

# STRATEGIC MANAGEMENT

SMART NOTES

CA INTERMEDIATE

by

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## CHAPTER 1: Introduction to Strategic Management

### CONCEPT OF STRATEGY

#### Strategy is the:

- ✓ game plan
- ✓ that the management of a business uses to
- ✓ take market position,
- ✓ conduct its operations,
- ✓ achieve & maintain customer satisfaction,
- ✓ beat the competition,
- ✓ and achieve objectives of the organization.

#### Strategy is the:

- ✓ Long range blueprint
- ✓ of an organization's
- ✓ desired image,
- ✓ direction and
- ✓ destination

STRATEGY is no substitute for sound, alert and responsible management.  
can never be perfect, flawless and optimal.  
is flexible and pragmatic.  
In a sound strategy, allowances are made for possible miscalculations and unanticipated events.

STRATEGY is partly proactive → Planned Strategy  
and  
partly reactive. → adaptive reaction to changing circumstances.

- 1) A company's strategy is typically a blend of:
  - i) Proactive actions on the part of managers to improve the company's market position and financial performance.
  - ii) Reactions to unanticipated developments and fresh market conditions in the dynamic business environment.
- 2) Crafting a strategy thus involves stitching together a proactive/intended strategy based on prior successful experience and then adapting pieces of successful reactions as circumstances surrounding the company's situation change or better options emerge - a reactive/adaptive strategy.

### CONCEPT OF

The term "Management" is used in two senses:

1) Key group in an organization in-charge of its affairs, making it a purposeful & productive entity by bringing together & integrating the disorganised resources of manpower, money, material & technology.

2) A set of inter-related functions & processes carried out by the management of an organisation. It includes planning, organizing, directing, staffing & Control. These functions are wide ranging but closely inter-related.

### STRATEGIC

The term 'strategic management' refers to:

- ✓ the managerial process
- ✓ of developing a strategic vision,
- ✓ setting objectives,
- ✓ crafting a strategy,
- ✓ implementing and evaluating the strategy,
- ✓ and finally initiating corrective
- ✓ adjustments were deemed appropriate.

- 1) The process does not end.
- 2) It keeps going on in a cyclic manner.

### OBJECTIVES OF STRATEGIC

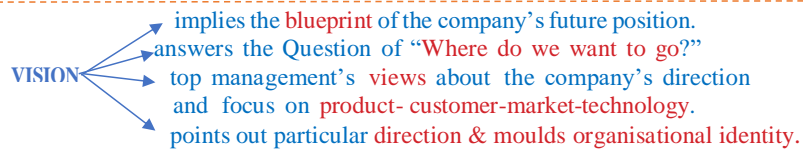
- 1) To create competitive advantage (something unique and valued by the customer) so that the company can outperform the competitors.
- 2) To guide the company successfully through all changes in environment. That is to react in the right manner.

### IMPORTANCE/BENEFITS OF STRATEGIC MANAGEMENT

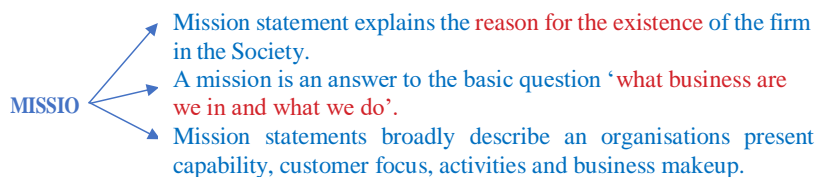
- 1.) **Direction & Definition:** The strategic management gives a direction & helps management to define realistic objectives and goals.
- 2.) **Being Proactive:** Strategic management helps organisations to be proactive instead of reactive. Organisations are able to analyse and take actions instead of being mere spectators.
- 3.) **Provides frameworks:** Strategic management provides frameworks for all major decisions & It provides better guidance to entire organisation.
- 4.) **Prepares organization to face the future:** Strategic management seeks to prepare the organisation to face the future and act as pathfinder to various business opportunities.
- 5.) **Corporate defence mechanism:** It helps organisations to avoid costly mistakes in product market choices or investments.
- 6.) **Longevity of business:** Strategic management helps to enhance the longevity of the business. Actions over expectations is what strategic management ensures.
- 7.) **Core competencies and competitive advantage:** Strategic management helps the organisation to develop certain core competencies and competitive advantages.

**LIMITATIONS OF STRATEGIC MANAGEMENT**

- 1) **Environment is highly complex and turbulent:** It is difficult to understand the complex environment and exactly pinpoint how it will shape-up in future. Strategy cannot overcome a turbulent environment.
- 2) **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.
- 3) **Strategic management is a costly process:** Expert strategic planners need to be engaged, efforts are made for analysis of external and internal environments devise strategies and properly implement.
- 4) **Competitive responses:** It is difficult to clearly estimate the competitive responses to a firm's strategies & gauge the strategic planning of competitors.

**VISION****ESSENTIALS OF A STRATEGIC VISION**

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

**MISSION****ESSENTIALS OF A GOOD MISSION STATEMENT**

- 1) A good mission statement should be precise, clear, feasible, distinctive and motivating.
- 2) Mission Statement must give the organisation its own special identity, business emphasis and path for development – one that typically sets it apart from other similarly positioned companies.
- 3) A company's business is defined by what needs it is trying to satisfy, which customer groups it is targeting and the technologies and competencies it uses and the activities it performs.
- 4) Good mission statements are - unique to the organisation for which they are developed.

**WHY SHOULD AN ORGANISATION HAVE A MISSION?**

- 1) To ensure unanimity of purpose within the organisation.
- 2) To develop standard, for allocating organisational resources.
- 3) To provide a basis for motivating the use of resources.
- 4) To establish a general tone in the organisation.
- 5) To serve as a focal point for those who can identify with the organisation's purpose and direction.
- 6) To facilitate the translation of objective and goals into a work structure.

**GOALS & OBJECTIVES: Meaning**

- 1) Business organizations translate their Vision & Mission into Goals & Objectives.
- 2) The goals and objectives represent the results to be achieved in multiple areas of business.
- 3) Objectives are organisation's performance targets.
- 4) They function as yardsticks for tracking an organisation's performance and progress.
- 5) They provide meaning and sense of direction to organisational endeavour.
- 6) Organisational structure and activities are designed, and resources are allocated around the objectives to facilitate their achievement.

Short-range objectives can be identical to long-range objectives if an organisation is already performing at the targeted long-term level.

**GOALS & OBJECTIVES: Characteristics****OBJECTIVE****S should**

- be facilitative towards achievement of mission.
- be concrete and specific.
- be related to a time frame
- be measurable and controllable.
- be challenging.
- provide the basis for strategic decision-making.
- provide standards for performance appraisal.
- define the organisation's relationship with its environment.

1. Profitability
2. Productivity
3. Competitive Position
4. Employee Development
5. Employee Relations
6. Technological Leadership
7. Public Responsibility

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

**VALUE**

- 1) Values are the deep-rooted principles which guide an organisation's decisions and actions.
- 2) They can never be compromised, either for convenience or short-term economic gain.
- 3) Values often reflect the values of the company's founders. They are the source of a company's distinctiveness and must be maintained at all costs.
- 4) A company's value sets the tone for how the people of the company think and behave, especially in situations of dilemma
- 5) Examples— Integrity, Trust, Accountability, Humility, Innovation, Diversity.
- 6) Consumers prefer to buy products and services from companies that have a purpose that reflects their own value and belief system. Hence, values have both internal as well as external implications

**STRATEGIC INTENT**

- 1) Strategic intent refers to purposes of what the organization strives for.
- 2) Senior managers must define "what they want to do" and "why they want to do". "Why they want to do" represents strategic intent of the firm.
- 3) Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and size.
- 4) Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve.

**NETWORK OF RELATIONSHIP**

- 1) Functional and Divisional Relationship (Independent relationship)
- 2) Horizontal Relationship (Flat Structure) 3) Matrix Relationship (Grid like structure)

**STRATEGIC INTENT**

Components of Strategic Intent: Vision, Mission, Goals, Objectives & Values

**STRATEGIC LEVELS IN ORGANISATION**

- 1) **Corporate Level:** Consists of the Chief Executive Officer (CEO), other senior executives, the board of directors, and corporate staff. Corporate-level managers provide a link between the people who oversee the strategic development of a firm and those who own it (the shareholders). Corporate-level managers, and particularly the CEO, can be viewed as the guardians of shareholders' welfare.
- 2) **Business Level:** It consists of divisional managers & staff. The principal general manager at the business level is the head of the division. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses.
- 3) **Functional Level:** Functional-level managers are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions.

**ROLE OF CORPORATE LEVEL MANAGERS**

- 1) The role of corporate-level managers is to oversee the development of strategies for the whole organization.
- 2) This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization as a whole.

**ROLE OF FUNCTIONAL LEVEL**

- i) To develop functional strategies in their area that help fulfill the strategic objectives set by business- and corporate-level general managers.
- ii) To generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional managers.
- iii) To implement the strategy: the execution of corporate and business-level plans.



## CHAPTER 2: Strategic Analysis External Environment

### ISSUES TO CONSIDER FOR STRATEGIC

- 1) **Strategy evolves over a period of time:** A current strategy is the result of several little choices taken over a period of time. Strategy is influenced by experience, but it has to be updated when the results become clear. It therefore evolves with time.
- 2) **Balance of external and internal factors:** Strategic analysis necessitates creating a reasonable balance between many and conflicting challenges, because a perfect fit between them is unlikely. Management must consider opportunities, influences, and constraints while taking a strategic decision.
- 3) **Risk:** Competitive markets, liberalization, globalization, booms, recessions, technological advancements, inter-country relationships all affect businesses and pose risk at varying degrees. An important aspect of strategic analysis is to identify potential imbalances or risks and assess their consequences.

### MICRO

- 1) The environment in which an organization exists can be described in terms of the opportunities and threats operating in the external environment apart from the strengths and weaknesses existing in the internal environment.
- 2) The external environment can be categorized in two major types as follows:
  - a. Micro environment
  - b. Macro environment
- 3) Micro-environment is related to small area or immediate periphery of an organization. It influences an organization regularly and directly.
- 4) Micro environment consists of suppliers, consumers, marketing intermediaries, competitors, etc. These are specific to the said business or firm and affect its working on a direct and regular basis.
- 5) Within the micro or the immediate environment in which a firm operates we need to address the following issues:
  - a. The employees of the firm, their characteristics and how they are organized.
  - b. The existing customer base on which the firm relies for business.
  - c. The ways in which the firm can raise its finance.
  - d. Who are the firm suppliers and how are the links between the two being developed?
  - e. The local community within which the firm operates.
  - f. The direct competition and their comparative performance.

### MACRO

Macro environment has broader dimensions. The macro environment is the portion of the outside world that significantly affects how an organisation operates but is typically much beyond its direct control and influence.

### Demographic Environment

- 1) Demographics are the characteristics of a population that have been classified and explained according to certain criteria. Demographical analysis considers factors such as race, age, income, education, possession of assets, house ownership, job position, region, and the degree of education.
- 2) Considering demographics is of immense importance for any business. Business Organizations need to study different demographic factors. Particularly, they need to address following issues:
 

What demographic trends will affect the market size of the industry?      What demographic trends represent opportunities or threats?

### Socio-Cultural Environment

- 1) Socio-cultural environment consists of factors related to human relationships and the impact of social attitudes and cultural values which has bearing on the operations of the organization.
- 2) The beliefs, values and norms of a society determine how individuals and organizations should be interrelated.
- 3) It differs from demographics in the sense that it is not the characteristics of the population, but it is the behavior and the belief system of that population.
- 4) It is difficult for a business to change these core values, which becomes a determinant of its functioning. This means, that businesses have to adjust to social norms and beliefs to operate successfully.

### Economic Environment

- 1) The economic environment refers to the overall economic situation around the business and include conditions at the regional, national and global levels.
- 2) Economic environment determines the strength and size of the market. The purchasing power in an economy depends on current income, prices, savings, circulation of money, debt and credit availability.



- 3) Income distribution pattern determine the business possibilities. The important point to consider is to find out the effect of economic prospect, growth and inflation on the operations of the business.
- 4) The economic conditions of a nation refer to a set of economic factors that have great influence on business organizations and their operations.
- 5) These include gross domestic product, per capita income, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market. interest rates. disposable income. unemployment. inflation. etc.

### Political-Legal Environment

- 1) Political-legal environment considers elements like the general level of political development, the degree of political morality, the state of law and order, political stability, the political ideology and practice of the ruling party, and the scope of governmental intervention in the economy and industry.
- 2) Business is highly guided and controlled by government policies. Hence the type of government running a country is a powerful influence on business.
- 3) A business has to consider the changes in the regulatory framework and their impact on the business.
- 4) Businesses prefer to operate in a country where there is a sound legal system. However, in any country businesses must have a good working knowledge of the major laws protecting consumers, competitions and organizations.

### Technological Environment

- 1) Technology and business are linked and are interdependent on one another. As a result, business leverages technology.
- 2) With use of technology, many organisations are able to reduce paperwork, schedule payments more efficiently, are able to coordinate inventories efficiently and effectively.
- 3) Changes in technology have an effect on how a business runs its operations. The technological advancements might require a business to drastically alter its operational, production and marketing strategies.
- 4) Technology is leading to many new business opportunities as well as making obsolete most of the existing business products and services.
- 5) Technology can act as opportunity. at the same time technology can act as a threat too.

### PESTLE- A TOOL TO ANALYSE MACRO

- 1) The term PESTLE is a framework for analysis of macro environmental factors. PESTLE analysis is frequently used to assess the business environment in which a firm operates.
- 2) PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences on an organization.
- 3) It provides a way of scanning the environmental influences that have affected or are likely to affect an organization or its policy.

#### The Key Factors:

Political	Economic
<ul style="list-style-type: none"> <li>Political stability</li> <li>Political principles and ideologies</li> <li>Current and future taxation policy</li> <li>Regulatory bodies and processes</li> <li>Government policies</li> <li>Government term and change</li> <li>Thrust areas of political leaders</li> </ul>	<ul style="list-style-type: none"> <li>Economy situation and trends</li> <li>Market and trade cycles</li> <li>Specific industry factors</li> <li>Customer/end-user drivers</li> <li>Interest and exchange rates</li> <li>Inflation and unemployment</li> <li>Strength of consumer spending</li> </ul>
Social	Technological
<ul style="list-style-type: none"> <li>Lifestyle trends</li> <li>Demographics</li> <li>Consumer attitudes and opinions</li> <li>Brand, company, technology image</li> <li>Consumer buying patterns</li> <li>Ethnic/religious factors</li> <li>Media views and perception</li> </ul>	<ul style="list-style-type: none"> <li>Replacement technology/solutions</li> <li>Maturity of technology</li> <li>Manufacturing maturity and capacity</li> <li>Innovation potential</li> <li>Technology access, licensing, patents, property rights and copyrights</li> </ul>
Legal	Environmental
<ul style="list-style-type: none"> <li>Business and Corporate Laws</li> <li>Employment Law</li> <li>Competition Law</li> <li>Health &amp; Safety Law</li> <li>International Treaty and Law</li> <li>Regional Legislation</li> </ul>	<ul style="list-style-type: none"> <li>Ecological/environmental issues</li> <li>Environmental hazards</li> <li>Environmental legislation</li> <li>Energy consumption</li> <li>Waste disposal</li> </ul>

### INTERNATIONALIZATION OF

- 1) Internationalization enables a business to enter new markets in search of greater earnings and less expensive resources.
- 2) Additionally, expanding internationally enable a business to achieve greater economies of scale and extend the lifespan of its products.
- 3) A business can approach internationalization systemically with the aid of international strategy planning.
- 4) The development of effective strategies and the formulation of global strategic objectives are made feasible by internationalization.

#### Characteristics of a global business

To be specific, a global business has three characteristics:

- 1) It is a **conglomerate** of multiple units (located in different parts of the globe) but all linked by common ownership.
- 2) Multiple units draw on a **common pool of resources**, such as money, credit, information, patents, trade names and control systems.
- 3) The units respond to some **common strategy**. Besides, its managers and shareholders are also based in different nations.

#### Developing Internationally

International development is **expensive and challenging**. Moving on in a thorough and structured manner is thus the ideal approach to adopt. The steps in international strategic planning are as follows:

- a) **Evaluate** global opportunities and threats and rate them with the internal capabilities.
- b) **Describe the scope** of the firm's global commercial operations.
- c) **Create** the firm's global business objectives.
- d) **Develop** distinct corporate strategies for the global business and whole organisation.

### WHY DO BUSINESSES GO GLOBAL?

- 1) The first and foremost reason is the **need to grow**.
- 2) There is **rapid shrinking of time and distance across the globe**, because of faster communication, speedier transportation, growing financial flow of funds and rapid technological changes.
- 3) It is being realized that the **domestic markets are no longer adequate**.
- 4) There can be varied other reasons such as **need for reliable or cheaper source of raw-materials, cheap labour, etc.**
- 5) Companies often set up overseas plants to **reduce high transportation costs**.

- 6) The apparent and real collapse of international trade barriers is one of the important reasons.
- 7) 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.

### INTERNATIONAL

- 1) The social, cultural, demographic, environmental, political, governmental, legal, technological factors that an international organisation faces are **nearly limitless**.
- 2) An **assessment of the external environment** is the first step toward internationalization. Assessments of the international environment can be done at three levels: multinational, regional, and country.

#### Multinational environmental analysis

- a) It involves **identifying, anticipating, and monitoring** significant components of the global environment on a large scale.
- b) Understanding global developments covering economic and other macro elements is important. These characteristics are evaluated based on their present and expected future impact.

#### Regional environmental analysis

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

#### Country environmental analysis

- a) This **analysis** must be **customized** for each of the countries to develop effective market entrance strategies.
- b) It has to take a **deeper look at the important environmental factors**. Study of economic, legal, political, and cultural dimensions is required in order for planning to be successful.
- c) It essentially **involves various global aspects** like political risks, cultural differences, exchange rate fluctuations, legal compliances and taxation issues.

### CHARACTERISTICS OF BUSINESS

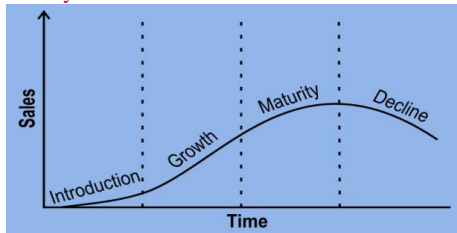
- 1) **Products are either tangible or intangible**: Goods are tangible & Services are intangible.
- 2) **Product has a price**: Businesses determine the cost of their products and charge a price for them. On account of competition, businesses are not able to fix market price by adding profit margin on the costs. Rather, they work on reducing the costs given the prevailing market price.



- 3) **Products have certain features that deliver satisfaction:** A product feature is a component of a product that satisfies a consumer need. 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.
- 4) **Product is pivotal for business:** The product enables production, quality, sales, marketing, logistics and other business processes. Product is the driving force behind business activities.
- 5) **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.

### PRODUCT LIFE

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	Growth	Maturity	Decline
<b>Sales</b>	Slow	High	Slow	Low
<b>Competition</b>	Nil	High	Very High	Low
<b>Price</b>	High	Low	Very Low	Very Low
<b>Market</b>	Limited	Expand	Stabilize	Replaced by new product

### Advantages of PLC

- 1) PLC approach is used to diagnose a portfolio of products (or businesses) in order to establish the stage at which each of them exists.
- 2) Depending on the diagnosis, appropriate strategic choice can be made. Like Expansion in Introduction/Growth stage, Retrenchment for Decline.
- 3) In this way, a balanced portfolio of businesses may be built up by exercising a strategic choice based on the PLC concept.

### PORTER'S FIVE FORCES MODEL

- 1) It is a powerful and widely used tool to systematically diagnose the significant competitive pressures in a market and assess the strength and importance of each.
- 2) Michael Porter believes that the basic unit of analysis for understanding is a group of competitors producing goods or services that compete directly with each other.
- 3) It is the industry where competitive advantage is ultimately won or lost.
- 4) Understanding the variables that affect industry helps to adapt strategy, boost profitability, and stay ahead of the competition.
- 5) The model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

### The Threat of New Entrants

New entrants can reduce industry profitability because they add new production capacity leading to an increase supply of the product even at a lower price and can substantially erode existing firm's market share position. To discourage new entrants, existing firms can try to raise barriers to entry.

### Common barriers to entry include the following:

- 1) **Capital Requirements:** When a large amount of capital is required to enter an industry, firms lacking funds are effectively barred from the industry.
- 2) **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 with economies of scale can produce high volumes of goods at lower costs.
- 3) **Product Differentiation:** Product differentiation refers to the physical or perceptual differences, that make a product special or unique in the eyes of customers. Differentiation works to reinforce entry barriers because the cost of creating product differences maybe too high for the new entrants.
- 4) **Switching Costs:** Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.
- 5) **Brand Identity:** 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.
- 6) **Access to Distribution Channels:** The unavailability of distribution channels for new entrants poses another significant entry barrier.
- 7) **Possibility of Aggressive Retaliation:** Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry.

## II Bargaining Power of Buyers

- 1) This force will become heavier depending on the possibilities of the buyers forming groups or cartels.
- 2) The bargaining power of the buyers influences not only the prices that the producer can charge but also influences in many cases, costs and investments of the producer because powerful buyers usually bargain for better services which involve costs and investment on the part of the producer.
- 3) Buyers of an industry's products or services can sometimes exert considerable pressure on existing firms to secure lower prices or better services. This leverage is particularly evident when:
  - a) Buyers have full knowledge of the sources of products and their substitutes.
  - b) They spend a lot of money on the industry's products i.e. they are big buyers.
  - c) The industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.

## III. Bargaining Power of Suppliers

- 1) The more specialized the offering from the supplier, greater is his clout. And, if the suppliers are also limited in number, they stand a still better chance to exhibit their bargaining power.
- 2) The bargaining power of suppliers determines the cost of raw materials and other inputs.
- 3) Suppliers can command bargaining power over a firm when:
  - a. Their products are crucial to the buyer and substitutes are not available.
  - b. They can erect high switching costs.
  - c. They are more concentrated than their buyers.

## IV. The Nature of Rivalry in the Industry

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 cut throat and industry profitability low under various conditions explained as follows:

- a) **Industry Leader:** 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.
- b) **Number of Competitors:** The leader's ability to exert pricing discipline diminishes with the increased number of rivals in the industry.
- c) **Fixed Costs:** Profitability tends to be lower in industries characterized by high fixed costs. Firms seek to produce more to cover fixed costs. Variable cost per unit comes down. Hence, price per unit comes down.

- d) **Exit Barriers:** Profitability therefore tends to be higher in industries with few exit barriers. 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.
- e) **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.
- f) **Slow Growth:** 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.

## V. Threat of Substitutes

- 1) Substitute products are a latent source of competition in an industry. In many cases they become a major constituent of competition.
- 2) Substitute products offering a price advantage and/or performance improvement to the consumer can drastically alter the competitive character of an industry. And they can bring it about all of a sudden.
- 3) To predict profit pressure from this source, firms must search for products that perform the same, or nearly the same, function as their existing products.

The strategists can use the five-forces model to determine what competition is like in a given industry by undertaking the following steps:

**Step 1:** Identify the specific competitive pressures associated with each of the five forces.

**Step 2:** Evaluate how strong the pressures comprising each of the five forces are (fierce, strong, moderate to normal, or weak).

**Step 3:** Determine whether the collective strength of the five competitive forces is conducive to earning attractive profits.

The interrelationship among these five forces gives each industry its own particular competitive environment. The strength of the forces may vary from industry to industry.

## VALUE

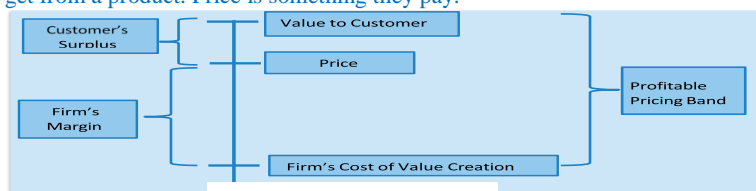
- 1) Value is measured by a product's features, quality, availability, durability, performance and by its services for which customers are willing to pay.
- 2) Many businesses now focus on value creation both in the context of creating better value for customers purchasing its products and services, as well as for stakeholders in the business.
- 3) This concept gives business a competitive advantage in the industry and helps them earn above average profits. Michael Porter argues that a company can generate competitive advantage in two different ways, either through differentiation or cost advantage.





### VALUE CREATION

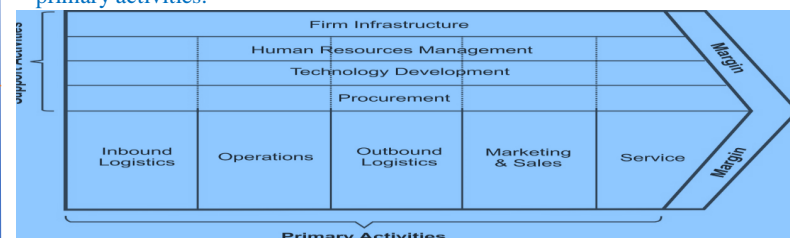
- 4) Competitive advantage leads to superior profitability. At the most basic level, how profitable a company becomes depends on three factors:
  - a. the value customers place on the company's products;
  - b. the price that a company charges for its products; and
  - c. the costs of creating those products.
- 5) The value customers place on a product reflects the utility they get from a product—the happiness or satisfaction gained from consuming or owning the product.
- 6) Utility must be distinguished from price. Utility is something that customers get from a product. Price is something they pay.



### VALUE CHAIN

- 1) Michael Porter used the concept of value chain to explore closer different functions of the organisations and mutual interactions among those functions.
- 2) Value chain analysis provides an excellent tool to examine the origin of competitive advantage. It divides the organisations into two different strategically important group of activities, namely, primary activities and supporting activities.
- 3) Value chain analysis can be used by businesses of all sizes, from sole proprietorships to multinational organisations.
- 4) It is these competences to perform particular activities and the ability to manage linkages between activities which are the source of competitive advantage for organizations. Porter argued that an understanding of strategic capability must start with an identification of these separate value activities. 5) **The primary activities of the organization are grouped as follows:**
  - a) **Inbound logistics** are the activities concerned with receiving, storing and distributing the inputs to the product/service.
  - b) **Operations transform these inputs into the final product or service:** machining, packaging, assembly, testing, etc. convert raw materials in finished goods.
  - c) **Outbound logistics** collect, store and distribute the product to customers.
  - d) **Marketing and sales** provide the means whereby consumers/users are made aware of the product/service and are able to purchase it. This would include sales administration, advertising, selling and so on.

- e) **Service** are all those activities, which enhance or maintain the value of a product/service, such as installation, repair, training and spares.
- 5) **Each of these groups of primary activities are linked to support activities.** These can be divided into four areas;
  - a) **Procurement:** This refers to the processes for acquiring the various resource inputs to the primary activities.
  - b) **Technology development:** All value activities have a 'technology', even if it is simply know-how. The key technologies may be concerned directly with the product or with processes or with a particular resource.
  - c) **Human resource management:** It is concerned with those activities involved in recruiting, managing, training, developing and rewarding people within the organization.
  - d) **Infrastructure:** The systems of planning, finance, quality control, information management, etc. are crucially important to an organization's performance in its primary activities.



### ATTRACTIVENESS OF

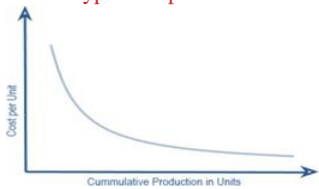
- 1) Strategists assess the industry outlook carefully, deciding whether industry and competitive conditions present an attractive business opportunity for the organisation or whether its growth and profit prospects are gloomy.
- 2) **The important factors on which the management may base such conclusions include:**
  - a) The industry's growth potential, is it futuristically viable?
  - b) Whether competition currently permits adequate profitability and whether competitive forces will become stronger or weaker?
  - c) The severity of problems confronting the industry as a whole.
  - d) Whether continued participation in this industry adds importantly to the firm's ability to be successful in other industries in which it may have business interests?
  - e) The potential to capitalize on the vulnerabilities of weaker rivals.
- 3) As a general proposition, if an industry's overall profit prospects are above average, the industry can be considered attractive; if its profit prospects are below average, it is unattractive.



- 4) However, it is a mistake to think of industries as being attractive or unattractive to all firms in the industry and all potential entrants. **Attractiveness is relative, not absolute.** Industry environments unattractive to weak competitors may be attractive to strong competitors.

### EXPERIENCE

- 1) Experience curve is based on the commonly observed phenomenon that **unit costs decline** as a firm accumulates experience in terms of a cumulative volume of production.
- 2) It is based on the concept, “**we learn as we grow**”.
- 3) Experience curve results from a variety of factors such as **learning effects, economies of scale, product redesign and technological improvements** in production.
- 4) Experience curve has following features:
  - a) As business organisation grow, they gain experience.
  - b) Experience may provide an advantage over the competition. Experience is a key barrier to entry.
  - c) Large and successful organisation possess stronger “experience effect”.  
A typical experience curve may be depicted as follows:



- 5) Experience curve is considered a barrier for new firms contemplating entry in an industry.

### MARKET AND

- 1) A market is a place for interested parties, buyers and sellers, where **items & services can be exchanged for a price**. The market might be physical or virtual.
- 2) The term market can apply to a wide range of contexts. **For example**, it might be used to describe the stock exchange.
- 4) It may also be used to define a business or industry, such as the global oil market. While the market is a place, business strategist work on marketing to improve the chances of success.
- 5) The term “**marketing**” encompasses a wide range of operations, including research, designing, pricing, promotion, transportation, and distribution. Often market activities are categorized and explained in terms of four Ps of marketing – **product, place, pricing, and promotion**.
- 6) In a customer or market-oriented approach **strategists prioritize efforts on their customers**. In order to create better value propositions for customers, businesses gather, disseminate, and use customer and competitive information.

- 3) A customer-centric business is one that **continuously learn from its customers’ needs and market dynamics**. In the present times success, many businesses lie in customer centric approaches

### CUSTOMER

- 1) A customer is a person or business that buys products or services from another organisation.
- 2) The terms customer and consumer are practically synonymous and are frequently used interchangeably. There is, however, a thin distinction.
- 3) Individuals or businesses that consume or utilize products and services are referred to as consumers.
- 4) Customers are the purchasers of products and services in the economy, and they might exist as consumers or only as customers.
- 5) Businesses routinely research the characteristics of their consumers in order to fine-tune their marketing strategies and adjust their inventory to attract the most customers.

### CUSTOMER

- 1) Customer analysis is an essential marketing component of any strategic business plan. It identifies **target clients, determines their wants, and then defines how the product meets those needs**. Thus, it involves the examination and evaluation of consumer needs, desires, and wants.
- 2) Customer analysis includes:
  - a. the administration of customer surveys,
  - b. the study of consumer data,
  - c. the evaluation of market positioning strategies,
  - d. development of customer profiles,
  - e. and the selection of the best market segmentation techniques.
- 3) Using the facts generated by customer analysis, an effective profiling of customers may be established. Customer profiles can reveal demographic information about customers.

### CUSTOMER BEHAVIOUR

- 1) Customer behavior 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**.
- 2) Understanding the behaviors 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.
- 3) Consumer behavior may be influenced by a number of things. These elements can be categorized into the following three conceptual domains.

**i) 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.

**ii) Internal Influences:**

Internal processes are psychological factors internal to customer and affect consumer decision making.

**iii) Decision Making:**

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 & cons.
- Make a final choice

This behavior of making decisions happens very frequently. However, it mostly applies when the purchase is one that is significant to the customer,

**iv) Post-Decision Making:**

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.

**COMPETITIVE**

- Competitive strategy defines how a firm expects to create and sustain a competitive advantage over competitors.
- The competitive strategy of a firm within a certain business field is analyzed using two criteria:
  - the creation of competitive advantage and
  - the protection of competitive advantage.
- An important component of industry and competitive analysis involves delving into the industry's competitive process to discover what the main sources of competitive pressure are and how strong each competitive force is.
- Even though competitive pressures in various industries are never precisely the same, the competitive process works similarly enough to use a common analytical framework
- Porter's five forces model is useful in understanding the competition. It is a powerful tool for systematically diagnosing the main competitive pressures in a market.

**COMPETITIVE**

Competitive landscape is a business analysis which identifies competitors, either direct or indirect.

Understanding of competitive landscape requires an application of "competitive intelligence". understanding the competitive landscape is important to build upon a competitive advantage. **Steps to understand the Competitive Landscape:**

**i) Identify the competitor:** Have actual data of competitor's respective market share. This answers the question: Who are the competitors & how big are they?

**ii) Understand the competitors:** 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?

**iii) Determine the strengths of the competitors:** 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?

**iv) Determine the weaknesses of the competitors:** Weaknesses (and strengths) can be identified by going through consumer reports and reviews & Annual reports.

**v) Put all of the information together:** 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. This answers the questions:

What improvements does the firm need to make? How can the firm exploit the weaknesses of competitors?

**KEY FACTORS FOR COMPETITIVE SUCCESS**

- An industry's Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the marketplace - the particular strategy elements, product attributes, resources, competencies, competitive capabilities, and business outcomes that spell the difference between profit and loss.
- The answers to three questions help identify an industry's key success factors:
  - On what basis do customers choose between the competing brands of sellers? What product attributes are crucial to sales?
  - What resources and competitive capabilities does a seller need to have to be competitively successful?
  - What does it take for sellers to achieve a sustainable competitive advantage, something that can be sustained for long term?
- Determining the industry's key success factors, given prevailing and anticipated industry and competitive conditions, is a top-priority analytical consideration.
- An organisation with perceptive understanding of industry KSFs can gain sustainable competitive advantage by training its strategy on industry KSFs.
- Key success factors vary from industry to industry and even from time to time within the same industry as driving forces and competitive conditions change.
- Only rarely does an industry have more than three or four key success factors at any one time. And even among these three or four, one or two usually outrank the others in importance.

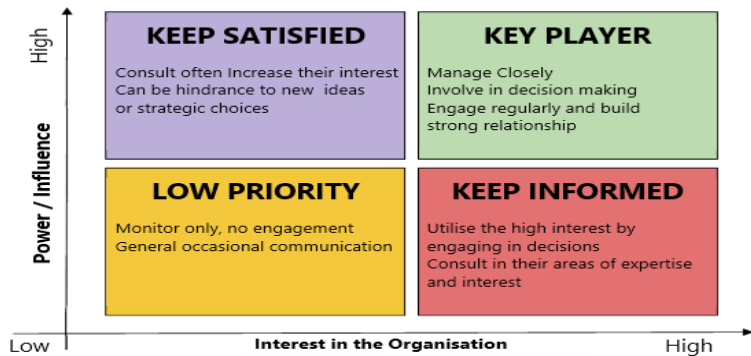
## CHAPTER 3: Strategic Analysis: Internal Environment

### UNDERSTANDING KEY STAKEHOLDERS

- 1) A firm may be viewed as a **coalition of stakeholders**- all those individuals and entities that have a stake in its success and can impact it as well. 2) **Stakeholders** can be defined as any person/group of individuals, internal or external, that has an interest in, or impact on the business or corporate strategy of the organisation.
- 3) They have the **power to influence** the strategy or performance of that organisation.
- 4) Stakeholders include **management, employees, shareholders, customers vendors, governments, labour unions, local groups.**
- 5) Each stakeholder exerts a different level of influence and can have differing levels of interest in the organisation.

### MENDELOW'S MATRIX

- 1) The Mendelow matrix (Stakeholder Analysis matrix /Power-Interest matrix) is a simple framework to help manage key stakeholders.
- 2) It is based on **Power** (the ability to influence organisation strategy or resources) and **Interest** (how interested they are in the organisation succeeding).
- 3) Managing a project is **extremely complicated** as it involves managing the **competing interests** of various stakeholders. Managing stakeholders is critical to the success of a project.



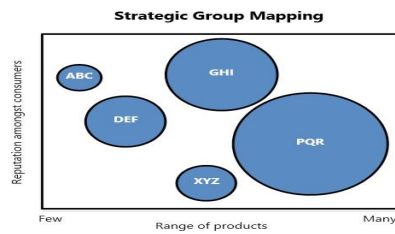
Caution: Environment is highly dynamic and certain things might happen that can cause stakeholders to suddenly move between quadrants.

### STRATEGIC DRIVERS: INDUSTRY &

- 1) Similar companies are grouped together into industries. Basically, industry grouping is based on the primary product that a company makes or sells. For example, Maruti, Mahindra, Tata Motors are all selling automotive as their primary product and thus categorized into Automotive Industry.
- 2) A market is defined as the sum total of all the buyers and sellers in the area or region under consideration.
- 3) A tool used for this is called - **Strategic Group Mapping**. 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 is as follows:

- i) **Identify the competitive characteristics:** that differentiate firms in the industry. Typical variables are price/quality range, geographic coverage degree of vertical integration, product-line breadth; use of distribution channels, reputation etc.
- ii) **Plot the firms** on a two-variable map using pairs of these differentiating characteristics.
- iii) **Assign firms** that fall in about the same strategy space to the same strategic group.



iv) **Draw circles around each strategic group** making the circles proportional to the size of the group's respective share of total industry sales revenues.

3) Strategists can analyze the market by making any number of scenarios like above to understand the competition.

- 4) Thus, this analysis helps a business understand its competition in terms of **two or more factors** (like reputation and range of products in this case) in a single graphical representation.
- 5) An industry contains only one strategic group when all sellers pursue essentially identical strategies and have comparable market positions.
- 6) At the other extreme, there are as many strategic groups as there are competitors when each rival pursues a **distinctively different competitive approach** and occupies a substantially different competitive position in the marketplace.

**STRATEGIC DRIVERS: CUSTOMERS**

- 1) Understanding different types of customers is the first step in deciding the product/service. Different customers may have different needs and require different sales models or distribution channels.
- 2) As customers are often responsible for the generation of profits obtained by an organisation, it is important to be able to collect and display data in order to show customer trends and profitability.
- 3) A customer is the one who buys a product/service, the consumer is the one who finally uses/ consumes the bought product or service.
- 4) From a pricing perspective - the customer is of more importance and from value creation and design/usability, consumer needs to be kept at the center of decision making.
- 5) A customer can be a consumer and vice versa. But for strategy teams especially marketing teams it is important to understand the customer and consumer separately.

**STRATEGIC DRIVERS: PRODUCT/SERVICE**

- 1) Product stands for the combination of "goods-and-services" that the company offers to the target market.
- 2) Strategies are needed for managing existing product over time, adding new ones and dropping failed products.
- 3) Strategic decisions must also be made regarding branding, packaging and other product features such as warranties.
- 4) The products can also be classified on the basis of industrial or consumer products, essentials or luxury products, durables or perishables. It can be differentiated on the basis of size, shape, colour, packaging, brand names, after-sales service and so on.
- 5) Organizations seek to hammer into customers' minds that their products are different from others. It does not matter whether the differentiation is real or imaginary.
- 6) Organizations formalize product differentiation through designating 'brand names' to their respective products.
- 7) For a new product, pricing strategies for entering a market need to be designed and for that matter at least three objectives must be kept in mind:
  - a) Have customer-centric approach while making a product.
  - b) Produce sufficient returns through a reasonable margin over cost.
  - c) Increasing market share.
- 8) It attempts to answer the general question: What business are we in and what should be done to win over competition in each product/service we serve.

**MARKETING STRATEGIES FOR**

- 1) **Social Marketing:** It seeks to increase the acceptability of a social idea, cause, or practice among a target group to bring in a social change.
- 2) **Augmented Marketing:** 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.
- 3) **Direct Marketing:** Marketing through various advertising media that interact directly with consumers, generally calling for the consumer to make a direct response.
- 4) **Relationship Marketing:** The process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.
- 5) **Services Marketing:** It is applying the concepts, tools and techniques, of marketing to services. This marketing requires different marketing strategies since it has peculiar characteristics of its own like inseparability, variability etc.
- 6) **Person Marketing:** Person marketing consists of activities undertaken to create, maintain or change attitudes and behavior towards particular person.
- 7) **Organization Marketing:** It consists of activities undertaken to create, maintain, or change attitudes and behavior of target audiences towards an organization.
- 8) **Place Marketing:** Place marketing involves activities undertaken to create, maintain, or change attitudes and behavior towards particular places.
- 9) **Enlightened Marketing:** It is a marketing philosophy holding that a company's marketing should support the best long-run performance of the marketing system that is beyond the prevailing mindset; its five principles include customer-oriented marketing, innovative marketing, value marketing, sense-of-mission marketing, and societal marketing.
- 10) **Differential Marketing:** It is a market-coverage strategy in which a firm decides to target several market segments and designs separate offer for each.
- 11) **Synchro-marketing:** When the demand for a product is irregular causing idle capacity or overworked capacities, synchro-marketing can be used to find ways to alter the pattern of demand through flexible pricing, promotion, and other incentives.
- 12) **Concentrated Marketing:** It is 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.
- 13) **Demarketing:** It includes 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.

