strategic Business Unit (SBU) of a large multiproduct company. Explain the leadership roles, you have to play as a Manager in pushing for good strategy execution. [M 23]

Answer :

A strategic leader is a change agent to initiates strategic changes in the organisations and ensure that the changes successfully implemented. For the most part, major change efforts have to be top-down and vision-driven. Leading change has to start with diagnosing the situation and then deciding which of several ways to handle it. Managers have five leadership roles to play in pushing for good strategy execution:

Managers have five leadership roles to play in pushing for good strategy execution: [M 14, NS M 19]

1. **Staying on top** of what is happening, closely monitoring progress, discovering issues, and learning what obstacles lie in the path of good execution.
2. **Promoting a culture and esprit de corps** that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
3. **Keeping the organization responsive to changing conditions**, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
4. **Exercising ethics leadership** and insisting that the company conduct its affairs like a model corporate citizen.

5. **Pushing corrective actions** to improve strategy execution and overall strategic performance.

For example, N. R. Narayan Murthy, is known as a celebrated business leader because of the values he had institutionalised over his tenure as CEO of Infosys. One of the great legacies he left with Infosys is a strong management development program that builds management talent and strategic leader with ethical values.

Dhirubhai Ambani, pioneer of Reliance Group, was an icon in himself because of his ability to conceptualise and create sweeping strategies, to reach corporate goals, and proficiency in implementing his strategic vision. Dhirubhai Ambani had the ability to provide clear direction for the company and had strong interpersonal skills that inspired the employees to contribute their best for the accomplishment of strategic vision. These qualities made him an excellent strategic leader in the corporate world.

Q:22 What do you mean by strategic leadership? What are two approaches to leadership style? [M 08]

Answer :

Strategic leadership is the ability of influencing others to voluntarily make decisions that enhance prospects for the organisation's long-term success while maintaining short-term financial stability. It includes determining the firm's strategic direction, aligning the firm's strategy with its culture, modelling and communicating high ethical standards, and initiating changes in the firm's strategy, when necessary.

Strategic leadership sets the firm's direction by developing and communicating a vision of future and inspire organization members to move in that direction. Unlike strategic leadership, managerial leadership is generally concerned with the short-term, day-to-day activities.

Two basic approaches to leadership can be transformational leadership style and transactional leadership style.

- **Transformational leadership style** use charisma and enthusiasm to inspire people to exert them for the good of the organization. Transformational leadership style may be appropriate in turbulent environments, in industries at the very start or end of their life-cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes. Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction. They inspire involvement in a mission, giving followers a 'dream' or 'vision' of a higher calling so as to elicit more dramatic changes in organizational performance. Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence, and also promote innovation throughout the organization.
- **Transactional leadership style** focus more on designing systems and controlling the organization's activities and are more likely to be associated with improving the current situation. Transactional leaders try to build on the existing culture and enhance current

practices. Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status.

They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

Transactional leadership style may be appropriate in settled environment, in growing or mature industries, and in organizations that are performing well. The style is better suited in persuading people to work efficiently and run operations smoothly.

Q:23 What is Strategic Control? Explain the types of Strategic Controls. [N 16, RTP M20, RTP N22]

Short Note : Implementation Control [N 15]

Why is Strategic Control important for organizations? Discuss briefly four types of strategic control that can be implemented to achieve the enterprise goals. [N 19]

Answer :

Types of Strategic Control: There are four types of strategic control as follows:

• **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational environment. Over a period of time these premises may not remain valid. 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.

• **Strategic surveillance:** Contrary to the premise control, the strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy. It involves casual environmental browsing. Reading financial and other newspaper, business magazines, attending meeting, conferences, discussions and so on can help in strategic surveillance.

Strategic surveillance may be loose form of strategic control, but is capable of uncovering information relevant to the strategy.

