The Institute of Chartered Accountants of India

Code: IN6BS328383 **Total Marks:** 35

Subject : 06B Strategic Management **Marks Obtained** : 24.5

Subject : FM & SM

Number of Answer Books used : Main + ... additional sheets

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328383

Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					
		a	b	c	d	e	Total
1	✓						
2	✓						
3	✓						
4							
5	✓						
6	✓						
7							
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9							
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Total							

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If the Candidate attempts answers of Section - A in this answer book and vice versa, the same shall not be evaluated.

B

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Examiner's Signature ....

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…TIONS TO THE CANDIDATE

…are not to be written on this page

…be written in figures and words in the allotted space at the right hand corner of the …d nowhere else including additional answer book/s and graph paper.

…ould be written in the box in numbers and darken the appropriate circles of the OMR …ded in the right hand corner of the cover page with **Black / Blue** ball point pen.

…culars such as name of Examination, Paper No. and subject at the appropriate space …eft hand upper corner.

…move the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.

5.Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.

6.The answers should be written neatly and legibly

7.The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.

8.The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.

9.The candidates are required to write answers of Section A in the answer booklet with the marking (A) on the cover page and answers of Section B in the answer booklet with the marking (B) on the cover page. In case a candidate writes the answers in wrong set of answer books the same will be not be valued and no correspondence in this regard will be entertained.

10.Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"

11. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.

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03

Question 8 (a)

More the rivalry, less attractive is the industry. Conditions where rivalry among competitors tend to be cut throat & industry profitability low are:-

1) When the number of competitors in the industry are numerous.

2) Where there is no clear market ~~leado~~ leader;- Then there will be continuous wars for leadership. A market leader generally avoids price war by disciplining the initiators of such action. Because of large financial resources, the leader can generally outlast the smaller rivals thereby discouraging them to start price wars.

3) When the growth Rate of the industry is experiencing a slowdown, rivalry will be intense.

4) Generally, firms may insulate themselves against Price wars by using Product Differentiation. Thereby, profitability tends to be lower in industry involving undifferentiated Products.

5) When the competitor is operating under high fixed costs, they get the motivation to utilise the excess capacity and they indulge in price cutting. Price cutting reduces the profitability for all the firms in

[8–8a:3.5]

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the industry. Thus, industries characterized by high fixed cost has low profitability.

R 3.5 8aStep1

c) Where the industry has ~~high~~ a large number of exit barriers. When the ~~firm~~ competitor desiring to exit faces many barriers to exit, they may refrain from exiting and ~~lead~~ continue to fight for survival, thereby intensifying competition in industry & leading to lower profits.

R 3.5 8a

Question 8(b)

The Product Market Growth matrix is a very useful tool for businesses who choose the growth strategy. It helps the organization to decide whether to approach new markets or bring in new products or enter new markets with new products or ~~exi~~ sell existing product in existing market

R 0.5 8bStep1

Product \ Market	existing	new
existing	Market Penetration	Market ~~Product~~ Development
new	Product ~~Market~~ Development	Diversification

No Marks for this page

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05

1) Market Penetration :- It is the growth strategy whereby the business focuses on selling the existing product in the existing market.
→ It requires great spending on advertisement. ~~speak~~
→ It requires aggressive promotional campaigns supported by appropriate pricing policy.

2) ~~Pro~~ Market Development :- It is a growth strategy whereby the firm enters new markets for selling their existing products.
→ It involves ~~the~~ identification of new markets for well established products by adding product dimensions, ~~the~~ distribution channels, pricing, packaging etc.

3) Product Development :- The growth strategy where business aims at selling new modified products in existing markets.
→ It requires development of required competencies to make new modified products (Ex: innovated Products) that appeal to existing customers.

4) Diversification :- It is a growth strategy whereby business enter new markets to sell new products. The organisation can acquire an entity outside existing products & markets.
→ comparitively risky strategy as business relies neither on succesful products nor the well established markets.

R 3 8bStep2

R 3.5 8b

[8-8b:3.5]

R 7 8

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06

Question 7(b)

→ Strategic Performance measures are methods by which line manager's understanding of the organisation's strategies and goals are increased.

→ These measures provide a framework for tracking the progress of the firm's strategies, goals & objectives.

→ They are used for performance measurement.

R 0.5 7bStep1

Importance of strategic performance measures :-

1) Goal alignment :- These measures allow the organisation to align the strategies to the goals & objectives, thereby ensuring that organisation's objectives are achieved by the planned strategies.

2) External accountability :- These measures allows the organisation to be accountable to the various stakeholders. They provide organisation with means to express performance in clear & Transparent manner.

3) Resource Allocation :- They help the organisation to make informed decisions about resource allocation i.e how much resources to be allocated to each strategic business unit to maximise the overall return.

No Marks for this page

4. Framework for improvement :- These measures provide a

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07

R 3 7bStep2

R 3.5 7b

...mework for the organisation to improve business functions (i.e financial performance, market share, customer satisfaction) on a continued basis.

Q 7 (a)

The main levels of management generally found in an organisation are :-

1) ~~Co~~ Corporate level Management :- This level consists of the CEO, CFO, all the board of Directors, and other key executive personnel.

→ It is the apex of strategic Decision making in an organisation.

→ They are responsible for providing leadership, allocation of resources among business, ~~executing~~ mergers & acquisition decisions and creating mission, vision, goals, strategies for the whole organisation.