CHANNEL	Major core competencies are identified in three areas:
<ol style="list-style-type: none"> <li>1) Channels are the <b>distribution system</b> by which an organisation distributes its product or provides its service.</li> <li>2) The <b>wider and stronger</b> the channel the better position a business has to fight and <b>win over competition</b>. Also, it acts as barriers to entry.</li> <li>3) There are typically three channels that should be considered: <ol style="list-style-type: none"> <li>i) <b>The Sales channel:</b> 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?</li> <li>ii) <b>The Product channel:</b> The product channel focuses on the series of intermediaries who physically handle the product on its path from its producer to the end user.</li> <li>iii) <b>The Service channel:</b> 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.</li> </ol> </li> <li>4) Channel analysis is important when the business strategy is to <b>scale up and expand beyond the current geographies and markets</b>.</li> <li>5) Thus, channels, the partners in growth, play a crucial role in <b>internal strategic alignment</b>.</li> </ol>	<ol style="list-style-type: none"> <li>1) <b>Competitor differentiation:</b> 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. This can <b>provide a company an edge</b> compared to competitors. a core competence if the competence is unique and it is <b>difficult for competitors to imitate</b>.</li> <li>2) <b>Customer value:</b> The Product/service <b>has to deliver a fundamental benefit</b> for the end customer in order to be a core competence. It has to have real impact on the customer. If <b>customer has chosen</b> the company <b>without this impact</b>, then <b>competence is not a core competence</b>.</li> <li>3) <b>Application to other markets:</b> Core competence must be <b>applicable</b> to the <b>whole organization</b>. 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.</li> </ol> <div style="border: 1px solid green; padding: 5px; margin-top: 10px;"> <p>If the three above-mentioned conditions are met, then the company can regard it competence as core competency.</p> </div>
CORE COMPETENCY	CRITERIA FOR BUILDING CORE
<ol style="list-style-type: none"> <li>1) Core competencies are about the unique capabilities and resources that a company builds over time, such as specialized knowledge, expertise, or technology.</li> <li>2) <b>C.K. Prahalad and Gary Hamel</b> have advocated a concept of core competency.</li> <li>3) For core competencies, it is <b>characteristic to have a combination of skills and techniques</b>, which makes the whole organization utilize these several separate individual capabilities.</li> <li>4) Therefore, core competencies cannot be built on one capability or single technological know-how, instead, it has to be the integration of many resources.</li> <li>5) The optimal way to define core competence is to consider it as sum of 5-15 areas of developed expertise.</li> <li>6) Core competencies are capabilities that serves as a source of competitive advantage for a firm over its rivals.</li> </ol>	<ol style="list-style-type: none"> <li>1) <b>Valuable:</b> Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment.</li> <li>2) <b>Rare:</b> Core competencies are very rare capabilities and very few of the competitors possess this.</li> <li>3) <b>Costly to imitate:</b> means such capabilities that competing firms are unable to develop easily.</li> <li>4) <b>Non-substitutable:</b> Capabilities that do not have strategic equivalents are called non-substitutable capabilities.</li> </ol> <div style="border: 1px solid orange; padding: 5px; margin-top: 10px;"> <p style="text-align: center;"><b>SWOT</b></p> <ol style="list-style-type: none"> <li>1) <b>SWOT analysis</b> is the analysis of a business's strengths, weaknesses, opportunities and threats. The primary objective of a SWOT analysis is to help organizations develop a <b>full awareness</b> of all the factors (external as well as internal), involved in making a business decision.</li> <li>2) One shall also use SWOT analysis to <b>discover recommendations and strategies</b>, with a focus on leveraging strengths and opportunities to overcome weaknesses and threats.</li> </ol> </div>



**BENEFITS/CRITICISM OF**

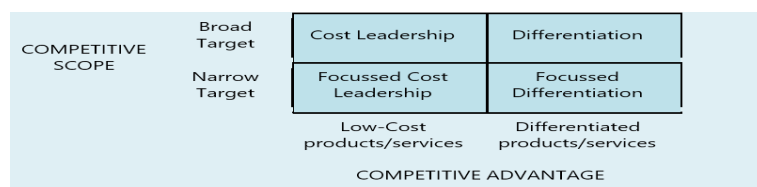
**Benefits:** It identifies the complex issues for an organisation and puts them into a simple framework. **Criticism:** It does not generally provide for evaluation of strengths, weaknesses, opportunities and threats in the competitive context.

**COMPETITIVE**

- 1) A competitive advantage is the favorable position a company achieves by leveraging its core competencies to outperform its competitors.
- 2) It is the result of effectively utilizing core competencies to offer superior value to customers, lower costs, or create a differentiated product or service.
- 3) Strategic management involves development of competencies that managers can use to achieve better performance and a competitive advantage for their organization.
- 4) Competitive advantage allows a firm to gain an edge over rivals when competing. It is a set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.
- 5) In other words, an organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

**SUSTAINABILITY OF COMPETITIVE ADVANTAGE**

- 1) **Durability:** The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources and capabilities deteriorate.
- 2) **Transferability:** The easier it is to transfer resources and capabilities between companies, the less sustainable will be the competitive advantage which is based on them.
- 3) **Imitability:** How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based? This is the true test of imitability.
- 4) **Appropriability:** It refers to the ability of the firm's owners to appropriate the returns on its resource base.

**MICHAEL PORTER'S GENERIC****COST LEADERSHIP STRATEGY**

- 1) It is a low-cost competitive strategy that aims at broad mass market.
- 2) It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs.
- 3) Because of its lower costs, the cost leader is able to charge a lower price for its products than most of its competitors and still earn satisfactory profits.
- 4) Striving to be a low-cost producer in an industry can especially be effective,
  - a. when the market is composed of many price-sensitive buyers and
  - b. when there are few ways to achieve product differentiation,
- 5) Further, when buyers do not care much about differences from brand to brand, or when there are a large number of buyers with significant bargaining power.
- 6) The basic idea is to underprice competitors and thereby gain market share driving some of the competitors out of the market.

**ACHIEVING COST LEADERSHIP STRATEGY****Achieving Cost Leadership Strategy**

To achieve cost leadership, following actions could be taken:

- 1) Prompt forecasting of demand of a product or service.
- 2) Optimum utilization of the resources to achieve cost advantages.
- 3) Achieving economies of scale; thus, lower per unit cost of product/service.
- 4) Standardization of products for mass production to yield lower cost per unit.
- 5) Invest in cost saving technologies and using advance technology for smart efficient working.
- 6) Resistance to differentiation till it becomes essential.



**ADVANTAGES OF COST LEADERSHIP**

- 1) **Rivalry** – Competitors are likely to avoid a price war.
- 2) **Buyers** – Powerful buyers would not be able to exploit the cost leader firm and will continue to buy its product.
- 3) **Suppliers** – Cost leaders are able to absorb greater price increases from suppliers.
- 4) **Entrants** – Low-cost leaders create barriers to market entry.
- 5) **Substitutes** – Low-cost leaders are more likely to lower the costs to induce existing customers to stay with their products & invest in developing substitutes.

**DISADVANTAGES OF COST**

- 1) Cost advantage may not last long as competitors may imitate cost reduction techniques.
- 2) Cost leadership succeeds only if the firm can achieve higher sales volume.
- 3) Cost leaders tend to keep their costs low by minimizing cost of advertising, market research, and research and development, but this approach can prove to be expensive in the long run.
- 4) Technological advancement areas a great threat to cost leaders.

**DIFFERENTIATION**

- 1) This strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.
- 2) The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.
- 3) Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences.
- 4) Because of differentiation, the business can charge a premium for its product.
- 5) A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty.
- 6) Special features that differentiate one's product can include superior service, spare parts availability, engineering design, product performance, useful life, gas mileage, or ease of use.

**RISKS OF DIFFERENTIATION**

- 1) Unique product may not be valued high enough by customers to justify the higher price.
- 2) Competitors may develop ways to copy the differentiating features quickly.

**BASIS OF**

- 1) **Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors.
- 2) **Pricing:** Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.
- 3) **Organisation:** Maximizing the power of a brand or using the specific advantages that an organization possesses can be instrumental to a company's success.

**ACHIEVING DIFFERENTIATION STRATEGY**

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

**ADVANTAGES OF DIFFERENTIATION STRATEGY**

- 1) **Rivalry** – Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases.
- 2) **Buyers** – They do not negotiate for price as they get special features and they have fewer options in the market.
- 3) **Suppliers** – Because differentiators charge a premium price, they can afford to absorb higher costs of supplies.
- 4) **Entrants** – Innovative features are an expensive offer. So, new entrants generally avoid these features.
- 5) **Substitutes** – Substitute products can't replace differentiated products.

**DISADVANTAGES OF DIFFERENTIATION STRATEGY**

- 1) In the long term, uniqueness is difficult to sustain.
- 2) Charging too high a price for differentiated features may cause the customer to switch-off to another alternative.
- 3) Differentiation fails to work if its basis is something that is not valued by the customers.

**FOCUS**

- 1) A successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors.
- 2) Focus strategies are most effective when consumers have distinctive preferences or requirements, and when the rival firms are not attempting to specialize in the same target segment.
- 3) 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.
- 4) Firms can effectively pursue focus-based strategies only in conjunction with differentiation or cost leadership-based strategies.
- 5) All firms in essence follow a differentiated strategy. Because only one firm can differentiate itself with the lowest cost, the remaining firms in the industry must find other ways to differentiate their products.

**FOCUSED STRATEGY CAN BE CLASSIFIED IN 2****FOCUSED COST LEADERSHIP:**

- 1) Firms that compete based on price and target a narrow market follow a focused cost leadership strategy.
- 2) A firm that follows this strategy does not necessarily charge the lowest prices in the industry.
- 3) Instead, it charges low prices relative to other firms that compete within the target market.

**FOCUSED DIFFERENTIATION:**

- 1) Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.
- 2) In a focused low-cost strategy, narrow markets are defined in different ways in different settings.
- 3) Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups.

**ACHIEVING FOCUSED**

To achieve focused cost leadership/differentiation, following strategies could be adopted by an organization:

- 1) Selecting specific niches which are not covered by cost leaders and differentiators.
- 2) Creating superior skills for catering such niche markets.
- 3) Generating high efficiencies for serving such niche markets.
- 4) Developing innovative ways in managing the value chain.

**ADVANTAGES OF FOCUSED STRATEGY**

Premium prices can be charged by the organisations for their focused product/services.

Rivals and new entrants may find it difficult to compete.

**DISADVANTAGES OF FOCUSED**

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

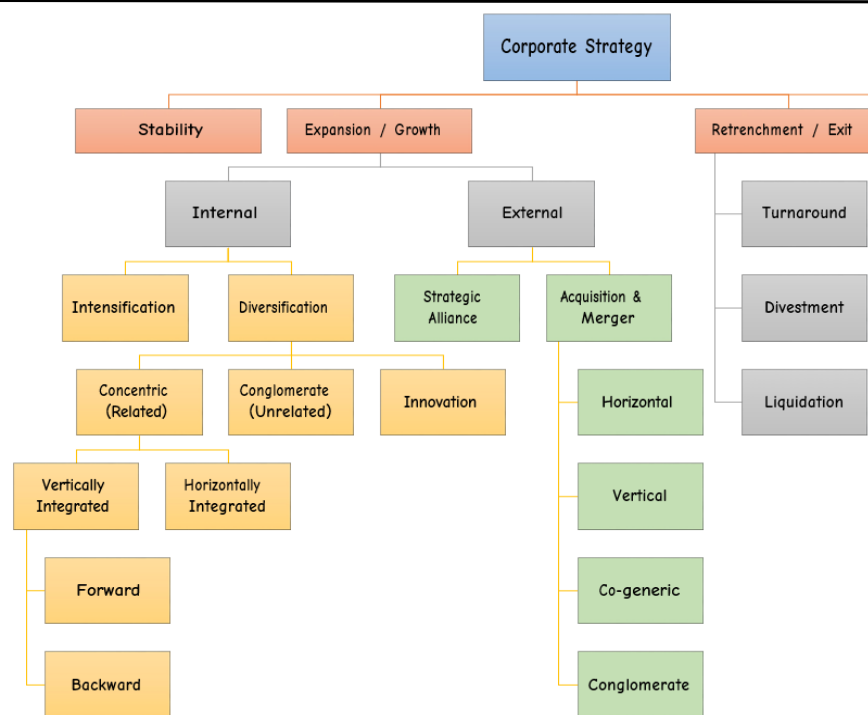
In the long run, the niche could disappear or be taken over by larger competitors by acquiring the same distinctive competencies.

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

**BEST-COST PROVIDER STRATEGY**

- 1) This model is a further development of above three generic strategies.
- 2) It is directed towards giving customers more value for the money by emphasizing on both, low cost and better quality.
- 3) It can be done through:
  - a) offering products at lower price than what is being offered by rivals for products with comparable quality and features
  - Or
  - b) charging similar price as by the rivals for products with much higher quality and better features.

## CHAPTER 4: Strategic Choices



Other than above 3 Strategies, the 4<sup>th</sup> Strategy is “Combination Strategy”, which is the combination of any/all of the above strategies.

### Major Reasons for Growth/Expansion Strategy

- 1.) When environment demands increase in pace of activities i.e expansion.
- 2.) 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.
- 3.) Expansion may lead to greater control over the market vis-a-vis competitors.
- 4.) Advantages from the experience curve and scale of operations may accrue.
- 5.) Expansion also includes intensifying, diversifying, acquiring and merging businesses.

### STABILITY

#### A stability strategy is pursued by a firm when:

- a) It continues to serve in the same or similar markets and deals in same or similar products and services.
- b) This strategy is typical for those firms whose product have reached the maturity stage of PLC or those who have a sufficient market share but need to retain that.
- c) They have to remain updated and have to pace with the dynamic and volatile business world to preserve their market share. Hence, stability strategy should not be confused with ‘do nothing’ strategy.
- d) Small organizations may also follow stability strategy to consolidate their market position and prepare for the launch of growth strategies.

#### Characteristics of Stability Strategy

- 1.) The firm stays with the same business, same product-market posture and functions, maintaining same level of effort as at present.
- 2.) It does not involve a redefinition of the business.
- 3.) It is a safe strategy that maintains status quo.
- 4.) It does not warrant much of fresh investments.
- 5.) The risk involved in this strategy is less.
- 6.) While opting for this strategy, the organization can concentrate on its resources and existing products and markets, thus leading to building of core competencies.
- 7.) The firms with modest growth objective choose this strategy.

#### Major Reasons for Stability Strategy

- 1) A product has reached the maturity stage of the product life cycle.
- 2) The staff feels comfortable with the status quo as it involves less changes and less risks.
- 3) The environment in which an organisation is operating is relatively stable.
- 4) Where it is not advisable to expand as it may be perceived as threatening.
- 5) After rapid expansion, a firm might want to stabilize and consolidate itself.

**EXPANSION/GROWTH****Characteristics of Growth/Expansion Strategy**

- 1) Expansion strategy involves a redefinition of the business.
- 2) It is the opposite of stability strategy. In Expansion strategy, risks & rewards are high.
- 3) The process of renewal of the firm through fresh investments and new businesses/products/ markets is facilitated only by expansion strategy.
- 4) Expansion strategy is a highly versatile strategy; it offers several permutations and combinations for growth.
- 5) A firm opting for the expansion strategy can generate many alternatives within the strategy by altering its propositions regarding products, markets and functions and pick the one that suits it most.

**INTERNAL GROWTH STRATEGY: EXPANSION THROUGH**

Growth through intensification means that the organisation tries to grow internally by intensifying its operations. It tries to cash on its internal capabilities and internal resources. The firm can intensify by adopting any of the following strategies:

Strategy	Products	Market
Market Penetration	Same	Same
Market Development	Same	New
Product Development	New*	Same

\*New product in Product Development means substantial modification of existing products or creation of new but related items.

**INTERNAL GROWTH STRATEGY: EXPANSION THROUGH**

Diversification is defined as an entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge.

**Diversification = New Product in New Market**

Two Major reasons for Diversifications: 1) It is a means of utilizing firm's excessive facilities and capabilities. 2) The synergistic advantage of diversification.

**1) CONCENTRIC DIVERSIFICATION**

- 1) Concentric diversification takes place when the products are related.
- 2) the new business that the firm diversifies into is linked to the existing businesses through process, technology or marketing.
- 3) The new product is a spin-off from the existing facilities and products/process.
- 4) There are benefits of synergy with the current operations.

**There are 2 types of concentric diversification:**

- 1) In **Vertically integrated diversification**, the firm remains in the vertically linked product-process chain. Firms opt to engage in businesses that are related to the existing business of the firm & remains vertically within the same process sequence.

**Forward and Backward Integration:**

- i) Backward integration is concerned with creation of effective supply by entering business of input providers. Company will purchase or build a business that will increase its own supply capability or lessen its cost of production.
  - ii) Forward integration is moving forward in the value chain and entering business lines that use existing products. Forward integration will also take place where organizations enter into businesses of distribution channels.
- 2) In **Horizontal Integrated Diversification**, A firm gets horizontally diversified by integrating through acquisition of one or more similar businesses operating at the same stage of the production-marketing chain. They can also integrate with the firms producing complementary products or by-products or by taking over competitors' products.

**2) CONGLOMERATE**

- 1) It is diversification into unrelated business to explore more opportunities beyond existing areas of expertise.
- 2) 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.

**3) INNOVATION**

Innovation drives upgradation of existing product lines or processes, leading to increased market share, revenues, profitability and most important, customer satisfaction.

- i) **Helps to solve complex problems:** A business strives to find opportunities in existing problems of the society through planned innovation.
- ii) **Increases 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.
- iii) **Gives Competitive Advantage:** Innovative products need less marketing as they aim to provide added satisfaction to consumers, thus, creating a competitive advantage

EXPANSION THROUGH MERGERS & ACQUISITIONS	
<p>1) Merger and acquisition in simple words are defined as a process of combining two or more organizations together.</p> <p>2) It is an instant means of achieving the expansion &amp; synergy.</p> <p>3) Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on.</p> <p>4) Only positive synergistic effects are relevant in this connection which denotes that the positive effects of the merged resources are greater than the effects of the individual resources before merger or acquisition.</p>	
<p><b>Merger:</b> 1) Merger is a process when two or more companies come together to expand their business operations. It's a friendly deal.</p> <p>2) In a merger two organizations combine to increase their strength and financial gains along with breaking of the trade barriers.</p>	
<p><b>Acquisition:</b> 1) When one financially strong organization takes over the weaker organization and controls all its business operations, it is known as acquisition.</p> <p>2) The combined operations then run under the name of the powerful entity. The deal is done in unfriendly manner.</p> <p>3) Acquisitions often happen during recession in economy or during declining profit margins.</p>	
TYPES OF MERGERS	
<p><b>Horizontal Merger:</b> It is a combination of firms engaged in the same industry. It is a merger with a direct competitor.</p> <p>Benefits: achieve economies of scale in the production process</p>	<p><b>Vertical Merger:</b> It is a merger of two organizations that are operating in the same industry but at different stages of production or distribution system. Benefits: Operating and financial economies.</p>
<p><b>Co-generic Merger:</b> Two or more merging organizations are associated in some way or the other related to production processes, markets or technologies.</p> <p>Benefits: Related Diversification</p>	<p>Conglomerate mergers are the combination of organizations that are unrelated to each other.</p> <p>Benefits: Diversification</p>
EXPANSION THROUGH STRATEGIC	
<p>1) It 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.</p> <p>2) 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.</p>	
ADVANTAGES OF STRATEGIC	
<p><b>Organizational:</b> It helps to learn necessary skills and obtain certain capabilities, enhance productive capacity, provide a distribution system, or extend supply chain.</p> <p><b>Strategic:</b> Rivals can join together to cooperate instead of competing &amp; create a competitive advantage</p>	<p><b>Economic:</b> Reduction in costs and risks, Greater economies of scale, co-specialization, creating additional value</p> <p><b>Political:</b> Politically influential partners helps to improve your own influence and position.</p>
DISADVANTAGES OF STRATEGIC	
<p>1) Strategic alliances require sharing of resources and profits, and also sharing knowledge and skills.</p> <p>2) It's risky if they involve trade secrets. Agreements can be executed but the parties may not abide by it.</p> <p>3) Strategic alliances may also create potential competition when an ally becomes an opponent</p>	
STRATEGIC EXITS/RETRECHMENT	
<p>Strategic Exits are followed when an organization substantially reduces the scope of its activity. They find out the problem areas and steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.</p>	
TURNAROUND	
<p>For internal retrenchment to take place, emphasis is laid on improving internal efficiency, known as turnaround strategy. Certain conditions or indicators which point out that a turnaround is needed are as follows:</p> <p>1) Persistent negative cash flow from business(es)</p> <p>2) Uncompetitive products or services</p> <p>3) Declining market share</p> <p>4) Deterioration in physical facilities</p> <p>5) Mismanagement</p> <p>6) Over-staffing, high turnover of employees, and low morale</p>	
ACTION PLAN FOR TURNAROUND	
<p><b>Stage 1: Assessment of current problems:</b> Get to the root causes and the extent of damage caused. Work on correcting and repairing any immediate issues.</p> <p><b>Stage 2: Analyze the situation and develop a strategic plan:</b> Analyze the strengths and weaknesses in the areas of competitive position. Identify appropriate strategies and develop a strategic plan.</p> <p><b>Stage 3: Implementing an emergency action plan:</b> A positive operating cash flow must be established as quickly as possible. The plan includes human resource, financial, marketing and operations actions to restructure debts, improve working capital, reduce costs, improve budgeting practices, accelerate high potential products.</p>	
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**Stage 4: Restructuring the business:** During the turnaround, the “product mix” may be changed, Core products may require immediate attention, some facilities might be closed, organization may withdraw from certain markets.

**Stage 5: Returning to normal:** The organization should begin to show signs of profitability, return on investments and enhancing economic value-added.

The important elements of turnaround strategy are as follows:

- |  |   |
|--|---|
| 1.) Changes in the top management        | 5.) Quick cost reductions                 |
| 2.) Initial credibility-building actions | 6.) Revenue generation                    |
| 3.) Neutralizing external pressures      | 7.) Asset liquidation for generating cash |
| 4.) Identifying quick payoff activities  | 8.) Better internal coordination          |

#### DIVESTMENT

##### Characteristics of Divestment Strategy

- 1) Divestment involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.
- 2) It is usually a part of rehabilitation or restructuring plan and is adopted when a turnaround has been attempted but has proved to be unsuccessful.
- 3) The option of a turnaround may even be ignored if it is obvious that divestment is the only answer.
- 4) Divestment is to be viewed as an integral part of corporate strategy without any stigma attached.

##### A divestment strategy may be adopted due to various reasons:

- 1.) A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
- 2.) Persistent negative cash flows from a particular business create financial problems for the whole company.
- 3.) Severity of competition and the inability of a firm to cope with it may cause it to divest.
- 4.) If it is not possible for the business to do Technological upgradation that is required for the business to survive, preferable option would be to divest.
- 5.) A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

#### ANSOFF'S PRODUCT MARKET GROWTH

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

The product/market growth matrix by Igor Ansoff is a portfolio-planning tool for identifying growth opportunities for the company.

Market Penetration	Product Development
<ul style="list-style-type: none"> <li>◆ Increase market share.</li> <li>◆ Increase product usage.</li> <li>◆ Increase the frequency used.</li> <li>◆ Increase the quantity used.</li> <li>◆ Find new application for current users.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Add product features, product refinement.</li> <li>◆ Develop a new-generation product.</li> <li>◆ Develop new product for the same market.</li> </ul>
Market Development	Diversification involving new products and new markets
<ul style="list-style-type: none"> <li>◆ Expand geographically Target new segments.</li> </ul>	

#### ADL MATRIX

The ADL (Arthur D. Little) matrix is a portfolio analysis technique based on PLC. It's a two-dimensional matrix based on stage of industry maturity (PLC) and the firm's competitive position. The competitive position of a firm is based on an assessment of the following criteria:

**1) Dominant:** Rare position attributable either to a monopoly or a strong and protected technological leadership.

**2) Strong:** Firm has choice of strategies and is able to act without its market position being unduly threatened by its competitors.

**3) Favorable:** This position comes about when the industry is fragmented and no one competitor stand out clearly. The market leaders have a reasonable degree of freedom.

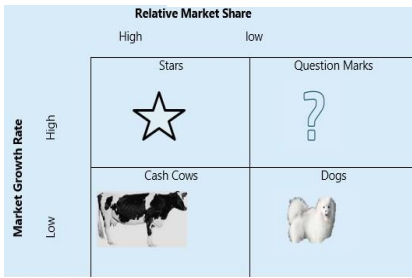
**4) Tenable:** Although the firms are able to perform satisfactorily and can justify staying in the industry, they are generally vulnerable in the face of increased competition.

**5) Weak:** The performance of firms is unsatisfactory although the opportunities for improvement do exist.

Competitive position/Industry maturity	Embryonic	Growth	Mature	Ageing
Dominant				
Strong				
Favorable				
Tenable				
Weak				



### Boston Consulting Group (BCG) Growth-Share Matrix



The BCG matrix is the simplest way to portray a corporation's portfolio of investments. Using the matrix, organisations can identify four different types of products or SBU as follows:

Using the matrix, organisations can identify four different types of products or SBU as follows:

- 1) Stars are products or SBUs that are growing rapidly & need heavy investment. They represent best opportunities for expansion.
- 2) Cash Cows are low-growth, high market share businesses/products. They generate cash and have low costs. In long run when the growth rate slows down, stars become cash cows
- 3) Question Marks are low market share business in high-growth markets. They need heavy investments with low potential to generate cash. 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. If left unattended are capable of becoming cash traps.
- 4) Dogs are low growth & low share business. May generate enough cash to survive but doesn't have any future. Divestment or Liquidation can be considered.

### BCG Matrix: Post Identification Strategies

After a firm, has classified its products or SBUs, the four strategies that can be pursued are:

- 1.) **Build:** Objective is to increase market share, even by forgoing short-term earnings in favor of building a strong future with large market share. (Question Mark)
- 2.) **Hold:** Objective is to preserve market share. (Star)
- 3.) **Harvest:** Objective is to increase short-term cash flow regardless of long-term effect. (Cash Cow)
- 4.) **Divest:** Objective is to sell or liquidate the business because resources can be better used elsewhere. (Dogs)

### Limitations of BCG Matrix

- 1.) BCG matrix can be difficult, time-consuming, and costly to implement. It is difficult to define SBUs and measure market share and growth.
- 2.) It provides little advice for future planning.
- 3.) It leads too much emphasis on market-share growth which may cause unwise expansion into hot, new, risky ventures or divesting established units too quickly.

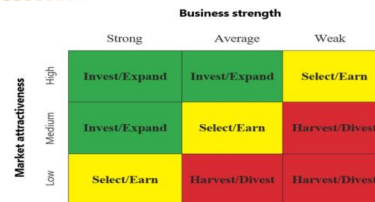
### General Electric Matrix (GE) [Stop-Light Strategy Model]

This model is also known as Business Planning Matrix, GE Nine-Cell Matrix and GE Model. It uses two factors while taking strategic decisions: Business Strength (horizontal axis) and Market Attractiveness. (vertical axis) The market attractiveness is measured by a number of factors like:

- |                             |   |   |
|-----------------------------|---|---|
| 1.) Size of the market.     | 5) Availability of Technology.              | 8) Opportunity for differentiation of products and services |
| 2.) Market growth rate.     | 6) Pricing trends.                          | 9) Demand variability.                                      |
| 3.) Industry profitability. | 7) Overall risk of returns in the industry. | 10) Segmentation.   |
| 4.) Competitive intensity.  |   | 11) Distribution structure (e.g. direct marketing, retail,  |

Business strength is measured by considering the typical drivers like:

- |                               |  |                               |
|-------------------------------|--|-------------------------------|
| 7.) Market share.             | 4.) Ability to compete on price and quality. | 1.) Technological capability. |
| 8.) Market share growth rate. | 5.) Customer loyalty.                        | 2.) Relative cost position.   |
| 9.) Profit margin.            | 6.) Production capacity.                     | 3.) Management caliber, etc.  |
| 10.) Distribution efficiency. |  |                               |



1.Green: Strategic decision can be to expand, to invest and grow.

2.Amber or yellow: it needs caution and managerial discretion is called for.

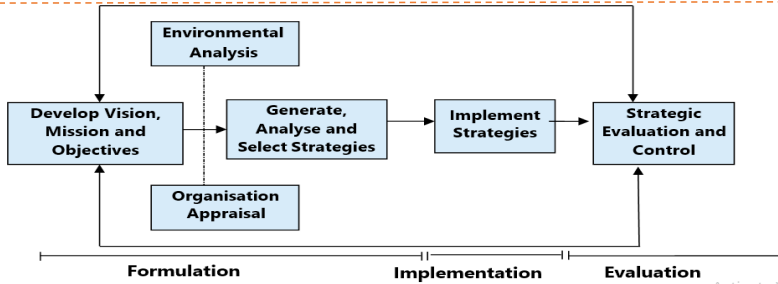
3. Red: Appropriate strategy should be retrenchment,

### Differences in BCG & GE Model

- 1) Market attractiveness replaces market growth as the dimension of industry attractiveness and includes a broader range of factors.
- 2) Competitive strength replaces market share as the dimension by which the competitive position of each SBU is assessed.

## CHAPTER 5: Strategy Implementation & Evaluation (Part 1)

### STRATEGIC MANAGEMENT



**Figure: Strategic Management Model (Fred R David)**

- 1.) This model like any other model of management does not guarantee sure-shot success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies.
- 2.) In practice, strategists do not go through the process in lockstep fashion. The process essentially is iterative and involves a lot of back-and-forth considerations across different stages in the strategic management process.
- 3.) The strategic management process is dynamic and continuous. strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually. The strategic management process never really ends.

### STAGES IN STRATEGIC

#### Stage 1: Strategic Vision, Mission and Objectives:

- 1) A strategic vision describes management's aspirations for the organisation and highlights a particular direction, or strategic path for it to follow in preparing for the future and molds its identity.
- 2) Mission statement is important because both external stakeholders and other managers in the organisation need to be clear about what the organisation is seeking to achieve and, in broad terms, how it expects to do so.
- 3) Corporate goals and objectives flow from the mission and growth ambition of the corporation. Basically, they represent the quantum of growth the firm seeks to achieve in the given time frame.
- 4) The managerial purpose of setting objectives is to convert the strategic vision into specific performance targets.

#### Stage 2: Environmental and Organisational Analysis:

- 1) The external environment of a firm consists of economic, social, technological, market and other forces which affect its functioning. The firm's external environment is dynamic and uncertain.
- 2) Organisational analysis involved a review of financial resources, technological resources, productive capacity, marketing and distribution effectiveness, research and development, human resource skills and so on.
- 3) This would provide us a framework for SWOT analysis. This would reveal organisational strengths and weaknesses which could be matched with the threats and opportunities in the external environment.

#### Stage 3: Formulating Strategy:

- 1.) The first step in strategy formulation is developing strategic alternatives in the light of organisation strengths and weaknesses, and opportunities and threats in the environment.
- 2.) The second step is the deep analysis of various strategic alternatives for the purpose of choosing the most appropriate alternative which will serve as the strategy of the firm.
- 3.) Various strategic alternatives may be designated as stability strategy, growth/expansion strategy and retrenchment strategy. A company may also follow a combination of these alternatives called combination strategy.

#### Stage 4: Implementation of Strategy:

- 1) Implementation and execution are an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner. It is the most demanding and time-consuming part of the strategy-management process.
- 2) In most situations, strategy-execution process includes the following principal aspects:  
Developing budgets, Staffing the organisation, Using the best-known practices to perform core business activities, motivating people, Creating a work culture.
- 3) Good strategy execution involves creating strong "fits" between strategy and organisational capabilities, between strategy and the reward structure, between strategy and internal operating systems, and between strategy and the organisation's work climate and culture.

### Stage 5: Strategic Evaluation and Control:

The final stage of strategic management process – evaluating the company's progress, assessing the impact of new external developments, and making corrective adjustments – is the trigger point for deciding whether to continue or change the company's vision, objectives, strategy, and/or strategy-execution methods.

### STRATEGY FORMULATION

#### Strategic Planning:

- 1) The formation of corporate strategy is the result of a process known as strategic planning.
- 2) Strategic planning involves a fact of interactive and overlapping decisions leading to the development of an effective strategy for the firm.
- 3) Strategic planning determines where an organisation is going over the next 5 year or more and the ways for going there.
- 4) The process is organisation-wide or focused on a major function such as a division or other major function.

#### Strategic uncertainty and how to deal with it?

Strategic uncertainty refers to the unpredictability of future events and circumstances that can impact an organization's strategy and goals. 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. Ways to

#### deal with Strategic Uncertainty:

- 1) **Flexibility:** Organizations can build flexibility into their strategies.
- 2) **Diversification:** of organization's product portfolio, markets, and customer base.
- 3) **Monitoring and Scenario Planning:** Regularly monitor key indicators of change and conduct scenario planning to understand how different future scenarios might impact their strategies.
- 4) **Building Resilience:** Invest in building internal resilience, such as strengthening their operational processes, increasing their financial flexibility
- 5) **Collaboration and Partnerships:** Collaborating with other organizations, suppliers, customers, and partners.

#### Impact of uncertainty:

- 1) The impact of a strategic uncertainty will depend on the importance of the impacted SBU to a firm. Some SBUs are more important than others. The importance of SBUs may be indicated by their sales, profits, or costs.
- 2) However, such measures might need to be supplemented for potential growth as present sales, profits, or costs may not reflect the true value.

### STRATEGY

- 1) Strategy implementation concerns the managerial exercise of putting a freshly chosen strategy into action.
- 2) Strategic implementation is concerned with translating a strategic decision into action.
- 3) 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.

**Relationship with strategy formulation:** Often people, blame the strategy model for the failure of a company while the main flaw might lie in failed implementation. A company will be successful only when the strategy formulation is sound and implementation is excellent.

Strategy Formulation	Sound	A	B
	Flawed	C	D
		Weak	Excellent
Strategy Implementation			

**Square A:** In such a situation the company will aim at moving from square A to square B, given they realize their implementation difficulties.

**Square B:** This is the ideal situation.

**Square D:** Need to Redesign their strategy before readjusting their implementation/execution skills.

**Square C:** Need to drastically redesign their strategy & readjusting their implementation/execution skills.

### THE EFFICIENCY & EFFECTIVENESS

- 1) In crude terms, to be effective is to do the right thing, while to be efficient is to do the thing right.
- 2) While efficiency is essentially introspective, effectiveness highlights the links between the organization and its environment.
- 3) Even the most technically perfect strategic plan will serve little purpose if it is not implemented effectively.
- 4) 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.
- 5) 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.
- 6) 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).

## Strategic Formulation

Operational Management

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

An organization that finds itself in cell 1 is well placed and thrives. In contrast, an organization in cell 2 or 4 is in bad shape. The particular point to note is that cell 2 is a worse place to be than is cell 3 since, in the later, the strategic direction is present to ensure effectiveness even if rather too much input is being used to generate outputs.

## STRATEGY FORMULATION VS. STRATEGY

Strategy Formulation	Strategy Implementation
Strategy Formulation includes planning and decision-making involved in developing organization's strategic goals and plans.	Strategy Implementation involves all those means related to executing the strategic plans.
In short, Strategy Formulation is placing the Forces before the action.	In short, Strategy Implementation is managing forces during the action.
An Entrepreneurial Activity based on strategic decision-making.	An Administrative Task based on strategic and operational decisions.
Emphasizes on effectiveness.	Emphasizes on efficiency.
Primarily an intellectual and rational process.	Primarily an operational process.
Requires co-ordination among few individuals at the top level.	Requires co-ordination among many individuals at the middle and lower levels.
Requires a great deal of initiative, logical skills, conceptual intuitive and analytical skills.	Requires specific motivational and leadership traits.
Strategy Formulation precedes Strategy Implementation.	Strategy Implementation follows Strategy Formulation.

Strategy formulation concepts and tools do not differ greatly for small, large, for-profit, or non-profit organizations. However, strategy implementation varies substantially among different types and sizes of organizations. It is to be noted that the division of strategic management into different phases is only for the purpose of orderly study. In real life, the formulation and implementation processes are intertwined.

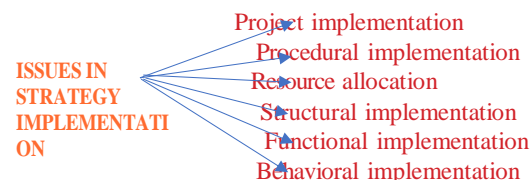
## LINKAGES AND ISSUES IN STRATEGY

## Forward Linkages:

- With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization. For instance, the organizational structure has to undergo a change in the light of the requirements of the modified or new strategy.
- The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

## Backward Linkages:

- Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation.
- While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy.
- Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts.



## STRATEGIC CHANGE THROUGH DIGITAL

## Steps to initiate strategic change: (General Method of Strategic Change)

- 1) Recognize the need for change:** The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not & doing SWOT analysis thereafter.
- 2) Create a shared vision to manage change:** Objectives of both individuals and organization should coincide. There should be no conflict between them. This is possible only if the management and the organization members follow a shared vision. Senior managers need to constantly and consistently communicate the vision to all the organizational members.
- 3) Institutionalize the change:** This is basically an action stage which requires implementation of changed strategy. Capacity for self-renewal should be a fundamental anchor of the new culture of the firm. Change process must be regularly monitored and reviewed.

**KURT LEWIN'S MODEL OF CHANGE**

**1) Unfreezing the situation:** The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change. This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization. Lewin proposes that the changes should not come as a surprise. Sudden and unannounced change would be socially destructive and morale lowering.

**2) Changing to the new situation:** H.C. Kellman has proposed three methods. These are a) **Compliance:** It is achieved by strictly enforcing the reward and punishment strategy for good or bad behaviour.

b) **Identification:** It occurs when members are psychologically impressed upon to identify themselves with some given role models whose behaviour they would like to adopt.

c) **Internalization:** It involves some internal changing of the individual's thought processes. They are given freedom to learn and adopt new behaviour.

**3) Refreezing:** Refreezing occurs when the new behaviour becomes a normal way of life. It must replace the former behaviour completely; 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.

**HOW DOES DIGITAL TRANSFORMATION**

1.) The use of digital technologies to develop fresh, improved, or entirely new company procedures, goods, or services is known as "digital transformation."

2.) Change management in the digital transition consists of four essential elements:

- a) **Defining** the goals and objectives of the transformation
- b) **Assessing** the current state of the organization and identifying gaps
- c) **Creating a roadmap** for change that outlines the steps needed to reach the desired state
- d) **Implementing and managing** the change at every level of the organization.

**THE ROLE OF CHANGE MANAGEMENT IN DIGITAL TRANSFORMATION:**

1) Digital transformation is a process of organizational change that enables an organization to use technology to create new value for all stakeholders. A good change management strategy is necessary for a successful digital transformation.

2) Change management is the process of planning, implementing, and monitoring changes in an organization.

3) A properly implemented change management strategy can help an organization to

- a) **Specify** the parameters and goals of the digital transformation
- b) **Determine** which procedures and tools need to be modified.
- c) **Make a plan** for implementing the improvements.
- d) **Involve** staff members and parties involved in the transformation process.
- e) **Track progress** and make required course corrections.

**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.

**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:** It's crucial to lessen how changes affect staff. It is possible to reduce workplace disruption by:

- a) Getting the word out early and preparing for some interruption.
- b) Giving staff members the required knowledge and tools.
- 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:** Communication promotes efficiency and has the power to influence culture, just like your vision. Create channels so that workers may contact you with queries or complaints. Encourage departmental collaboration to propagate ideas and innovations.

**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."

**HOW TO MANAGE CHANGE DURING DIGITAL**

**1) Specify the digital transformation's aims and objectives:** What is the intended outcome? What are the precise objectives that must be accomplished?

**2) Always, always, always communicate:** Ensure that you routinely and honestly discuss the objectives of the digital transformation and how they will affect stakeholders.

**3) Be ready for resistance:** Have a strategy in place for dealing with any resistance that may arise.

**4) Implement changes gradually:** 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.



## CHAPTER 5: Strategy Implementation & Evaluation (Part 2)

### ORGANISATIONAL FRAMEWORK

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.

**Hard elements are:**

**Strategy:** What steps does the company intend to take to address current and future challenges?

**Structure:** How is work divided, how do different departments work and collaborate?

**Systems:** Which formal/informal processes is the company's structure based on?

**Soft elements are:**

**Shared Values:** What is the idea the organization subscribes to? Is this idea communicated credibly to others?

**Staff:** This element refers to employee's 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.

It has certain limitations:

- 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 effectiveness or performance.
- The model is considered to be more static and less flexible for decision making.
- It is missing out the real gaps in conceptualization and execution of strategy.

### ORGANIZATION

1) Changes in corporate strategy often require changes in the way an organization is structured for two major reasons.

2) First, structure largely dictates how operational objectives and policies will be established to achieve the strategic objectives

3) The second major reason is that structure dictates how resources will be allocated to achieve strategic objectives.



CHANDLER'S STRATEGY.

4) According to Chandler, changes in strategy lead to changes in organizational structure.

5) Chandler found a particular structure sequence to be often repeated as organizations grow and change strategy over time. There is no one optimal organizational design or structure for a given strategy.

### TYPES OF ORGANIZATION STRUCTURE

**A. Simple Structure:** 1) A simple structure is an organizational form in which the owner-manager makes all major decisions directly and monitors all activities, while the company's staff merely serves as an executor.

2) It is appropriate for companies implementing focused cost leadership or focused differentiation strategies.

3) Little specialization of tasks, few rules, little formalization, unsophisticated information systems and direct involvement of owner-manager in all phases of day-to-day operations characterize the simple structure.

4) In the simple structure, communication is frequent and direct, and new products tend to be introduced to the market quickly, which can result in a competitive advantage.

5) These potential competitive advantages include a broad-based openness to innovation, greater structural flexibility, and an ability to respond more rapidly to environmental changes.

**B. Functional Structure:** 1) A functional structure groups tasks and activities by business function, such as production/operations, marketing, finance/accounting.

2) Besides being simple and inexpensive, a functional structure also promotes specialization of labour, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making.

3) The functional structure consists of a chief executive officer or a managing director and supported by corporate staff with functional line managers in dominant functional areas.

4) The functional structure enables the company to overcome the growth-related constraints of the simple structure, enabling or facilitating communication and coordination.

#### C. Divisional Structure:

Divisional structure may be organized in one of the 4 ways:

1) A divisional structure by geographic area is appropriate for organizations whose strategies are formulated to fit the particular needs and characteristics of customers in different geographic areas. A divisional structure by geographic area allows local participation in decision making and improved coordination within a region.