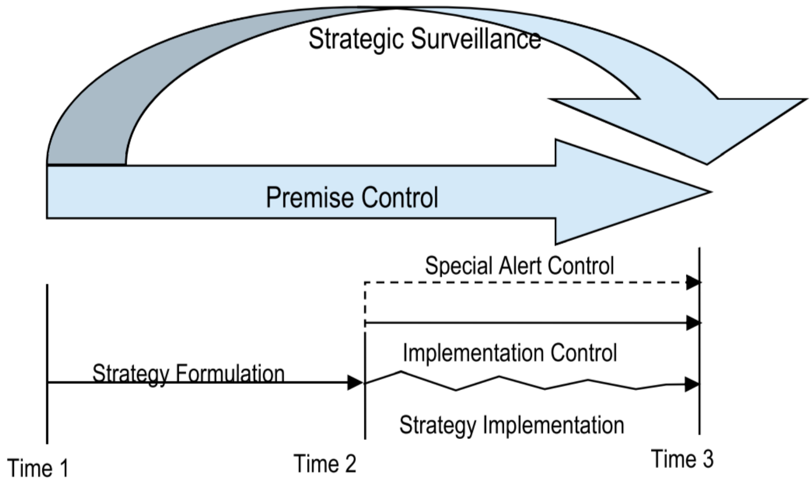
• **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, terrorist attacks, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy. To cope up with such eventualities, the organizations from crisis management teams to handle the situation.

Implementation control: [RTP N21, RTP N23] 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. Unlike operational contro, it continuously monitors the basic direction of the strategy. The two basic forms of implementation control are :

(i) Monitoring strategic thrusts: Monitoring strategic thrusts helps 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.



Source: *John A Pearce II, Richard B Robinson, Jr. and Amita Mital "Strategic Management-Formulation, Implementation and Control".*

These four strategic controls steer the organisation and its different sub-systems to the right track. They help the organisation to negotiate through the turbulent and complex environment.

Q:24 What is strategic Control? Kindly explain the statement that "Premise control is a tool for systematic and continuous monitoring of the environment"? [N 20]

Answer :

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:25 What is Strategic performance measures? Explain types of Strategic performance measures.

Define Strategic Performance Measures (SPM). Explain various types of strategic performance measures. [MTP April24]

Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation. In light of the statement, state various types of Strategic performance measures. [Sept 24]

Or

GreenEdge Solutions, a mid-sized technology company, has implemented a new strategic plan focused on achieving sustainable growth and strengthening its market presence. The leadership team is determined to monitor the effectiveness of their strategies to ensure they align with the organization's overall goals and objectives. They seek a systematic approach to assess key performance areas critical to their success. What are Strategic Performance Measures (SPM), and how can GreenEdge Solutions effectively use them to evaluate and enhance the success of their strategic plan? [MTP Nov24]

Answer :

A company's performance depends heavily on execution of strategy. Companies that continuously outperform their competitors are those who execute well. Executives in a variety of businesses should explore about utilizing strategic performance measurement (SPM). SPM is a method that increases line executives' understanding of an organization's strategic goals and offers a continuous system for tracking progress towards these objectives using clear-cut performance measurements. SPM helps to eliminate silos by establishing a common language among all divisions of the organisation so they may communicate openly and productively.

Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation. The measures provide a snapshot of the organization's performance, enabling leaders to assess whether their strategies are aligned with their goals and objectives and to make necessary adjustments to improve their performance.

Key performance measures and indicators must be created, selected, combined into reports and acted upon so that strategy implementation can have tangible outcomes. Firstly, there needs to be a clear cause and effect relationship between the indicators and strategic outcomes. Secondly, KPIs need to be carefully chosen because they will influence the behaviour of people within the organisation. However, managers should be aware of paralysis by over analysis.

Managing the political aspects of implementing a strategy

People involved in the planning process for the implementation of a strategy may be affected by two sets of forces. The "rational" forces of openness, communication, and self-analysis can exist on the one hand. On the other hand, there could be political forces concerned with preserving empires and fostering internal rivalry that urge knowledge retention, selective communication, and caution. When these two techniques conflict, the politically acceptable aspects may end up in the explicit strategy while the sensitive elements may form an unspoken plan that contains the implicit strategy.