2) Business / Middle ~~Middle~~ level management :- This level consists of business level managers, general managers etc. They are responsible for translating the general ~~instructions~~ intent and directions received from top level ~~to~~ into strategies, objectives for specific business.

3) Functional level management :- This consists of functional level managers responsible for particular business area i.e marketing, sales, production, finance etc. They are close...

[7-7b:3.5]

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08

to customers and other 3rd parties, thus can generate ideas that subsequently become major strategies.

→ They develop functional strategies for ~~a~~ achievement of various ~~to~~ corporate & business level ~~str~~ objectives.

2.5 R 7aStep1

Types of network of Relationship between these levels :-

1) Horizontal Relationship :- In this, all the top level management and other staff are at the same level of ~~the~~ hierarchies. This is suitable for startups where there is a need to ~~develop~~ share ideas & innovation as there is transparency.

2) Functional & Divisional Relationship :- This is similar to a SBU structure, whereby each function/ Division / SBU works as an independent unit having a dedicated manager to oversee day to day operations.

3) matrix structure :- This is a grid like structure where teams are made from employees across different functions and heirarchies, for some specialised task. This the most complex network as there is a dual line of authority. It is mostly suitable for conglomerates where large projects ~~are~~ exist and each employee, ~~functional manager~~ is ~~accep~~ accountable to 2 supervisors.

1.5 R 7aStep2

4 R 7a

7.5 R 7

[7−7a:4]

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question 5 (c)

'Say no to sugar' has gained a major market share and is growing rapidly. It requires heavy investment to maintain the position.

It can classify as 'STARS' category as per the BCG matrix as stars are high market share products in high growth potential markets.
They need heavy investment to maintain their position & finance the growth potential.

R 1 5cStep1

Strategies which can be pursued post identification are:-

a) Hold strategy:- objective is to preserve the existing market share.
b) Build strategy:- objective is to increase the market share even by foregoing short term cash flows in favour of building a large market share for a strong future.
c) Harvest:- The objective is to increase the short term cash flows irrespective of long term effects.
d) Divest:- objective is to sell / liquidate a part of business.

R 2 5cStep2

Limitations of BCG Matrix:-
1) It may be costly, difficult to implement, time consuming.
2) Organisation may find it difficult to define & classify SBU's.
3) It can lead to placing too much emphasis on ~~short term~~ profitability / market share growth or growth

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through entry into new attractive ~~ventures~~ markets.

4. It can lead to unwise expansion into risky, hot, new ventures or giving up on existing established units too quickly.

5) ~~It~~ ~~look~~ It provides for clarifying current business but does not provide much advice for future.

1.5 5cStep3

~~Q 5 (a)~~ Q 5 (a)

4.5 5c

Based on the features, the organisational structure best suited is MATRIX STRUCTURE :-

1 5aStep1

1) Matrix structure is a grid like structure whereby there ~~are~~ are cross-functional task force. Each employee is accountable to more than one supervisor i.e one functional manager & one ~~divisional~~ Product manager.

2) There are dual lines of authority, reporting relationships. ~~The product manager and~~

-1 5aStep2

3) It requires effective and efficient communication, internal controls, planning etc for effective implementation.

4) ~~It~~ Advantages :-

1) superior service or quality of service as it involves ~~poo~~ use of experts from each Department, leading to better services

2) Used in large conglomerates as it is helps to manage the various products through functional managers & product managers.

[6-6a:0.0,5-5c:4.5,6-6b:0.0]

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Disadvantages :-

There are high costs of overheads as there are many [managerial] positions.

R 0.5 5aStep3

2) It is a complex structure due to dual authority lines. This can lead to confusion and a impede operations.

~~3) There can be~~

3) It is difficult to establish communication channels and [effective] flow of information, thus lack of co-ordination.

R 1 5aStep4

R 3.5 5a

Q5 (b)

The companies strategy is a blend of both pro-active and reactive approaches.

1) In the first case, when Euro strengthens its brand identity, launch creative and innovative products on its own initiative, company is following PRO-ACTIVE APROACH.

It involves managerial ~~actions~~ initiatives and decisions that help to improve the overall market ~~conditions~~ position, in addition to previously [init]iated steps that are working well.

It is a planned strategy Approach.

R 1 5bStep1

2. In the second case, when in the face of competition, company ~~should~~ adopts to changing conditions it is following RE-ACT[IVE APPR]OACH.

[5–5a:3.5]

The developments of unanticipated changes in environment

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lead to
~~that require~~ the strategy ~~to be~~ hitting a stone wall.
Thus in light of such events, some corrective action needs to be initiated or adjustments to be made to current strategy.

R 1 5bStep2

The strategy Euro may adopt in future is ~~Forward~~ "Differentiation strategy."

~~The firms targeting a narrow market and~~

→ It is a strategy targetted at broad mass market and involve providing unique products / services.
Thus euro shall continue to innovate new products.

→ This strategy enables firms to charge premium prices and buyers are willing to pay such prices if they value the differentiation.

~~The strategy euro shall adopt is cost leadership.~~

→ As Euro has already specialised in selling eco friendly products and have impactful marketing they leverage on such factors and fight competition established Brand loyalty.

R 0 5bStep3

→ It can help Euro to gain competitive advantage and win its market.

R 2 5b

R 10 5

[5-5b:2]

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