2) The divisional structure by product (or services) is most effective for implementing strategies when specific products or services need special emphasis. This type of structure is widely used when an organization offers only a few products or services or when an organization's products or services differ substantially.





3) When a few major customers are of paramount importance and many different services are provided to these customers, then a divisional structure by customer can be the most effective way to implement strategies. It allows an organization to cater effectively to the requirements of clearly defined customer groups.

4) A divisional structure by process is similar to a functional structure. However, a key difference between these two designs is that functional departments are not accountable for profits or revenues.

#### A divisional structure has some clear advantages:

- Accountability is clear.
- Employee morale is generally higher. (As divisional managers can be held responsible for sales and profit levels)
- It creates career development opportunities for managers.
- Allows local control of local situations.
- Leads to a competitive climate within an organization.
- Allows new businesses and products to be added easily.

#### Limitation of a divisional structure is that it is costly, for a number of reasons.

- First, each division requires functional specialists who must be paid.
- Second, there exists some duplication of staff services, facilities, and personnel;
- Third, managers must be well qualified because the divisional design forces delegation of authority. Better-qualified individuals require higher salaries.
- It requires an elaborate, headquarters-driven control system which is costly.
- Finally, certain regions, products, or customers may sometimes receive special treatment, and it may be difficult to maintain consistent, companywide practices.

#### D. Multi Divisional Structure:

- 1) Multidivisional (M-form) structure is composed of operating divisions where each division represents a separate business.
- 2) The corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.
- 3) Top corporate officer delegates responsibility for day-to-day operations and business unit strategy to division managers.
- 4) This would enable the firm to more accurately monitor the performance of individual businesses.
- 5) When the firm is less diversified, strategic controls are used to manage divisions.
- 6) Strategic control refers to the operational understanding by corporate officers of the strategies being implemented within the firm's separate business units.
- 7) When there is an increase in diversification, divisions are then managed by financial controls.

#### E. Strategic Business Unit (SBU) Structure:

- 1) This concept is relevant to multi-product, multi-business enterprises.
- 2) An SBU is a grouping of related businesses. As per this concept, a multi-business enterprise groups its multiple businesses into a few distinct business units in a scientific way. The purpose is to provide effective strategic planning treatment to each one of its business units.
- 3) The three most important characteristics of an SBU are:
  - It is a single business or a collection of related businesses which offer scope for independent planning.
  - It has its own set of competitors.
  - It has a manager who has responsibility for strategic planning and profit performance, and who has control of profit-influencing factors.
- 4) A strategic business unit (SBU) structure consists of at least three levels, with a corporate headquarters at the top, SBU groups at the second level, and divisions grouped by relatedness within each SBU at the third level.
- 5) This enables the company to more accurately monitor the performance of individual businesses, simplifying control problems.
- 6) The principle underlying the grouping is that all related products-related from the standpoint of "function" should fall under one SBU.
- 7) 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 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 analyzing and segregating the assortment of businesses/portfolios and regrouping them into a few, well defined, distinct, scientifically demarcated business units.
  - 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.
- 8) The relatedness of SBUs is decided on the basis of following factors:
  - SBUs might build on similar technologies, or all provide similar sorts of products or services.
  - SBUs might be serving similar or different markets. Even if technology or products differ, it may be that the customers are similar.
  - Or it may be that other competences on which the competitive advantage of different SBUs are built have similarities.

### F. Matrix Structure:

- 1) In Matrix structure, functional and project forms are combined simultaneously at the same level of the organization. Employees have two superiors, a product or project manager and a functional manager.
- 2) The “home” department - that is, engineering, manufacturing, or marketing - is usually functional and is reasonably permanent.
- 3) The product units or projects are usually temporary and act like divisions. They are differentiated on a product-market basis.
- 4) A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence the term matrix).
- 5) It can result in higher overhead because it has more management positions.
- 6) Other characteristics of a matrix structure that contribute to overall complexity include dual lines of budget authority (a violation of the unity command principle), dual sources of reward and punishment, shared authority, dual reporting channels, and a need for an extensive and effective communication system.
- 7) The matrix structure is often found in an organization or within an SBU when the following three conditions exist:
  - a) Ideas need to be cross-fertilized across projects or products,
  - b) Resources are scarce and
  - c) Abilities to process information and to make decisions need to be improved.

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

- a) **Cross-functional task forces:** Temporary cross-functional task forces are initially used when a new product line is being introduced.
- b) **Product/brand management:** If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins.
- c) **Mature matrix:** The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager.

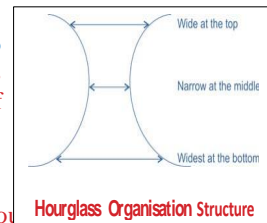
### G. Network Structure:

- 1) The network structure is termed a “non-structure”. Many activities are outsourced.
- 2) A corporation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.
- 3) It becomes most useful when the environment of a firm is unstable and is expected to remain so.

- 4) 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.
- 5) An organization's business functions are scattered at different geographical locations.
- 6) In its ultimate form, the network organization is a series of independent firms or business units linked together by a common system that designs, produces, and markets a product or service.
- 7) The network organization structure provides an organization with increased flexibility and adaptability.
- 8) It allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise.
- 9) The network does, however, have disadvantages:
  - a) The availability of numerous potential partners can be a source of trouble.
  - b) Contracting out functions to separate suppliers/distributors may keep the firm from discovering any synergies by combining activities.
  - c) If a particular firm over-specializes on only a few functions, it runs the risk of choosing the wrong functions and thus becoming non-competitive.

### H. Hourglass Structure:

- 1) In the recent years, the role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.
- 2) Hourglass organization structure consists of three layers with constricted middle layer. The structure has a short and narrow middle-management level.
- 3) Information technology links the top and bottom levels in the organization taking away many tasks that are performed by the middle level managers.
- 4) Contrary to traditional middle level managers who are often specialists, the managers in the hourglass structure are generalists and perform wide variety of tasks.
- 5) Hourglass structure has obvious benefit of reduced costs & simplifying decision making.
- 6) Decision making authority is shifted close to the source. It is faster. Promotion opportunities for the lower levels diminish significantly.



**ORGANIZATION**

- 1.) 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.
- 2) A company's culture is manifested in the values and business principles that management preaches and practices, in its ethical standards and official policies, in its stakeholder relationships, in employees' attitudes and behaviour, in the legends people repeat about happenings in the organization, in the organization's politics that permeate the work environment.
- 3) It can originate anywhere: from one influential individual, work group, department, or division, from the bottom of the organizational hierarchy or the top.

**CULTURE: ALLY OR OBSTACLE TO STRATEGY**

- 1) The beliefs, vision, objectives, and business approaches underpinning a company's strategy may or may not be compatible with its culture.
- 2) When they are compatible, the culture becomes a valuable ally in strategy implementation and execution.
- 3) When the culture is in conflict with some aspect of the company's strategy, the culture becomes a stumbling block that impedes successful strategy implementation and execution.

**ROLE OF CULTURE IN STRATEGY**

- 1) Strong culture promotes good strategy execution when there's fit and impedes execution when there's negligible fit.
- 2) A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making authority is very conducive to successful execution of a strategy of delivering superior customer value.
- 3) All this makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish.

**Perils of Strategy-Culture Conflict:**

- 1) When a company's culture is out of sync with what is needed for strategic success, the culture has to be changed rapidly.
- 2) Correcting a strategy-culture conflict mostly means revamping the mismatched cultural features to produce strategy. Occasionally, it may mean revamping strategy to produce cultural fit.
- 3) The deeper the mismatched aspects of the culture, the greater the difficulty of implementing strategies. A sizable and prolonged strategy-culture conflict weakens and may even defeat managerial efforts to make the strategy work.
- 4) It is the strategy maker's responsibility to select a strategy compatible with the "sacred" or unchangeable parts of prevailing corporate culture.
- 5) It is the strategy implementer's task, once strategy is chosen, to change whatever facets of the corporate culture hinder effective execution.

**CHANGING A PROBLEM CULTURE:**

- 1) Changing a problem culture is very difficult because of the heavy anchor of deeply held values and habits-people cling emotionally to the old and familiar.
- 2) It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture.
- 3) The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
- 4) 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.
- 5) Personally talking to many departmental groups about the reasons for change is essential; Major cultural change requires many initiatives from many people.
- 6) Until a big majority of employees join the new culture and share an emotional commitment to its basic values and behavioral norms, there's considerably more work to be done.
- 7) The bigger the organization and the greater the cultural shift needed to produce a culture-strategy fit, the longer it takes. In large companies, changing the corporate culture in significant ways can take two to five years.
- 8) In fact, it is usually tougher to reshape a deeply ingrained culture that is not strategy-supportive than it is to instill a strategy-supportive culture from scratch in a brand-new organization.

**STRATEGIC LEADERSHIP**

- 1) A manager as a strategic leader has to play many leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder.
- 2) A strategic leader is a change agent to initiate strategic changes in the organisations and ensure that the changes successfully implemented
- 3) **Managers have five leadership roles to play in pushing for good strategy execution:**
  - a) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
  - b) Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
  - c) 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.
  - d) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.
  - e) Pushing corrective actions to improve strategy execution and overall strategic performance.

#### 4) A Strategic leader has several responsibilities, including the following:

- Making strategic decisions.
  - Formulating policies and action plans to implement strategic decision.
  - Ensuring effective communication in the organisation.
  - Managing human capital (most critical of all)
  - Managing change in the organisation.
  - Creating and sustaining strong corporate culture.
  - Sustaining high performance over time.
- 5) Thus, the strategic leadership skills of a company's managers represent resources that affect company performance.
- 6) Unlike strategic leadership, managerial leadership is generally concerned with the short-term, day-to-day activities.

##### A. Transformational Leadership Style:

- It uses 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'.
- Such a leadership motivates followers to do more than originally affected to do by stretching their abilities and increasing their self-confidence.

##### B. Transactional Leadership Style:

- It focuses 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:
  - static environment,
  - in mature industries, and
  - in organizations that are performing well.

#### ORGANISATIONAL

- Control is intended to regulate and check. The controlling function involves monitoring the activity and measuring results against pre-established standards, analyzing and correcting deviations.
- The process of control has the following elements:

- Objectives of the business system
- A mechanism for monitoring and measuring the performance of the system.
- A mechanism (i) for comparing the actual results with the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.

#### Three types of organizational control:

##### A. Operational Control:

- The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions.
- That there should be a clear-cut & somewhat measurable relationship between inputs and outputs which could be predetermined or estimated with least uncertainty.
- The control activity consists of regulating the processes within certain 'tolerances', irrespective of the effects of external conditions.
- Examples of operational controls can be stock control (maintaining stocks between set limits), production control.

##### B. Management Control:

- When compared with operational control, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation.
- The basic purpose of management control is the achievement of enterprise goals: short range and long range – in a most effective and efficient manner.
- The term management control is defined by Robert Anthony as 'the process by which managers assure the resources are obtained and used effectively and efficiently in the accomplishment of the organisation's objectives.

##### C. Strategic Control:

- According to Schendel and Hofer "Strategic control focuses on the dual questions of whether:
  - the strategy is being implemented as planned; and
  - the results produced by the strategy are those intended."
- There is often a time gap between the stages of strategy formulation and its implementation.
- Strategic control is the process of evaluating strategy as it is formulated and implemented. It is directed towards identifying problems and changes in premises and making necessary adjustments.

#### TYPES OF STRATEGIC

##### 1) 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:
  - Environmental factors such as economic, technology, social and legal-regulatory.
  - Industry factors such as competitors, suppliers, substitutes.
- Different premises may require different amount of control.





**2) Strategic surveillance:** a) It is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.

b) Reading financial and other newspapers, business magazines, attending meetings, conferences, discussions and so on can help in strategic surveillance. Is capable of uncovering information relevant to the strategy.

**3) Special alert control:** a) 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.

b) To cope up with such eventualities, the organisations form crisis management teams to handle the situation.

**4) Implementation control:** a) Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps.

b) Implementation control is directed towards assessing the need for changes in the overall strategy.

c) It continuously monitors the basic direction of the strategy. The two basic forms of implementation control are:

**i) 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:** . It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

### STRATEGIC PERFORMANCE

1) 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.

2) SPM helps to eliminate silos by establishing a common language among all divisions. Strategic performance measures are key indicators that organizations use to track the effectiveness of their strategies and make informed decisions about resource allocation.

3) Key performance measures and indicators must be created, selected, combined into reports and acted upon so that strategy implementation can have tangible outcomes.

### TYPES OF STRATEGIC PERFORMANCE

**1) 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.

**2) Customer Satisfaction Measures:** Customer measures, such as customer satisfaction, retention & loyalty, provide insight into the organization's ability to meet customer needs and provide high-quality products and services.

**3) Market Measures:** Market measures, such as market share, customer acquisition, and customer referrals, provide information about the organization's competitiveness in the marketplace.

**4) 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.

**5) Innovation Measures:** Innovation measures, such as research and development (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.

**6) 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.

### The Importance of Strategic Performance Measures

1.) **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.

2.) **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.

3) **Continuous Improvement:** Strategic performance measures provide them to track their progress and make adjustments to improve their performance over time.

4) **External Accountability:** Strategic performance measures help organizations demonstrate accountability to stakeholders, including shareholders, customers, and regulatory bodies.

### Choosing the Right Strategic Performance Measures

In selecting the right measures, organizations should consider the following factors:

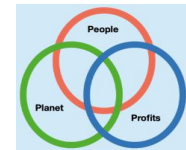
**1) Relevance:** The measure should be relevant to the organization's goals and objectives, providing actionable and meaningful information.

**2) Data Availability:** The measure should be based on data that is readily available and can be collected and analyzed in a timely manner.

**3) Data Quality:** The measure should be based on high-quality data that is accurate and reliable. It is crucial for making informed decisions and assessing the true performance of the organization.

**4) Data Timeliness:** The measure should be based on data that is current and up-to-date. Timely data allows organizations to make informed decisions quickly, enabling them to respond promptly to changes and emerging challenges.

The Triple Bottom Line framework (TBL) emphasizes People and Planetary Concerns besides profitability or Economic Prosperity alone. The Quadruple Bottomline adds the 4<sup>th</sup> P to add a spiritual dimension named 'Purpose.'





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# STRATEGIC MANAGEMENT QUESTION BANK

CA INTERMEDIATE

by

CA Riddhi Parekh

# PREFACE

**Dear Students,**

This book was once a dream for me. Today, it's a reality. I am certain it will be a stepping stone for you as well, to turn your dream of becoming a Chartered Accountant into reality.

This book covers the complete ICAI syllabus for CA Intermediate Strategic Management. I have made conscious efforts to ensure it serves you with a dual purpose: First, to help you gain a thorough understanding of Strategic Management concepts and their real-life applications. Second, to prepare you effectively for the ICAI exams.

What contributed significantly to the creation of this book is my practical experience of mentoring CA students through the **FIRST OPINION** test series and mentorship program, as well as my academic experience at **IIM-I** (FDP). Helping, teaching, and interacting with students has always brought me immense joy.

I once came across a quote that stuck with me:

***"YOU HAVE NOT COME THIS FAR, TO ONLY COME THIS FAR."***

Read it again. This quote has become my driving force for everything I do, and I believe it will help you push through the tough times in your CA journey.

I wish you all the very best. Thank you for choosing this book as your companion in your Strategic Management studies. I am confident it will serve you well in your pursuit of success.

**Regards,**

**CA Riddhi Parekh,**

Founder : FIRST OPINION test series & Mentorship program

Faculty : Strategic Management (CA Intermediate)

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**SPECIAL THANKS** to my parents, for their countless blessings and constant support. I feel incredibly fortunate to have two sets of parents. Each one of them has contributed in their own unique and invaluable way, and their love and encouragement have made all the difference.

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To everyone who played a part in this journey—this book is as much yours as it is mine.

Thank you!

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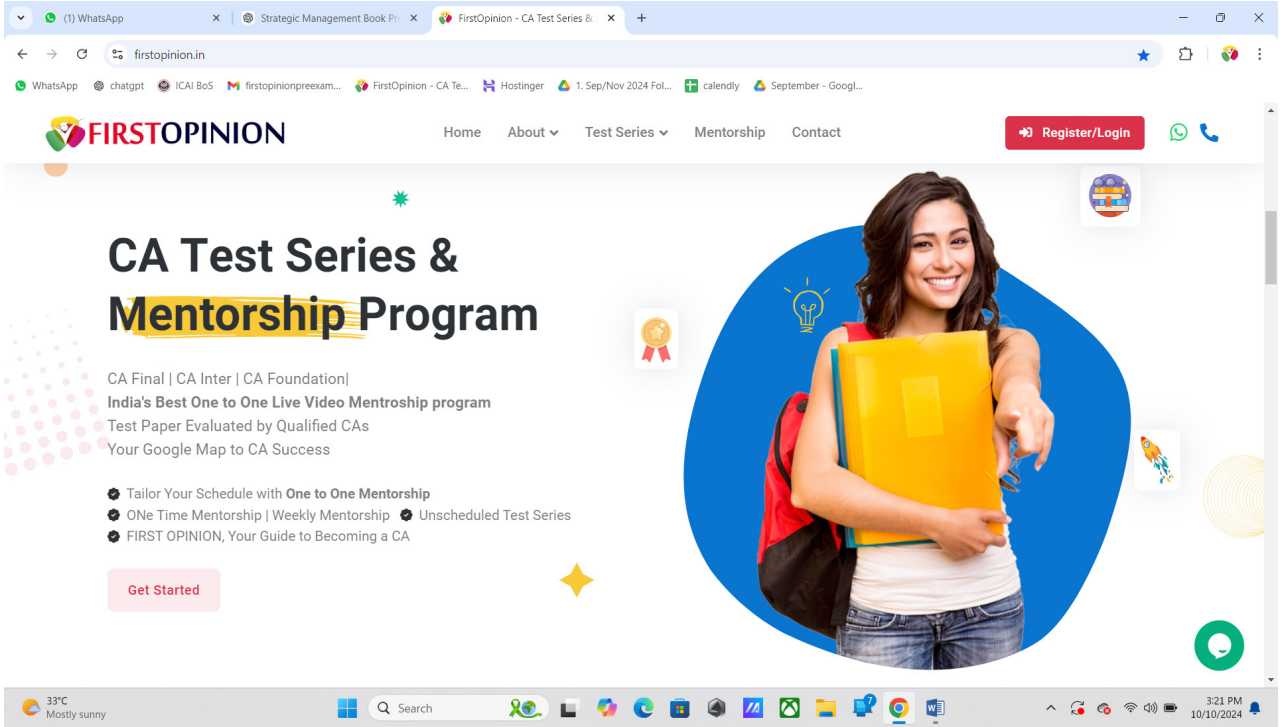
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# **CA INTERMEDIATE**

## **Strategic Management Question Bank**

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# CHAPTER 1: *Introduction to Strategic Management*

## Part 1: DESCRIPTIVE QUESTIONS

### Topic of Questions: Concept of Strategy

**Q1.** Yummy Foods and Tasty Foods are successfully competing in the business of ready to eat snacks in Patna. Yummy has been a pioneer in introducing innovative products. These products will give them good sale. However, Tasty Foods will introduce similar products in reaction to the products introduced by the Yummy Foods taking away the advantage gained by the former. Discuss the strategic approach of the two companies. Which is superior?

(RTP, Nov 2018) (MTP1, Nov 2021) (MTP2, May 2023) (ICAI Study Material)

**Answer:**

- 1.) Yummy foods is proactive in its approach. On the other hand Tasty Food is reactive Proactive strategy is planned strategy whereas reactive strategy is adaptive reaction to changing circumstances.
- 2.) A company's strategy is typically a blend of proactive actions on the part of managers to improve the company's market position and financial performance and reactions to unanticipated developments and fresh market conditions.
- 3.) If organisational resources permit, it is better to be proactive rather than reactive. Being proactive in aspects such as introducing new products will give you advantage in the mind of customers.
- 4.) Crafting strategy combines proactive plans with adaptations to changing circumstances. This aspect can be accomplished by Yummy Foods.

**Q2.** Kamal Sweets Corner, a very popular sweets shop in Ranchi, was facing tough competition from branded stores of packaged sweets and imported goods. The owners realised that their business reduced by 50% in the last six months, and this created a stressful business environment for them. To find a solution, they consulted a business consultant to help them develop a strategy to fight competition and sustain their century old family business. The business consultant advised them to innovate a new snack for the public and market it as a traditional snack of the region. The owners liked the idea and developed a new snack called Dahi Samosa, which very quickly became popular amongst the public and it helped regain the lost business of Kamal Sweets Corner.

One of the very crucial importance of strategic management was used by the business consultant to help the owners of Kamal Sweets Corner. Which one could it be? Also, was this strategy Reactive or Proactive? According to you who are more beneficial in general parlance? (MTP2, May 2021)

**Answer:**

- 1.) The strategy used here was of developing a competitive advantage via product which helped Kamal Sweets Corner regain their lost business. This is also one of the major importance cum advantage of strategic management, that it helps to develop core competencies and competitive advantages to overcome competition.
- 2.) This strategy was a Reactive strategy. Wherein, the owners saw their business fall to 50% of revenue and then sought a strategic advisory. They did not plan proactively as to when the new shops were already opening. They reacted only when the business started to lose up.
- 3.) Generally, it is always beneficial to develop strategies proactively, so that the dip in businesses is small and manageable, and even if they are huge, the management has ample time to fix it.

**Q3.** ALBELA' Foods and 'JustBE' Foods are successfully competing chain of restaurants in India. ALBELA's are known for their innovative approach, which has resulted in good revenues. On the other hand, JustBE is slow in responding to environmental change. The initial stages of Covid-19 pandemic and the ensuring strict lockdown had an adverse impact on both the companies. Realising its severity and future consequences. ALBELA, foods immediately chalked out its post lockdown strategies, which include initiatives like:



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

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

- (i) Identify the strategic approach taken by ALBELA Foods and JustBE Foods.
- (ii) Discuss these strategic approach.
- (iii) Which strategic approach is better and why? (PYQ, July 2021)

**Answer:**

**(i) Strategic Approach :**

ALBELA foods is proactive in its approach. On the other hand, 'JustBE' foods is reactive in its approach.

**(ii) Proactive & Reactive Approach**

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

**(iii) Proactive strategy is better because:**

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

**Q4. 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. (MTP1, May 2024)**

**Answer:**

- 1.) 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 use:
- 2.) **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.
- 3.) **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.
- 4.) 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.

**Q5. ABC retail chain regularly monitors consumer trends and supply chain flexibility. The retail chain tracks consumer trends to adjust its offerings, ensuring they meet customer needs. Simultaneously, it maintains a flexible supply chain to respond swiftly to demand fluctuations. This strategy enables the ABC retail chain to anticipate market shifts and adapt to them effectively, ensuring its competitiveness and customer satisfaction. Which type of strategy is the retail chain employing? (MTP2, May 2024)**

**Answer:**

- 1.) The retail chain is employing a strategy that combines both proactive and reactive elements.
- 2.) Monitoring consumer trends and adjusting product offerings accordingly demonstrates a proactive approach to anticipate and meet customer needs.
- 3.) On the other hand, maintaining a flexible supply chain to respond quickly to changes in demand reflects a reactive strategy to address unforeseen shifts in the market.
- 4.) This combination allows the retail chain to both anticipate future trends and react effectively to immediate market changes, making its strategy partly proactive and partly reactive.
- 5.) This dual strategy of proactive trend monitoring and reactive supply chain flexibility enables the retail chain to anticipate market shifts and adapt to them effectively, ensuring its competitiveness and customer satisfaction.

**Q6. Strategy is partly proactive and partly reactive. Discuss.**

(RTP, May 2018) (PYQ, Nov 2018) (MTP1, Nov 2019) (RTP Nov 2020) (MTP1, May 2021) (ICAI Study Material)

**OR**

**A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies. Do you agree with the statement? Give reasons.**

(MTP2, May 2022) (RTP) May 2023)

**Answer:**

- 1.) It is true that strategies are partly proactive and partly reactive. A business organization cannot always plan all their strategies in advance and often need to blend planned strategies with reactive strategies.
- 2.) In proactive strategy, organizations will analyze possible environmental scenarios and create strategic framework after proper planning and set procedures and work on these strategies in a predetermined manner.
- 3.) However, in reality no company can forecast both internal and external environments exactly. Everything cannot be planned in advance.
- 4.) It is not possible to anticipate moves of rival firms, consumer behaviour, evolving technologies and so on.
- 5.) There can be significant deviations between what was visualized and what actually happens.
- 6.) Strategies need to be attuned or modified in the light of possible environmental changes. There can be significant or major strategic changes when the environment demands.
- 7.) Reactive strategy is triggered by the changes in the environment and provides ways and means to cope with the negative factors or take advantage of emerging opportunities.

### Topic of Questions: Strategic Management

**Q7. Ramesh Sharma has fifteen stores selling consumer durables in Delhi Region. Four of these stores were opened in the last three years. He believes in managing strategically and enjoyed significant sales of refrigerator, televisions, washing machines, air conditioners and the like till four years back. With the shift to the purchases to online stores, the sales of his stores came down to about seventy per cent in the last four years.**

**Analyse the position of Ramesh Sharma in light of limitations of strategic management.**

(RTP, Nov 2019) (RTP, Nov 2020) (ICAI Study Material)

**OR**

Vikram Patel owns a chain of ten bookstores across the Mumbai region. Three of these stores were launched in the past two years. He has always believed in strategic management and enjoyed robust sales of books, magazines, and educational materials until about five years ago. However, with the increasing preference for online shopping, the sales at his physical stores have declined by approximately sixty percent over the last five years. Analyze Vikram Patel's current position in light of the limitations of strategic management. (MTP 2 Sep 2024) (MTP 2 Jan 2025)

**Answer:**

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

- 1.) Environment under which strategies are made is highly complex and turbulent. Entry of online stores, a new kind of competitor brought a different dimension to selling consumer durables. Online stores with their size power could control the market and offer stiff competition to traditional stores.
- 2.) Another limitation of strategic management is that it is difficult to predict how things will shape-up in future. Ramesh Sharma, although managing strategically, failed to see how online stores will impact the sales.
- 3.) Although strategic management is a time-consuming process, he should continue to manage strategically. The challenging times require more effort on his part.
- 4.) Strategic management is costly. Ramesh Sharma/ Vikram Patel may consider engaging experts to find out preferences of the customers and attune his strategies to better serve them in a customized manner. Such customized offerings may be difficult to match by the online stores. The stores owned by Ramesh Sharma/ Vikram Patel are much smaller than online stores. It is very difficult for him to visualize how online stores will be moving strategically.

**Q8. Falguni, CFO of Warships Advertisement Agency, stated that strategic management helps the organisation to develop certain core competencies and competitive advantages that facilitate management in the turbulent environment. Do you agree, if yes, then what and how does it facilitate it? (RTP, Nov 2023)**

**Answer:**

- 1.) **Yes**, strategic management plays a crucial role in an organization's survival and growth, particularly in a turbulent environment. It provides the framework for developing and leveraging core competencies and competitive advantages that enable the organization to not only withstand challenges but also seize opportunities for expansion and success.
- 2.) **Survival:** In a turbulent environment characterized by rapid changes, uncertainties, and challenges, strategic management helps an organization adapt and respond effectively. By developing core competencies and competitive advantages, an organization becomes better equipped to navigate unexpected disruptions and stay relevant in the market.
- 3.) **Growth:** Strategic management goes beyond survival. It enables an organization to identify opportunities, innovate, and create value for its customers. By leveraging core competencies and competitive advantages, the organization can capture market share, expand its offerings, and achieve sustained growth.

**Q9. The presence of strategic management cannot counter all hindrances and always achieve success for an organisation. What are the limitations attached to strategic management?**

(RTP, May 2018) (MTP1, May 2019) (MTP2, May 2021) (MTP1, May 2022) (MTP2 May 2022)

**OR**

**Define Strategic Management: Also discuss the limitations of Strategic Management.**(PYQ, May 2018) (RTP, May 2021) (RTP, Nov 2021) (MTP1, Nov 2022) (MTP2, Nov 2023) (RTP, May 2024)

**OR**

**Are there any limitation attached to strategic management in organizations ? Discuss.**

(RTP) May 2019) (MTP1, May 2020) (MTP2, Nov 2022) (ICAI Study Material)

**OR**

**'Strategic Management is not a panacea for all the corporate ills, has its own pitfalls which can't counter all hindrances and always achieve success'. Do you agree with this statement? Discuss.** (PYQ, May 2019)

OR

**The strategic management cannot counter all hindrances and always achieve success for an organisation. "Do you agree with this statement? Give arguments in support of your answer.** (PYQ, Nov 2022) (RTP, Nov 2023)

**Answer:**

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

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

- 1.) 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.
- 2.) Strategic Management in a time-consuming process: Organisations spend a lot of time preparing communicating the strategies that may impede dally operations and negatively impact the routine business.
- 3.) Strategic Management in 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.
- 4.) Uncertainty: in a competitive scenario, where all organisations are trying to move strategically, it is difficult clearly estimate the competitive responses to the strategies.

**Q10. Briefly explain the importance of strategic management.**

(MTP1, May 2018) (RTP, Nov 2018, **NA**) (MTP2, Nov 201)

OR

**"Each organization must build its competitive advantage keeping in mind the business warfare. This can be done following the process of strategic management, Considering management its statement, explain major benefits of strategic management.**

(PYQ, Dec 2021) (RTP, Nov 2022) (MTP2, May 2024)

OR

**What benefits accrue by following a strategic approach to managing?**

(RTP Nov 2018) (MTP1, Nov 2020) (RTP) May 2023)

OR

**Strategic management helps an organization to work through changes in the environment to gain competitive advantage. In light of the statement. Discuss its benefits.**

(RTP, Sep 2024) (MTP2, Nov 2021)

OR

**What is Strategic Management? What benefits accrue by following a strategic approach to managing? (ICAI Study Material)**

**Answer:**

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

The overall objective of strategic management is two fold:

- (i) To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- (ii) To guide the company successfully through all changes in the environment.

- 2.) Strategic Management is very important for the survival and growth of business organizations in dynamic business environment. Other major benefits of strategic management are as follows:
- (i) It helps organizations to be more proactive rather than reactive in dealing with its future.
  - (ii) It facilitates the organisations to work within vagaries of environment and remains adaptable with the turbulence or uncertain future. Therefore, they are able to control their own destiny in a better way.
  - (iii) It provides better guidance to entire organization on the crucial point what it is trying to do. Also provides framework for all major business decisions of an enterprise such a decision on businesses, products, markets, organization structures, etc.
  - (iv) It facilitates to prepare the organization to face the future and act as pathfinder to various business opportunities. Organizations are able to identify the available opportunities and identify ways and means as how to reach them.
  - (v) It serves as a corporate defence mechanism against mistakes and pitfalls. It helps organizations to avoid costly mistakes in product market choices or investments.
  - (vi) Over a period of time, strategic management helps organizations to evolve certain core competencies and competitive advantages that assist in the fight for survival and growth.

**Q11. Is strategic management a bundle of tricks and magic? Elucidate the statement.**

(MTP 2, May 2018)

**Answer:**

- 1.) Strategic management is not a bundle of tricks and magic. The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over a period of time initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate.
- 2.) Strategic Management is a deliberate managerial process that involves systematic and analytical thinking.
- 3.) It involves systematic and analytical thinking and action. Although, the success or failure of a strategy is dependent on several extraneous factors, it cannot be stated that a strategy is a trick or magic.
- 4.) Formation of strategy requires careful planning and requires strong conceptual, analytical, and visionary skills.

### Topic of Questions: Strategic Intent (Vision, Mission Goals, Objectives & Values)

**Q12. Mr Raj has been hired as a CEO by XYZ Ltd a FMCG company that has diversified into affordable cosmetics. The company intends to launch Feelgood brand of cosmetics. XYZ wishes to enrich the lives of people with its products that are good for skin and are produced in ecologically beneficial manner using herbal ingredients. Draft vision and mission statement that may be formulated by Raj. (RTP, Nov 2019) (RTP, Nov 2020) (ICAI Study Material)**

OR

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 high quality pharmaceutical products at competitive prices and wants to become the world's leading pharmaceutical company by 2030. Based on this context, draft a vision and mission statement that could be formulated by the top management of ABC Pharmaceuticals. (RTP, May 2024)

OR

Mr. Arun has been hired as the CEO by ABC Ltd, a pharmaceutical company that has diversified into affordable wellness supplements. The company intends to launch the HealthPlus brand of



supplements. ABC wishes to enhance the well-being of people with its products that are beneficial for health and are produced in an environmentally sustainable manner using natural ingredients. Draft a vision and mission statement that may be formulated by Arun. (MTP1, Sep 2024)

**Answer:**

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

- 1.) **Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. Mr Raj should aim to position "Feelgood cosmetics" as India's beauty care company. It may have vision to be India's largest beauty care company that improves looks, give extraordinary feeling and bring happiness to people.
- 2.) **Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company.

Mr Raj may identify mission in the following lines:

To be in the business of cosmetics to enhance the lives of people, give them confidence to lead.

To protect skin from harmful elements in environment and sun rays.

To produce herbal cosmetics using natural ingredients

**OR**

ABC Pharmaceuticals may have following vision and mission:

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

**OR**

The Health Plus brand of wellness supplements may have the following vision and mission:

- 1.) **Vision:** Vision implies the blueprint of the company's future position. It describes where the organization wants to land. Mr. Arun should aim to position "HealthPlus" as India's leading wellness supplements brand. It may have the vision to be India's largest wellness supplements company that enhances health, promotes extraordinary well-being, and brings happiness to people.
- 2.) **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. Mr. Arun may identify the mission in the following lines:

To be in the business of wellness supplements to enhance the lives of people and give them the confidence to lead a healthy life.

To protect health by providing supplements that counteract harmful elements in the environment.

To produce wellness supplements using natural ingredients in an environmentally sustainable manner.

**Q13. Define strategic intent. Briefly explain the elements of strategic intent. (RTP, May 2018)**

**OR**

**What are the elements in strategic intent of organisation? (RTP, May 2019) (RTP, May 2020)**

**OR**

**"Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives." In the light of this statement, discuss the elements of strategic intent. (SA, Nov 2022)**

**Answer:**

- 1.) Strategic Management is defined as a dynamic process of formulation, implementation, evaluation, and control of strategies to realise the organization's strategic intent.
- 2.) Strategic intent refers to purposes for what organization strives for. Top management must define "what they want to do" and "why they want to do". "Why they want to do" represents the strategic intent of the firm.
- 3.) Clarity in strategic intent is extremely important for the future success and growth of the enterprise, irrespective of its nature and size.
- 4.) Strategic intent can be understood as the philosophical base of strategic management. It implies the purposes, which an organization endeavours to achieve.
- 5.) It is a statement that provides a perspective of the means, which will lead the organization, reach its vision in the long run. Strategic intent gives an idea of what the organization desires to attain in future.
- 6.) Strategic intent provides the framework within which the firm would adopt a predetermined direction and would operate to achieve strategic objectives.
- 7.) Strategic intent could be in the form of vision and mission statements for the organisation at the corporate level. It could be expressed as the business definition and business model at the business level of the organisation.
- 8.) Strategic intent is generally stated in broad terms but when stated in precise terms it is an expression of aims to be achieved operationally i.e., goals and objectives.

**Elements of Strategic Intent:**

- (i) **Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land. It depicts the organisation's aspirations and provides a glimpse of what the organization would like to become in future. Every sub system of the organization is required to follow its vision.
- (ii) **Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the society. It is designed to help potential shareholders and investors understand the purpose of the company. A mission statement helps to identify, 'what business the company undertakes. It defines the present capabilities, activities, customer focus and role in society.
- (iii) **Goals and objectives:** These are the base of measurement. Goals are the end results, that the organization attempts to achieve. On the other hand, objectives are time-based measurable targets, which help in the accomplishment of goals. These are the end results which are to be attained with the help of an overall plan, over the particular period. However, in practice no distinction is made between goals and objectives and both terms are used interchangeably.  
The vision, mission, business definition, and business model explain the philosophy of the organisation but the goals and objectives represent the results to be achieved in multiple areas of business.
- (iv) **Values/ Value System:** Values are the deep-rooted principles which guide an organisation's decisions and actions. Collins and Porras succinctly define core values as being inherent and sacrosanct; they can never be compromised, either for convenience or short-term economic gain. Values often reflect the values of the company's founders-Hewlett-Packard's celebrated "HP Way" is an example. They are the source of a company's distinctiveness and must be maintained at all costs.

**Q14. Distinguish between vision statement and mission statement. (MTP2, May 2018) (MTP1, Nov 2018) (MTP 2 Jan 2025)**

**Answer:**

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



- 2.) A mission statement can resemble a vision statement in a few companies, but that can be a grave mistake. It can confuse people. Following are the major differences between vision and mission:
- 3.) The vision describes a future direction while the mission serves as ongoing intent.
- 4.) The vision statement can galvanize the people to achieve defined objectives, even if they are stretch objectives, provided the vision is specific, measurable, achievable, relevant and time bound. A mission statement provides a path to realize the vision in line with its values. These statements have a direct bearing on the bottom line and success of the organization.
- 5.) A vision statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well while a mission statement is more specific in terms of both the future state and the time frame. Mission describes what will be achieved if the organization is successful.

**Q15. Write a short note on Essentials of a strategic vision. (RTP, Nov 2018)**

**OR**

**What is strategic vision? Describe the essentials of strategic vision. (SA, Nov 2020)**

**OR**

**What is a strategic vision, and what are the essential components that make it an effective tool for guiding an organization's future? (MTP2, Sep 24)**

**Answer:**

- 1.) A strategic vision is a roadmap of a company's future - providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.
- 2.) It helps the company to answer the question "where we are to go" and provides a convincing rationale for why this makes good business sense for the company.
- 3.) A strategic vision delineates organization's aspirations for the business, providing a panoramic view of the position where the organization is going.
- 4.) A strategic vision points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and molds organizational identity.

**Essentials of a strategic vision:**

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

**Q16. What are the characteristics which must be possess by objectives, to be meaningful to serve the intended role? (PYQ, May 2019) (PYQ Sep 2024)**

**OR**

**What are 'objectives? What characteristics must it possess to be meaningful? (RTP, May 2021) (RTP, May 2022) (MTP2, May 2023)**

**Answer:**

Objectives are organizations performance targets - the results and outcomes it wants to achieve. They function as yardstick for tracking an organization's performance and progress.

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

- Objectives should define the organization's relationship with its environment.
- Objectives should be facilitative towards achievement of mission and purpose.
- Objectives should provide the basis for strategic decision-making.
- Objectives should provide standards for performance appraisal.
- Objectives should be understandable.
- Objectives should be concrete and specific.
- Objectives should be related to a time frame.

- Objectives should be measurable and controllable.
- Objectives should be challenging.
- Different objectives should correlate with each other.
- Objectives should be set within constraints.

**Q17. Why an organisation should have a mission? What considerations are to be kept in mind while writing a good mission statement of a company? (PYQ, Nov 2019)**

**OR**

**What should be the major components of a good mission statement? (RTP, Nov 2022)**

**Answer:**

Mission statements broadly describe an organisations' present capabilities, customer focus, activities, and business makeup.

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

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

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

- (i) To establish the special identity of the business one that typically distinct it from other similarly positioned companies.
- (ii) Good mission statements should be unique to the organisation for which they are developed.
- (iii) Needs which business tries to satisfy, customer groups it wishes to target and the technologies and competencies it uses and the activities it performs.
- (iv) Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
- (v) The mission should not be to make profit.

**Q18. Mission statement of a company focuses on the question: 'who we are' and 'what we do'. Explain briefly. (MTP2, May 2021) (MTP2, May 2022) (RTP, May 2023)**

**OR**

**'A company's mission statement is typically focused on its present business scope.' Explain the significance of a mission statement. (MTP2, Sep 2024)**

**Answer:**

- 1.) A company's mission statement is typically focused on its present business scope "who we are and what we do" mission statements broadly describe an organizations present capabilities, customer focus activities and business makeup.
- 2.) An organisation's mission states what customers it serves, what needs it satisfies, and what type of product it offers.
- 3.) It is an expression of the growth ambition of the organisation. It helps organisation to set its own special identity, business emphasis and path for development.
- 4.) Mission amplifies what brings the organisation to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business organisation.
- 5.) In other words, the mission serves as a justification for the firm's very presence and existence; it legitimizes the firm's presence.

Mission for an organization is **significant** for the following reasons:

- To ensure unanimity of purpose within the organization.
- To develop a basis, or standard, for allocating organizational resources.
- To provide a basis for motivating the use of the organization's resources.



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

**Q19. Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results. (RTP, May 2021) (RTP, Nov 2022)**

**Answer:**

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

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

### Topic of Questions: Strategic levels in Organisations

**Q20. ABC Limited is in a wide range of businesses which include apparels, lifestyle products, furniture, real estate and electrical products. The company is looking to hire a suitable Chief Executive Officer. Consider yourself as the HR consultant for ABC limited. You have been assigned the task to enlist the activities involved with the role of the Chief Executive Officer. Name the strategic level that this role belongs to and enlist the activities associated with it.**

(PYQ, Jan 2021) (MTP2, Nov 2022) (ICAI Study Material) (MTP1, Nov 2023, MTP1, Sep 2024)

**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.

**Q21. Dharam Singh, the procurement department head of Cyclix, a mountain biking equipment company, was recently promoted to look after the sales department along with the procurement department. His seniors at the corporate level have always liked his way of leadership and are assures that he would ensure the implementation of policies and strategies to the best of his capacity but have never involved him in decision making for the company. Do you think this is the right approach? Validate your answer with logical reasoning around management levels and decision making. (RTP, May 2021, NA) (ICAI Study Material)**

**Answer:**



- 1.) Functional managers provide most of the information that makes it possible for business and corporate level managers to formulate realistic and attainable strategies.
- 2.) This is so because functional managers like Dharam Singh are closer to the customer than the typical general manager is. A functional manager may generate important ideas that subsequently may become major strategies for the company.
- 3.) Thus, it is important for general managers to listen closely to the ideas of their functional managers and involve them in decision making.
- 4.) An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business level plans, and if they are involved in formulation, the clarity of thoughts while implementation can benefit too.
- 5.) Thus, the approach of Cyclix Corporate management is not right. They should involve Dharam Singh, as well as other functional managers too in strategic management.