Types of Strategic Performance Measures

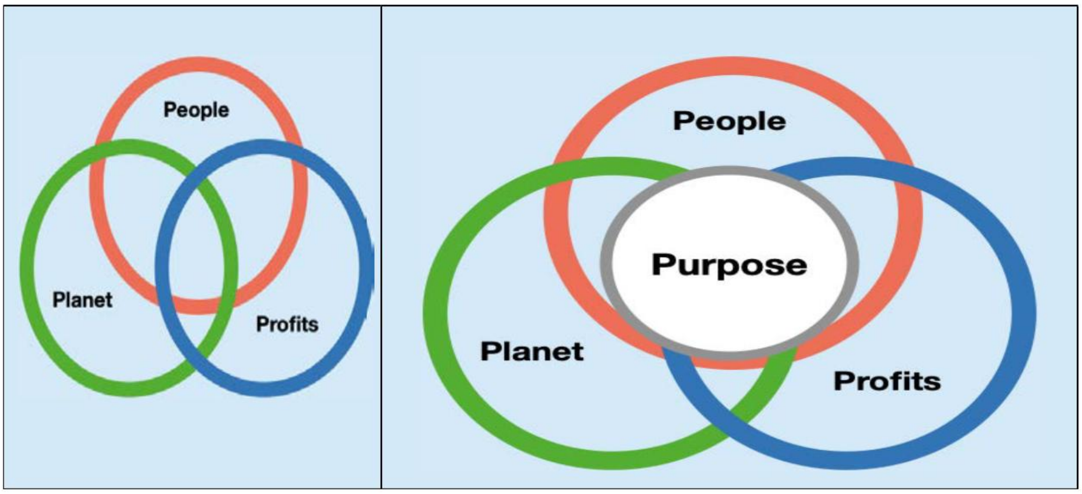
There are various types of strategic performance measures, including:

- **Financial Measures:** Financial measures, such as revenue growth, return on investment (ROI), and profit margins, provide an understanding of the organization's financial performance and its ability to generate profit.
- **Customer Satisfaction Measures:** Customer measures, such as customer satisfaction, customer retention, and customer loyalty, provide insight into the organization's ability to meet customer needs and provide high-quality products and services.
- **Market Measures:** Market measures, such as market share, customer acquisition, and customer referrals, provide information about the organization's competitiveness in the marketplace and its ability to attract and retain customers.
- **Employee Measures:** Employee measures, such as employee satisfaction, turnover rate, and employee engagement, provide insight into the organization's ability to attract and retain talented employees and create a positive work environment.
- **Innovation Measures:** development Innovation measures, such as research and (R&D) spending, patent applications, and new product launches, provide insight into the organization's ability to innovate and create new products and services that meet customer needs.

- **Environmental Measures:** Environmental measures, such as energy consumption, waste reduction, and carbon emissions, provide insight into the organization's impact on the environment and its efforts to operate in a sustainable manner.

Toward More Holistic Measures of Strategic Performance

Development of management thought and practice has persistently pushed the frontier of strategic performance beyond financial metrics. Thus, the Triple Bottom Line framework (TBL) emphasises People and Planetary Concerns besides profitability or Economic Prosperity alone. The Quadruple Bottomline adds the 4th P to add a spiritual dimension named 'Purpose.'



Q:26 Explain importance of Strategic performance measures.

Why Strategic Performance Measures are essential for organizations? [MTP March24, RTP Sept24]

What do you mean by strategic performance measures? State the reasons for the importance of strategic performance measures for an organization. [Jan 25]

Answer :

The Importance of Strategic Performance Measures

Strategic performance measures are essential for organizations for several reasons:

- **Goal Alignment:** Strategic performance measures help organizations align their strategies with their goals and objectives, ensuring that they are on track to achieve their desired outcomes.
- **Resource Allocation:** Strategic performance measures provide organizations with the information they need to make informed decisions about resource allocation, enabling them to prioritize their efforts and allocate resources to the areas that will have the greatest impact on their performance.

- **Continuous Improvement:** Strategic performance measures provide organizations with a framework for continuous improvement, enabling them to track their progress and make adjustments to improve their performance over time.
- **External Accountability:** Strategic performance measures help organizations demonstrate accountability to stakeholders, including shareholders, customers, and regulatory bodies, by providing a clear and transparent picture of their performance.

Q:27 How to chose the Right strategic performance measures.