**Q22.** Mr. Mehta sharing with his friend in an informal discussion that he has to move very cautiously in his organization as the decisions taken by him has organisation wide impact and involves large commitments of resources. He also said that his decisions decide the future of his organisation. Where will you place Mr. Mehta in the organizational hierarchy and explain his role in the organization. (RTP, Nov 2021)

OR

ABC Ltd. currently sells its product in two major markets - Europe and Asia. While it is a market leader in Europe, ABC Ltd. has struggled to penetrate the more competitive Asian market. ABC Ltd. hired a strategic consultant to analyze the situation and submit his report to them. After the report received from the strategic consultant, it has therefore decided to pull out of Asia entirely and focus on its European markets only. This decision relates to which level in ABC Ltd. and explain the role of managers at this level in the organization. (RTP, May 2022)

**Answer:**

- 1.) Mr. Mehta works in an organization at top level. He participates in strategic decision making within the organization. / The decision of **ABC Ltd.** relates to top level. Corporate level strategy relates to the markets and industries that the organization chooses to operate in, as well as other decisions that affect the organization as a whole.
- 2.) The role of corporate-level managers is to oversee the development of strategies for the whole organization.
- 3.) This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

**Q23.** Swati is the marketing manager at a software company. She is responsible for developing and implementing marketing strategies for the company's products. Swati leads a team of marketing professionals and works closely with the product development and sales teams to ensure that the company's products are effectively promoted in the market. She also analyzes market trends and customer feedback to refine the marketing strategies. Which level is she working at, discuss the roles and responsibilities of this level in organization? (MTP1, May 2024)

**Answer:**

- 1.) Swati operates at the functional level of management, specifically as the marketing manager at a software company. Functional managers like Swati oversee specific departments or functions within an organization, such as marketing, finance, or operations.
- 2.) Their primary responsibilities include implementing corporate strategies and policies within their area of expertise and ensuring that daily operations are conducted efficiently and effectively.
- 3.) In Swati's case, as a marketing manager, her role involves developing and executing marketing strategies for the company's products. This includes leading a team of marketing professionals, collaborating with product development and sales teams, and analyzing market trends and customer feedback to refine strategies.

- 4.) By working closely with these teams, Swati ensures that the company's products are effectively promoted in the market and that marketing efforts align with overall business goals.
- 5.) Functional managers like Swati play a critical role in the organization by bridging the gap between corporate strategy and daily operations.
- 6.) They are responsible for translating high-level strategic goals into actionable plans for their departments and ensuring that these plans are executed effectively.
- 7.) Additionally, they are often key decision-makers within their areas of responsibility, making strategic choices that impact on the company's success. Overall, Swati's role as a marketing manager exemplifies the importance of functional managers in driving the success of their organizations.

**Q24. Tech Innovators Inc., a rapidly expanding technology company, aims to lead in artificial intelligence (AI) and machine learning (ML). With recent growth, the company is evaluating which organizational structure will best support its vision for innovation and leadership in AI technologies. They are considering three options: the Functional and Divisional Relationship for specialization, the Horizontal Relationship for flat, collaborative management, and the Matrix Relationship for cross-functional teams. Which of these relationships— Functional and Divisional, Horizontal, or Matrix—will most effectively achieve Tech Innovators Inc.'s strategic goals, and why? (ICAI Study Mat) (RTP, Sep 2024)**

**Answer:**

- 1.) The Matrix Relationship is the most effective structure for Tech Innovators Inc. to achieve its vision of leadership in AI technologies.
- 2.) This structure promotes cross-functional collaboration, essential for managing complex AI projects and fostering innovation.
- 3.) By integrating expertise from various departments into temporary, task-based teams, the Matrix Relationship supports dynamic project management and aligns well with the company's strategic goals for advancing.
- 4.) AI technologies. Despite its complexity, this approach provides the flexibility and collaboration necessary for a leading-edge AI and ML focus.

Relationship	Benefits	Drawbacks	Suitability for AI Leadership
Functional and Divisional	Specialization, clear management of Functions and products.	Potential for departmental isolation, limited collaboration.	Less effective for cross-functional AI projects.
Horizontal	Open communication, encourages innovation and fast idea sharing.	Hard to scale, unclear roles and responsibilities.	Suitable for startups, less for large AI initiatives.
Matrix	Facilitates cross- functional collaboration, flexible resource management for complex projects.	Complex reporting structures, potential conflicts.	Ideal for managing diverse, innovative AI projects.

**Q25. Elvis Global is a famous OTT platform facing fierce competition from its competitors amid changing consumer preferences. This has made it difficult to retain customers as the existing television channels are also launching their own platforms. The company has appointed Raghav to lead the company forward as the sales & marketing manager. Raghav needs to design creative and innovative advertising campaigns to gain a competitive edge, engage the public and capture the market.**

**Identify the strategic level that represents Raghav's role at Elvis Global. As a strategic advisor, highlight the various benefits of strategic management in overcoming different challenges to Raghav. (PYQ, May 2024)**

**Answer:**

Raghav's role at Elvis Global represents the Functional level of strategy. As the sales and marketing manager, his responsibilities are focused on specific areas within the company, particularly on crafting and executing marketing and sales strategies that drive customer engagement and competitive positioning.

**Benefits of Strategic Management for Raghav at Elvis Global:**

Strategic management can provide several benefits to Raghav in addressing the competitive and consumer challenges faced by Elvis Global:

- Strategic management helps Elvis Global define its goals and mission, providing clear direction for future initiatives. This ensures that all marketing efforts are aligned with the company's overall vision. It allows Raghav to set realistic and achievable objectives that support the company's long-term goals, ensuring that marketing strategies are both ambitious and attainable.
- Through strategic management, Raghav can proactively shape the future of Elvis Global rather than merely reacting to market changes. This allows the company to anticipate trends and act accordingly. A proactive approach enables Elvis Global to better manage environmental uncertainties and stay ahead of competitors, ensuring a more controlled and predictable business environment.
- Strategic management provides a robust framework for making critical decisions regarding marketing strategies, target markets, and resource allocation. This ensures that all major decisions are well-informed and strategically sound. It ensures coherence and consistency in decision-making across the organization, aligning marketing strategies with overall business objectives.
- Strategic management helps identify and exploit new business opportunities, allowing Raghav to craft campaigns that resonate with emerging consumer preferences and market trends. By recognizing and capitalizing on these opportunities, Elvis Global can differentiate itself from competitors and capture a larger market share.
- Strategic management acts as a defence mechanism against potential mistakes and pitfalls, helping Raghav avoid costly errors in marketing decisions and campaign execution. It provides a structured approach to identifying and mitigating risks, ensuring more informed and safer decision-making.
- Strategic management enhances the longevity and sustainability of Elvis Global by ensuring that marketing strategies are adaptable and resilient in a dynamic market. It helps the company establish a clear and deliberate position within the industry, ensuring sustained relevance and competitiveness.
- Strategic management enables the development of core competencies and competitive advantages that are crucial for the company's success. This includes building strong brand identity, innovative content offerings, and superior customer service. By focusing on these strengths, Raghav can ensure that Elvis Global achieves sustainable growth and maintains its competitive edge in the OTT market.

Through strategic management, Raghav can effectively navigate the competitive challenges faced by Elvis Global. By providing clear direction, encouragement a proactive approach, guiding critical decisions, identifying new opportunities, defending against pitfalls, ensuring longevity, and developing core competencies, strategic management enables the company to achieve and sustain a competitive edge. This comprehensive approach will allow Raghav to design innovative advertising campaigns that engage the public, capture the market, and drive the company forward.

**Q26. Explain the difference between three levels of strategy formulation.**

(RTP, May 2020) (MTP 1, May 2023) (ICAI Study Material)

OR

**Outline the main levels of management generally found in an organization.** (PYQ Jan 2025)

**Answer:**

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

**1.) Corporate Level**

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

**2.) Business Level**

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

**3.) Functional Level**

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

**Q27. Enumerate the task to be performed as a strategic manager of a company. (MTP2, May 2019)**

**Answer:**

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

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

**Q28. "Management at all levels develop strategies". Explain the different strategies formulated at different levels of management. (PYQ, May 2023)**

**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.

## Part 2 : MCQ Questions

**Q1. Strategy is a game plan used for which of the following?**

- (a) To take market position
- (b) To attract and satisfy customers
- (c) To respond to dynamic and hostile environment
- (d) All of the above

(ICAI Study Material)

Correct answer: (d) All of the above

**Q2. Reactive strategy can also be termed as-**

- (a) Planned strategy
- (b) Adaptive strategy
- (c) Sound strategy
- (d) Dynamic strategy

(ICAI Study Material)

Correct answer: (b) Adaptive strategy

**Q3. Read the following three statements:**

- (i) Strategies have short-range implications.
- (ii) Strategies are action oriented.
- (iii) Strategies are rigidly defined.

From the combinations given below select an alternative that represents statements that are true:

- (a) (i) and (ii)
- (b) (i) and (iii)
- (c) (ii) and (iii)
- (d) (i), (ii) and (iii)

(ICAI Study Material)

Correct answer: (a) (i) and (ii)

**Q4. Strategic management enables an organization to\_\_\_\_\_ in business environment instead of companies just responding to threats in their business environment**

- (a) be proactive
- (b) determine when the threat will subside
- (c) avoid the threats
- (d) defeat their competitors

(ICAI Study Material)

Correct answer: (a) be proactive

**Q5. Strategic management allows an organization to be more**

- (a) Authoritative
- (b) Participative

(c) Commanding

(d) Proactive

(ICAI Study Material)

Correct answer: (d) Proactive

**Q6. Formulation of strategies and their implementation in a strategic management process is undertaken by-**

- (a) Top level executives
- (b) Middle level executive
- (c) Lower level executives
- (d) All of the above

(ICAI Study Material)

Correct answer: (d) All of the above

**Q7. Which of the following managers' role is to translate the general statements/ strategies into concrete strategies of their individual businesses-**

- (a) Supervisor
- (b) Functional Manager
- (c) CEO of the company
- (d) All of the above

(ICAI Study Material)

Correct answer: (b) Functional Manager

Note: The right answer should be Business Level Manager, But the answer given by ICAI is Functional Manager.

**Q8. Which statement should be created first and foremost?**

- (a) Strategy
- (b) Vision
- (c) Objectives
- (d) Mission

(ICAI Study Material)

Correct answer: (b) Vision

**Q9. What involves formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives?**

- (a) Strategy formulation
- (b) Strategy evaluation
- (c) Strategy implementation
- (d) Strategic management

(ICAI Study Material)



Correct answer: (d) Strategic management

**Q10. Which of the following are responsible for formulating and developing realistic and attainable strategies?**

- (a) Corporate level and business level managers
- (b) Corporate level and functional level managers
- (c) Functional level managers and business level managers
- (d) Corporate level managers, business level managers and functional level managers

(MTP 1, Nov 2019) (RTP, May 2020) (ICAI Study Material)

Correct answer: (d) Corporate level managers, business level managers and functional level managers

**Q11. Strategy is-**

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

(RTP, May 2020) (ICAI Study Material)

Correct answer: (c) A blend of proactive and reactive actions.

**Q12. Members of Infinite Care, an NGO, have met and determined that they need to formulate a philosophical basis for their activities. Thereby they have come up with a statement: "Provide children till age 12, living in homeless or low-income situations, with the essential items they need to thrive at home, at school and at play" Identify the area of strategic intent, which the members have stated?**

- (a) Vision
- (b) Business Definition
- (c) Goal and Objective
- (d) Mission

(MTP1, Nov 2020).

Correct answer: (d) Mission

**Q13. Which of the following is correct?**

- (a) Strategy is always pragmatic and not flexible
- (b) Strategy is not always perfect, flawless and optimal
- (c) Strategy is always perfect, flawless and optimal
- (d) Strategy is always flexible but not pragmatic

(MTP1, May 2021) (ICAI Study Material)

Correct answer: (b) Strategy is not always perfect, flawless and optimal

**Q14. An organisation during its strategy planning envisaged entire scenarios and created a strategy framework. But in mean time after implementation, it realised that its framework is not effective in certain unique scenarios. What is the reason for the same?**

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

(RTP, Nov 2021)

Correct answer: (a) Strategy is "partly proactive and Partly reactive"

**Q15. Drishti Care is a not-for profit eye hospital and research centre. Which one of the following statements is likely to relate to Drishti Care's vision, rather than its mission statement?**

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

(RTP, Nov 2021)

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

**Q16. The philosophical base of strategic management falls within the concept of-**

- (a) Strategic Intent
- (b) Portfolio Analysis
- (c) Globalisation
- (d) Vision statement

(MTP1, Nov 2021)

Correct answer: (a) Strategic Intent

**Q17. Meba Ltd. had a huge capacity of 40,000 Kilo Litres production of Kerosene Oil, and they were able to achieve 90% of it almost always, while the teams were also aware that they can achieve 100% capacity with very less efforts, but always kept margins. Further, the business team was planning to setup two more plants of 20,000 Kilo Litre capacity each in the next five years. This was a welcomed move from state governments as well. From the above,**

which of the following aspects of objectives is missing by production team?

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

(MTP2, Nov 2021)

Correct answer: (c) They should be challenging.

**Q18.** Which one of the following, focuses on present business scope- 'who we are and what we do'?

- (a) Mission Statement
- (b) Vision Statement
- (c) Goals and objectives
- (d) Purpose

(MTP2, May 2023)

OR

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

- (a) Mission Statement
- (b) Vision Statement
- (c) Goals and objectives
- (d) Purpose

(MTP1, Nov 2023)

Correct answer: (a) Mission Statement

**Q19.** Which one of the following cannot be considered as a part of proactive approach in strategy?

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

(RTP, Nov 2023)

Correct answer: (d) Adaptive reactions to changing circumstances

**Q20.** Mr. Prakash and Mr. Pal are partners in a thriving business venture. Recently, they have become aware of their employees' dissatisfaction with their working conditions. Mr. Prakash believes that the situation should be dealt with before the employees explode. Mr. Pal, on the other hand, believes that if the employees have an outburst, then they will handle it. Mr. Prakash and Mr. Pal business philosophy is:

- (a) Reactive, Proactive
- (b) Reactive, Reactive
- (c) Proactive, Proactive
- (d) Proactive, Reactive

(MTP2, Nov 2023)

Correct answer: (d) Proactive, Reactive

**Q21.** What is one of the key purposes of having an organizational mission?

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

(MTP2, Nov 2023)

Correct answer: (a) Ensuring unanimity of purpose within the organization.

**Q22.** ABC Foundation envisages a world where every individual, regardless of background, has access to quality education, eradicating illiteracy globally. ABC Foundation is committed to establishing 1000 learning centers, with a target to reach 1 million learners in the next five years. Their core values emphasize equality, empowerment, and knowledge sharing. What represents the fundamental purpose and long-term aspirations of ABC Foundation?

- (a) Vision
- (b) Values
- (c) Mission
- (d) Goals and Objectives

(RTP, May 2024)

Correct answer: (a) Vision

**Q23.** Jaago Lights, a successful brand from Jalandhar, aimed to enter the Middle East market by teaming up with major industry players. They needed to reorganize internal operations and refine product designs, facing pressure to expand quickly and turbulence in existing operations. What is the primary limitation of strategic management highlighted in the business case?

- (a) Lack of senior management support
- (b) Time-consuming and complex nature
- (c) Inability to adapt to market changes
- (d) Excessive focus on short-term goals

(RTP, Sep 2024)

Correct answer: (b) Time-consuming and complex nature

# CHAPTER 2: *Strategic Analysis: External Environment*

## Part 1: DESCRIPTIVE QUESTIONS

### Topic of Questions: PESTLE

Q1. 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?(MTP1, May 2024)

OR

How does the PESTLE framework assist in analyzing the macro- environment? (MTP2, May 2024)

Answer:

The PESTLE framework can help ABC Corp assess the external factors affecting its decision to expand into a new country by considering the following aspects:

- 1.) **Political Factors:** These include the stability of the government, government policies on foreign investment, trade agreements, and regulatory frameworks. By analyzing these factors, ABC Corp can assess the political risks associated with entering the new market.
  - 2.) **Economic Factors:** Economic factors such as GDP growth rate, inflation rate, exchange rates, and economic stability can impact ABC Corp's decision. By analyzing these factors, the company can understand the economic environment of the new market and its potential impact on business operations.
  - 3.) **Social Factors:** Social factors such as cultural norms, demographics, and lifestyle trends can influence consumer behaviour and demand for ABC Corp's products. Understanding these factors can help the company tailor its marketing strategies to the new market.
  - 4.) **Technological Factors:** Technological factors such as infrastructure, technological advancements, and the level of technology adoption in the new market can impact ABC Corp's operations. By assessing these factors, the company can determine the technological requirements for entering the new market.
  - 5.) **Legal Factors:** Legal factors such as laws and regulations related to foreign investment, intellectual property rights, and labour laws can impact ABC Corp's decision. By analyzing these factors, the company can ensure compliance with legal requirements in the new market.
  - 6.) **Environmental Factors:** Environmental factors such as climate change, environmental regulations, and sustainability practices can impact ABC Corp's operations and reputation. By considering these factors, the company can assess the environmental risks and opportunities in the new market.
- Overall, the PESTLE framework can provide ABC Corp with a comprehensive analysis of the external factors that could impact its decision to expand into a new country, helping the company make informed and strategic decisions.

### Topic of Questions: Understanding Product and Industry

Q2. ABC Ltd. manufactures and sells air purifier 'Fresh Breath'. The 'Fresh Breath' has seen sales growth of around 1% for the last two years, after strong growth in the previous five years. This is due to new products entering the market in competition with the 'Fresh Breath'. ABC Ltd. is therefore considering cutting its prices to be in line with its major rivals with a hope to maintain the market share. Market research indicates that this will now cause a significant increase in the level of sales, even though in previous years price cuts have had little effect on demand. ABC Ltd. is also planning to launch a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.

Identify and explain the stage of the product life cycle in which 'Fresh Breath' falls.

(RTP, May 2021)

**Answer:**

- 1.) Product Life Cycle is a useful concept for guiding strategic choice. PLC is an S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift).
- 2.) The product 'Fresh Breath' of ABC Ltd. falls under the **Maturity stage** of product life cycle.
- 3.) In this stage, the competition gets tough and the market stabilises. Profit comes down because of stiff competition.
- 4.) At this stage, ABC Ltd. has to work for maintaining stability by cutting the prices to be in line with its major rivals with a hope to maintain the market share and by launching a promotional campaign to highlight the benefits of the 'Fresh Breath' against its rival products.

**Q3.** The CEO of ABC Enterprises, Mr. Rasik Mehta, had the idea of creating a fitness shake called Robust, which prompted the company to conduct research and development. The company conducted a market survey and feasibility study, which indicated that the idea was feasible and had potential for profitability. Consequently, the product was manufactured, marketed, and launched, which led to its success. As a result, the production of Robust grew, and it became widely available. However, with time, the demand for the product decreased, leading to its obsolescence. Identify and explain the concept highlighted in the above case? (MTP2, May 2023)

OR

Write a short note on "Phases and significance of Product Life Cycle". (MTP2, May 2022)

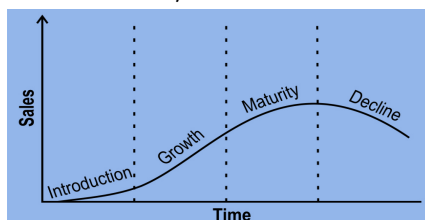
OR

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

(ICAI Study Material)

**Answer:**

- 1.) The case highlights the concept of Product Life Cycle (PLC), which outlines the various stages a product goes through, including introduction, growth, maturity and decline. Successful business must adapt their strategies to each stage to remain profitable.
- 2.) Product Life Cycle is an important concept in strategic choice and S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance), maturity (slowdown in growth rate) and decline (sharp downward drift). If businesses are substituted for product, the concept of PLC could work just as well.
- 3.) 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.
- 4.) The **second stage** of PLC is the growth stage, in which the demand expands rapidly, prices fall, competition increases and market expands. The customer has knowledge about the product and shows interest in purchasing it.
- 5.) The **third stage** of PLC is the maturity stage, where in the competition gets tough and market gets stabilized. Profit comes down because of stiff competition. At this stage organisations may work for maintaining stability.
- 6.) The **fourth stage** is the declining stage of PLC, in which the sales and profits fall down sharply due to some new product replaces the existing product. So, a combination of strategies can be implemented to stay in the market either by diversification or retrenchment



### Significance of PLC

- 1.) PLC can be used to diagnose a portfolio of products (or businesses) in order to establish the stage at which each of them exists. Particular attention is to be paid on the businesses that are in the declining stage. Depending on the diagnosis, appropriate strategic choice can be made.
- 2.) 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.
- 3.) 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.

**Q4. A company has recently launched a new product in the market. Initially, it faced slow sales growth, limited markets, and high prices. However, over time, the demand for the product expanded rapidly, prices fell, and competition increased. Identify the stages of the product life cycle (PLC) that the company went through. (RTP, Nov 2023, RTP Sep 2024)**

**Answer:**

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

- 1.) **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.
- 2.) **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.

**Q5. Reshuffle Corp is a company that manufactures and sells office furniture. They offer a range of products, from desks and chairs to cabinets and shelves. Recently, the company has been facing increased competition from online retailers offering similar products at lower prices.**

**Analyzing the characteristics of products in the furniture industry, discuss how Reshuffle Corp can differentiate its products to maintain a competitive edge in the market. (MTP2, May 2024)**

**Answer:**

To maintain a competitive edge in the face of increased competition, Reshuffle Corp can differentiate its products in several ways:

- 1.) **Tangible and Intangible Aspects:** Reshuffle Corp can focus on the tangible aspects of its products, such as using high-quality materials and innovative designs to create furniture that is both functional and aesthetically pleasing. Additionally, they can emphasize the intangible aspects of their products, such as excellent customer service and a strong brand reputation for reliability and durability.
- 2.) **Pricing Strategies:** While market prices are often dictated by competition, Reshuffle Corp can work on cost optimization to maintain profitability. They can also consider offering value-added services, such as free installation or extended warranties, to justify a higher price point.
- 3.) **Product Features:** By continually optimizing their product features based on customer feedback and market trends, Reshuffle Corp can ensure that their products deliver maximum satisfaction to their target customers. This may include features that enhance functionality, design, quality, and overall user experience.
- 4.) **Product Centric Approach:** Reshuffle Corp should keep their products at the center of their strategic activities, ensuring that all business processes, from production to sales and marketing, are aligned to meet customer needs and expectations.
- 5.) **Product Life Cycle Management:** Reshuffle Corp should be aware of the life cycle of their products and plan for reinvention or replacement accordingly. They can introduce new product lines or upgrade existing ones to keep up with changing customer preferences and market trends.

**Q6. Value Chain Analysis consists of two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. Do you agree with the statement? Also delineate the main areas in which primary activities of any organization are grouped. (PYQ Sep 2024)**



OR

**Explain briefly the primary activities that are grouped into five main activities under Value chain analysis. (MTP2, May 2023)**

**Answer:**

Yes, I agree with the statement that Value Chain Analysis consist of two activities: Primary activities and Support activities. As per Michael Porter both the activities are intertwined. It is a tool used to examine the activities that create value in an organization, helping to enhance efficiency and build competitive advantage. It breaks down a business's operations to identify areas for improvement in value creation. The primary activities of the organization are grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service.

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

### Topic of Questions: Porter's five forces model

- Q7. Baby Turtle is a children's clothing brand that has been created a new age demand for washable diapers. The major benefit for the brand has been that not many companies have shown interest in the product, thinking it is not viable however customers majorly working mothers are loving their product. The core material needed for production is also used in many other water proofing products in various industries. Baby Turtle sources this material from a renowned supplier at comparatively low prices. Which of the five forces of competitive pressure would Baby Turtle experience due to above setup and what are major factors that create such pressure for a product? Do you think Baby Turtle has an advantage in some way to fight off this pressure? (ICAI Study Material)**

**Answer:**

Baby Turtle would experience, Bargaining Power of Suppliers, as a competitive pressure for their washable diaper product. This is because the core material for production is sourced from a single supplier, who is renowned and in a position to create pressure in terms of prices.

Further, other factors that lead to such pressure are:

- 1.) Their products are crucial to the buyer and substitutes to the material required for production are not available.
  - 2.) Suppliers can manipulate switching cost as the brand is in inception stage and making margins are important, An advantage that Baby Turtle has is even though the material required has no substitutes but it used to make many other products and thus there are many other suppliers who can provide that material.
  - 3.) It might affect operations short term but will help to fight off the pressure created by existing supplier.
- Q8. Eco-carry bags Ltd., a recyclable plastic bags manufacturing and trading company has seen a potential in the ever-growing awareness around hazards of plastics and the positive outlook of the society towards recycling and reusing plastics.**



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

Identify and explain that competition from paper bags and old cloth bags fall under which category of Porter's Five Forces Model for Competitive Analysis?

(RTP, May 2020) (ICAI Study Material)

**Answer:**

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

**Q9. Easy Access is a marketing services company providing consultancy to a range of business clients. Easy Access and its rivals have managed to persuade the Government to require all marketing services companies to complete a time-consuming and bureaucratic registration process and to comply with an industry code of conduct. Do you think that by doing this Easy Access and its rivals has an advantage in some way to fight off competitors? Explain. (RTP, Nov 2021) (RTP, Nov 2023)**

**Answer:**

- 1.) Yes, Easy Access and its rivals get advantage by this move.
- 2.) The new bureaucratic process is making it more complicated for organizations to start up and enter in Easy Access market, increasing barriers to entry and thereby reducing the threat of new entrants.
- 3.) New entrants can reduce an industry's profitability, because they add new production capacity, leading to increase in supply of the product, sometimes even at a lower price and can substantially erode existing firm's market share position.
- 4.) However, new entrants are always a powerful source of competition. The new capacity and product range they bring in throws up a new competitive pressure.
- 5.) The bigger the new entrant, the more severe the competitive effect. New entrants also place a limit on prices and affect the profitability of existing players, which is known as Price War.

**Q10. Rajiv Arya is owner of an electrical appliance company that specializes in manufacturing of domestic vacuum cleaners. There are four other manufacturers with similar products and sales volume. Current rival firms also own a number of patents related to the product. The supplier base for procurement of raw material is also very large as there are multiple suppliers.**

**Identify Porter's Five Forces that may be classified as significant for the company? Explain.**

(ICAI Study Material, RTP Sep 2024)

**Answer:**

- 1.) The competitive rivalry will be a significant force in case of company of Rajiv Arya as all the rivals are similar in sizes and are manufacturing similar products.
- 2.) It is difficult for any single manufacturer to dominate the market. Large number of patents will make it difficult for new entrants to break into the market.
- 3.) Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.
- 4.) There is no information relating to substitutes and bargaining power of customers in the information given in scenario.
- 5.) However, a domestic vacuum cleaner will directly compete with other options such as house maids. Availability of house maids at low cost can significantly disturb the sales of products.
- 6.) Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.

- 7.) The competitive rivalry will be significant in Rajiv Arya's dealing industry as all rivals are similar in sizes and manufacture similar products, making it difficult for anyone manufacturer to dominates the market or gain market share.
- 8.) The large number of patents will make it hard for new entrants to break into the market, while the fact that Rajiv Arya buys from a large number of small suppliers suggests that supplier power is also low.
- 9.) Finally, there is no information relating to substitutes and bargaining power of customers in the information given in scenario.

**Q11. A startup company is thinking of launching of a low cost detergent powder in the market. The market of the said product is already dominated by a big FMCG player.**

**You are advised to put forward your suggestions to the management of the company to deal with the problems of 'Entry 'Barrier' while launching the low cost detergent powder. (RTP, Nov 2022)**

**Answer:**

There are number of factors that can act as entry barrier for the start-up company. An FMCG, big in size, is already dominating the market space and will act as a strong deterrent for the new start-up. The following will be some suggestions to the management of the start-up to deal with the problem of entry barriers:

- 1.) The company is working on producing low cost detergent. Keeping other expenses also on the lower side the management can create price advantage that is competitive to the existing established players including the large FMCG.
- 2.) The company focussing on single product in comparison to multiple products of an FMCG can develop competencies to produce and sell the low cost detergent that are difficult to deploy by the FMCG by its strategy that addresses needs of multiple products
- 3.) The start-up needs to have strong financial strength to sustain the onslaught from the dominant FMCG and other players. The start-up can identify sources of capital well in advance and be able to use it judiciously to their advantage.
- 4.) The start-up should identify the customer segments that are likely to switch to the product well in advance so as to target the same and generate the initial hold on the market. Once the product gets some hold and their brands get some identity, the market can be further developed to address other customers.
- 5.) The start-up should identify the environmental factors that go to their advantage. These may include special scheme of the government to encourage entrepreneurs, tax holiday, low interest rates, advantages available to small and medium sized enterprises alike.
- 6.) It has to create an image in the market that its products are qualitative and 'Made in India' to attract a particular segment of customers.
- 7.) They need to have a team of experts and dedicated management professionals who can implement strategies formulated by top management.

**Q12. Pulkit was very confident about the cloud kitchen business model, and he bought three real estate spaces in very hideous localities. Later due to government and court orders the cloud kitchens had to be only operated in a well-ventilated space, which made his investment redundant. What aspect of industry competition Pulkit currently faced as a result of this situation?**

**(MTP2, May 2023 5) (MTP2, Nov 2023)**

**Answer:**

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



- 5.) Additionally, Pulkit may have incurred significant sunk costs in the purchase and renovation of the real estate spaces, which can create a further exit barrier.
- 6.) Sunk costs refer to costs that have already been incurred and cannot be recovered.
- 7.) If Pulkit has invested a significant amount of money in the real estate spaces, he may be hesitant to exit the industry or switch to a different business model as it may mean that he has to write off the sunk costs.
- 8.) Therefore, Pulkit may be facing exit barriers due to his investment in the real estate spaces, which may make it difficult for him to adapt to the new requirements or exit the industry entirely.

**Q13. Green Thrift Inc., a sustainable clothing retailer, is experiencing a surge in popularity due to the growing awareness of environmental issues among consumers. The company specialises in selling second-hand clothing and upcycled garments, offering an eco-friendly alternative to traditional fast fashion.**

**A major concern for Green Thrift Inc. is the emergence of new sustainable fashion brands in the market. These brands focus on using organic and recycled materials, as well as ethical manufacturing practices, which align with the values of environmentally conscious consumers.**

**Identify and explain that competition from new sustainable fashion brands falls under which category of Porter's Five Forces Model for Competitive Analysis? (MTP2, May 2024)**

**Answer:**

- 1.) Competition from new sustainable fashion brands falls under the "Threat of New Entrants" category of Porter's Five Forces Model for Competitive Analysis.
- 2.) These new entrants pose a threat to existing sustainable clothing retailers like Green Thrift Inc. by increasing competition and potentially eroding market share.
- 3.) The emergence of these brands, focusing on using organic and recycled materials along with ethical manufacturing practices, aligns with the values of environmentally conscious consumers, making them strong competitors in the sustainable fashion market.

**Q14. 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. (PYQ Sep 2024)**

**OR**

**What are the common barriers that are faced by new entrants when an existing firm earns higher profits? (RTP, May 2018) (RTP, May 2023)**

**OR**

**Rahul Sharma is Managing Director of a company which is manufacturing trucks. He is worried about the entry of new businesses. What kind of barriers will help Rahul against such a threat? (RTP, May 2019) (ICAI Study Mat)**

**Answer:**

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

- 1.) 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.
- 2.) Economies of scale: Many industries are characterized by economic activities driven by economies of scale. Economies of scale refer to the decline in the per-unit cost of production (or other activity) as volume grows. A large firm that enjoys economies of scale can produce high volumes of goods at successively lower costs. This tends to discourage new entrants.
- 3.) 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.

- 4.) Switching costs: To succeed in an industry, new entrant must be able to persuade existing customers of other companies to switch to its products. To make a switch, buyers may need to test a new firm's product, negotiate new purchase contracts, and train personnel to use the equipment, or modify facilities for product use. Buyers often incur substantial financial (and psychological) costs in switching between firms. When such switching costs are high, buyers are often reluctant to change.
- 5.) 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.
- 6.) 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.
- 7.) Possibility of aggressive retaliation: Sometimes the mere threat of aggressive retaliation by incumbents can deter entry by other firms into an existing industry. For example, introduction of products by a new firm may lead existing firms to reduce their product prices and increase their advertising budgets.

**Q15. Explain Porter's five forces model as to how businesses can deal with the competition.**

(MTP2, May 2018) (RTP, Nov 2018) (MTP2, Nov 2018) (MTP1, May 2019) (ICAI Study Material)

OR

**Competitive pressures operate as a composite in five areas of the overall market. Elaborate.**

(RTP, May 2021)

OR

**Explain briefly the competitive forces in any industry as identified by Michael Porter.**

(PYQ, May 2018)

OR

**What are the five competitive forces in an industry as identified by Michael Porter?**

(RTP, May 2022)

**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.

To gain a deep understanding of a company's industry and competitive environment, managers do not need to gather all the information they can find and waste a lot of time digesting it. A powerful and widely used tool for systematically diagnosing the significant competitive pressures in a market and assessing the strength and importance of each is the Porter's five-forces model of competition.

This model holds that the state of competition in an industry is a composite of competitive pressures operating in five areas of the overall market:

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

**Q16. Buyers can exert considerable pressure on business. Do you agree? Discuss.**

(RTP, Nov 2019, MTP1 May 2024)

OR





**Buyers of an industry's products or services can sometimes exert considerable pressure on the company. In the light of the five forces as propagated by Michael Porter explain this force. Also state as to when this leverage is evident. (PYQ, May 2023)**

**Answer:**

- 1.) Bargaining Power of Buyers: This is another force that influences the competitive condition of an industry. This force becomes heavier depending on the possibility of buyers forming groups or cartels.
- 2.) Mostly, this is a phenomenon seen in industrial products. Quite often, users of industrial products come together formally or even informally and exert pressure on the producer.
- 3.) The bargaining power of the buyers influences not only the prices that the producer can charge but also influences costs and investments of the producer. This is because powerful buyers usually bargain for better services which involves more investment on the part of the producer.
- 4.) Buyers of an industry's products or services can exert considerable pressure on existing firms to secure lower prices or better services. This is evident in situations where buyers enjoy superior position than the seller of product. This leverage is particularly evident when:
  - (i) Buyers have full knowledge of the sources of products and their substitutes.
  - (ii) They spend a lot of money on the industry's products, i.e., they are big buyers.
  - (iii) The industry's product is not perceived as critical to the buyer's needs and buyers are more concentrated than firms supplying the product. They can easily switch to the substitutes available.

**Q17. What are the factors which determine the nature of rivalry in an industry? (PYQ, Nov 2021)**

**OR**

**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 & industry profitability is low. (PYQ Jan 2025)**

**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 when

An industry has no clear leader. Therefore, continuous war for leadership.

- (i) Competitors in the industry are numerous.
- (ii) Competitors operate with high fixed costs. Thus, aiming for better Return on Investment with more fierce tactics.
- (iii) Competitors face high exit barriers, and therefore, continue to fight for market share.
- (iv) Competitors have little opportunity to differentiate their offerings.
- (v) The industry faces slow or diminished growth.

**Q18. "The bargaining power of suppliers determines an industry's attractiveness and profitability." Discuss. (PYQ, May 2022)**

**Answer:**

- 1.) Quite often, suppliers too, exercise considerable bargaining power over purchasing companies.
- 2.) The more specialised the offering from the supplier, greater may be its clout.
- 3.) Further, when the suppliers are limited in number, they may openly exhibit their bargaining power.
- 4.) The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry, and therefore, an industry's attractiveness and profitability.
- 5.) Suppliers can influence the profitability of an industry in a number of ways. Suppliers can command bargaining power over a firm when;
  - (i) Their products are crucial to the buyer and substitutes are not available.
  - (ii) They can erect/ensure high switching costs.
  - (iii) They are more concentrated than their buyers. Less suppliers, more buyers.

## Topic of Questions: Customer Behaviour

**Q19.** 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 behaviour, develop a marketing strategy to promote the new smartphone. (MTP1, May 2024) (MTP 1 Jan 2025)

**Answer:**

To target tech-savvy consumers for the new smartphone model, the tech company can develop a marketing strategy based on customer behaviour. Consumer behaviour may be influenced by a number of things. These elements can be categorised into the following conceptual domains:

- 1.) **External Influences:** Utilize online platforms and tech forums to generate buzz around the new smartphone. Partner with tech influencers and bloggers to review the product and create awareness among tech-savvy consumers.
- 2.) **Internal Influences:** Appeal to the desire for innovation and advanced features among tech-savvy consumers. Highlight the unique selling points of the new smartphone, such as its cutting-edge technology, performance, and design.
- 3.) **Decision Making:** Recognize that tech-savvy consumers are early adopters who value functionality and performance. Provide detailed specifications and comparisons with other smartphones to help them make an informed decision.
- 4.) **Post-decision Processes:** Offer excellent customer service and support to address any technical issues or concerns. Encourage customers to provide feedback and reviews to build credibility and trust among tech-savvy consumers.
- 5.) By understanding the behaviour of tech-savvy consumers and aligning the marketing strategy with their preferences, the tech company can effectively promote the new smartphone and attract this demographic.

## Topic of Questions: Competitive Strategy

**Q20.** Suresh Singhania is the owner of an agri-based private company in Sangrur, Punjab. His unit is producing puree ketchups and sauces. While its products have significant market share in the northern part of country, the sales are on decline in last couple of years. He seeks help of a management expert who advises him to first understand the competitive landscape.

Explain the steps to be followed by Suresh Singhania to understand competitive landscape.

(RTP, May 2018) (ICAI Study Material)

OR

Mr. Arun Kumar has built a successful business in the handmade ceramic products industry in Gujarat. His company, Cerami Crafts, 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 Jan 2025)

OR

What do you understand by 'Competitive Landscape'? What are the steps to understand the competitive landscape? (PYQ, May 2019) (MTP1, Nov 2022)

OR

"Understanding the competitive landscape is important to build upon a competitive advantage". Explain. (PYQ, July 2021, MTP1 May 2024)

OR

Riya Sharma owns a confectionery business in Jaipur, specializing in homemade chocolates and candies. Despite holding a substantial market share in the central region, her business has experienced declining sales of these products over the last few years. Concerned about the market dynamics, Riya consults a management expert for guidance. The consultant recommends



**a comprehensive understanding of the competitive landscape. Explain the steps to be followed by Riya Sharma to understand the competitive landscape to address the sales decline.**

(MTP2, May 2024)

**Answer:**

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. An in-depth investigation and analysis of a firm's competition allows it to assess the Competitor's strength and weaknesses in the marketplace and helps it to choose and implement effective strategies that will improve its competitive advantage

Steps to understand the competitive landscape

- (i) Identify the competitor: The first step to understand the competitive landscape is to identify the competitors in the firm's industry and have actual data about their respective market share.
- (ii) Understand the competitors: Once the competitors have been identified, the strategist can use market research report, internet, newspapers, social media, industry reports, and various other sources to understand the products and services offered by them in different markets.
- (iii) Determine the strengths of the competitors: What are the strength of the competitors? What do they do well? Do they offer great products? Do they utilize marketing in a way that comparatively reaches out to more consumers. Why do customers give them their business?
- (iv) Determine the weaknesses of the competitors: Weaknesses (and strengths) can be identified by going through consumer reports and reviews appearing in various media. After all, consumers are often willing to give their opinions, especially when the products or services are either great or very poor.
- (v) Put all of the information together: At this stage, the strategist should put together all information about competitors and draw inference about what they are not offering and what the firm can do to fill in the gaps. The strategist can also know the areas which need to be strengthened by the firm.

**Q21. Define key success factors (KSFs) & explain its significance.**

(RTP, Nov 2018) (PYQ, Nov 2018) (MTP1, May 2021)

**OR**

**Analyze the role of Key Success Factors (KSFs) in determining competitive success within an industry.** (MTP2 May 2024) (MTP 2 Jan 2025)

**Answer:**

**Key success factors (KSFs) - Meaning**

- 1.) An industry's key success factors (KSFs) are those things or strategic elements that affect industry members' ability to prosper in a market place.
- 2.) For a business organization within an industry, it may include, cost structure, technology, distribution system and so on.
- 3.) It is correct to state that the KSFs help to shape whether a company will be financially and competitively successful.
- 4.) An industry's Key Success Factors (KSFs) are those things that most affect industry members' ability to prosper in the market place, the particular strategy elements, product attributes, resources, competencies, competitive capabilities and business outcomes that spell the difference between profit & loss and ultimately, between competitive success or failure.

**Key success factors (KSFs) - Significance**

- 1.) KSFs by their very nature are so important that all firms in the industry must pay close attention to them.
- 2.) They are the prerequisites for industry success, or, to put it in another way, KSFs are the rules that shape whether a company will be financially and competitively successful.

## Topic of Questions: Business Environment

**Q22.** 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 a successful strategy. (PYQ May 2024)

**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

- 1.) **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.
- 2.) **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 start-up's goals with the market dynamics.
- 3.) **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.
- 4.) **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.
- 5.) **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.

## Topic of Questions: Globalisation

**Q23.** Why companies should go global? Mention any five reasons. (PYQ, Nov 2020)

**Answer:**

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

- 1.) One reason could be the rapid shrinking of time and distance across the globe - thanks to faster communication, speedier transportation, growing financial flows and rapid technological changes.
- 2.) It is being realized that the domestic markets are advantage of opportunities available elsewhere, no longer adequate and rich.
- 3.) Companies globalize to take A new product may gradually get acceptance and grow locally and then globally. This may initially be in form of exports and then later production facilities may begin in other countries.
- 4.) Organizations may go global to take advantage of cheaper raw material and labour costs.



- 5.) Companies often set up overseas plants to reduce high transportation costs.
- 6.) The motivation to go global in high-tech industries is slightly different. Companies in electronics and telecommunications must spend large sums on research and development for new products and thus may be compelled to seek ways to improve sales volume to support high overhead expenses.
- 7.) The companies may also go global to take advantage of local taxation laws.  
To form strategic alliances to ward off economic and technological threats and leverage their respective comparative and competitive advantages.

### Topic of Questions: Experience Curve

**Q24. Explain the concept of the experience curve and highlight its relevance in strategic management.**  
(RTP, May 2018) (MTP2, Nov 2018) (MTP1, Nov 2020) (RTP, May 2024) (ICAI Study Material)

OR

**Write a short note on the relevance of the experience curve.** (MTP2, May 2018)

**Answer:**

- 1.) Experience curve is similar to learning curve which explains the efficiency gained by workers through repetitive productive work.
- 2.) Experience curve is based on the commonly observed phenomenon that unit costs decline as a firm accumulates experience in terms of a cumulative volume of production. It is based on the concept, "we learn as we grow".
- 3.) The implication is that larger firms in an industry would tend to have lower unit costs as compared to those of smaller organizations, thereby gaining a competitive cost advantage.
- 4.) Experience curve results from a variety of factors such as learning effects, economies of scale, product redesign and technological improvements in production.

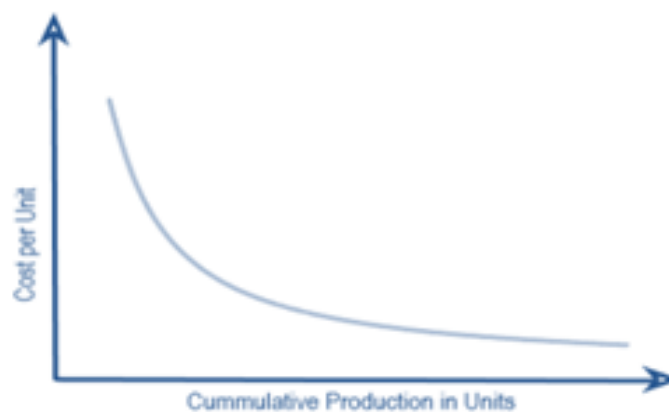
#### **Relevance in Strategic Management:**

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

#### **Experience curve has following features:**

- 1.) As business organisation grow, they gain experience.
- 2.) Experience may provide an advantage over the competition. Experience is a key barrier to entry.
- 3.) Large and successful organisation possess stronger "experience effect".

A typical experience curve may be depicted as follows:



**Figure: Experience curve**

As a business grows, it understands the complexities and benefits from its experiences. The concept of experience curve is relevant for a number of areas in strategic management. For instance, the experience curve is considered a barrier for new firms contemplating entry in an industry. It is also used to build market share and discourage competition.



## Part 2 ; Multiple Choices Questions

**Q1. KSFs stand for:**

- (a) Key strategic factors
- (b) Key supervisory factors
- (c) Key success factors
- (d) Key sufficient factors

(ICAI Study Material)

Correct answer: (c) Key success factors

**Q2. The term PESTLE analysis is used to describe a framework for analyzing:**

- (a) Macro Environment
- (b) Micro Environment
- (c) Both Macro and Micro Environment
- (d) None of above

(ICAI Study Material)

Correct answer: (a) Macro Environment

**Q3. What is not one of Michael Porter's five competitive forces?**

- (a) New entrants
- (b) Rivalry among existing firms
- (c) Bargaining power of unions
- (d) Bargaining power of suppliers

(ICAI Study Material)

Correct answer: (c) Bargaining power of unions

**Q4. Which of the following constitute Demographic Environment?**

- (a) Nature of economy i.e. capitalism, socialism, Mixed
- (b) Size, composition, distribution of population, sex ratio
- (c) Foreign trade policy of Government
- (d) Economic policy i.e. fiscal and monetary policy of Government

(ICAI Study Material)

Correct answer: (b) Size, composition, distribution of population, sex ratio

**Q5. All are elements of Macro environment except:**

- (a) Society
- (b) Government
- (c) Competitors
- (d) Technology

(ICAI Study Material)

Correct answer: (c) Competitors

**Q6. The emphasis on product design is very high, the intensity of competition is low, and the market growth rate is low in the stage of the industry life cycle.**

- (a) Maturity
- (b) Introduction
- (c) Growth
- (d) Decline

(Sample MCQs) (ICAI Study Material)

Correct answer: (b) Introduction

**Q7. Competitive landscape requires the application of-**

- (a) Competitive advantage
- (b) Competitive strategy
- (c) Competitive acumen
- (d) Competitive intelligence

(Sample MCQs) (MTP1, Nov 2019) (ICAI Study Material)

Correct answer: (d) Competitive intelligence

**Q8. 'Attractiveness of firms' while conducting industry analysis should be seen in-**

- (a) Relative terms
- (b) Absolute terms
- (c) Comparative terms
- (d) All of the above

(Sample MCQs) (ICAI Study Material)

Correct answer: (a) Relative terms

**Q9. 'Customer Analysis' and 'Market Analysis' are the part of-**

- (a) Internal analysis
- (b) Strategy identification and selection
- (c) External Analysis
- (d) None of the above

(Sample MCQs)

Correct answer: (c) External Analysis

**Q10. According to Porter, what is usually the most powerful of the five competitive forces?**

- (a) Rivalry among existing firms
- (b) Potential development of substitute products
- (c) Bargaining power of buyers and suppliers
- (d) Potential entry of new competitors

(Sample MCQs)

Correct answer: (a) Rivalry among existing firms

**Q11. What will happen in case many new businesses enter a market?**

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

(RTP, May 2019)



Correct answer: (b) Competitive rivalry will intensify

(MTP2, May 2024)

**Q12. Which of the following is not part of external analysis:**

- (a) Customer segments.
- (b) Organizational constraints.
- (c) Entry barriers.
- (d) Competitors.

(MTP2, May 2019)

Correct answer: (b) Organizational constraints

**Q13. Raju started a samosa stall in a local market and the existing momos and bhelpuri stall owners started creating problems for him. This is an example of-**

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

(RTP, May 2023)

Correct answer: (b) Threat of new entrants

**Q14. Imagine you are tasked with analyzing the competitive landscape for a new product launch. In this context, which of the following factors is not relevant to understanding the competitive landscape?**

- (a) Identifying the competitor
- (b) Understanding the customer
- (c) Determining the strength of the competitors
- (d) Determining the weakness of the competitors

(MTP1, Nov 2023)

Correct answer: (b) Understanding the customer

**Q15. The threat of substitutes is high when:**

- (a) There are few substitute products available
- (b) Switching costs are low
- (c) Suppliers have high bargaining power
- (d) There is strong brand loyalty

(MTP1, May 2024)

Correct answer: (b) Switching costs are low

**Q16. A company negotiating the best prices and quality from its suppliers to add to customer's delight is an example of?**

- (a) Value Creation by improving primary activity
- (b) Value Creation by improving support activity
- (c) Competitive Advantage Creation
- (d) Stakeholder Management

Correct answer: (b) Value Creation by improving support activity

**Q17. Kanika, known as "Desi Taylor Swift," launched the lipstick brand Kolor among intense global and domestic competition. Despite a lack of groundwork, her substantial 45 million social media following gained significant attention. Which aspect of Michael Porter's force multiplier is working in favour of Kolor?**

- (a) Social Media Influence
- (b) Threat of New Entrants
- (c) Supplier Bargaining Power
- (d) Buyer Bargaining Power

(RTP, May 2024)

Correct answer: (b) Threat of New Entrants

**Q18. A traditional desi ghee company modernized its production and introduced pro-biotic desi ghee, facing initial market doubts. Aggressive marketing campaigns highlighted its benefits, gaining acceptance. During which stage of the product life cycle did the desi ghee company face doubts but gained acceptance through aggressive marketing campaigns?**

- (a) Introduction stage
- (b) Growth stage
- (c) Maturity stage
- (d) Decline stage

(MTP2 May 2024)

Correct answer: (a) Introduction stage

**Q19. A small tech company focused on enhancing their main product, which became crucial across various industries due to its increased power and adaptability. Their early partnerships and smart decisions facilitated rapid growth, leading to a \$5 billion valuation in just five years. According to C.K. Prahalad and Gary Hamel, which area represents the tech company's core competency?**

- (a) Customer Value
- (b) Competitor Differentiation
- (c) Product Differentiation
- (d) Application to Other Markets

(RTP Sep 2024)

Correct answer: (d) Application to Other Markets

**Q20. A company's flagship product has experienced a plateau in sales despite heavy promotions and marketing. What phase of the Product Life Cycle are they likely in, and what is the best strategic option to consider?**

- (a) Introduction; increase prices
  - (b) Growth; diversify product range
  - (c) Maturity; seek product differentiation
  - (d) Decline; invest in new technology
- (MTP2 Jan 2025)

Correct answer: (a) Maturity; seek product differentiation

Q21. During which stage of the Product Life Cycle would you typically expect the highest marketing expenditure per unit sold as companies aggressively promote their product? (MTP 2 Jan 2025)

- (a) Maturity
- (b) Introduction
- (c) Growth
- (d) Decline

Correct answer: (b) Introduction

# CHAPTER 3: *Strategic Analysis: Internal Environment*

## Part 1 : DESCRIPTIVE QUESTIONS

### Topic of Questions: Analysing Industry and Markets- Strategic Group Mapping

Q1. 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. (MTP1, May 2018) (ICAI Study Material)

OR

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. (PYQ, July 2021) (MTP1, Sep 2024)

OR

What is a Strategic Group? Discuss the procedure for constructing a strategic group map. (RTP, May 2019) (MTP2, May 2021) (MTP2, May 2022)

OR

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? (MTP1, May 2024)

OR

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. (PYQ Sep 2024)

**Answer:**

A tool to identify the market positions of rival companies by grouping them into like positions is Strategic Group Mapping. 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 are as follows:

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

### Topic of Questions: Core Competence

Q2. '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.**

(RTP, Nov 2018) (ICAI Study Material)

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.**

(MTP2, May 2019) (RTP, Nov 2020)

**Answer:**

- 1.) A core competence is a unique strength of an organization which may not be shared by others.
- 2.) It is defined as a combination of skills and techniques rather than individual skill or separate technique. Core competencies are those capabilities that are critical to a business achieving competitive advantage.
- 3.) In order to qualify as a core competence, the competency should differentiate the business from any other similar businesses.
- 4.) A core competency for a firm is whatever it does is highly beneficial to the organisation.
- 5.) '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.
- 6.) 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.

**Q3. Rohit Patel is having a small chemist shop in the central part of Ahmedabad. What kind of competencies Rohit can build to gain competitive advantage over online medicine sellers? (MTP 2 Jan 2025)**

**Answer:**

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

Rohit Patel can build competencies in the areas of:

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

**Q4. Major core competencies are identified in three areas - competitor differentiation, customer value and application to other markets. Discuss. (RTP, Nov 2019) (MTP1, May 2024) (MTP 1 Jan 2025)**

OR

**Core competencies provide an edge to a business over its competitors. (RTP, Nov 2021)**

OR

**Core competencies provide an edge to a business over its competitors. Discuss. Also, briefly state the three areas in which major core competencies are identified. (PYQ, Jan 2021)**

**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. An organization's combination of technological and managerial know-how, wisdom and experience are a complex set of capabilities and resources that can lead to a competitive advantage compared to a competitor.

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



- 1.) **Competitor differentiation:** The Company can consider having a core competence if the competence is unique and it is difficult for competitors to imitate. This can provide a company an edge compared to competitors. It allows the company to provide better products and services to market with no fear that competitors can copy it.
- 2.) **Customer value:** When purchasing a product or service it has to deliver a fundamental benefit for the end customer in order to be a core competence. It will include all the skills needed to provide fundamental benefits. The service or the product has to have real impact on the customer as the reason to choose to purchase them. If customer has chosen the company without this Impact, then Competence is not a core competence and it will not affect the company's position.
- 3.) **Application of competencies to other markets:** Core competence must be applicable to the whole organisation, 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.

### Topic of Questions: Competitive Advantage

- Q5. Mohan has joined as the new CEO of XYZ Corporation and aims to make it a dominant technology company in the next five years. He aims to develop competencies for managers for achieving better performance and a competitive advantage for XYZ Corporation. Mohan is well aware of the importance of resources and capabilities in generating competitive advantage.

Discuss the four major characteristics of resources and capabilities required by XYZ Corporation to sustain the competitive advantage and its ability to earn profits from it.

(PYQ, Jan 2021) (ICAI Study Material)

OR

"The sustainability of competitive advantage and a firm's ability to earn profits from its competitive advantage depends on characteristics of resources and capabilities". Explain this statement.

(PYQ May 2023)

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. (PYQ, May 2022)

(RTP, May 2024)

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, May 2020)

**Answer:**

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

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

- (i) **Durability:** The period over which a competitive advantage is sustained depends in part on the rate at which a firm's resources and capabilities deteriorate. In industries where the rate of product innovation is fast, product patents are quite likely to become obsolete. Similarly, capabilities which are the result of the management expertise of the CEO are also vulnerable to his or her retirement or departure. On the other hand, many consumer brand names have a highly durable appeal.

- (ii) **Transferability:** Even if the resources and capabilities on which a competitive advantage is based are durable, it is likely to be eroded by competition from rivals. The ability of rivals to attack position of competitive advantage relies on their gaining access to the necessary resources and capabilities. The easier it is to transfer resources and capabilities between companies, the less sustainable will be the competitive advantage which is based on them.
- (iii) **Imitability:** If resources and capabilities cannot be purchased by a would-be imitator, then they must be built from scratch. How easily and quickly can the competitors build the resources and capabilities on which a firm's competitive advantage is based? This is the true test of imitability. Where capabilities require networks of organizational routines, whose effectiveness depends on the corporate culture, imitation is difficult.
- (iv) **Appropriability:** Appropriability refers to the ability of the firm's owners to appropriate the returns on its resource base. Even where resources and capabilities are capable of offering sustainable advantage, there is an issue as to who receives the returns on these resources.

**Q6. Explain competitive advantage.**

(MTP1, May 2018) (PYQ, May 2018) (MTP2, Nov 2018) (MTP1, May 2020)

**Answer:**

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

**Topic of Questions: SWOT Analysis**

- Q7. Rohit Sodhi runs a charitable organization for promotion of sports in the country. His organization conducts regular free training camps for youths interested in playing cricket, football, hockey, badminton and so on. Many of his trainees have reached national level contests. Rohit noticed that with success of IPL (Cricket) tournament there is an increasing trend to extend similar format in other sports as well. He wishes to know how the development is going help sports and to which industries it will offer opportunities and threats. (ICAI Study Material)**

**Answer:**

- 1.) With the success of IPL, league matches are taking place in other sports as well. These are held in a grandeur manner between several teams.
- 2.) For example, league matches in magnificent manner now take place in Football Kabaddi and Hockey in India.
- 3.) These events are profit and entertainment driven. These are going to help sports in India by generating interest in sports, making them more popular, increasing quality of competition and bringing money into sports.
- 4.) A number of entities and processes are involved in these events from various industries offering opportunities and threats to them.
- 5.) An opportunity is a favourable condition in the organization's environment which enables it to strengthen its position.
- 6.) On the other hand, a threat is an unfavourable condition in the organization's environment which causes a risk for, or damage to, the organization's position.
- 7.) An opportunity is also a threat in case internal weaknesses do not allow organization to take their advantage in a manner rivals can. It will offer opportunity and threats to the following:

**Opportunities**

- Stadia.
- Manufacturers of sports goods.
- Media Industry - Sports channels / television, advertisers.
- Hotel Industry linking events with their offerings.

**Threats**

- Entertainment industry engaged in TV serials, cinema theatres, Entertainment theme parks as competitors will be fighting for the same viewers/target customers.
- Event Management organization engaged in non-sports events.

**Q8. STU's Association with India goes back to 1967, when it played a key role in constructing a very long highway in India spreading over multiple states. Since then, it is contributing in many ways to the country's growth story. Now it is looking at playing an active role in the key projects taken up by the central government. Suggest a few opportunities and Threats that the company should consider. (PYQ, Dec 2021)**

**Answer:**

Faced with a constantly changing environment, each business unit needs to develop a marketing information system to track trends and developments, which can be categorized as an opportunity or a threat. The company has to review its strength and weakness in the background of environment's opportunities and threat, i.e., an organization's SWOT analysis.

STU is looking at playing an active role in the key projects taken up by the central government. Following are the potential opportunities and threats to STU:

**Potential STU's Opportunities:**

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

**Potential STU's Threats:**

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

**Q9. 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 2, May 2024) (RTP Jan 2025)**

**Answer:**

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

**Strengths**

- Strong brand reputation in consumer electronics.
- Established distribution network.
- Access to technological expertise for product development.
- Financial resources to support product launch and marketing.

Weaknesses

- 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

- 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
- Threats
- Intense competition from established players in the smart home devices market.
- Rapid technological advancements lead to short product life cycles.
- Potential for cyber security threats in connected devices.
- Economic factors impacting consumer spending on discretionary items.

- 1.) 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.
- 2.) 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.
- 3.) Additionally, staying informed about technological developments and consumer trends will be essential for maintaining competitiveness in the dynamic smart home devices market.

**Q10. Green Gardens, a small but growing organic farm, is assessing its business environment to strategically plan for future growth. The farm boasts high-quality, pesticide-free crops, but faces challenges with its limited distribution channels. As the demand for organic products continues to rise, Green Gardens recognizes the potential to broaden its market reach. However, unpredictable weather conditions and competition from larger farms present significant obstacles. To effectively navigate these challenges and opportunities, Green Gardens needs to conduct a comprehensive evaluation. Identify the type of analysis Green Gardens should conduct to strategically plan for its future growth and outline the grid. (MTP, May 2024)**

**Answer:**  
Green Gardens should conduct a SWOT analysis to strategically plan for future growth. This analysis will help them understand their internal strengths and weaknesses, as well as external opportunities and threats.

**SWOT Analysis Grid for Green Gardens:**

Strengths	Weaknesses
High-quality, pesticide-free produce	Limited distribution channels
Strong brand reputation for organic products	Small scale of operations
Dedicated and knowledgeable workforce	Limited marketing and sales reach
Opportunities	Threats
Rising demand for organic products	Unpredictable weather conditions
Potential to expand into new markets	Intense competition from larger farms
Increased consumer awareness of health and sustainability	Regulatory changes affecting organic farming

By systematically evaluating these areas, GreenGardens can leverage its strengths, address its weaknesses, capitalize on opportunities, and mitigate threats. This strategic planning will guide them toward sustainable growth and success in the organic farming industry.

**Q11. Write a short note on SWOT analysis.**

(PYQ, May 2018) (RTP, Nov 2018) (RTP, May 2021) (MTP1, Nov 2023)

OR

**Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organization? (MTP1, Nov 2018)**

OR

**What is the purpose of SWOT analysis? Why is it necessary to do a SWOT analysis before selecting a particular strategy for a business organisation? (RTP, May 2020) (ICAI Study Material)****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.

- (a) **Strength:** Strength is an inherent capability of the organization which it can use to gain strategic advantage over its competitor.
- (b) **Weakness:** A weakness is an inherent limitation or constraint of the organisation which creates strategic disadvantage to it.
- (c) **Opportunity:** An opportunity is a favourable condition in the external environment which enables it to strengthen its position.
- (d) **Threat:** An unfavourable condition in the external 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 analyses are:

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

**Topic of Questions: Michael Porter's Generic Strategies**

**Q12. Airlines industry in India is highly competitive with several players. Businesses face severe competition and aggressively market themselves with each other. Luxury Jet is a private Delhi based company with a fleet size of 9 small aircrafts with seating capacity ranging between 6 seats to 9 seats. These aircrafts are chartered by big business houses and high net worth individuals for their personalised use. With customised tourism packages their aircrafts are also often hired by foreigners. Identify and explain the Michael Porter's Generic Strategy followed by Luxury Jet. (RTP, May 2018) (RTP, Nov 2020) (RTP, Nov 2022) (ICAI Study Material)**

**Answer:**

- 1.) The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy.
- 2.) A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.
- 3.) Luxury Jet compete in the market based on uniqueness and target a narrow market which provides business houses, high net worth individuals to maintain strict schedules.
- 4.) The option of charter flights provided several advantages including, flexibility, privacy, luxury and many a times cost saving. Apart from conveniences, the facility will provide time flexibility.
- 5.) Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.
- 6.) Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.



**Q13.** Gennex is a company that designs, manufactures and sells computer hardware and software. Gennex is well known for its innovative products that has helped the company to have advantage over its competitors. It also spends on research and development and concerned with innovative softwares. Often the unique features of their product, that are not available with their competitors helps them to gain competitive advantage. Gennex using the strategy is consistently gaining its position in the industry over its competitors.

**Identify and explain the Porter's generic strategy which Gennex has opted to gain the competitive advantage.** (RTP, Nov 2018) (MTP2, May 2019) (ICAI Study Material)

**Answer:**

- 1.) 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.
- 2.) Gennex has opted differentiation strategy. Its products are designed and produced to give the customer value and quality.
- 3.) They are unique and serve specific customer needs that are not met by other companies in the industry.
- 4.) Highly differentiated and unique hardware and software enables Gennex to charge premium prices for its products hence making higher profits and maintain its competitive position in the market.
- 5.) Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.
- 6.) The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service.

**Q14.** Sohan and Ramesh are two friends who are partners in their business of making biscuits. Sohan believe in making profits through selling more volume of products. Hence, he believes in charging lesser price to the customers. Ramesh, however of the opinion that higher price should be charged to create an image of exclusivity and for this, he proposes that the product to undergo some change.

**Analyse the nature of generic strategy used by Sohan and Ramesh.**

(PYQ, Nov 2018) (ICAI Study Material)

**Answer:**

- 1.) Considering the generic strategies of Porter there are three different bases: cost leadership, differentiation and focus.
- 2.) Sohan and Ramesh are contemplating pricing for their product. Sohan is trying to have a low price and high volume are thereby trying for cost leadership.
- 3.) Cost leadership emphasizes producing standardised products at a very low per unit cost for consumers who are price sensitive.
- 4.) Ramesh desires to create perceived value for the product and charge higher prices. He is trying to adopt differentiation.
- 5.) Differentiation is aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price insensitive.

**Q15.** Infant care is a successful store chain that caters products for expectant mothers and new moms. They offer everything from nursing classes to strollers, toys, infant clothes, diapers and baby furniture. Due to a one-stop shop for infants, they are charging a premium for its products. **Identify and explain how the strategy adopted by infant care.**

(MTP1, May 2019) (ICAI Study Material)

**Answer:**

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

**Q16.** A century-old footwear company "Mota Shoes" had an image of being the footwear choice for formal occasions. In an attempt to reinvent its brand, it tied up with a foreign footwear

giant “Buffrine” to manufacture and sell its HideseeK brand in the country. Putting its best foot forward, it launched extra soft, casual and relaxed footwear for young. Aiming at a brand and image makeover the “Mota Shoes” decided to price the Hide Seek products at premium. What kind of Michael Porter business level strategy is being used by “Mota Shoe company”? State its advantages. (RTP, Nov 2019) (ICAI Study Material)

**Answer:**

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

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

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

**Q17. ‘Coffee Beans’ is a coffeehouse chain that operates across the globe in different countries. ‘Coffee Beans’ has adopted a strategy to build business by establishing product uniqueness or qualities and gain competitive advantage based on features of its offerings in coffee business. Which type of strategy ‘Coffee Beans’ has adopted? (MTP1, Nov 2019)**

**Answer:**

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

**Q18. ABC Ltd. is a beverage manufacturing company. It chiefly manufactures soft drinks. The products are priced on the lower side which has made the company a leader in the business. Currently it is holding 35 percent market share. The R & D company developed a formula for manufacturing sugar free beverages. On successful trial and approval by the competent authorities, company was granted to manufacture sugar free beverages. This company is the pioneer to launch sugar free beverages which are sold at a relatively higher price. This new product has been accepted widely by a class of customers. These products have proved profitable for the company. Identify the strategy employed by the company ABC Ltd. and mention what measures could be adopted by the company to achieve the employed strategy. (PYQ, Nov 2020) (RTP, May 2024)**

**Answer:**

- 1.) 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.
- 2.) ABC Ltd. has opted Differentiation Strategy. The company has invested huge amount in R & D and developed a formula for manufacturing sugar free beverages to give the customer value and quality.
- 3.) They are pioneer and serve specific customer needs that are not met by other companies in the industry.
- 4.) The new product has been accepted by a class of customers. Differentiated and unique sugar free beverages enable ABC Ltd. to charge relatively higher price for its products hence making higher profits and maintain its competitive position in the market.

- 5.) Sugar free beverage of ABC Ltd. is being accepted widely by a class of customers. Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.
- 6.) The uniqueness can be associated with product design, brand image, features, technology, and dealer network or customer service.

### Achieving Differentiation Strategy

To achieve differentiation, following strategies are generally adopted by an organization:

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

**Q19. 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. (PYQ, Jan 2021) (MTP1, Nov 2021)**

**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 Focus Strategy

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

### Disadvantages of Focus Strategy

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

**Q20. X-Olympus is a gaming software company specializing in developing games for ZBox and GameStation-4. The company is facing stiff competition due to saturation of market and price wars, which has excessively favor and highlight their dependence on gaming console manufacturers. Thereby, the company desires to establish a competitive advantage over industry rivals by enhancing the gaming experience by expanding into Edge-Cloud Gaming Service on a monthly subscription basis. This service offering does not require dedicated gaming consoles yet provide customers game streaming in 4K resolution with an ample range of games to select from. This move is expected to insulate X-Olympus from price wars and provide a competitive advantage. Identify and explain the generic strategies adopted by X-Olympus? (MTP1, May 2021)**

**Answer:**

- 1.) 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.
- 2.) X-Olympus is facing cutthroat competition due to saturation of market and price wars as there is no clear leader out of the numerous competitors.
- 3.) For this, the strategy adopted by X-Olympus is Product Differentiation by introducing a unique product to cater the customer needs at a lesser cost which would insulate it from the fierce competition & never-ending price wars.



**Q21.** BHAVNAV is a business which makes and sells laptop computers in France. In recent years it has been struggling to compete with its rivals and has seen a significant fall in its market share. BHAVNAV's managers identify that majority of its products launched by BHAVNAV's rivals were high specification, with good quality materials and many innovative design features. Products with inferior quality, such as those sold by BHAVNAV have not sold well in France. This information led BHAVNAV's management team to decide to select a new business strategy based on Porter's Generic Strategic Model. Identify and suggest the best business strategy BHAVNAV's management has to opt for?

**Answer:**

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

**Q22.** In spite 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 minimize the impact of any covid related restrictions even as they gear up for the festive season, which usually accounts for 25 to 30 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? (PYQ, Nov 2021) (RTP Sep 2024)

**Answer:**

- 1.) 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.
- 2.) 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.
- 3.) 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.
- 4.) 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 they have fewer options in the market.

- 3.) Suppliers Because differentiators charge a premium price, they can afford to absorb higher costs of supplies as the customers are willing to pay extra too.
- 4.) Entrants Innovative features are an expensive offer. So, new entrants generally avoid these features because it is tough for them to provide the same product with special features at a comparable price.
- 5.) Substitutes Substitute products can't replace differentiated products which have high brand value and enjoy customer loyalty.

**Q23.** A business consultancy firm specializes in environment management consultancy. It advises client companies on how to set up environmental management accounting systems. For measuring recording and analyzing environmental costs. A large part of its business involves performing environmental audits to check whether companies have achieved an international assurance standard in environmental management; this is something that rival consultancy firms do not do. The firm also carries out other management consultancy projects for client, but these make up only a small proportion of its total annual fee income. Identify the strategy categories by Michael Porter which best describes the strategy of this firm. (RTP, May 2022) (MTP 2 Jan 2025)

**Answer:**

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

**Q24.** A private Moneyload Ltd. Bank that targets high worth individuals. They offer a premium service with many additional and personal services not normally available through other banks. They charge a significant annual fee for these services. The company makes full use of information technology throughout its operations in order to minimize costs. Identify and explain the generic strategy adopted by Moneyload Ltd. Bank. (MTP1, May 2022)

**Answer:**

- 1.) 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.
- 2.) Moneyland Ltd. Bank targets a narrow segment of the market, offering unique and desirable products.
- 3.) The bank will want to keep its costs under control, but it will not reduce costs at the expenses of reducing the quality levels of the customer service it offers.
- 4.) By maintaining high quality levels, it will still be able to charge a premium for its services. Thus, the strategy adopted by Moneyland Ltd. Bank is Focused Differentiation.
- 5.) A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market. Some firms using a focused differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only.
- 6.) Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

**Q25.** 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. (PYQ, Nov 2022)

**Answer:**

Quick N Sturdy Inc company 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 differentiation strategy concentrate their efforts on a particular sales channel, such as selling over the internet only. Others target particular demographic groups. Firms that compete based on uniqueness and target a narrow market are following a focused differentiations strategy.

#### **Advantages of Focus Strategy**

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

#### **Disadvantages of Focus Strategy**

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

**Q26.** StarTech Solutions, an aerospace technology firm, operates in a highly competitive industry. Despite the fierce competition in the aerospace sector, StarTech has carved out a niche for itself by focusing on serving unique, high-end clients. Unlike its competitors, StarTech has chosen not to diversify its target market and instead specializes in providing cutting-edge solutions to this niche market.

Identify and explain the strategy adopted by StarTech Solutions. Discuss the advantages and disadvantages of this strategy. (MTP2, May 2024)

**Answer:**

The strategy adopted by StarTech Solutions is Focused differentiation. This strategy involves targeting a specific segment of the market with unique products or services that are perceived as valuable by customers in that segment. By specializing in serving unique, high-end clients, StarTech is able to differentiate itself from competitors and create a competitive advantage.

#### **Advantages of Focused Differentiation:**

- **Strong Customer Loyalty:** By catering to a specific niche market, StarTech can build strong relationships with its customers, leading to higher customer loyalty and retention.
- **Higher Profit Margins:** Serving a niche market allows StarTech to command higher prices for its specialized products or services, leading to higher profit margins.
- **Reduced Competition:** By focusing on a niche market that other firms are not targeting, StarTech faces less
- **competition, allowing it to establish itself as a leader in that segment. Better Resource Allocation:** Focusing on a specific market segment allows StarTech to allocate its resources more efficiently, concentrating on areas that will provide the greatest return on investment.

#### **Disadvantages of Focused Differentiation:**

- **Limited Market Size:** The niche market that StarTech is targeting may be limited in size, restricting the company's potential for growth.
- **Risk of Market Changes:** Changes in the market or customer preferences could impact on the demand for StarTech's specialized products or services, leading to potential revenue loss.
- **Higher Costs:** Serving a niche market may require specialized resources and expertise, leading to higher costs of operation.

- **Imitation by Competitors:** If StarTech's success in the niche market attracts competitors, they may attempt to imitate its strategy, eroding its competitive advantage.

Overall, the focused differentiation strategy adopted by StarTech Solutions has allowed it to differentiate itself in a competitive industry and build a strong position in the market. However, the company must be aware of the potential challenges and risks associated with this strategy and continue to innovate and adapt to maintain its competitive edge.

**Q27. BudgetSmart Retailers, a renowned supermarket chain, faced fierce competition in the grocery retail sector due to escalating operational expenses. Rising costs from rent, labor, and inventory management challenged their profitability amidst the emergence of discount stores and online competitors. To counter this, BudgetSmart Retailers optimized their supply chain through bulk procurement, revamped store layouts for cost efficiency and customer experience, embraced lean operational practices to minimize waste, and conducted comprehensive staff training to boost productivity and customer service efficiency.**

**Identify and explain the strategy adopted by BudgetSmart Retailers to enhance the profitability. (MTP1, Nov 2023)**

**Answer:**

- 1.) Budget Smart Retailers adopted a cost leadership strategy to enhance profitability in the fiercely competitive grocery retail sector.
- 2.) It is a low-cost competitive strategy that aims at broad mass market. It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs.
- 3.) Because of its lower costs, the cost leader is able to charge a lower price for its products than most of its competitors and still earn satisfactory profits.
- 4.) By negotiating bulk procurement deals with suppliers, Budget Smart Retailers lowered their cost of goods, allowing them to offer competitive prices to customers.
- 5.) The revamping of store layouts aimed to maximize space utilization and product placement, reducing operational costs and improving the overall shopping experience.
- 6.) Embracing lean principles minimized waste in the supply chain, reducing unnecessary expenses and improving efficiency. Comprehensive staff training boosted employee productivity and customer service efficiency, contributing to cost reduction and enhanced customer satisfaction.

**Q28. Write a short note on Advantages of Cost leadership strategy. (RTP, May 2018) (MTP1, Nov 2018)**

**Answer:**

A cost leadership strategy may help to remain profitable in the presence of rivalry, new entrants, suppliers' power, substitute products, and buyers' power.

- (i) **Rivalry:** Competitors are likely to avoid a price war, since the low cost firm will continue to earn profits after competitors compete away their profits.
- (ii) **Buyers** - Powerful buyers/customers would not be able to exploit the cost leader firm and will continue to buy its product.
- (iii) **Suppliers** - Cost leaders are able to absorb greater price increases before it must raise price to customers.
- (iv) **Entrants** - Low cost leaders create barriers to market entry through its continuous focus on efficiency and reducing costs.
- (v) **Substitutes** - Low cost leaders are more likely to lower costs to induce customers to stay with their product, invest to develop substitutes, purchase patents.

**Q29. Distinguish between cost leadership and differentiation strategies. (MTP1, May 2018) (RTP, Nov 2018) (MTP1, May 2020) (RTP, Nov 2020) (MTP1, Nov 2020) (ICAI Study Mat)**

**Answer:**

- 1.) Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive.
- 2.) Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price - insensitive.



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

**Q30. Discuss differentiation strategy? How is it achieved?** (MTP2, May 2018) (PYQ, May 2019)

OR

**What do you mean by differentiation strategy? How is it achieved?** (MTP1, Nov 2022)

**Answer:**

Differentiation strategy is aimed at broad mass market and involves the creation of a product or service that is perceived by the customers as unique.

- 1.) The uniqueness can be associated with product design, brand image, features, technology, dealer network or customer service. Because of differentiation, the business can charge a premium for its product.
- 2.) Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes.

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

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

**Q31. Explain the meaning of cost leadership strategy.** (RTP, Nov 2018)

**Answer:**

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

**Q32. What do you understand by cost leadership? How is it achieved?** (RTP, May 2019)

OR

**Write a short note on the concept of cost leadership strategy and how to achieve it.**  
(PYQ, Nov 2019) (RTP, May 2021)

**Answer:**

- 1.) Cost leadership is a low cost competitive strategy that aims at broad mass market.
- 2.) It requires vigorous pursuit of cost reduction in the areas of procurement, production, storage and distribution of product or service and also economies in overhead costs.
- 3.) Because of its lower costs, the cost leader is able to charge a lower price for its products than its competitors and still make satisfactory profits.
- 4.) A primary reason for pursuing forward, backward, and horizontal integration strategies is to gain cost leadership benefits.
- 5.) A successful cost leadership strategy usually permeates the entire firm, as evidenced by high efficiency, low overhead, limited perks, intolerance of waste, intensive screening of budget requests, wide spans of control, rewards linked to cost containment, and broad employee participation in cost control efforts.

6.) Some risks of pursuing cost leadership are that competitors may imitate the strategy.

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

- (a) Forecast the demand of a product or service promptly.
- (b) Optimum utilization of the resources to get cost advantages.
- (c) Achieving economies of scale leads to lower per unit cost of product/service.
- (d) Standardisation of products for mass production to yield lower cost per unit.
- (e) Invest in cost saving technologies and try using advance technology for smart working.
- (f) Resistance to differentiation till it becomes essential.

**Q33. Explain in brief the various basis of differentiation strategy.**

(RTP, Nov 2021) (MTP1, May 2023) (RTP, Nov 2023) (MTP 1 Jan 2025)

**Answer:**

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

- 1.) **Product:** Innovative products that meet customer needs can be an area where a company has an advantage over competitors. However, the pursuit of a new product offering can be costly research and development, as well as production and marketing costs can all add to the cost of production and distribution. The payoff, however, can be great as customer's flock to be among the first to have the new product.
- 2.) **Pricing:** It fluctuates based on its supply and demand and may also be influenced by the customer's ideal value for a product. Companies that differentiate based on product price can either determine to offer the lowest price or can attempt to establish superiority through higher prices.
- 3.) **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.

**Q34. What are the various alternative strategies which the managers need to identify that will create and sustain a competitive advantage in the business? Discuss. (MTP2, Nov 2022)**

**Answer:**

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

- 1.) Cost leadership emphasizes producing standardized products at a very low per-unit cost for consumers who are price-sensitive. It frequently results from productivity increases and aggressive pursuit of cost reduction throughout the development, production, marketing, and distribution processes. It allows a firm to earn higher profits than its competitors.
- 2.) Differentiation is a strategy aimed at producing products and services considered unique industry wide and directed at consumers who are relatively price-insensitive. It concerns with distinguishing a product/service from that of its competitors through unique design features, technological leadership, unique uses of products and attributes like quality, environmental impact and customer service.
- 3.) Focus means producing products and services that fulfill the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate.

**Q35. What is a cost leadership strategy? Under what circumstances an organization can gain competitive advantages from cost leadership strategy? Is there any risk in pursuing cost leadership strategy? (PYQ, Nov 2022)**

**Answer:**

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

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

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

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

Some risks of pursuing cost leadership are:

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

**Q36.** Market for baby care, readymade garments for new born, toys and strollers meant for babies are there. M/s. Maa ki Pasand is desirous to introduce new products for existing customers and new customers as well. The market for such products is narrow. On one side there are customers who are price conscious and on the other side there are customers who are ready to pay premium charges for an upscale product. The company wants to charge low price, relative to other firms that compete within the target market for customers who are price sensitive and also wants to charge premium based on uniqueness for rest of its products. Which of the strategy is being considered by the company, out of strategies as suggested by Michael Porter at business level. Also outline the advantages and disadvantages using such strategy. (PYQ Sep 2024)

**Answer:**

The company, M/s. Maa ki Pasand, is adopting a focus strategy that incorporates both focused cost leadership and focused differentiation strategies. In the given case, M/s. Maa ki Pasand aims to target price-conscious customers by charging low prices relative to other firms within the narrow market of baby care products. This aligns with focused cost leadership, where the firm competes based on price within a targeted niche.

For the segment of customers willing to pay more for premium, unique products, the company follows a focused differentiation strategy. It caters to this specific niche by offering high-end, differentiated products, which is a key feature of focused differentiation.

**Advantages of using a Focus Strategy:**

- 1.) **Premium prices:** For the differentiated segment, the company can charge higher prices for its upscale products.
- 2.) **Expertise in niche markets:** M/s. Maa ki Pasand can develop expertise in both price-sensitive and premium segments, making it difficult for rivals to compete effectively.

**Disadvantages of Using a Focus Strategy:**

- 1.) **Distinctive competencies required:** The firm needs to have strong competencies in both cost control and product differentiation to succeed. Otherwise, it may struggle to pursue the focus strategy effectively.
- 2.) **High costs:** Serving a narrow market can lead to higher costs due to limited demand, which could pose challenges in maintaining profitability, especially in the premium segment.
- 3.) **Disappearance in long run:** In the long run, the niche goods can disappear or be taken over by large competitors by acquiring the same distinctive competencies.

In conclusion, M/s. Maa ki Pasand is adopting a focus strategy by targeting specific customer niches with both cost leadership and differentiation. While this strategy offers opportunities for premium pricing and market expertise, it also comes with challenges related to cost control and distinctive competencies.

### Topic of Questions: Best Cost Provider Strategy

**Q37.** 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 substrategies that can be implemented to capture maximum market? (MTP2, May 2021) (MTP2, May 2022) (RTP, May 2023)

**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 tapping in on the increasing trend of cycling.

Two sub-strategies that can be implemented are:

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

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

**Q38.Explain Best-cost provider strategy. (RTP, May 2018)**

**Answer:**

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

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

### Topic of Questions: Product/Services

**Q39.What are the objectives that must be kept in mind while designing a pricing strategy of a new product? (RTP, Nov 2018) (MTP1, Nov 2021) (RTP, May 2023)**

**Answer:**

For a new product pricing strategies for entering a market needs to be designed.

In pricing a really new product at least three objectives must be kept in mind.

- (i) Making the product acceptable to the customers.
- (ii) Producing a reasonable margin over cost.
- (iii) Achieving a market that helps in developing market share.

**Q40.Distinguish between social marketing and service marketing.**

(PYQ, May 2018)(MTP1, Nov 2022) (RTP, Nov 2023)

**Answer:**

- 1.) Social marketing and service marketing are marketing strategies primarily with different orientations.
- 2.) Social Marketing refers to the design, implementation, and control of programs seeking to increase the acceptability of a social ideas, cause, or practice among a target group. For instance, the publicity campaign for prohibition of smoking or encouraging girl child, etc.
- 3.) On the other hand, service marketing is applying the concepts, tools, and techniques, of marketing to services. Service is any activity or benefit that one party can offer to another that is essentially intangible and non-perishing. These may be from business to consumer and from business to business.

**Q41. What are the key characteristics of business products that contribute to the overall competitiveness and dynamics of the market?**

**Answer:**

Businesses sell products. A product can be either a good or a service. It might be physical good or a service, an experience.