What factors should organizations consider when choosing strategic performance measures, and why are these factors important? [MTP July24]

Answer :

Choosing the Right Strategic Performance Measures

Organizations should choose strategic performance measures that are aligned with their goals and objectives and that provide relevant and actionable information. In selecting the right measures, organizations should consider the following factors:

- **Relevance:** The measure should be relevant to the organization's goals and objectives and provide information that is actionable and meaningful.
- **Data Availability:** The measure should be based on data that is readily available and can be collected and analyzed in a timely manner.
- **Data Quality:** The measure should be based on high-quality data that is accurate and reliable.
- **Data Timeliness:** The measure should be based on data that is current and up-to-date, enabling organizations to make informed decisions in a timely manner.

These measures provide a way for organizations to assess the success of their strategies, identify areas for improvement, and make informed decisions about how to allocate resources and adjust their strategies to achieve their desired outcomes. Effective strategic performance measures should be relevant, meaningful, and easy to understand and should be regularly reviewed and updated to ensure their continued alignment with the organization's goals and objectives.

Q:28 EcoPure Ltd., a sustainable packaging manufacturer, faces challenges in goal alignment, resource allocation, and customer satisfaction. As a strategic consultant, analyze how strategic performance measures can address these issues. Propose a structured approach to implementation and explain how goal alignment, continuous improvement, and external accountability will drive long-term success and enhance stakeholder confidence. [RTP M25]

Answer :

Strategic performance measures are critical for EcoPure Ltd. as they provide a structured approach to addressing the company's challenges. By implementing these measures, EcoPure Ltd. can enhance efficiency, optimize resources, and improve stakeholder confidence.

- **Goal Alignment** ensures that all departments work towards EcoPure Ltd.'s sustainability and customer satisfaction objectives. By setting clear goals, the company can ensure consistency in decision-making and strategic execution.
- **Resource Allocation** helps the company make informed investment decisions, prioritizing areas like production efficiency, innovation, and supply chain improvements. This enables EcoPure Ltd. to optimize resources while maintaining high-quality standards.
- **Continuous Improvement** allows the company to track key performance indicators such as delivery timelines, product quality, and operational efficiency. Regular analysis and refinements in processes will help the company enhance performance over time.
- **External Accountability** builds trust with stakeholders, including investors, customers, and regulatory bodies. By maintaining transparency in reporting and demonstrating commitment to sustainability, EcoPure Ltd. can strengthen its market reputation.

By leveraging strategic performance measures in these areas, EcoPure Ltd. can overcome its challenges, enhance customer satisfaction, and drive long-term success.

Q : 29 A Mumbai-based conglomerate, PQR Ltd., has announced a major restructuring of its business operations. The company has decided to split its business into four separate units: Manufacturing, Retail, Services, and Technology. Each unit will operate as a separate business, with delegated responsibility for day-to-day operations and strategy to the respective unit managers. Identify the organization structure that PQR Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. [MTP March25]

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

- A scientific method of grouping the businesses of a multi-business corporation which helps the firm in strategic planning.
- An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
- An SBU is a grouping of related businesses that can be taken up for strategic planning distinct from the rest of the businesses. Products/businesses within an SBU receive same strategic planning treatment and priorities.
- The task consists of analysing and segregating the assortment of businesses/portfolios and regrouping them into a few, well defined, distinct, scientifically demarcated business units. Products/businesses that are related from the standpoint of "function" are assembled together as a distinct SBU.

- Unrelated products/businesses in any group are separated. If they could be assigned to any other SBU applying the criterion of functional relation, they are assigned accordingly; otherwise they are made into separate SBUs.
- Grouping the businesses on SBU lines helps the firm in strategic planning by removing the vagueness and confusion generally seen in grouping businesses; it also facilitates the right setting for correct strategic planning and facilitates correct relative priorities and resources to the various business.
- Each SBU is a separate business from the strategic planning standpoint. In the basic factors, viz., mission, objectives, competition and strategy-one SBU will be distinct from another.
- Each SBU will have its own distinct set of competitors and its own distinct strategy.
- Each SBU will have a CEO. He will be responsible for strategic planning for the SBU and its profit performance; he will also have control over most of the factors affecting the profit of the SBU.