Following are the key characteristics of business products:

- 1.) **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.
- 2.) **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.
- 3.) **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 optimize 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.
- 4.) **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.
- 5.) **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.

### Topic of Questions: Mendelow's Matrix

**Q42. How can Mendelow's Matrix be used to analyze and manage the stakeholders effectively?**

(MTP1, Sep 2024) (RTP Sep 2024)

OR

**"Managing stakeholders is critical to the success of a project". Explain how Mendelow's matrix helps in managing stakeholders & categorizing the stakeholders into groups. (PYQ Jan 2025)**

**Answer:**

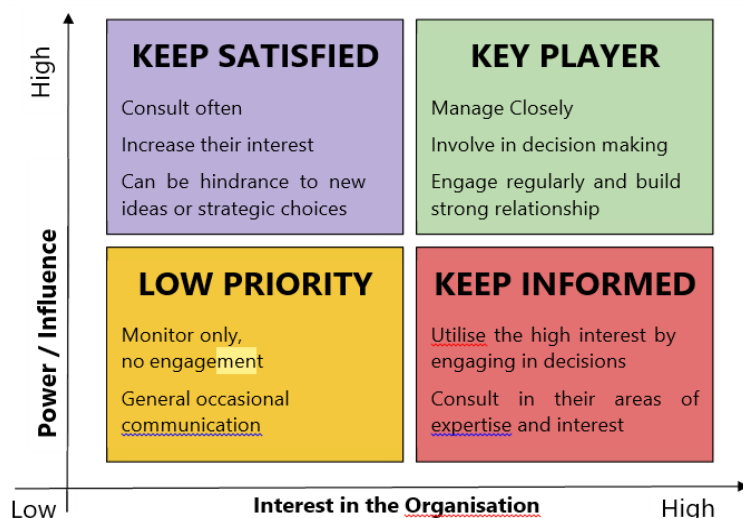
Mendelow's Matrix can be used effectively to analyze and manage stakeholders through a grid-based approach by the following steps:

- 1.) **Identify Stakeholders:** Begin by identifying all relevant stakeholders for your project or organization. This includes individuals, groups, or organizations that may be impacted by or have an impact on your activities.
- 2.) **Assess Power and Interest:** For each stakeholder, assess their power to influence your project or organization and their level of interest in its success. Power can be assessed based on factors such as authority, resources, and expertise, while interest can be gauged by their level of involvement, expectations, and potential benefits or risks.
- 3.) **Plot Stakeholders on the Grid:** Create a grid with Power on one axis and Interest on the other. Plot each stakeholder on the grid based on your assessment. Stakeholders with high power and high interest are placed in the "Key Players" quadrant, those with high power but low interest are in the "Keep Satisfied" quadrant, those with low power but high interest are in the "Keep Informed" quadrant, and those with low power and low interest are in the "Low Priority" quadrant.
- 4.) **Develop Strategies for each Quadrant:** Based on the placement of stakeholders in the grid, develop specific strategies for managing each quadrant:
  - **Key Players:** Fully engage with these stakeholders, seek their input, and keep them informed. They are crucial for the success of your project, so their needs and expectations should be a top priority.
  - **Keep Satisfied:** These stakeholders have significant power but may not be as interested in your project. Keep them satisfied by providing regular updates and addressing any concerns they may have to prevent them from becoming detractors.

- **Keep Informed:** While these stakeholders may not have much power, they are highly interested in your project. Keep them informed to ensure they remain supportive and to leverage their insights and feedback.
- **Low Priority:** These stakeholders have low power and interest. Monitor them for any changes but allocate minimal resources to managing their expectations.

5.) **Monitor and Adapt:** Continuously monitor the power and interest of stakeholders and adjust your strategies accordingly. Stakeholders may move between quadrants based on changing circumstances, so it's important to remain flexible and responsive.

By using Mendelow's Matrix as a grid-based tool, you can effectively analyze and manage stakeholders by tailoring your engagement strategies to their specific needs and expectations, ultimately increasing the likelihood of project success.



### Topic of Questions: Channels

Q43. What are distribute on 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. (MTP1, Sep 2024)

OR

What are channels? Why is channel analysis important? Explain the different types of channels? (MTP1, Sep 2024) (RTP Jan 2025)

**Answer:**

Channels represent the distribution system through which organizations distribute their products or provide services to customers. They play a pivotal role in reaching target markets, maximizing sales, and establishing competitive advantages.

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

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

- 1.) **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 organizations, so that consumers can access them.
- 2.) **The product channel** - The product channel 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.



- 3.) **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.

**Q44.** 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? (MTP1 Jan 2025)

**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.

### Part 3: Multiple Choices Questions

**Q1.** The goal of SWOT analysis is to threats and its weaknesses. the organisation's opportunities and strengths while

- (a) avoid; neutralizing; correcting
- (b) exploit; neutralizing; correcting
- (c) avoid; capitalizing; neutralizing
- (d) exploit, avoiding; ignoring

(ICAI Study Material)

Correct answer: (b) exploit; neutralizing, correcting

**Q2.** SWOT analysis is an evaluation of the organization's opportunities and threats. strengths and weaknesses and its

- (a) external, internal
- (b) internal, internal
- (c) external, external
- (d) internal, external

(ICAI Study Material)

Correct answer: (d) internal, external

**Q3.** External opportunities and threats are usually:

- (a) the minor cause of organizational demise or success

(b) least important for CEOs and the board of directors

(c) not as important as internal strengths and weaknesses

(d) largely uncontrollable activities outside the organization

(ICAI Study Material)

Correct answer: (d) largely uncontrollable activities outside the organization

**Q4.** The sustainability of competitive advantage and a firm's ability to earn profits from it competitive advantage depends upon:

- (a) durability, reliability, transferability, approximately
- (b) appropriability, durability, transferability, imitability
- (c) transferability, imitability, reliability, approximately
- (d) imitability, durability, reliability, approximately

(ICAI Study Material)

Correct answer: b) appropriability, durability, transferability, imitability

**Q5. What are the three different bases given by Michael Porter's Generic Strategies to gain competitive advantage?**

- (a) Differentiation, integration and compensation
- (b) Integration, focus and differentiation
- (c) Compensation, integration and focus
- (d) Cost leadership, differentiation and focus (ICAI Study Material)

Correct answer: (d) Cost leadership, differentiation and focus

**Q6. Strategic group mapping' helps in**

- (a) Identifying the strongest rival companies
- (b) Identifying weakest rival companies
- (c) Identifying weakest and strongest rival companies
- (d) None of the above

(Sample MCQs) (RTP, May 2020) (MTP1, Nov 2020) (ICAI Study Material)

Correct answer: (c) Identifying weakest and strongest rival companies

**Q7. The concept of 'core competence' has been advocated by-**

- (a) Gary Hamel and Peter Drucker
- (b) C.K. Prahalad and Gary Hamel
- (c) C.K. Prahalad and Michael Porter
- (d) C.K. Prahalad and Peter Drucker

(Sample MCQs)

Correct answer: (b) C.K. Prahalad and Gary Hamel

**Q8. Which of the following is not a limitation of SWOT (Strengths, Weaknesses, Opportunity, Threats) analysis?**

- (a) Organizational strengths may not lead to competitive advantage
- (b) SWOT gives a one-shot view of a moving target
- (c) SWOT's focus on the external environment is too broad and integrative
- (d) SWOT overemphasizes a single dimension of strategy

(Sample MCQs)

Correct answer: (c) SWOT's focus on the external environment is too broad and integrative

**Q9. Internal \_\_\_\_\_ are activities in an organization that are performed especially well.**

- (a) Opportunities

(b) Competencies

(c) Strengths

(d) Management

(Sample MCQs) (MTP1, May 2019) (ICAI Study Material)

Correct answer: (c) Strengths

**Q10. A narrow market focus is to a differentiation-based strategy as a**

- (a) Broadly-defined target market is to a cost leadership strategy
- (b) Growth market is to a cost-based strategy
- (c) Technological innovation is to a cost-based strategy
- (d) Growth market is to a differentiation-based strategy

(Sample MCQs)

Correct answer: (a) Broadly-defined target market is to a cost leadership strategy

**Q11. A firm successfully implementing a differentiation strategy would expect:**

- (a) Customers to be sensitive to price increases.
- (b) To charge premium prices.
- (c) Customers to perceive the product as standard.
- (d) To automatically have high level of power over suppliers.

(Sample MCQs) (MTP1, May 2019) (MTP2, May 2021) (MTP2, May 2022) (ICAI Study Material)

Correct answer: (b) To charge premium prices.

**Q12. Consists of those rival firms which have similar competitive approaches and positions in the market.**

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

(RTP, May 2019)

Correct answer: (b) Strategic group

**Q13. Which of the following is not true for core competency.**

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



(RTP, Nov 2019)

Correct answer: (c) It is an individual skill and separate technique

**Q14. Porter' cost leadership is a strategy**

- (a) Functional level
- (b) Business level
- (c) Corporate level
- (d) Implementation

(RTP, Nov 2019)

Correct answer: (b) Business level

**Q15. In Michael Porter's generic strategy unit-cost for consumers who are price sensitive. emphasizes producing standardized products at a very low per**

- (a) Cheap leadership
- (b) Inferior product leadership
- (c) Cost leadership
- (d) Cost benefit

(MTP1, Nov 2019) (ICAI Study Material)

Correct answer: (c) Cost leadership

**Q16. Differentiation Strategy can be achieved by following measures:**

1. Match products with tastes and preferences of customers.
2. Elevate the performance of the product.
3. Rapid product innovation

Which of the above is true?

- (a) (1) and (2)
- (b) (1) and (3)
- (c) (2) and (3)
- (d) (1), (2) and (3)

(RTP, May 2020) (ICAI Study Material)

Correct answer: (d) (1), (2) and (3)

**Q17. ABC is a marketing consultancy business. ABC's most recent corporate analysis has identified that three new businesses have recently entered its market and started aggressively targeting ABC's key client. As part of ABC's corporate analysis, these three new businesses would be a**

- (a) Strength
- (b) Opportunity
- (c) Weakness
- (d) Threat

(RTP, Nov 2021)

Correct answer: (d) Threat

**Q18. Marketing and Sales of Hindustan Unilever Limited and lowering of operating cost by Walmart are examples of what?**

- (a) Competitive Advantage
  - (b) Core Competency
  - (c) Strategic Planning
  - (d) Key Performance Indicators (KPIs)
- (MTP2, Nov 2021)

Correct answer: (b) Core competency

**Q19. The activity of identifying the strongest and weakest companies is known as:**

- (a) Strategic Audit
- (b) Portfolio Analysis
- (c) Strategic Surveillance
- (d) Strategic Group mapping

(RTP, May 2023)

Correct answer: (d) Strategic Group mapping

**Q20. Tomtom a sneaker brand wanted to understand their competitive landscape and thus were looking for the weakest competitors to buy them and thereby decrease competition. Which of the following will be most helpful for them to begin with their plans?**

- (a) Mergers and Acquisition Planning
- (b) BCG Growth Matrix
- (c) Strategic Group Mapping
- (d) GE Stop Light Matrix

(MTP1, May 2023)

Correct answer: (c) Strategic Group mapping

**Q21. Which one out of the following, is not a generic strategy as suggested by Michael Porter?**

- (a) Focus Strategy
- (b) Differentiation Strategy
- (c) Cost Leadership Strategy
- (d) Best-Cost Provider Strategy

(MTP2, May 2023) (MTP2, Nov 2023)

Correct answer: (d) Best-Cost Provider Strategy

**Q22. Big retail stores (e.g., Big Bazaar) and supermarkets have special core competencies in the areas of:**

- A. Merchandising
  - B. Securing supplies at lower cost
  - C. In-house activity management
  - D. Computerized stock ordering and billing systems
  - E. Own brand labels
- Select the correct options:

- (a) A, C, D
- (b) B, D, E
- (c) A, B, C, D
- (d) A, B, D, E

(RTP, Nov 2023, NA)

Correct answer: (d) A, B, D, E

**Q23.** Indian Company plans to offer snack during travel through ropeways and two free movies tickets on completion of the travel. This marketing technique is known as.

- (a) Augmented marketing
- (b) Synchro
- (c) Social
- (d) Demarketing

(RTP, Nov 2023)

Correct answer: (a) Augmented marketing

**Q24.** A renowned coffee chain offers a loyalty program where customers earn points for every purchase, which can be redeemed for free drinks or snacks. This marketing technique is known as:

- (a) Augmented Marketing
- (b) Synchro Marketing
- (c) Social Marketing
- (d) Relationship Marketing

(MTP1, Nov 2023)

Correct answer: (d) Relationship Marketing

**Q25.** In case of home appliances, the concept of offering additional customer services and benefits to the customers, can be considered as

- (a) Social Marketing
- (b) Augmented Marketing
- (c) Concentrated Marketing
- (d) Differential Marketing

(MTP2, Nov 2023)

Correct answer: (b) Augmented Marketing

**Q26.** Mukul faced intense competition in an undifferentiated industry. To address this, he opted for a cost-cutting strategy to attract customers with lower pricing. Which factor could pose a risk to Mukul's cost cutting strategy?

- (a) Prompt forecasting of demand for the product or service
- (b) Investing in cost-saving technologies and using advanced technology for smart, efficient working
- (c) Technological breakthroughs in the industry
- (d) Resistance to differentiation until it becomes essential

(RTP, May 2024)

Correct answer: (c) Technological breakthroughs in the industry

**Q27.** Quntik operates in the software industry and enjoys a strong position in the market. They have identified an opportunity to acquire a smaller company to expand their product offerings. Which quadrant of Medelow's Matrix would the CEO of a smaller company fall into?

- (a) Keep Satisfied
- (b) Key Player
- (c) Low Priority
- (d) Keep Informed

(RTP, May 2024)

Correct answer: (b) Key Player

**Q28.** TechWave, a software development firm, aims to gain a competitive edge in the rapidly evolving tech industry. To achieve this, they focus on building their strength in artificial intelligence (AI) and machine learning (ML). TechWave invests heavily in R&D, hires top talent with specialized skills, and forms partnerships with leading AI research institutions. They also provide continuous training for their employees to keep them updated with the latest advancements. By developing these, TechWave can create innovative AI-driven solutions that differentiate them from competitors and attract a growing number of clients seeking cutting-edge technology. What strategy is TechWave using to gain a competitive edge in the tech industry?

- (a) Market segmentation
- (b) Diversification
- (c) Core competency building
- (d) Cost leadership

(MTP1, May 2024)

Correct answer: (c) Core competency building

**Q29.** XYZ Corporation has launched AlphaTech to enter the consumer electronics industry with a focus on offering high-performance devices and innovative features at competitive prices. Which competitive strategy is AlphaTech employing?

- (a) Differentiation strategy
- (b) Cost leadership strategy
- (c) Best-cost provider strategy
- (d) Focus strategy

(MTP1, May 2024)

Correct answer: (c) Best-cost provider strategy

**Q30.** ValueMart is a discount retail chain that targets budget-conscious consumers by

offering a wide range of products at the lowest possible prices. The company achieves this by sourcing goods in bulk, negotiating lower prices with suppliers, and maintaining lean operations. ValueMart's goal is to dominate the market by attracting price-sensitive customers from competitors. Which of Michael Porter's Generic Strategies is ValueMart primarily employing?

- (a) Differentiation
- (b) Focused Cost Leadership
- (c) Cost Leadership
- (d) Focused Differentiation

Correct answer: (c) Cost Leadership

Q31. Urbankey has a unique capability in rapid prototyping, allowing them to bring new products to market faster than the competitors. Such an advantage can be termed as? (MTP1, Jan 2025)

- (a) Market Expansion Strategy
- (b) Core Competency
- (c) Cost Leadership Strategy
- (d) Appropriate SWOT Analysis

Correct answer: (b) Core Competency

# CHAPTER 4: *Strategic Choices*

## Part 1 : DESCRIPTIVE QUESTIONS

### Topic of Questions: Corporate Strategy

- Q1. ABC Ltd. intends to grow its business. Its top management argues that its 'Corporate Strategy' will ensure the growth of the firm. Do you agree with the top management's argument? Give reasons. (MTP2, May 2023)**

**Answer:**

Yes, agreeing with the top management's argument. Corporate strategy is basically the growth design of the firm; it spells out the growth objective- the direction, pace and timing of the firm's growth. It also spells out the strategy for achieving growth. Corporate strategy ensures the growth of the firm because of the following arguments:

- 1.) It ensures the correct alignment of the firm with its environment. It also serves as the design for filling the strategic planning gap.
- 2.) It gives importance to the combination, sequence, timing, direction and depth of various moves and action
- 3.) initiatives taken by managers to handle environmental uncertainties and complexities.
- 4.) It helps build the relevant competitive advantages for the firm. Masterminding and working out the right fit between the firm and its external environment.
- 5.) It is to harness the opportunities available in the environment, countering the threats embedded therein.

### Topic of Questions: Stability

- Q2. Start-ups rarely aim for stability strategy. While agreeing with the statement or otherwise, support your point of view by briefly stating as to when the stability strategy is meaningful. State the major reasons for considering stability strategy as one of the corporate strategies by a company. (PYQ Sep 2024)**

OR

**ABC Steel Industries finds out that its products have reached at maturity stage and already has overcapacity. Therefore, it concentrates on maintaining operational efficiency of its plants. Identity the strategy implemented by ABC Steel Industries along with reasons. (PYQ, May 2022)**

**Answer:**

- 1.) ABC Steel Industries has opted to implement Stability strategy. Stability strategies are intended to safeguard the existing interests and strengths of business.
- 2.) It involves organisations to pursue established and tested objectives continue on the chosen path, maintain operational efficiency and so on.
- 3.) A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services. In stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy.
- 4.) This strategy is typical for mature business organizations. Some small organizations also frequently use stability as a strategic focus to maintain comfortable market or profit position.

**Major reasons for Stability strategy are:**

- (a) A product has reached the maturity stage of the product life cycle.
- (b) The staff feels comfortable with the status quo as it involves less changes and less risks.
- (c) It is opted when the environment in which an organisation is operating is relatively stable.
- (d) Where it is not advisable to expand as it may be perceived as threatening.
- (e) After rapid expansion, a firm might want to stabilize and consolidate itself.

**Q3. What is stability strategy? What are the reasons to pursue stability strategy?**

(RTP, Nov 2019) (RTP, Nov 2023)

**Answer:**

One of the important goals of a business enterprise is stability to safeguard its existing interests and strengths, to pursue well established and tested objectives, to continue in the chosen business path, to maintain operational efficiency on a sustained basis, to consolidate the commanding position already reached, and to optimise returns on the resources committed in the business.

A stability strategy is pursued by a firm when:

- 1.) It continues to serve in the same or similar markets and deals in same or similar products and services.
- 2.) The strategic decisions focus on incremental improvement of functional performance.

**Major reasons for stability strategy are as follows:**

- 1.) A product has reached the maturity stage of the product life cycle.
- 2.) It is less risky as it involves less changes and the staff feels comfortable with things as they are.
- 3.) The environment faced is relatively stable.
- 4.) Expansion may be perceived as being threatening.
- 5.) Consolidation is sought through stabilizing after a period of rapid expansion.

**Q4. Justify the statement "Stability strategy is opposite of Expansion strategy".**

(RTP, May 2021) (MTP 1, May 2021) (RTP, May 2024)

**Answer:**

- 1.) Stability Strategies, as name suggests, are intended to safeguard the existing interests and strengths of business involves organisations to pursue established and tested objectives, continue on the chosen path, maintain operational efficiency and so on.
- 2.) A stability strategy is pursued when a firm continues to serve in the same or similar markets and deals in same products and services in stability strategy, few functional changes are made in the products or markets, however, it is not a 'do nothing' strategy.
- 3.) 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.
- 4.) 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.
- 5.) In this sense, it becomes the opposite of a stability strategy.
- 6.) Expansion is a promising and popular strategy that tends to be equated with dynamism, vigor promise and success.
- 7.) 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.

**Topic of Questions: Expansion****Q5. Swift Insurance is a company engaged in the business of providing medical insurance maintaining a market share of 25 to 30 per cent in last five years. Recently, the company decided to enter into the business of auto insurance by having foreign collaboration. Identify the strategy being followed by the Swift Insurance with its advantages. (RTP, May 2018)****Answer:**

- 1.) Overall Swift Insurance is following growth or expansion strategy as it is redefining the business and enlarging its scope.
- 2.) The step will also substantially increase investment in the business. The new business is related and at the same time caters to a different segment and accordingly can be termed as related diversification.
- 3.) The new business falls within the scope of general insurance and horizontally related to the existing business.



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

- (a) Its brand name.
- (b) The marketing skills available.
- (c) The existing sales and distribution infrastructure.
- (d) Research and development.
- (e) Economies of scale

**Q6. Strategic alliances are formed if they provide an advantage to all the parties in the alliance. Do you agree? Explain in brief the advantages of a strategic alliance.**

(RTP, May 2018) (MTP2, May 2024)

OR

**What do you understand by strategic alliance?** (MTP2, Nov 2021) (RTP Jan 2025)

OR

**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.** (PYQ, Dec 2021)

OR

**Jeff Inc., a leading USA based Mobile company decides to make India a hub for the company's Android Mobile having largest storage memory to be manufactured in collaboration with the Desi Group, a leading Indian mobile manufacturer. The production is to be exported to the company's home market as well as to other European countries. What is this growth strategy called? Point out the most important advantages both the companies expect from such strategy/collaboration.** (MTP1, May 2023)

**Answer:**

A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would hip between two or more business the strategic partners maintain their status as independent and separate end be able to achieve on its own. The over the partnership, and continue to make Contributions to the alliance until it is the best alliances are formed if they provide an advantage to all the parties in the alliance.

These advantages can be broadly categorised as follows:

**1.) Organizational:**

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

**2.) Economic:**

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

**3.) Strategic:**

- (a) Organizations may join to cooperate instead of compete.
- (b) Alliances may also create vertical integration where partners are part of supply chain.

- (c) Strategic alliances may also be useful to create a competitive advantage by the pooling of resources and skills.
- (d) This may also help with future business opportunities and the development of new products and technologies.
- (e) Strategic alliances may also be used to get access to new technologies or to pursue joint research and development.

**4.) Political:**

- (a) Sometimes there is need to form a strategic alliance with a local foreign business to gain entry into a foreign market either because of local prejudices or legal barriers to entry.
- (b) Forming strategic alliances with politically-influential partners may also help improve overall influence and position.

**Q7. Shoaib and Salim, two brothers are the owners of a cloth manufacturing unit located in Lucknow. They are doing well and have substantial surplus funds available within the business. Shoaib is interested in acquiring another industrial unit located in Lucknow manufacturing tableware such as dinner sets, cups and saucers, bowls. etc. On the other hand, Salim desires to start another unit to produce readymade garments. Discuss the nature of corporate strategies being suggested by two brothers. Which one is better? (MTP2, May 2018)**

**Answer:**

- 1.) Shoaib wishes to diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification.
- 2.) He is interested in acquiring another industrial unit located in Lucknow manufacturing tableware such as dinner sets, cups and saucers, bowls, which is not related to their existing product.
- 3.) In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way, it is a totally unrelated diversification.
- 4.) 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 firms present position.
- 5.) On the other hand, Salim seeks to move forward in the chain of existing product by adopting vertically integrated diversification.
- 6.) The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business.
- 7.) In such diversification, firms opt to engage in businesses that are related to the existing business of the firm. The firm remains vertically within the same process and moves forward or backward in the chain.
- 8.) It enters specific product/process steps with the intention of making them into new businesses for the firm. The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.
- 9.) Both types of diversifications have their own benefits. While vertically integrated diversification brings synergy, a conglomerate diversification helps in diversifying the risk.
- 10.) It is possible that a downturn in one business is offset by upswing in other business. In the vertically integrated diversification firms can take advantage of their existing competence that in turn will improve chances of success.

**Q8. There has been fierce demand for both Gecko and FlyBee for the last 3 years. Gecko makes mass consumption pens while FlyBee is a notebook and diary brand both being complementary goods of each other. But to grow further, FlyBee decided to take up competition with Gecko in pens segment and thereby launched, FlyPens. Identify and explain the growth strategy opted by FlyBee? (MTP1, May 2022)**

**Answer:**

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

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

**Q9. 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 sp drink named JynX for athletes. Identify and explain the growth strategy adopted by Jynklo Ltd.? (MTP1, Nov 2022) (RTP, Nov 2023)**

**Answer:**

- 1.) 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.
- 2.) 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.
- 3.) Jynklo Ltd. diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification.
- 4.) In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/products in every way, it is a unrelated diversification.
- 5.) 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.

**Q10. Health Pharma Pvt. Ltd. (HPPL) a one person company with limited liability is manufacturing generic and medicine drugs in India.**

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

**Individually, each company has its own core competencies. However, additional focus by the state on genere medicine with renewed regulatory requirements are posing challenges in a fierce competitive environment. Considering benefits of synergies, both the companies are considering to join hands for better growth opportunities.**

**Earlier, they tried to go for joint venture or strategic alliance but the arrangement could not materialize.**

**In view of the facts given above:**

- (i) **If HPPL and HLP join hands and make new entity named Health N Hygiene Pharma Ltd., what type of growth strategy will this strategic development be?**
- (ii) **In case, HLP is sold out to HPPL and HLP ceased to exist, what type of growth strategy will this strategic deal be?**
- (iii) **What are the differences between the above two identified growth strategies? (PYQ, May 2023)**

**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.
  - (a) 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.

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

**Q11. Leatherite Ltd., was started as a leather company to manufacture footwear. Currently, they are in the manufacturing of footwears for males and females. The top management desires to expand the business in the leather manufacturing goods. To expand they decided to purchase more machines to manufacture leather bags for males and females. Identify and explain the strategy opted by the top management of Leatherite Ltd.**

(MTP1, May 2019) (RTP, Nov 2021) (MTP 1 Jan 2025)

**Answer:**

- 1.) Leatherite Ltd. is currently manufacturing footwears for males and females and its top management has decided to expand its business by manufacturing leather bags for males and females.
- 2.) Both the products are similar in nature within the same industry. The strategic diversification that the top management of Leatherite Ltd. has opted is concentric in nature.
- 3.) They were in business of manufacturing leather footwears and now they will manufacture leather bags as well. They will be able to use existing infrastructure and distribution channel. Concentric diversification amounts to related diversification.
- 4.) In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing.
- 5.) The new product is a spin-off from the existing facilities and products/processes. This means that in concentric diversification too, there are benefits of synergy with the current operations.

**Q12. Gautam and Siddhartha two brothers are the owners of a cloth manufacturing unit located in Faridabad. They are doing well and have substantial surplus funds available within the business. They have different approaches regarding corporate strategies to be followed to be more competitive and profitable in future.**

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

**Discuss the nature of corporate strategies being suggested by two brothers and risks involved in it. (PYQ, May 2019) (ICAI Study Material)**

**Answer:**

- 1.) Gautam wishes to diversify in a business that is not related to their existing line of product and can be termed as conglomerate diversification.
- 2.) He is interested in acquiring another industrial unit located in Faridabad manufacturing stationery items such as permanent markers, notebooks, pencils and pencil sharpeners, envelopes and other office supplies, which is not related to their existing product.
- 3.) In conglomerate diversification, the new businesses/products are disjointed from the existing businesses/products in every way, it is a unrelated diversification.
- 4.) 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.
- 5.) On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting vertically integrated diversification/ forward integration.
- 6.) The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business.



- 7.) In such diversification, firms opt to engage in businesses that are related to the existing business of the firm.
- 8.) The firm remains vertically within the same process and moves forward or backward in the chain. It enters specific product/process steps with the intention of making them into new businesses for the firm.
- 9.) The characteristic feature of vertically integrated diversification is that here, the firm does not jump outside the vertically linked product-process chain.
- 10.) Both types of diversifications have their own risks. In conglomerate diversification, there are no linkages with customer group, customer marketing functions and technology used, which is a risk. In the case of vertical integrated diversification, there is a risk of lack of continued focus on the original business.

**Q13. Organo is a large supermarket chain. It is considering the purchase of a number of farms that provides Organo with a significant amount of its fresh produce. Organo feels that by purchasing the farms, it will have greater control over its supply chain. Identify and explain the type of diversification opted by Organo? (RTP, May 2020) (ICAI Study Material)**

**Answer:**

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

**Q14. TechNova, a leading software development firm known for its cutting- edge 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?**

**Answer:**

- 1.) The collaboration between TechNova, a software development firm, and ElectroWave, an electronics and hardware manufacturing company, represents a co-generic merger.
- 2.) 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.
- 3.) TechNova specializes in creating cutting-edge software, while ElectroWave focuses on manufacturing advanced electronic devices.
- 4.) 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.
- 5.) This strategic partnership allows them to enter new markets, enhance their competitive advantage, and explore synergies between software and hardware.
- 6.) The co-generic merger provides significant opportunities for both companies to capitalize on shared technologies, streamline their operations, and expand their customer base.
- 7.) 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.

**Q15. Distinguish between Mergers and acquisitions. (RTP, May 2018)**

**OR**

**Write short note on expansion through acquisitions and mergers.**

(RTP, May 2020) (MTP1, Nov 2020)

**OR**



**Explain the term Merger and Acquisition as a growth strategy. Differentiate between both of them. State the situations in which such strategies are considered by any organization. (RTP, Nov 2021)**

**OR**

**Write a short note on Merger and Acquisition strategy. (RTP, Nov 2022)**

**Answer:**

- 1.) Acquisition or merger with an existing concern is an instant means of achieving expansion.
- 2.) It is an attractive and tempting proposition in the sense that it circumvents the time, risks and skills involved in screening internal growth opportunities, seizing them and building up the necessary resource base required to materialise growth.
- 3.) Apart from the urge to grow, acquisitions and mergers are resorted to for purposes of achieving a measure of synergy between the parent and the acquired enterprises.
- 4.) Synergy may result from such bases as physical facilities, technical and managerial skills, distribution channels, general administration, research and development and so on.
- 5.) Many organizations in order to achieve quick growth, expand or diversify with the use of mergers and acquisitions strategies.
- 6.) 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:**

- 1.) 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.
- 2.) 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.

**Acquisitions:**

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

**Q16. What do you understand by co-generic merger? (MTP1, May 2018)**

**OR**

**Describe the term 'Co-generic merger'. (PYQ, May 2018)**

**Answer:**

- 1.) 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.
- 2.) Such merger includes the extension of the product line or acquiring components that are required for the daily operations. It offers great opportunities to business to diversify around a common set of resources and strategic requirements.

**Q17. Write short note on Conglomerate merger. (MTP2, May 2018)**

**Answer:**

- 1.) Merger is considered to be a process when two or more companies come together to expand their business operations. In such a case the deal gets finalized on friendly terms and both the organizations share profits in the newly created entity.
- 2.) Conglomerate merger happens in case of organizations that are unrelated to each other combine together.
- 3.) There are no linkages with respect to customer groups, customer functions and technologies being used.



- 4.) 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.

**Q18. Distinguish between the Forward integration and backward integration. (RTP, Nov 2018)**

**OR**

**Explain the concept of vertically integrated diversification. How is forward integration different from backward integration? (PYQ May 2024)**

**Answer:**

- 1.) Vertically integrated diversification is a strategic approach in which a company expands its business operations into different stages of the production or distribution process within the same industry. This involves either forward integration or backward integration.
- 2.) The key difference between forward and backward integration lies in the direction of expansion within the supply chain. Forward integration moves towards the end consumer, while backward integration moves towards the source of raw materials or components.
- 3.) Forward integration allows companies to have more control over distribution channels, improve customer relationships, and capture a larger share of the value chain. In contrast, backward integration helps companies secure a stable supply of inputs, reduce dependency on suppliers, and potentially lower production costs.
- 4.) Forward integration is often associated with activities such as retailing, marketing, and after-sales services, while backward integration is associated with activities such as manufacturing, sourcing, and procurement.
- 5.) Both types of integration offer strategic advantages such as increased market power, cost efficiencies, and greater control over critical business processes. However, the decision to pursue forward or backward integration depends on factors such as industry dynamics, competitive landscape, and the company's core competencies and resources.

**Q19. What do you understand by diversification? Distinguish between concentric and conglomerate diversification. (PYQ, May 2022) (MTP1, May 2024) (RTP Sep 2024)**

**Answer:**

Diversification is defined as entry into new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. Diversification endeavours can be related or unrelated to existing businesses of the firm. Following are the differences between the concentric diversification and conglomerate diversifications:

#### **Concentric Diversification**

- 1.) Meaning: It occurs when a firm adds related products or markets.
- 2.) Linkage: The new business is linked to the existing businesses through process, technology or marketing.
- 3.) Reasons for pursuing: The most common reason for pursuing a concentric diversification is that opportunities in a firm's existing line of business are available.

#### **Conglomerate Diversification**

- 1.) Meaning: It occurs when a firm diversifies into areas that are unrelated to its current line of business.
- 2.) Linkage: Here no such linkages exist; the new business/product is disjointed from the existing businesses/products.
- 3.) Reasons for pursuing : The common reason for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited or opportunities outside are highly lucrative.

**Q20. 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. (MTP1 Sep 2024)**

**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 Adopting Growth/Expansion Strategy:

- 1.) It may become imperative when environment demands increase in pace of activity.
- 2.) 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.
- 3.) Expansion may lead to greater control over the market vis-a-vis competitors.
- 4.) Advantages from the experience curve and scale of operations may accrue.
- 5.) Expansion also includes intensifying, diversifying, acquiring and merging businesses.

**Q21. '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.**

**Answer:**

The statement "Innovation leads to unnecessary expenses that do not give as many returns" is often debated, but evidence strongly suggests that innovation is crucial for long-term business growth and success. I disagree with the statement for several reasons:

Innovation offers the following for a business to grow long term:

- 1.) **Helps to solve complex problems:** A business strives to find opportunities in existing problems of the society, and it does so through planned innovation in areas of expertise. This guided innovation helps solve complex problems by developing customer centric sustainable solutions.
- 2.) **Increases productivity:** Innovation leads to simplification and in most cases automation of existing tasks. 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 organization as a whole.
- 3.) **Gives competitive advantage:** Being ahead of competition is a need and businesses spend majority of their strategic time building solutions to achieve this advantage. The faster a business innovates, the farther it goes from its competitors 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 its existing customers but helps acquire new ones with ease too.

### Topic of Questions : Retrenchment

**Q22. XYZ Ltd. is a multi-product company, suffering from continuous losses since last few years and has accumulated heavy losses which have eroded its net worth.**

**What strategic option is available to the management of this sick company? Advise with reasons. (PYQ, May 2018)**

**Answer:**

- 1.) XYZ Ltd. is a sick company with accumulated losses that have eroded its net worth. The multi-product company may analyse its various products to take decisions on the viability of each. The company may consider retrenchment strategy.
- 2.) Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.
- 3.) Retrenchment strategy is adopted because of continuous losses and unviability and stability can be ensured by reallocation of resources from unprofitable to profitable businesses.
- 4.) Retrenchment strategy is followed when an organization substantially reduces the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems.



5.) Next, steps are taken to solve the problems.

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

- (a) **Turnaround strategy:** If the organization chooses to transform itself into a leaner structure and focuses on ways and means to reverse the process of decline, it adopts a turnaround strategy. It may try to reduce costs, eliminate unprofitable outputs, generate revenue, improve coordination, better control, and so on.
  - (b) **Divestment Strategy:** 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.
  - (c) **Liquidation Strategy:** In the retrenchment strategy, the most extreme and unattractive is liquidation strategy. It involves closing down a firm and selling its assets. It is considered as the last resort because it leads to serious consequences such as loss of employment for workers and other employees, termination of opportunities where a firm could pursue any future activities, and the stigma of failure.
- 6.) The management of multiproduct sick company manufacturing various items need to understand pros and cons of each strategic option. The decision will depend upon the specific circumstances of each product and management goals of the company.

**Q23.** With the global economic recession Soft Cloth Ltd. incurred significant losses in all its previous five financial year with the global economic recession of Cloth made of cotton, silk, polyster, rayon, lyd has not been competiton Currently, they are into manufacturing porta. The company is facing cash crunch and has not been able to pay the salaries to its employees in the current month. Suggest a grand strategy that can be opted by Soft Cloth Ltd. (RTP, May 2019) (ICAI Study Material)

**Answer:**

- 1.) Soft Cloth Ltd. is facing internal as well as external challenges. The external environment is in economic recession and the organization is facing cash crunch. The company needs to work on a retrenchment / turnaround strategy. The strategy is suitable in case of issues such as:
  - (a) Persistent negative cash flow.
  - (b) Uncompetitive products or services
  - (c) Declining market share
  - (d) Deterioration in physical facilities
  - (e) Overstaffing, high turnover of employees, and low morale
  - (f) Mismanagement
- 2.) The company may consider to substantially reduce the scope of its activity. This is done through an attempt to find out the problem areas and diagnose the causes of the problems. Next, steps are taken to solve the problems.
- 3.) These steps result in different kinds of retrenchment strategies. If the organization chooses to focus on ways and means to reverse the process of decline, it adopts at turnaround strategy.
- 4.) If it cuts off the loss-making units, divisions, or SBUs, curtails its product line, or reduces the functions performed, it adopts a divestment strategy.
- 5.) If none of these actions work, then it may choose to abandon the activities totally, resulting in a liquidation strategy.

**Q24.** Arena Ltd. manufactures computers that are of low in production cost, competitive price, and quality to their competitor's product. Profits and market share are declining day by day. Shreekanth, a senior executive realizes that drastic strategies have to be created for the survival of a company. After SWOT analysis by assessing the strengths and weaknesses, they come up with the conclusion that they cannot compete in the computers with the competitors The management directs Shreekanth to act quick and develop a suitable strategic plan.

Discuss the strategy which can be opted by Shreekanth. (MTP1, May 2018) (MTP2, May 2019)

OR

ABC Inc. a successful company in the healthcare industry, was facing a decline due to outdated technology and lack of innovation. The company was losing market share and struggling to retain customers. In an effort to reverse the trend, the management decided to implement a strategy. They hired new talent, invested in research and development, and streamlined their operations to increase efficiency. Through these efforts, ABC Inc. was able to introduce new products and services, reposition themselves in the market, and eventually regain their competitive edge. The company's revenue and profits increased, and they were once again on the path to success.

Discuss the strategy which has been implemented by the management of ABC Inc. (RTP, May 2023)

**Answer:**

- 1.) In the given case, the company can opt for turnaround strategy which is a highly-targeted effort to return the company to profitability and increase positive cash flows to a sufficient level.
- 2.) Organizations those have faced a significant crisis that has negatively affected operations require turnaround strategy. Once turnaround is successful the organization may turn to focus on growth.
- 3.) Conditions for turnaround strategies when firms are losing their grips over market, profits due to several internal and external factors, and if they have to survive under the competitive environment they have to identify danger signals as early as possible and undertake rectification steps immediately.
- 4.) These conditions may be, inter alia cash flow problems, lower profit margins, high employee turnover and decline in market share, capacity underutilization, low morale of employees, recessionary conditions, mismanagement, raw material supply problems and so on.

#### **Action plan for turnaround strategy**

Stage One - Assessment of current problems

Stage Two- Analyze the situation and develop a strategic plan

Stage Three- Implementing an emergency action plan

Stage Four- Restructuring the business

Stage Five- Returning to normal

**Q25.** Synergy Ltd. is manufacturing a product since year 2010. The company was doing well till year 2022. After that its market share started declining. Accumulated losses started mounting and in turn carried a persistent negative impact on its cash flow. As a result morale of the employees was not up to mark. The Board of Directors (BoD) of the company thought it proper to continue in business by placing emphasis on improvement in internal efficiency. In view of the same, the BoD is evolving a workable action plan with intent to ensure a radical change in direction in strategy which includes revamping in top management. Which retrenchment strategy company should adopt in the given situation? Also state the stages in the action plan for the strategy. (PYQ Sep 2024)

**OR**

The CEO of a textile mill is convinced that his loss making company can be turned around. Suggest an action plan for a turnaround to the CEO. (PYQ, July 2021) (MTP1, May 2024) (MTP1, Sep 2024)

**OR**

An XYZ Company is facing continuous losses. There is decline in sales and product market share. The products of the company became uncompetitive and there is persistent negative cash flow. The physical facilities are deteriorating and employees have low morale. At the board meeting, the board members decided that they should continue the organization and adopt such measures that the company functions properly. The board has decided to hire young executive Shayamli for improving the functions of the organization. What corporate strategy should Shayamli adopt for this company and what steps to be taken to implement the corporate strategy adopted by Shayamli? (PYQ, Nov 2019) (ICAI Study Material) (RTP Sep 2024)

**Answer:**

"In the given situation, the suitable retrenchment strategy for Synergy Ltd. is the Turnaround Strategy. This strategy is designed to reverse the company's decline and restore it to profitability, particularly when the company is facing challenges such as declining market share, negative cash flows, and low employee morale.



Stages in the Action Plan for Turnaround Strategy:

- **Stage One** - Assessment of Current Problems: The first step is to assess and diagnose the root causes of the company's decline, such as uncompetitive products, poor cash flow, or internal inefficiencies. This stage involves determining the extent of the damage caused by these problems.
- **Stage Two** - Analyze the Situation and Develop a Strategic Plan: Evaluate the chances of the company's survival and develop a strategic plan that outlines the corrective actions to be taken. This includes identifying appropriate strategies to address internal inefficiencies, improve competitiveness, and enhance employee morale.
- **Stage Three** - Implementing an Emergency Action Plan: If the situation is critical, an immediate action plan must be executed to stabilize the business. This may involve cutting costs, ensuring positive cash flow, raising necessary funds, and addressing short-term operational issues.
- **Stage Four** - Restructuring the Business: Focus on restructuring the company's core business operations, especially if they have been significantly affected. This stage involves efforts to improve efficiency, restructure finances, and position the company for long-term recovery and growth.
- **Stage Five** - Returning to Normal: In the final stage, the company should begin showing signs of profitability and improving financial performance. Strategic efforts such as introducing new products, improving customer service, and forming alliances should be emphasized to restore market share and build long-term sustainability.

By following these stages, Symergy Ltd. can develop a comprehensive turnaround plan to regain its financial stability, improve operational efficiency, and rebuild its competitive position in the market."

**Q26. X Pvt .Ltd. had recently ventured into the business of co-working spaces when the global pandemic struck. This has resulted in the business line becoming unprofitable and unviable, and a failure of the existing strategy. However, the other businesses of X Pvt. Ltd. are relatively less affected by the pandemic as compared to the recent co-working spaces. Suggest a strategy for X Pvt .Ltd. with reasons to justify your answer. (PYQ, Jan 2021) (ICAI Study Material)**

**Answer:**

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

Further, divestment helps address issues like:

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

**Q27. Mini theatre Ltd. was a startup venture of three young IIM graduates. They developed an application to watch web-based content like web series, TV shows, theatre shows, etc. after purchasing their exclusive rights. They were successful in getting many consumers enrolled with them. After a certain span of time, the company realized that some regional content like 'bangla movies', 'Gujarati shows' etc. were having high cost and less viewership. The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas. Identify and explain the corporate strategy adopted by the leadership team of Mini theatre Ltd. (RTP, May 2021)**

**Answer:**

- 1.) The leadership team of Mini theatre Ltd. decided to cut off the loss -making units, reduces the functions performed that some of regional content like 'bangla movies', 'Gujarati shows' etc. were

having high cost and less viewership, it adopts a divestment strategy. The leadership team of Mini theatre Ltd. decided to sell the rights and curtail any further content development in these areas.

- 2.) 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.

**Q28. Racers Ltd. manufactures bicycles. Until recently it has adopted a differentiation strategy, offering high quality bicycles which Racers Ltd. sells at a high profit margin. In recent years, Racers Ltd. has entered a period of decline due to the market becoming flooded with cheaper, high quality bicycles from abroad, where labour costs are lower. Racers Ltd. has therefore decided to adjust its strategy and adopt a focus approach, targeting its bicycles towards professional athletes. This will allow Racers Ltd. to continue earning high margins, though the size of its potential market will likely fall. Identify and explain the need of adopting this strategy by Racers Ltd. to manage decline? (RTP, May 2022)**

**Answer:**

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

**Q29. 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 Company has tried one of 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? (PYQ, Nov 2022)**

**Answer:**

- 1.) As per the facts of the case, company had tried to improve its internal efficiency. In other words, had tried turnaround strategy but could not get the desired results.
- 2.) Company does not want to go for complete close down of business. Rather it wants to continue and grow in its original business i.e. product Alpha.
- 3.) As a strategist, it is advisable that the company should adopt divestment strategy.
- 4.) In the given situation where the business of product Beta is not faring well and became unprofitable and unviable due to aggressive competition in the market, the best option for the company is to divest the product Beta which is loss-making business.
- 5.) Retrenchment may be done either internally or externally. Turnaround strategy is adopted in case of internal retrenchment where emphasis is laid on improving internal efficiency of the organization, while divestment strategy is adopted when a business turns unprofitable and unviable due to some external factors.



6.) In view of the above, the company should go for divestment strategy.

A divestment strategy may be adopted due to various reasons:

- (a) When a turnaround has been attempted but has proved to be unsuccessful.
- (b) A business that had been acquired proves to be a mismatch and cannot be integrated within the company.
- (c) Persistent negative cash flows from a particular business create financial problems for the whole company.
- (d) Severity of competition and the inability of a firm to cope with it.
- (e) Technological upgradation is required if the business is to survive but where it is not possible for the firm to invest in it.
- (f) A better alternative may be available for investment, causing a firm to divest a part of its unprofitable business.

**Q30. Differentiate between divestment and liquidation strategy.**

(MTP1, Nov 2019) (MTP2, May 2021) (MTP2, Nov 2021) (MTP2, May 2022)

OR

**Briefly describe the meaning of divestment and liquidation strategy and establish differences between the two. (PYQ, Nov 2020)**

**Answer:**

- 1.) Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit centre or SBU.
- 2.) 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.
- 3.) Liquidation strategy is a retrenchment strategy considered the most extreme and unattractive strategy, which involves closing down a firm and selling its assets.

**Difference between Divestment strategy and Liquidation strategy:**

**Divestment Strategy:**

- 1.) **Meaning** : Divestment strategy involves sale or liquidation of a portion of business.
- 2.) **Policy option** : 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. Option of a turnaround may even be ignored if it is obvious that divestment is the only answer.
- 3.) **Purpose** : Efforts are made for survival of the organization.
- 4.) **Consequences** : Survival of organization helps in retaining personnel, at least to some extent.

**Liquidation Strategy:**

- 1.) **Meaning** : Liquidation strategy involves closing down a firm and selling its business.
- 2.) **Policy option** : Liquidation becomes only option in case of severe and critical conditions where either turnaround or divestment are not seen as solution or have been attempted but failed.
- 3.) **Purpose** : Liquidation as a form of retrenchment strategy is unattractive and considered as the last resort.
- 4.) **Consequences** : There is loss of employment and opportunities with stigma of failure.

**Q31. Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain.**

(RTP, May 2023) (MTP1, Nov 2023)

**Answer:**

- 1.) Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business.
- 2.) On the other hand, Retrenchment strategy involves redefinition of business by divesting a major product line or market.
- 3.) Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success.

- 4.) Retrenchment or retreat becomes necessary or expedient for coping with particularly hostile and adverse situations in the environment and when any other strategy is likely to be suicidal.
- 5.) Expansion may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls. Retrenchment involves regrouping and recouping of the resources.

### Topic of Questions: Strategic Options

**Q32.** In the context of Ansoff's Product-Market Growth Matrix, identify with reasons, the type of growth strategies followed in the following cases:

- (i) A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.
  - (ii) A business giant in hotel industry decides to enter into dairy business.
  - (iii) One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.
  - (iv) A renowned auto manufacturing company launches ungeared scooters in the market.
- (ICAI Study Material)

**Answer:**

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

- (i) **Market Penetration:** A leading producer of toothpaste, advises its customers to brush teeth twice a day to keep breath fresh. It refers to a growth strategy where the business focuses on selling existing products into existing markets.
- (ii) **Diversification:** A business giant in hotel industry decides to enter into dairy business. It refers to a growth strategy where a business markets new product in new markets.
- (iii) **Market Development:** One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets. It refers to a growth strategy where the business seeks to sell its existing products into new markets.
- (iv) **Product Development:** A renowned auto manufacturing company launches ungeared scooters in the market. It refers to a growth strategy where business aims to introduce new products into existing markets.

**Q33.** 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.

(MTP1, Nov 2018) (ICAI Study Material)

OR

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, Nov 2022)

**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:

- (a) Invest in new product development and switchover to the new technology. Atrix Ltd. also need time to invest in emerging new technology.
- (b) They can acquire or takeover a competitor provided they have or are able to generate enough financial resources.
- (c) They may also consider unrelated growth and identify other areas for expansion. This will enable Atrix Ltd. to spread their risks.
- (d) 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.

**Q34. 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 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, Nov 2021)**

**Answer:**

- 1.) 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.
- 2.) 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.
- 3.) 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.
- 4.) 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.

**Q35. Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's product market growth matrix.**

(MTP1, May 2022) (MTP2, Nov 2022) (RTP, May 2023)

**OR**

**Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options. (ICAI Study Material)**

**Answer:**

- 1.) 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.
- 2.) With the use of this matrix, a business can get a fair idea about how its growth depends upon its markets in new or existing products in both new and existing markets.

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

**Ansoff's Product Market Growth Matrix**

- 3.) The Ansoff's product market growth matrix is as follows:
  - (a) Sky chemical industry can adopt market penetration, product development, market development or diversification simultaneously for its different products.



- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.

**Q36. ABC Corporation is a conglomerate with a diverse portfolio of businesses. One of its businesses is a well-established division in a mature and stable market. The division has maintained a high market share over the years but is experiencing slow growth due to market saturation. The management team is contemplating the best course of action for this division. How should ABC Corporation approach this division according to the BCG growth-share matrix, and what would be the rationale behind it? (RTP, Nov 2023)**

**Answer:**

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

**Q37. XYZ Corporation is a multinational conglomerate operating in various industries. They have a diverse portfolio of businesses, including a leading consumer electronics division, a growing e-commerce platform, a mature industrial machinery division, and a newly established software development unit. Which division of XYZ Corporation would most likely be classified as a "Star" in the BCG Growth-Share Matrix? (RTP, May 2024)**

**Answer:**

- 1.) In the BCG Growth-Share Matrix, divisions or business units are classified into four categories: Stars, Cash Cows, Question Marks, and Dogs. These classifications are based on a combination of market share and market growth rate.
- 2.) A "Star" in the BCG Matrix represents a business unit with a high market share in a high-growth market.
- 3.) In the scenario, the newly established software development unit would be classified as a "Star." The software development unit is described as "newly established," suggesting that it is operating in a high-growth market.
- 4.) Additionally, the potential for high market share can be inferred if the unit is strategically positioned to become a leader in the software development industry.
- 5.) Stars typically require significant investment to fuel their growth, but they have the potential to become future Cash Cows as the market matures.

- 6.) Therefore, the software development unit's high growth potential and the opportunity to capture a substantial market share align with the characteristics of a BCG Matrix "Star."

**Q38. StarTech Solutions, an aerospace technology firm, operates in a highly competitive industry. Despite the fierce competition in the aerospace sector, StarTech has carved out a niche for itself by focusing on serving unique, high-end clients. Unlike its competitors, StarTech has chosen not to diversify its target market and instead specializes in providing cutting-edge solutions to this niche market.**

**Identify and explain the strategy adopted by StarTech Solutions. Discuss the advantages and disadvantages of this strategy. (ICAI Study Mat)**

**Answer:**

The strategy adopted by StarTech Solutions is Focused differentiation. This strategy involves targeting a specific segment of the market with unique products or services that are perceived as valuable by customers in that segment. By specializing in serving unique, high-end clients, StarTech is able to differentiate itself from competitors and create a competitive advantage.

**Advantages of Focused Differentiation:**

- 1.) **Strong Customer Loyalty:** By catering to a specific niche market, StarTech can build strong relationships with its customers, leading to higher customer loyalty and retention.
- 2.) **Higher Profit Margins:** Serving a niche market allows StarTech to command higher prices for its specialized products or services, leading to higher profit margins.
- 3.) **Reduced Competition:** By focusing on a niche market that other firms are not targeting, StarTech faces less competition, allowing it to establish itself as a leader in that segment.
- 4.) **Better Resource Allocation:** Focusing on a specific market segment allows StarTech to allocate its resources more efficiently, concentrating on areas that will provide the greatest return on investment.

**Disadvantages of Focused Differentiation:**

- 1.) **Limited Market Size:** The niche market that StarTech is targeting may be limited in size, restricting the company's potential for growth.
- 2.) **Risk of Market Changes:** Changes in the market or customer preferences could impact on the demand for StarTech's specialized products or services, leading to potential revenue loss.
- 3.) **Higher Costs:** Serving a niche market may require specialized resources and expertise, leading to higher costs of operation.
- 4.) **Imitation by Competitors:** If StarTech's success in the niche market attracts competitors, they may attempt to imitate its strategy, eroding its competitive advantage.

Overall, the focused differentiation strategy adopted by StarTech Solutions has allowed it to differentiate itself in a competitive industry and build a strong position in the market. However, the company must be aware of the potential challenges and risks associated with this strategy and continue to innovate and adapt to maintain its competitive edge.

**Q39. Fresh Delight, 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, Fresh Delight 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, Fresh Delight hopes to increase its customer base and drive sales growth. What strategy is Fresh Delight using to expand its market presence? (MTP1 Sep 2024)**

**Answer:**

Fresh Delight 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.

**Q40. 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 exist 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 a 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 analyzing 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 limitations of the model as well. (PYQ May 2024)**

**Answer:**

In addressing the strategic needs of BOYA Ltd., the McKinsey 7S Model is an effective tool to consider. This model focuses on the interaction of hard and soft elements within an organization, suggesting that modifying one aspect might have a ripple effect on the other elements to maintain an effective balance. The McKinsey 7S Model helps analyse the company's organizational design to achieve effectiveness through these interactions. The model categorizes the elements into 'hard' and 'soft' components:

The Hard elements are directly controlled by the management. The following elements are the hard elements in an organization.

- 1.) **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.
- 2.) **Structure:** depending on the availability of resources and the degree of centralisation or decentralization that the management desires, it chooses from the available alternatives of organizational structures.
- 3.) **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 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.

- 1.) **Shared Values:** The core values which get reflected within the organizational culture or influence the code of ethics of the management.
- 2.) **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.
- 3.) **Staff:** The talent pool of the organisation.
- 4.) **Skills:** The core competencies or the key skills of the employees play a vital role in defining the organizational success.

While the McKinsey 7S Model provides a structured approach to analysing organizational effectiveness, it has certain limitations:

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

By applying the McKinsey 7S Model, BOYA Ltd. can gain a comprehensive understanding of how different elements within the organization interact and influence overall performance. The insights gathered from the questionnaire can guide strategic decisions to enhance growth and operational effectiveness.

**Q41.** An industry comprises of only two firms-Soorya Ltd. and Chandra Ltd. From the following information relating to Soorya Ltd., prepare BCG Matrix:

Product	Revenues (in)	Percent Revenues	Profits (in `)	Percent Profits	Percentage Market Share	Percentage Industry Growth rate
<b>A</b>	6 crore	48	120 lakh	48	80	+ 15
<b>B</b>	4 crore	32	50 lakh	20	40	+ 10
<b>C</b>	2 crore	16	75lakh	30	60	-20
<b>D</b>	50 lakh	4	5 lakh	2	5	-10
<b>Total</b>	12.5 crore	100	250 lakh	100		

**Answer:**

- 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. With the given data on market share and industry growth rate of Soorya Ltd, its four products are placed in the BCG matrix as follows:

		<b>Retain Market Share</b>	
		<b>High</b>	<b>Low</b>
<b>Market Growth Rate</b>	<b>High</b>	<b>Product A</b> [80% Market Share +15% Growth Rate] <b>Stars</b>	<b>Product B</b> [40% Market Share +10% Growth Rate] <b>Question Marks</b>
	<b>Low</b>	<b>Product C</b> [60% Market Share -20% Growth Rate] <b>Cash Cows</b>	<b>Product D</b> [05% Market Share -10% Growth Rate] <b>Dogs</b>

- Product A is in best position as it has a high relative market share and a high industry growth rate.
- On the other hand, product B has a low relative market share, yet competes in a high growth industry.
- Product C has a high relative market share but competes in an industry with negative growth rate.
- The company should take advantage of its present position that may be difficult to sustain in long run.
- Product D is in the worst position as it has a low relative market share and competes in an industry with negative growth rate.

**Q42.** Describe the construction of BCG matrix and discuss its utility in strategic management.  
(ICAI Study Material)

**OR**

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

- Stars
- Question Marks
- Cash Cows
- Dogs

(RTP, May 2022) (MTP 2 Jan 2025)

**Answer:**

- 1.) Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units.
- 2.) In the early 1970's the Boston Consulting Group developed a model for managing portfolio of different business units or major product lines.
- 3.) The BCG growth-share matrix facilitates portfolio analysis of a company having invested in diverse businesses with varying scope of profits and growth.
- 4.) The BCG matrix can be used to determine what priorities should be given in the product portfolio of a business unit.
- 5.) Using the BCG approach, a company classifies its different businesses on a two-dimensional growth share matrix. Two dimensions are market share and market growth rate.

#### 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's strength in the market.

Thus, the BCG matrix depicts quadrants as shown in the following table:

		Relative Market Share	
		High	low
Market Growth Rate	High	Stars	Question Marks
	Low	Cash Cows	Dogs

**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 are in long run when the growth rate slows down, stars become cash cows.
- (c) Question Marks, sometimes billed problem children or wildcats, are low market share business in high growth markets. They require heavy investments with low potential to generate cash. Question marks fast to headed are capable of becoming cash traps. Since growth rate is high, increasing it should be relatively easier. It is for business organizations 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 minimized by means of divestment or liquidation.

The BCG matrix is useful for classification of products, SBUs, or businesses, and for selecting appropriate strategies for each type as follows.

- (i) Build with the aim for long-term growth and strong future.
- (ii) Hold or preserve the existing market share.
- (iii) Harvest or maximize short-term cash flows.
- (iv) Divest, sell or liquidate and ensure better utilization of resources elsewhere.

Thus, BCG matrix is a powerful tool for strategic planning analysis and choice.

#### Q43. How Ansoff's Product-Market Growth Matrix is a useful tool for business organizations?

(RTP, Nov 2018) (MTP2, May 2019) (MTP1, Nov 2021)



OR

Explain the “Product Market Growth Matrix” as propagated by Igor Ansoff as a device for identifying growth opportunities for the future. (PYQ Jan 2025)

**Answer:**

- 1.) 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.
- 2.) With the use of this matrix a business can get a fair idea about how its growth depends in new or existing products in both new and existing markets.
- 3.) Companies should always be looking to the future. Businesses that use the Ansoff matrix can determine the best strategy.
- 4.) The matrix can help them to decide how to do this by demonstrating their options clearly, breaking them down into four strategies, viz., Market Penetration, Market Development, Product Development, Diversification.
- 5.) Determining which of these is best for their business will depend on a number of variables including available resources, infrastructure, market position, location and budget.

**Q44. Write a short note on the role of ADL Matrix in assessing competitive position of a firm.**  
(RTP, May 2020) (RTP, May 2022)

**Answer:**

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

The role of ADL matrix is to assess the competitive position of a firm based on an assessment of the following criteria:

- 1.) Dominant: This is a comparatively rare position and in many cases is attributable either to a monopoly or a strong and protected technological leadership.
- 2.) Strong: By virtue of this position, the firm has a considerable degree of freedom over its choice of strategies and is often able to act without its market position being unduly threatened by its competitors.
- 3.) 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.
- 4.) 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.
- 5.) Weak: The performance of firms in this category is generally unsatisfactory although the opportunities for improvement do exist.

**Q45. Distinguish between Market Development and Product Development under Ansoff's Product Market Growth Matrix.** (MTP1, May 2021) (RTP, Nov 2022) (MTP2, May 2023) (MTP2, Nov 2023)

**Answer:**

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

#### **Market Development**

##### **1.) Meaning**

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

##### **2.) Strategy Application**

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

#### **Product Development**

##### **1.) Meaning**

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

## 2.) Strategy Application

It is for company's growth and requires the development of new competencies and the business to develop modified products which can appeal to existing markets.

**Q46.** 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 Jan 2025)

**Answer:**

Innova Tech 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 Innova Tech, 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 Innova Tech to systematically evaluate each business unit's potential, optimize resource allocation, and focus on divisions that align with long-term growth and profitability goals.

## Part 2 : Multiple Choices Questions

**Q1.** An organisation diversifies in backward sequence in the product chain and enters specific product/ process to be used in existing products. It is:

- (a) Forward diversification
- (b) Vertical diversification
- (c) Horizontal diversification
- (d) Reactive diversification

(ICAI Study Material)

Correct answer: (b) Vertical diversification

**Q2.** Corporate strategy includes:

- (i) expansion and growth, diversification, takeovers and mergers
- (ii) Vertical and horizontal integration, new investment and divestment areas
- (iii) determination of the business lines

From the combinations given below select a correct alternative:

- (a) (i) and (ii)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i), (ii) and (iii)
- (ICAI Study Material)

Correct answer: (d) (i), (ii) and (iii)

**Q3.** Stability strategy is a strategy.

- (a) SBU level
- (b) Corporate level
- (c) Business level
- (d) Functional level

(ICAI Study Material) (RTP, May 2019)

Correct answer: (b) Corporate level

**Q4.** Diversification primarily helps to:

- (a) Reduce competition
- (b) Reduce risk
- (c) Reduce taxes
- (d) Reduce costs

(ICAI Study Material)

Correct answer: (b) Reduce risk

**Q5.** One of the primary advantages of diversification is sharing core competencies. In order for diversification to be most successful, it is important that

- (a) The target market is the same, even if the products are very different.
- (b) The products use similar distribution



channels.

- (c) The methods of production are the same.
- (d) The similarity required for sharing core competencies must be in the value chain, not in the product.

(Sample MCQs)

Correct answer: (d) The similarity required for sharing core competencies must be in the value chain, not in the product

**Q6. The most probable time to pursue a harvest strategy is in a situation of**

- (a) High growth
- (b) Decline in the market life cycle
- (c) Strong competitive advantage
- (d) Mergers and acquisitions

(Sample MCQs)

Correct answer: (b) Decline in the market life cycle

**Q7. Corporate level strategy is concerned with the following-**

- (a) How do we want to compete?
- (b) Where do we want to compete?
- (c) How to support the strategy implementation?
- (d) All of the above

(Sample MCQs)

Correct answer: (b) Where do we want to compete?

**Q8. The low growth, low share businesses in BCG matrix are:**

- (a) Cows
- (b) Dogs
- (c) Cats
- (d) Question Marks

(Sample MCQs)

Correct answer: (b) Dogs

**Q9. Geographical Diversification, Product diversification and Entry Mode are the domains of:**

- (a) Functional Strategy
- (b) Business Strategy
- (c) Corporate Strategy
- (d) All of the Above

(Sample MCQs)

Correct answer: (c) Corporate Strategy

**Q10. An advertisement says, 'Have Roohafza with milk and lassi too'. Which strategy is the company trying to use:**

- (a) Market Development
- (b) Product Development
- (c) Market Penetration

- (d) All of the above

(Sample MCQs)

Correct answer: (c) Market Penetration

**Q11. Vertical integration may be beneficial when**

- (a) Lower transaction costs and improved coordination are vital and achievable through vertical integration.
- (b) Flexibility is reduced, providing a more stationary position in the competitive environment.
- (c) Various segregated specializations will be combined.
- (d) The minimum efficient scales of two corporations are different.

(Sample MCQs) (MTP1, May 2019) (RTP, May 2020) (ICAI Study Material)

Correct answer: (a) Lower transaction costs and improved coordination are vital and achievable through vertical integration

**Q12. Conglomerate diversification is another name for which of the following?**

- (a) Related diversification
- (b) Unrelated diversification
- (c) Portfolio diversification
- (d) Acquisition diversification

(Sample MCQs) (MTP1, May 2019) (MTP2, Nov 2022) (ICAI Study Material)

Correct answer: (b) Unrelated diversification

**Q13. When two organisations combine to increase their strength and financial gains along with breaking the trade barriers is called**

- (a) Hostile takeover
- (b) Liquidation
- (c) Merger
- (d) Acquisition

(Sample MCQs) (MTP1, Nov 2020)

Correct answer: (c) Merger

**Q14. Which of the following is not a type of diversification strategy?**

- (a) Vertical diversification.
- (b) Concentric diversification.
- (c) Conglomerate diversification.
- (d) Co-generic diversification.

(RTP, May 2019)

Correct answer: (d) Co-generic diversification

**Q15. An organization acquires its supplier is an example of:**

- (a) Horizontal integrated diversification.
- (b) Forward integrated diversification.

(c) Backward integrated diversification.

(d) Conglomerate diversification.

(RTP, May 2019,)

Correct answer: (c) Backward integrated diversification

**Q16. Conglomerate diversification can also be explained as:**

(a) Merger

(b) Combination strategy

(c) Related diversification

(d) Unrelated diversification

(MTP2, May 2019)

Correct answer: (d) Unrelated diversification

**Q17. Acquisition of another organisation that was using your product in their manufacturing is:**

(a) Horizontal integrated diversification

(b) Forward integrated diversification

(c) Backward integrated diversification

(d) conglomerate diversification

(RTP, Nov 2019)

Correct answer: (b) Forward integrated diversification

**Q18. Arrange divestment, liquidation, stability and turnaround strategies in order of preference for adoption by a typical organisation.**

(a) Turnaround, stability, liquidation and divestment.

(b) Divestment, liquidation, stability and turnaround.

(c) Stability, turnaround, liquidation and divestment.

(d) Stability, turnaround, divestment and liquidation.

(RTP, Nov 2019)

Correct answer: (d) Stability, turnaround, divestment and liquidation

**Q19. If suppliers are unreliable or too costly, which of these strategies may be appropriate?**

(a) Horizontal integration

(b) Backward integration

(c) Market penetration

(d) Forward integration

(MTP1, Nov 2019) (ICAI Study Material)

Correct answer: (b) Backward integration

**Q20. Which strategy is implemented after the failure of turnaround strategy?**

(a) Expansion strategy

(b) Diversification strategy

(c) Divestment strategy

(d) Growth strategy

(MTP1, Nov 2019) (MTP2, May 2021) (MTP2, May 2022) (ICAI Study Material)

Correct answer: (c) Divestment strategy

**Q21. Retrenchment strategy in the organization can be explained as**

(a) Reducing trenches (gaps) created between individuals.

(b) Divesting a major product line or market.

(c) Removal of employees from job through the process of reorganization.

(d) Removal of employees from job in one business to relocate them in other business.

(RTP, May 2020) (ICAI Study Material)

Correct answer: (b) Divesting a major product line or market

**Q22. The Specialist Clothing Company (SCC) is a manufacturer of a wide range of clothing. Fashion is one of the five divisions of SCC. Fashion is operating in a market with high growth and is a market leader. By the next year, it is predicted to have 10% of the market share in a growing market. Fashion should be classified as which of the following according to the BCG matrix.**

(a) Star

(b) Dog

(c) Cash cow

(d) Question mark

(MTP1, May 2021)

Correct answer: (a) Star

**Q23. Baba Pvt Ltd has seventeen factories, nine of which they recently gave to other producers on lease. This has increased their cash inflows to a great extent, and they are enjoying this surplus by investing the same in financial assets. Such a strategy can be termed as which of the following?**

(a) Divest

(b) Harvest

(c) Hold

(d) Build

(MTP1, Nov 2021)

Correct answer: (b) Harvest

**Q24. In context to BCG matrix, which of the following statements is not correct?**

(a) The BCG assumes that all products will grow and mature.

(b) The BCG can be used to examine a company's current product portfolio.

- (c) A company with only cash cows and dogs has limited long-term prospects.  
 (d) All of the above  
 (MTP2, Nov 2021)

Correct answer: (a) The BCG assumes that all products will grow and mature

- Q25.** A rubber manufacturer starts making shoe soles and gurn can be termed as?  
 (a) Conglomerate Diversification  
 (b) Concentric Diversification  
 (c) Horizontal Integration  
 (d) Vertical Integration  
 (MTP2, Nov 2021)

Correct answer: (b) Concentric Diversification

- Q26.** A tea farm owners plan to open tea cafes in tourist spots and to sell their own premium tea to build a brand. Which of the following can this be termed as?  
 (a) Backward Integration  
 (b) Forward Integration  
 (c) Diversification  
 (d) Horizontal Integration  
 (RTP, May 2022)

Correct answer: (b) Forward Integration

- Q27.** Norm-Nom is a fast-food brand and has been facing a lot of competition from American brands and has decided to NOT go very aggressive but to just preserve market share? Which of the strategy Norm-Nom is following?  
 (a) Build  
 (b) Hold  
 (c) Harvest  
 (d) Divest  
 (RTP, May 2022)

Correct answer: (b) Hold

- Q28.** Hupo a honey brand decided to start a new brand for making honey ginger candies to meet the rising demand Identify their growth strategy?  
 (a) Conglomerate Diversification  
 (b) Concentric Diversification  
 (c) Vertical Integration  
 (d) Horizontal Integration  
 (RTP, Nov 2022)

Correct answer: (b) Concentric Diversification

- Q29.** Dogs in BCG Matrix can be minimized through?  
 (a) Converting to Cash Cows  
 (b) Liquidating or Divesting

- (c) Foreign Direct Investment Opportunity  
 (d) Bad Debt Writing off  
 (MTP1, Nov 2022)

Correct answer: (b) Liquidating or Divesting

- Q30.** Sumedha has a home-grown brand which makes traditional lehengas. She thought of expanding her business and added linen jackets and cotton trousers to her product line. Which strategy is she working on?  
 (a) Backward integration  
 (b) Intensification  
 (c) Diversification  
 (d) Horizontal Diversification  
 (RTP, May 2023)

Correct answer: (b) Intensification

- Q31.** Sanjay guided the team of young entrepreneurs to hold to the current position in the market till they get a big opportunity. What could be their business termed as basis Sanjay's advice?  
 (a) Question Mark  
 (b) Cash Cow  
 (c) Star  
 (d) Dog  
 (RTP, May 2023)

Correct answer: (a) Question Mark

- Q32.** Merger of two organisations that are operating in the same industry but at different stages of production and distribution system is called: -  
 (a) Horizontal Merger  
 (b) Vertical Merger  
 (c) Co-generic Merger  
 (d) Conglomerate Merger  
 (MTP1, May 2023)

Correct answer: (b) Vertical Merger

- Q33.** A company that produces and sells athletic shoes may acquire or merge with another athletic shoe manufacturer in order to increase their market share and reduce competition is an example of-  
 (a) Horizontal integration  
 (b) Backward integration  
 (c) Market penetration  
 (d) Forward integration  
 (MTP2, May 2023) (MTP2, Nov 2023)

Correct answer: (a) Horizontal integration

- Q34.** You have been appointed as a strategic manager at ABC Company, which is currently facing a situation where one of its products



has entered the maturity stage of its Product Life Cycle (PLC). The company has made a deliberate decision to maintain its existing business operations and is content with achieving incremental growth for this product aligns with which of the following strategies?

- (a) Expansion strategy
  - (b) Stability strategy
  - (c) Retrenchment strategy
  - (d) Combination strategy
- (MTP1, Nov 2023)

Correct answer: (b) Stability strategy

**Q35.** TechMex Inc., a leading technology company, offers a diverse portfolio of products ranging from established cash cows to promising question marks. As part of its strategic planning process, the company aims to assess its product portfolio's performance and allocate resources effectively. In which quadrant of the BCG Matrix would TechMex's new innovative product, recently launched in a rapidly growing market, likely fall into?

- (a) Cash Cow
  - (b) Dog
  - (c) Question Mark
  - (d) Star
- (MTP1, May 2024)

Correct answer: (c) Question Mark

**Q36.** Chocopo, an ice cream company run by Shri Shyam Kumar since 1985, now had its management change to his two daughters, who came in and wanted to experiment with a lot of flavors. They introduced 21 new flavors in a span of 6 months while not losing out of 2 legendary flavors of their dad i.e. Stick Kulfi and Mango Bar. After year 1 of operations, 9 out of the 21 flavors had to be stopped, while 10 flavors were still kept, extending the experimentation. The early sense from market was that they would have to be stopped too, but the sisters decided to extend their timelines. What category as per BCG Matrix would the 10 flavors fall into?

- (a) Cash Cow
  - (b) Dog
  - (c) Question Mark
  - (d) Star
- (MTP2, May 2024)

Correct answer: (b) Dog

**Q37.** A women's clothing brand recognized new opportunities and researched emerging trends and consumer preferences. They introduced a new clothing line, received positive feedback from initial trials, and grew through strategic partnerships and targeted advertising. What strategic choice best describes this approach?

- (a) Product Development
- (b) Market Development
- (c) Market Penetration
- (d) Diversification

Correct answer: (a) Product Development

**Q38.** "UN&T reached out to Mukesh S, an entrepreneur from India to get his team to work on a mega solar energy project and enter India's deccan plateau which enjoys an abundance of sunshine. What strategy is UN&T trying to implement? (MTP 1 Jan 2025)

- (a) Market Penetration
- (b) Market Development
- (c) Strategic Alliance
- (d) Diversification

Correct answer: (c) Strategic Alliance"

**Q39.** "Eco Green, a company specializing in sustainable home products, has decided to enter the energy sector by developing and marketing solar panels and home energy storage solutions. This new direction involves creating a completely new product line that extends beyond their traditional home goods, thereby entering an industry with their current brand. What strategy is Eco Green using to enter the energy sector? (MTP 2 Jan 2025)

- (a) Market penetration
- (b) Product development
- (c) Market development
- (d) Diversification

Correct answer: (d) Diversification"

# CHAPTER 5: *Strategy Implementation and Evaluation*

## Part 1 : DESCRIPTIVE QUESTIONS

### Topic of Questions: Strategic Formulation & Implementation

**Q1.** HQ is a service company. Two years back the company hired a reputed management consultant to formulate its strategy. The consultant recommended an aggressive expansion plan. Now in an internal review meeting the company finds that many of the suggestions are not even fully considered. Which part of strategic management process is missing in HQ?  
(RTP, May 2019) (MTP2, May 2019)

**Answer:**

- 1.) Strategy implementation is missing in HQ. Implementation is the managerial exercise of putting a chosen strategy into action.
- 2.) 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.
- 3.) 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.
- 4.) 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.
- 5.) It is crucial to realize the difference between the formulation and implementation because they both require very different skills.
- 6.) Also, a company will be successful only when the strategy formulation is sound and implementation is excellent.

**Q2.** 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?  
(MTP1, Nov 2022) (RTP, Nov 2023)

**Answer:**

- 1.) The strategy formulation and strategy implementation are intertwined and linked with each other.
- 2.) Two types of linkages exist between these two phases of strategic management.
- 3.) 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.
- 4.) In the given situation Ms. Suman has to follow Backward Linkages as she had to change her strategy basis the actual resources she had.
- 5.) While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy.
- 6.) Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts.
- 7.) Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

**Q3.** Distinguish between Strategy Formulation and Strategy Implementation.  
(PYQ, May 2019) (MTP1, May 2021) (MTP1, Nov 2021) (MTP1, May 2023)

**Answer:**

#### Strategy Formulation

- 1.) Strategy formulation focuses on effectiveness.

- 2.) Strategy formulation is primarily an intellectual process.
- 3.) Strategy formulation requires conceptual intuitive and analytical skills.
- 4.) Strategy formulation requires coordination among the executives at the top level.

### Strategy Implementation

- 1.) Strategy implementation focuses on efficiency.
- 2.) Strategy implementation is primarily an operational process.
- 3.) Strategy implementation requires motivation and leadership skills.
- 4.) Strategy implementation requires coordination among the executives at the middle and lower levels.

**Q4. "Strategy formulation and strategy implementation are intertwined and linked with each other. Elucidate this statement with suitable arguments.**

OR

**Explain the concept of forward and backward linkages between strategy formulation and implementation in strategic Management, using relevant examples. How do these linkages impact the overall strategic decision-making process of an organization?**

(MTP2, May 2024) (PYQ, May 2022)

**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.

### Forward Linkages:

- 1.) The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself.
- 2.) With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization.
- 3.) For instance, the organizational structure has to undergo a change in the light of the requirements of the modified or new strategy.
- 4.) The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

### Backward Linkages:

- 1.) Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation.
- 2.) While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy.
- 3.) Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts.
- 4.) Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.
- 5.) It is to be noted that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making.

In conclusion, the forward and backward linkages between strategy formulation and implementation highlight the iterative and interconnected nature of strategic management. By understanding and leveraging these linkages, organizations can enhance their strategic decision-making process and improve their overall performance.

## Topic of Questions: Strategic Change

**Q5. Dr. Raman has been running a nursing home for about twenty two years now, and has gained enormous name for his benevolence in Balram district of Chhattisgarh. Recently, his daughter, Dr.**



Radhika completed her medicine degree from the United States of America and returned to her hometown to be a part of her father's practice. She has been given the baton to promote modern medicine and retain the local skilled youth in their practice. However, their nursing home's skilled youth has been more inclined to E-Commerce employment opportunities. Dr. Radhika has taken it as a challenge to imbibe the very essence of service in them, by being employed as nurses and caretakers of the ill. This shall be very crucial in growing the practice as desired. Which of the following phases of Kurt Lewin's Model of Change will be most challenging for Dr. Radhika to strategically positioning her father's nursing home? (MTP1, May 2020)

**Answer:**

- 1.) Kurt Lewin's Model of Change proposes three phases of change process to make the change lasting.
- 2.) They are Compliance, Identification and Internalization.
- 3.) For Dr. Radhika, Compliance and Identification will not a big challenge, as her father has been one of the most sort after personalities serving the ill in their district.
- 4.) And her return from the USA to serve her country, especially her district, will help the workforce identify her as a role model and there would actually be no need for compliance, i.e. Reward and Punishment for bringing about a change.
- 5.) However, the new lucrative E-Commerce employment opportunities will have to be fought through Internalization, i.e. internal changing of the individual's thought process, to give them freedom to learn and succeed. Thus, Internalization will be the most challenging phase.

**Q6. Connect Group was one of them to the leading makers of the mobile handsets till a few years ago and which went at the bottom of the heap. Connect Group didn't adapt to the current market trends which eventually lead to its downfall Which would have helped Connect Group to change, adapt and survive? Explain the steps to initiate the change. (RTP, Nov 2021) (MTP 1 Jan 2025)**

**OR**

**Explain the steps for initiating strategic change. (MTP1, May 2022)**

**OR**

**Changes in environmental forces often require businesses to make modifications in their existing strategies. In view of the same explain the areas to be focused while considering concept of strategic change. Also explain the steps to initiate strategic change process. (PYQ, May 2023)**

**Answer:**

- 1.) Connect Group has to do strategic change for its survival. The changes in the environmental forces often require businesses to make modifications in their existing strategies and bring out new strategies.
- 2.) Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.
- 3.) Unless companies embrace change, they are likely to be freeze and unless companies prepare to deal with sudden, unpredictable, discontinuous, and radical change, they are likely to be extinct.

**Three steps for initiating strategic change are:**

- 1.) **Recognise the need** for change the first step is to diagnose the which facets of the present corporate culture are strategy supportive and which are not.
- 2.) **Create a shared vision** to manage change - Objectives of both individuals and organisation should coincide. There should be no conflict between them. This is possible only if the management and the organisation members follow a shared vision.
- 3.) **Institutionalise the change** This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

**Q7. Glassware Ltd. is about to go through a significant restructuring. The strategic change involves moving from a decentralized to a centralized structure. This will help Glassware avoid duplication of support activities and lower its costs.**

The management have held the first staff briefing in which they went to great lengths to explain that the change was necessary to equip the company to face future competitive challenges. Identify and explain the current stage of Glassware Ltd. from the Lewin's three-stage model of change? (RTP, May 2022)

**Answer:**

Glassware Ltd. is currently in the 'unfreezing' stage, where management is attempting to explain the need for change in an attempt to maximize buy-in by employees and reduce the amount of resistance.

**Unfreezing the situation:**

- 1.) The process of unfreezing simply makes the individuals aware of the necessity for change and prepares them for such a change.
- 2.) Lewin proposes that the changes should not come as a surprise to the members of the organization.
- 3.) Sudden and unannounced change would be socially destructive and morale lowering.
- 4.) 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.
- 5.) Unfreezing is the process of breaking down the old attitudes and behaviours, customs and traditions so that they start with a clean slate.
- 6.) This can be achieved by making announcements, holding meetings and promoting the new ideas throughout the organization.

**Q8. XYZ Ltd. is an automobile company that offers diversified products for all customer segments. Due to COVID-19, the changes took place in the economy forced the company to change its strategy. Being the CEO of the company, what stages will you follow for developing and executing the new strategy? (PYQ, May 2022)**

**Answer:**

- 1.) Today, India has become the outsourcing hub for many of the global automobile manufacturers.
- 2.) The auto industry comprises of four segments which are passenger vehicles, commercial vehicles, three wheelers and two wheelers.
- 3.) XYZ Ltd. is an automobile company that offers diversified products for all customer segments.
- 4.) The company has already in existence, so it has its own vision, mission and a strategy to execute for achieving its vision.
- 5.) While developing and executing the strategy, XYZ Ltd. might have followed the five-stage managerial process as given below:
  - (a) Developing a strategic vision.
  - (b) Environmental and organisational analysis.
  - (c) Formulation of strategy.
  - (d) Implementing and executing the strategy.
  - (e) Strategic evaluation and control.
- 6.) But due to COVID-19, the automobile industry has faced the lockdown situation.
- 7.) Changes in the economy forced the XYZ Ltd. to change its existing strategy and prepare the new strategy.
- 8.) The changes in the environmental forces due to COVID-19 requires XYZ Ltd. to make modifications in their existing strategies and bring out new strategies.
- 9.) For initiating strategic change, three steps can be followed by the CEO of the company which are as under:
  - (i) **Recognize the need for change:** This is the first step to diagnose facets of the corporate culture that are strategy supportive or not. This has already identified by the XYZ Ltd.
  - (ii) **Create a shared vision to manage change:** Objectives and vision of both individuals and organization should coincide. The CEO of XYZ Ltd. need to constantly and consistently communicate the vision not only to inform but also to overcome resistance.
  - (iii) **Institutionalize the change:** Creating and sustaining a different attitude towards change is essential to ensure that the XYZ Ltd. does not slip back into old ways of thinking or doing things. All these changes should be set up as a practice to be followed by the company and be able to transfer from one level to another as a well settled practice.



**Q9. Define Refreezing in Kurt Lewin's change process. (RTP, May 2018)**

**Answer:**

- 1.) Kurt Lewin proposed three phases of the change process Unfreezing, changing and then refreezing.
- 2.) 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.
- 3.) It may be achieved through continuous reinforcement.

**Q10. Define strategic change. Explain the various stages/phases of change process as propounded by Kurt Lewin. (MTP1, May 2018)**

**OR**

**Write a short note on strategic change and explain the process of strategic change. (PYQ, Nov 2018)**

**OR**

**What is strategic change. Explain the change process proposed by Kurt Lewin that can be useful in implementing strategies. (ICAI Study Material)**

**Answer:**

The changes in the environmental change is a complex process to make modifications in their existing strategies and bring out new strategies. Strategic change is a complex process that involves a corporate strategy focused on new markets, products, services and new ways of doing business.

**Three steps for initiating strategic change are:**

- 1.) **Recognise the need for change:** The first step is to diagnose which facets of the present corporate culture are strategy supportive and which are not.
- 2.) **Create a shared vision to manage change:** Objectives of both individuals and organisation should coincide. There should be no conflict between them. This is possible only if the management and the organisation members follow a shared vision.
- 3.) **Institutionalise the change:** This is an action stage which requires the implementation of the changed strategy. Creating and sustaining a different attitude towards change is essential to ensure that the firm does not slip back into old ways of doing things.

**Kurt Lewin proposed three phases of the change process for moving the organization from the present to the future.**

- (i) **Unfreezing the situation** - The process of unfreezing makes the individuals or organisations aware of the necessity for change and prepares them for it. The change should not come as a surprise to the members of the organisation. Sudden and unannounced change would be socially destructive and morale lowering.
- (ii) **Changing to new situation** once unfreezing is complete and members of the organisation recognize the need for change, then their behaviour patterns need to be redefined as:
  - Compliance- enforcing reward and punishment strategy for good or bad behaviour
  - Identification-members are psychologically impressed to identify themselves with some given role models whose behaviour they would like to adopt.
  - Internalisation involves some internal changing of the individual's thought process. They are given the freedom to learn and adopt new behaviour.
- (iii) **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. This can be achieved by continuously reinforcing the newly acquired behaviour.  
Change process is not a one-time application but a continuous process due to dynamism and ever-changing environment.

**Q11. Discuss three methods for reassigning new patterns of behavior as proposed by H.C. Kellman. (RTP, Nov 2020)**

**Answer:**

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.

## Topic of Questions: Organisational Structure

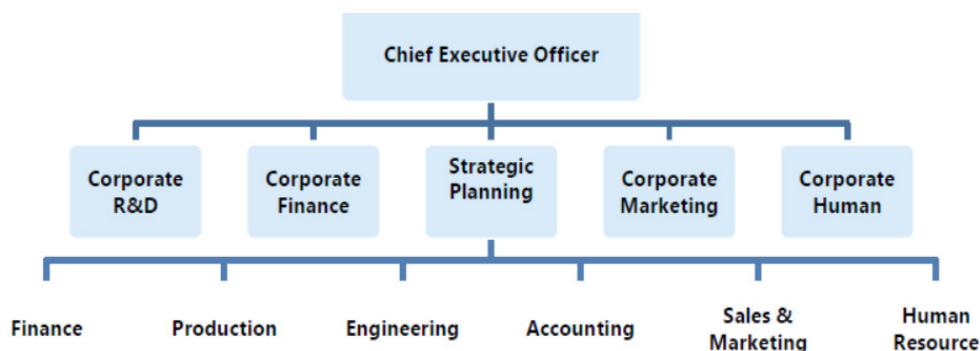
**Q12.** Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors.

Draw the organization structure Manoj should implement in his organization and name it.  
(PYQ, Nov 2018) (ICAI Study Material)

**Answer:**

Manoj has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional areas that are desired in the organisational structure. Further there is inherent need to have a department for the management of telecom services/operations.

Thus, the functional structure in the telecom business of Manoj can be as follows:



**Figure: Functional Structure**

**Q13.** A chennai based fast moving consumer goods (FMCG) major CDE Ltd. recently announced restructuring its business. The company indicated that the business would be split into mainly four different streams- FMCG, E-commerce, Retail and Research and development. The company management has decided that these four units will operate as separate businesses. The top corporate officer shall delegate responsibility for day to day operations and business unit strategy to the concerned managers. Identify the organization structure that CDE Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. (PYQ, Dec 2021)

OR

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.

(MTP2, May 2024) (RTP Sep 2024)



**Answer:**

CDE Ltd./PQR Ltd. has planned to implement a Strategic Business Unit (SBU) structure. Very large organisations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organisation with increase in number, size and diversity.

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

- 1.) A scientific method of grouping the businesses of a multi- business corporation which helps the firm in strategic planning.
- 2.) An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
- 3.) Strategic planning for SBU is distinct from rest of businesses. Products/businesses within an SBU receive same strategic planning treatment and priorities.
- 4.) Each SBU will have its own distinct set of competitors and its own distinct strategy.
- 5.) The CEO of SBU will be responsible for strategic planning for SBU and its profit performance.
- 6.) Products/businesses that are related from the stand point of function are assembled together as a distinct SBU.
- 7.) Unrelated products/businesses in any group are separated into separate SBUs.
- 8.) Grouping the businesses on SBU lines helps in strategic planning by removing the vagueness and confusion.
- 9.) Each SBU is a separate business and will be distinct from one another on the basis of mission, objectives etc.

**Q14.** M/s. MTS Ltd, is one of the mobile telephone service providers in India. It has its own mobile network, towers and distribution channels. It operates through its team of network operation, technicians, marketing, sales and after sales services. Currently all the team members are on its roll. Company knows that market is densely competitive. The environment is quite unstable and likely to remain so. Customer's taste and preferences are changing very fast. There is a strong need for innovation and quick response. While eliminating in-house business functions, company is considering outsourcing major activities and focusing on its core competencies. In the given situation identify the organizational structure suitable for the company. Also outline the merits and demerits in going for the identified structure. (PYQ Sep 2024)

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? (PYQ, May 2022)

OR

"Samar Electronics Limited" is engaged in manufacturing and sale of consumer electronic goods globally. The company is rated "best" in "customer satisfaction survey" for 5 years in a row. The spread of the current pandemic has affected the internal and external environment of the company adversely. Such adverse impact has negatively impacted the revenue of the company. In order to survive and retain the business, the company decided to outsource a major part of its organisational activities, like manufacturing, distribution charinels, after sales service etc. Now the organisation's business functions are scattered worldwide with a small headquarter connected to independent business units digitally.

What type of organisational structure is the company transitioning into? List the basic features of this new structure and the disadvantages that the company may face in future in this new structural arrangement. (RTP, Nov 2022)

**Answer:**

Samar Electronics Limited transitioning into network structure. It is a newer and somewhat more radical organisational design. Its essential features are as follows:

- 1.) It is termed as “non-structure” as it eliminates in house functions and outsources many of them.
- 2.) An organisation organised in this manner is often called “virtual organisation” because it is composed of a series of project groups or collaborations linked by constantly changing nonhierarchical, cob-web like structures.
- 3.) Network structures become most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response.
- 4.) Instead of having salaried employees, it may contract with people for a specific project or length of time.
- 5.) Long term contracts with suppliers and distributors replace services that company could provide for itself.

**However, network structure does have following disadvantages that the company may face in future:**

- 1.) The availability of numerous potential partners can be a source of trouble.
- 2.) Co-ordination among the functioning of business partners is perhaps, the biggest problem for the management in the networking structure.
- 3.) Employees may lack the level of confidence necessary to participate actively in organisation sponsored learning experiences.

**Q15. Write short note on Characteristics of strategic business unit (SBU). (MTP2, May 2018)**

OR

**Explain strategic business unit (SBUs). (RTP, Nov 2018)**

OR

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

(RTP, May 2020) (MTP1, May 2020) (ICAI Study Material)

OR

**Moonlight Private Limited deals in multi-products and multi-businesses. It has its own set of competitors. It seems impractical for the company to provide separate strategic planning treatment to each one of its product or businesses. As a strategic manager, suggest the type of structure best suitable for Moonlight Private Limited and state its benefits.**

(PYQ, Jan 2021) (ICAI Study Material)

OR

**How the 'Strategic Business Unit (SBU), structure becomes imperative in an organization with increase in number, size and diversity of divisions? (RTP, May 2022)**

OR

**Write short note on Strategic Business Unit (SBU). (PYQ, Nov 2022)**

**Answer:**

- 1.) SBU is a part of a large business organization that is treated separately for strategic management purposes.
- 2.) It is separate part of large business serving product markets with readily identifiable competitors.
- 3.) 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.
- 4.) 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.
- 5.) SBU structure becomes imperative in an organization with increase in number, size and diversity.

**The three most important characteristics of SBU are:**

- 1.) It is a single business or a collection of related businesses which offer scope for independent planning and which might feasibly stand alone from the rest of the organization.
- 2.) It has its own set of competitors.
- 3.) It has a manager who has responsibility for strategic planning and profit performance. He has control of profit-influencing factors.



**Benefits of SBU are:**

- 1.) Establishing coordination between divisions having common strategic interests.
- 2.) Facilitates strategic management and control on large and diverse organizations.
- 3.) Fixes accountabilities at the level of distinct business units.
- 4.) Allows strategic planning to be done at the most relevant level within the total enterprise.
- 5.) Makes the task of strategic review by top executives more objective and more effective.
- 6.) Helps allocate corporate resources to areas with greatest growth 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.

**Q16. Davis and Lawrence have proposed three distinct phases to develop matrix structure.**

**Explain.** (RTP, Nov 2018)

**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 is still 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 dual- authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager.

**Q17. Elucidate Matrix Structure** (PYQ, Jan 2021)

**OR**

**Write a short note on Matrix structure.** (RTP, Nov 2023) (MTP1 Sep 2024)

**Answer:**

- 1.) In matrix structure, functional and product forms are combined simultaneously at the same level of the organization.
- 2.) Employees have two superiors, a product / project manager and a functional manager. The "home" department - that is, engineering, manufacturing, or marketing - is usually functional and is reasonably permanent. People from these functional units are often assigned temporarily to one or more product units or Projects.
- 3.) The product units / projects are usually temporary and act like divisions in that they are differentiated on a product-market basis.
- 4.) The matrix structure may be very appropriate when organizations conclude that neither functional nor divisional forms, even when combined with horizontal linking mechanisms like strategic business units, are right for the implementation of their strategies.
- 5.) Matrix structure was developed to combine the stability of the functional structure with flexibility of the product form.
- 6.) It is very useful when the external environment (especially its technological and market aspects) is very complex and changeable.

A matrix structure is most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication. It may result in higher overhead costs due to more management positions.

**The matrix structure is often found in an organization when the following three conditions exist:**

- 1.) Ideas need to be cross-fertilized across projects or products;
- 2.) Resources are scarce; and
- 3.) Abilities to process information and to make decisions need to be improved.

**Q18. Discuss the concept of Multi Divisional Structure.** (RTP, May 2019) (MTP 2, May 2019)

**OR**



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, Nov 2021) (MTP1, May 2023)

**Answer:**

- 1.) To deal with the problems facing by the Bunch Pvt Ltd., we suggest Multi divisional structure for the organisation.
- 2.) 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.
- 3.) By such delegation, the corporate office is responsible for formulating and implementing overall corporate strategy and manages divisions through strategic and financial controls.
- 4.) Multidivisional or M-form structure was developed in the 1920s, in response to coordination- and control-related problems in large firms.
- 5.) Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products.
- 6.) Costs were not allocated to individual products, so it was not possible to assess an individual products profit contribution.
- 7.) Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible).
- 8.) Top managers became over-involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

**Multidivisional structure calls for:**

- Creating separate divisions, each representing a distinct business.
- Each division would house its functional hierarchy.
- Division managers would be given responsibility for managing day-to-day operations.
- A small corporate office that would determine the long-term strategic direction of the firm and exercise overall financial control over the semi-autonomous divisions.

**Q19. What is an Hourglass structure? How is it beneficial for an organization?**

(PYQ, May 2019) (ICAI Study Material)

**OR**

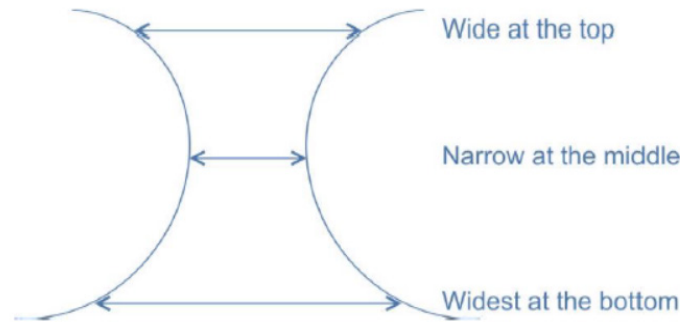
**Discuss the concept of Hourglass Structure.** (RTP, Nov 2019)

**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? (MTP1, Nov 2021)

**Answer:**

- 1.) In the recent years information technology and communications have significantly altered the functioning of organizations.
- 2.) The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.
- 3.) Hourglass organization structure consists of three layers in an organisation structure with constricted middle layer. The structure has a short and narrow middle management level.
- 4.) 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.



**Figure: Hourglass Organisation Structure**

- 5.) Hourglass structure has obvious benefit of reduced costs. It also helps in enhancing responsiveness by simplifying decision making.
- 6.) 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.

**Q20. What do you understand by functional structure? (MTP1, May 2022)**

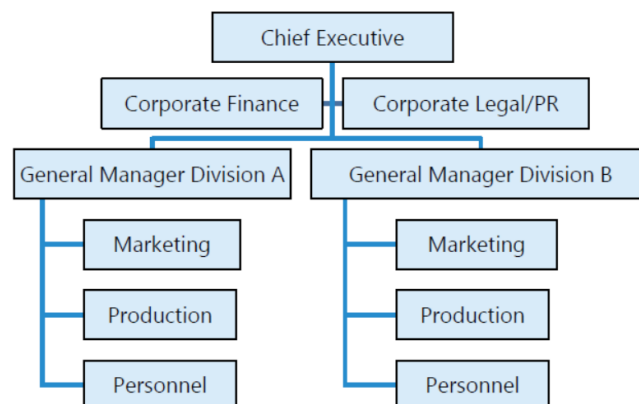
**Answer:**

- 1.) Functional structure is widely used because of its simplicity and low cost. A functional structure groups tasks and activities by business function.
- 2.) The functional structure consists of a chief executive officer or a managing director and limited corporate staff with functional line managers in dominant functions such as production, accounting, marketing, R&D, engineering, and human resources.
- 3.) Disadvantages of a functional structure are that it forces accountability to the top, minimizes career development opportunities, etc.

**Q21. Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief. (PYQ, Nov 2020) (ICAI Study Material)**

**Answer:**

- 1.) Divisional structure is that organizational structure which is based on extensive delegation of authority and built on division basis.
- 2.) 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.

**Q22. How the 'Strategic Business Unit' (SBU), structure becomes imperative in an organization with increase in number, size and diversity of divisions? (MTP 2 Jan 2025)**

**Answer:**

SBU is a part of a large business organization that is treated separately for strategic management purposes. The concept of SBU is helpful in creating an SBU organizational structure. It is a 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 organisations, particularly those running into several products, or operating at distant geographical locations that are extremely diverse in terms of environmental factors, can be better managed by creating strategic business units. SBU structure becomes imperative in an organisation with increase in number, size and diversity. SBUs helps such organisations by:

Establishing coordination between divisions having common strategic interest.

Facilitate strategic management and control.

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

### Topic of Questions: Organisation Culture

**Q23. Jupiter Electronics Ltd. is known for its ability to come out with path-breaking products. Though the work environment at Jupiters is relaxed and casual, yet, there is a very strong commitment to deadlines. The employees believe in "work hard play hard" ethic. The organisation has moved away from formal and hierarchical set up to a more results-driven approach. Employees are committed to strategies and work towards achieving them. They guard innovations, maintain confidentiality and secrecy in their working. They are closely related to values, practices, and norms of organisations. What aspects of an organization that are being discussed? Explain. (RTP, Nov 2019) (MTP 2 Jan 2025)**

OR

Orion Tech Solutions Pvt. Ltd. is renowned for its ability to launch groundbreaking software products. Despite the relaxed and casual work environment at Orion, there is a strong commitment to meeting deadlines. Employees at Orion believe in the "work hard, play hard" ethic. The company has shifted from a formal, hierarchical structure to a more results-oriented approach. Employees are deeply committed to the company's strategies and work diligently to achieve them. They safeguard innovations and maintain strict confidentiality and secrecy in their operations. Their work culture is closely aligned with the organization's values, practices, and norms. What aspects of an organization are being discussed? Explain. (MTP2 Sep 2024)

**Answer:**

- 1.) The scenario being referred to is culture in Jupiter Electronics. Strong culture promotes good strategy execution when there's fit and impels execution when there's negligible fit.

- 2.) A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner.
- 3.) A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility.
- 4.) This is very conducive to successful execution of a strategy of delivering superior customer service.
- 5.) A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish.
- 6.) Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

**Q24. Write short note on Importance of corporate culture.** (RTP, Nov 2018)

**Answer:**

- 1.) A culture where creativity, embracing change, and challenging the status quo are pervasive is very conducive to successful execution of a product innovation and technological leadership strategy.
- 2.) A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision making responsibility is very conducive to successful execution of a strategy of delivering superior customer service.
- 3.) A strong strategy-supportive culture nurtures and motivates people to do their jobs in ways conducive to effective strategy execution; it provides structure, standards, and a value system in which to operate; and it promotes strong employee identification with the company's vision, performance targets, and strategy.
- 4.) All this makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish.
- 5.) Employees are stimulated to take on the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others as needed to bring the strategy to success.

**Q25. Describe corporate culture. Elaborate the statement "Culture is a strength that can also be a weakness".** (PYQ, Nov 2018)

**OR**

**How can a corporate culture be both strength and weakness of an organisation?**

(MTP1, May 2019) (MTP1, Nov 2019)

**Answer:**

Corporate culture refers to a company's values, beliefs, business principles, traditions, way of operating and internal work environment. Every corporation has a culture that exerts powerful influences on the behaviour of managers.

**1.) Culture as a strength –**

- (a) Culture can facilitate communication, decision making and control and create cooperation and commitment.
- (b) An organisation's culture could be strong and cohesive when it conducts its business according to clear and explicit set of principles and values.
- (c) The management devotes considerable time in communicating values & principles to employees and sharing them widely across the organisation.

**2.) Culture as a weakness –**

- (a) can obstruct the smooth implementation of strategy by creating resistance to change.
- (b) An organisation's culture can be characterised as weak when many sub cultures exist, few values and behavioural norms are shared and traditions are rare.
- (c) In such organisations, employees do not have a sense of commitment, loyalty and a sense of identity.

**Q26. 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?**

(RTP, May 2021) (MTP1, May 2021)

OR

You are appointed as a manager of a company where you find that the company's culture is out of sync with what is needed for strategic success. Discuss steps you would initiate to tackle the problem. (MTP2, Nov 2022) (RTP, May 2023)

**Answer:**

- 1.) Corporate culture refers to company's values, beliefs, business principles, traditions, ways of operating and internal work environment.
- 2.) Changing problem cultures is very difficult because of deeply held values and habits.
- 3.) It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy -supportive.
- 4.) **Steps to follow:**
  - (a) The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
  - (b) Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
  - (c) 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.
- 5.) Management through communication has to create a shared vision to manage changes.
- 6.) The menu of culture-changing actions includes revising policies and procedures, altering incentive compensation, shifting budgetary allocations for substantial resources to new strategy projects, recruiting and hiring new managers and employees, replacing key executives, communication on need and benefit to employees and so on.

**Q27. A strategy-supportive culture promotes good strategy execution. - Explain.**

(RTP, Nov 2022) (MTP2, Nov 2023)

**Answer:**

- 1.) Strong cultures promote good strategy execution when there's fit and hurt execution when there's negligible fit.
- 2.) A culture grounded in values, practices, and behavioral norms that match what is needed for good strategy execution helps energize people throughout the organization to do their jobs in a strategy-supportive manner.
- 3.) A culture built around such business principles as listening to customers, encouraging employees to take pride in their work, and giving employees a high degree of decision-making responsibility.
- 4.) This is very conducive to successful execution of a strategy of delivering superior customer service.
- 5.) A work environment where the culture matches the conditions for good strategy execution provides a system of informal rules and peer pressure regarding how to conduct business internally and how to go about doing one's job.
- 6.) A strong strategy-supportive culture makes employees feel genuinely better about their jobs and work environment and the merits of what the company is trying to accomplish.
- 7.) Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

### Topic of Questions: Strategic Leadership

**Q28. 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.** (RTP, May 2018) (MTP2, May 2021) (MTP2, May 2022) (ICAI Study Material)

OR

Discuss the leadership roles played by the managers in pushing for good strategy execution. (PYQ, May 2019)

OR



You have been appointed as a Chief Executive Officer (CEO) in a company which is facing many difficulties in proper execution of its strategy. Explain the leadership roles which you should play in pushing for good strategy execution.

(PYQ, Nov 2022) (PYQ, May 2023) (PYQ, Nov 2022) (PYQ, May 2023)

**Answer:**

A manager as a strategic leader has many different leadership roles to play: visionary, chief entrepreneur and strategist, chief administrator, culture builder, resource acquirer and allocator, capabilities builder, process integrator, crisis solver, spokesperson, negotiator, motivator, arbitrator, policy maker and so on. Managers have five leadership roles to play in pushing for good strategy execution:

- (i) Staying on top of what is happening, closely monitoring progress, solving out issues, and learning what obstacles lie in the path of good execution.
- (ii) Promoting a culture of esprit de corps that mobilizes and energizes organizational members to execute strategy in a competent fashion and perform at a high level.
- (iii) Keeping the organization responsive to changing conditions, alert for new opportunities, bubbling with innovative ideas, and ahead of rivals in developing competitively valuable competencies and capabilities.
- (iv) Exercising ethical leadership and insisting that the company conduct its affairs like a model corporate citizen.
- (v) Pushing corrective actions to improve strategy execution and overall strategic performance.

**Q29.** Ritchwick, located in Mumbai, Maharashtra, is owner of a popular brand of ready to eat snack 'Trendy'. Yash, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ritchwick preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Yash believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Discuss the leadership style of Ritchwick and Yash.

(MTP2, May 2018) (RTP, May 2019) (MTP2, May 2022) (ICAI Study Material) (MTP Apr 22)

**OR**

Ram and Shyam are two brothers engaged in the business of spices. Both have different approaches to management. Ram prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Shyam believes in democratic participative management approach, involving employees to give their best.

Analyse the leadership style followed by Ram and Shyam. (PYQ, May 2018) (RTP, May 2021)

**Answer:**

- 1.) Ritchwick is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities.
- 2.) Such a leader believes in using authority of its office to exchange rewards, such as pay and status.
- 3.) They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.
- 4.) Transactional leaders try to build on the existing culture and enhance current practices. The style is better suited in persuading people to work efficiently and run operations smoothly.
- 5.) On the other hand, Yash is follower of transformational leadership style. The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization.
- 6.) Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction.
- 7.) 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.
- 8.) 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.

**Q30.** KaAthens Ltd., a diversified business entity having business operations across the globe. The company leadership has just changed as Mr. D. Bandopadhyay handed over the company leadership has just changed as Mr. D. Bandopadhyay handed over the pedals to his son Aditya Bandopadhyay,

due to his poor health. Aditya is a highly educated with an engineering degree from IIT, Delhi. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Aditya Bandopadhyay as CEO of the company. (RTP, Nov 2018) (RTP, May 2020) (ICAI Study Material)

OR

Mathew & Sons Ltd. is a diversified business entity having business operations across the globe. Presently, Mr. Mathew is the CEO of Mathew & Sons Ltd. He is going to retire in next 4 months, so he has decided to change the company's leadership and hand over the pedals to his elder son Marshal. Marshal is a highly educated with an engineering degree from USA. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Marshal as CEO of Mathew & Sons Ltd. (MTP1, Nov 2018)

**Answer:**

Aditya Bandopadhyay, an effective strategic leader of KaAthens Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape. A Strategic leader has several responsibilities, including the following:

- Making strategic decisions.
- Formulating policies and action plans to implement strategic decision.
- Ensuring effective communication in the organisation.
- Managing human capital (perhaps the most critical of the strategic leader's skills).
- Managing change in the organisation.
- Creating and sustaining strong corporate culture.
- Sustaining high performance over time.

**Q31.** Anshuman was a CEO at a struggling company. Despite the challenges, he believed in the potential of his team and was determined to turn the company around. He started by communicating his vision to his employees. He encouraged them to think outside the box, take risks and be creative. He also invested in training programs to help employees develop new skills. He regularly recognized and rewarded employees for their hard work, which increased their job satisfaction and commitment. As a result, the company began to see positive changes. Identify and discuss the leadership style adopted by Anshuman? (RTP, May 2023)

**Answer:**

- 1.) Being a CEO of a struggling company, Anshuman has adopted Transformational leadership style.
- 2.) The style uses charisma and enthusiasm to inspire people to exert them for the good of the organization.
- 3.) Transformational leaders offer excitement, vision, intellectual stimulation and personal satisfaction.
- 4.) 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.
- 5.) 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.
- 6.) Anshuman believed in the potential of his team. He started by communicating his vision to his employees.
- 7.) He encouraged them to think outside the box, take risks and be creative.
- 8.) He also invested in training programs to help employees develop new skills.
- 9.) He regularly recognized and rewarded employees for their hard work, which increased their job satisfaction and commitment.

**Q32.** Ramesh and Suresh own software development firms ACS Ltd. and BDS Ltd. Ramesh and Suresh pitch their business in international markets and win international contracts. Ramesh has fifty software engineers in his team. Suresh, on the other hand, leads a team of forty software engineers. Every project has a specific and fixed timeline. Individual projects are assigned to project heads by Ramesh and Suresh. Ramesh adheres to strict rules and procedures. He met



with the project heads to get an update but exchanged ideas occasionally. He set a weekly target of forty hours to complete the assigned goal or task. The group that met the deadline and completed the task received a 10% bonus. The group that was unable to meet the deadline was penalized. The group that did not meet the deadline was penalized with unpaid extra working hours to complete the task. Suresh, unlike Ramesh, did not priorities a structured approach to work. Suresh inspired the project managers by making them feel like leaders rather than just participants. Suresh's empowering attitude helped to align individual goals with group goals. Ramesh established routines to maximize his team efficiency. Suresh, on the other hand, used positive reinforcement to maximize his team efficiency.

(a) Identify the leadership style employed by Ramesh and Suresh.

(b) What are the conditions/situations that make such leadership styles more appropriate?

(c) Discuss the characteristics of the leadership styles. (PYQ, May 2023)

**Answer:**

- (i) Ramesh adopted transactional leadership style, while Suresh adopted transformational leadership style.
- (ii) Transactional leadership style can be appropriate in settled and static environment, in growing or mature industries and in organizations that are performing well. Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their life cycles, in poorly performing organizations when there is a need to inspire a company to embrace major changes.
- (iii) Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc. Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non-achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.

**Q33. Distinguish between Transformational and transactional leadership**

(RTP, May 2018) (PYQ, Nov 2019) (MTP1, Nov 2021)

**OR**

**How can you differentiate between transformational and transactional leaders?**

(RTP, Nov 2020) (RTP, Nov 2021) (ICAI Study Material)

**OR**

**Distinguish between Transformational Leadership Style and Transactional Leadership Style.**

(MTP1, Nov 2022)

**Answer:**

Difference between transformational and transactional leadership:

- 1.) Transformational leadership style uses charisma and enthusiasm to inspire people to exert them for the good of organization.
- 2.) Transactional leadership style uses the authority of its office to exchange rewards such as pay, status symbols etc.
- 3.) Transformational leadership style may be appropriate in turbulent environment, in industries at the very start or end of their cycles, poorly performing organisations, when there is a need to inspire a company to embrace major changes.
- 4.) Transactional leadership style can be appropriate in static environment, in growing or mature industries and in organisations that are performing well.
- 5.) Transformational leaders inspire employees by offering excitement, vision, intellectual stimulation and personal satisfaction. Transactional leaders prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement and non-achievement. Transactional leaders focus mainly to build on existing culture and enhance current practices.

### Topic of Questions: Strategic Control

**Q34. Sanya Private Limited is an automobile company. For the past few years, it has been observed that the progress of the company has become stagnant. When scrutinized, it was found that the**

planning department was performing fairly well but the plans could not be implemented due to improper use of resources, undesirable tendencies of workers and non-conformance to norms and standards. You are hired as a Strategic Manager. Suggest the elements of process of control to overcome the problem. (PYQ, Jan 2021) (MTP2, May 2022) (ICAI Study Material)

**Answer:**

- 1.) Sanya Private Limited deteriorating performance due to poor implementation of plans that is improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards, all point towards weak controls in the organization.
- 2.) Implementation of plans cannot assure results unless strong and sufficient controls are put in place.
- 3.) The management of the company should focus diligently on developing controls especially in the identified problem areas.

**The process of control has the following elements:**

- (a) Objectives of the business system which could be operationalized into measurable and controllable standards.
- (b) A mechanism for monitoring and measuring the performance of the system.
- (c) A mechanism (i) for comparing the actual results with reference to the standards (ii) for detecting deviations from standards and (iii) for learning new insights on standards themselves.
- (d) A mechanism for feeding back corrective and adaptive information and instructions to the system, for effecting the desired changes to set right the system to keep it on course.
- (e) Above elements of control would ensure a proper check on improper use of resources, undesirable tendencies of the workers, and non-conformance to norms and standards and ensure a result oriented implementation of plans.

**Q35. Write short note on Implementation control.** (RTP, May 2018) (MTP2, Nov 2018) (MTP1, May 2019)

**OR**

**What is implementation control? Discuss its basic forms.**

(RTP, Nov 2019) (RTP, Nov 2021) (RTP, Nov 2023) (ICAI Study Material)

**Answer:**

- 1.) Managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps.
- 2.) 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.
- 3.) Strategic implementation control is not a replacement to operational control. Strategic implementation control, unlike operational controls, continuously monitors the basic direction of the strategy.

**The two basic forms of implementation control are:**

- (i) Monitoring strategic thrusts: Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- (ii) Milestone reviews: All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

**Q36. Explain different types of strategic control in brief.** (PYQ, May 2018)

**OR**

**What is strategic control? Briefly explain the different types of strategic control?**

(RTP, May 2020) (RTP, Nov 2022) (MTP2, Nov 2023) (ICAI Study Material)

**OR**

**Why is Strategic Control important for organizations? Discuss briefly 4 types of strategic control that can be implemented to achieve the enterprise goals.** (RTP, May 2021)

**OR**

**"Strategic control focuses on implementation and results produced by the strategy". Explain strategic control along with its different types.** (PYQ, May 2023)

**Answer:**



**Importance of strategic control:**

- 1.) Strategic control is an important process that keeps organisation on its desired path. It involves evaluating strategy as it is formulated and implemented.
- 2.) It is directed towards identifying problems and changes in premises and making necessary adjustments.
- 3.) Strategic Control focuses on the dual questions of whether: (i) the strategy is being implemented as planned, and (ii) the results produced by the strategy are those intended.

**There are four types of strategic control:**

- (a) **Premise control:** A strategy is formed on the basis of certain assumptions or premises about the environment. Premise control is a tool for systematic and continuous monitoring of the environment to verify the validity and accuracy of the premises on which the strategy has been built.
- (b) **Strategic surveillance:** Strategic surveillance is unfocussed. It involves general monitoring of various sources of information to uncover unanticipated information having a bearing on the organizational strategy.
- (c) **Special alert control:** At times, unexpected events may force organizations to reconsider their strategy. Sudden changes in government, natural calamities, unexpected merger/acquisition by competitors, industrial disasters and other such events may trigger an immediate and intense review of strategy.
- (d) **Implementation control:** managers implement strategy by converting major plans into concrete, sequential actions that form incremental steps. Implementation control is directed towards assessing the need for changes in the overall strategy in light of unfolding events and results.

**Q37. Differentiate between Operational control and management control.**

(RTP, Nov 2018) (MTP2, Nov 2022) (MTP1, Nov 2023)

OR

**What are the differences between Operational control and management control.**

(ICAI Study Material)

**Answer:**

Differences between operational control and management control are as under.

- 1.) The thrust of operational control is on individual tasks or transactions as against total or more aggregative management functions.
- 2.) When compared with operational, management control is more inclusive and more aggregative, in the sense of embracing the integrated activities of a complete department, division or even entire organisation, instead of mere narrowly circumscribed activities of sub-units. For example, procuring specific items for inventory is a matter of operational control, in contrast to inventory management as a whole.
- 3.) Many of the control systems in organisations are operational and mechanistic in nature.
- 4.) A set of standards, plans and instructions are formulated. On the other hand, the basic purpose of management control is the achievement of enterprise goals - short range and long range in an effective and efficient manner.

**Q38. Explain premise control. (RTP, Nov 2018)****Answer:**

- 1.) A strategy is formed on the basis of certain assumptions or premises about the complex and turbulent organizational environment.
- 2.) 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.
- 3.) It primarily involves monitoring two types of factors:
  - (i) Environmental factors such as economic (inflation, liquidity, interest rates), technology, social and regulatory
  - (ii) Industry factors such as competitors, suppliers, substitutes.

**Q39. What is strategic control? Kindly explain the statement that "premise control is a tool for systematic and continuous monitoring of the environment". (PYQ, Nov 2020)**



**Answer:**

- 1.) Strategic control is the process of evaluating formulated and implemented strategy.
- 2.) It is directed towards identifying changes in the internal and external environments of the organization and making necessary adjustments accordingly.
- 3.) Strategic Control focuses on the dual questions of whether: (i) the strategy is being implemented as planned; and (ii) 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.

- 1.) 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.
- 2.) It is neither feasible nor desirable to control all types of premises in the same manner. Different premises may require different amount of control.
- 3.) 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.

### Topic of Questions: Digital transformation

**Q40.** 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.  
(MTP1, May 2024)

**Answer:**

To help the small manufacturing company navigate its digital transformation successfully, we would recommend the following strategy:

- 1.) **Begin at the top:** The leadership team should be united and committed to the digital transformation. They should communicate a clear vision for the future of the company and lead by example.
- 2.) **Ensure that the change is necessary and desired:** Before implementing any changes, the company should assess its current state and identify areas where digital transformation can add value. It's important to involve employees in this process to ensure their buy-in.
- 3.) **Reduce disruption:** Employee perceptions of change can vary, so it's important to minimize disruption. This can be done by communicating early and often about the changes, providing training and support for employees, and empowering change agents within the organization.
- 4.) **Encourage communication:** Create channels for employees to ask questions and provide feedback. Encourage collaboration between departments to share ideas and innovations. Effective communication can help alleviate fears and keep everyone aligned.
- 5.) **Recognize that change is the norm:** Digital transformation is not a one-time project but an ongoing process. The company should be prepared to adapt to new technologies and market conditions continuously.

By following these best practices, the small manufacturing company can successfully navigate its digital transformation and position itself for future growth and success.

**Q41.** Explain the pointers for navigating change during digital transformation. (PYQ Sep 2024)

OR

**Why is change management crucial during digital transformation, and what are some key strategies for navigating change effectively?** (RTP, May 2024)

**Answer:**

Change management is essential during digital transformation to ensure the success of the process. Here are some key strategies to navigate change effectively:

- 1.) Specify the digital transformation's aims and objectives: Clearly defining the intended outcomes and objectives helps ensure everyone is aligned and working towards the same goals.
- 2.) Always communicate: Regular and transparent communication is crucial to help people understand the goals of digital transformation and how it will impact various stakeholders, including employees, clients, and other parties.
- 3.) Be ready for resistance: Change, even if beneficial, can be met with resistance. Having a strategy in place to address resistance is important for overcoming challenges and ensuring a smooth transition.
- 4.) Implement changes gradually: Instead of making all changes at once, gradual implementation allows individuals to adapt to new ways of doing things without feeling overwhelmed by too much change simultaneously.
- 5.) Offer assistance and training: Providing support, guidance, and training for employees is crucial as they navigate new procedures, software applications, and other aspects of digital transformation.

In conclusion, meticulous planning and effective change management are vital for the successful completion of digital transformation projects. Without proper change management, these efforts are more likely to fail, and organizations can enhance the integration of new digital systems by anticipating and managing the necessary changes.

### Topic of Questions: McKinsey 7S Model

**Q42.** 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 Jan 2025)

OR

York Investors, recognizing the importance of aligning its organizational elements with strategic objectives, has strategically invested in training programs, technology, and communication systems. The company aims to enhance the skills and capabilities of its workforce through comprehensive training initiatives. Simultaneously, York Investors leverages cutting-edge technology to streamline its operations and improve overall efficiency. The investment in communication systems ensures seamless collaboration and information flow across various departments. Identify and explain the model used by York Investors to achieve its strategic objectives. (RTP, May 2024)

**Answer:**

York Investors is employing the McKinsey 7S Model to achieve its strategic objectives. The model focuses on seven interdependent elements within an organization, categorized into “Hard Ss” and “Soft Ss.” In this case:

- 1.) Strategy (Hard S): Investing in training programs and technology aligns with the strategic objective of enhancing workforce skills and operational efficiency.
- 2.) Structure (Hard S): The investment suggests a structural alignment to support the strategic initiatives, indicating a deliberate organization of resources.
- 3.) Systems (Hard S): The use of cutting-edge technology and communication systems reflects a commitment to optimizing daily tasks and improving overall efficiency, addressing the system component of the model.
- 4.) Shared Values (Soft S): The emphasis on comprehensive training initiatives indicates a commitment to shared values, reflecting a focus on developing a skilled and capable workforce.

- 5.) Style (Soft S): The leadership style is implied in the strategic decision to invest in technology and training for workforce development and operational efficiency.
- 6.) Staff (Soft S): The commitment to enhancing skills and capabilities reflects a focus on the talent pool within the organization.
- 7.) Skills (Soft S): The strategic investment in training programs directly addresses the development of key skills within the workforce.

York Investors' approach demonstrates a holistic application of the McKinsey 7S Model, emphasizing the interconnectedness of both hard and soft elements to achieve strategic alignment and organizational effectiveness.

### Topic of Questions: Strategic Management Model

**Q43. Describe the principal aspects of strategy-execution process, which are included in most situations. (PYQ, May 2018) (MTP1, Nov 2022)**

OR

To convert strategic plans into actions and results, a manager must be able to direct organizational change, motivate people, build and strengthen company competencies and competitive capabilities, create a strategy-supportive work climate, and meet or beat performance targets.

Explain the principal aspects of strategy-execution process. (RTP, Nov 2018) (MTP1, May 2019)

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. (PYQ, Jan 2021)

OR

Explain the principal aspects of the strategy-execution process. (RTP, Nov 2021) (MTP2 Sep 2024)

**Answer:**

- 1.) Implementation or execution is an operations-oriented activity aimed at shaping the performance of core business activities in a strategy-supportive manner.
- 2.) 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.
- 3.) Good strategy execution involves creating strong "fits" between strategy and organizational capabilities, structure, climate & culture.

In most situations, strategy-execution process includes the following principal aspects

- Developing budgets that steer ample resources into those activities that are 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 culture and climate conducive to successful strategy implementation and execution.
- Exerting the internal leadership needed to drive implementation forward and keep improving strategy execution. When the organization encounters stumbling blocks or weaknesses, management has to see that they are addressed and rectified quickly.

**Q44. Present a diagrammatic representation of a Strategic Management model. (PYQ, Nov 2018)**

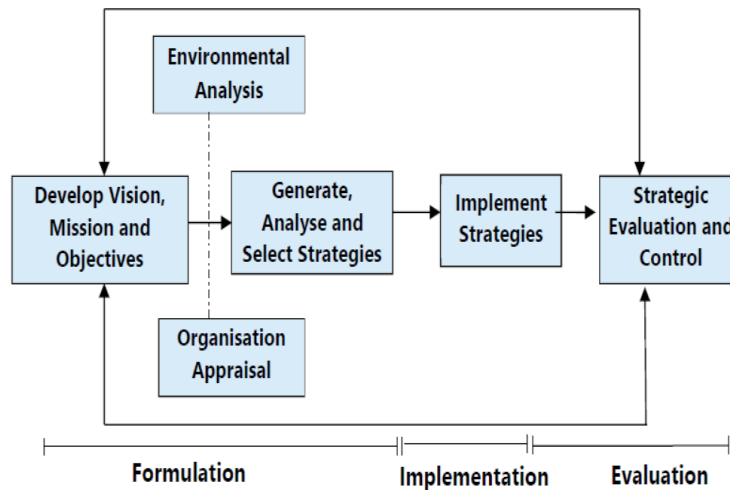
OR

With the help of a model explain strategic management process. (RTP, Nov 2019)



**Answer:**

- 1.) Identifying an organization's vision, mission, goals and objectives, is the starting point for strategic management process.
- 2.) The strategic management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components.
- 3.) Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually.
- 4.) Formulating, implementing, and evaluating strategies are the major components of the strategic management that are represented in the following model:



**Figure: Strategic Management Model (Fred R David)**

- 5.) The strategic management process is not as cleanly divided and neatly performed in practice.
- 6.) Strategists do not go through the process in lockstep fashion. Generally, there is give-and-take among hierarchical levels of an organization.
- 7.) Many organizations conduct formal meetings semi-annually to discuss and update the firm's vision/mission, opportunities/threats, strengths/weaknesses, strategies, objectives, policies, and performance.
- 8.) Creativity from participants is encouraged in meeting. Good communication and feedback are needed throughout the strategic management process.

### Topic of Questions: Strategic Planning

**Q45. How a company can deal with strategic uncertainty?** (RTP, May 2018) (MTP 1, Nov 2018)

**Answer:**

- 1.) Strategic uncertainty denotes the uncertainty that has crucial implications for the organisation.
- 2.) An approach to deal with strategic uncertainty is by grouping them into logical clusters or themes.
- 3.) It is then useful to assess the importance of each cluster in order to set priorities with respect to Information gathering and analysis.

**Q46. Differentiate between Strategic Planning and Operational Planning.**

(RTP, May 2022) (MTP2, Nov 2023) (MTP 1 Jan 2025)

**Answer:**

Difference between Strategic Planning and Operational Planning:

**Strategic Planning**

- 1.) Strategic planning shapes the organisation and its resources.
- 2.) Strategic planning assesses the impact of environmental variables
- 3.) Strategic planning takes a holistic view of the organisation.
- 4.) Strategic planning develops overall objectives and strategies.
- 5.) Strategic planning is concerned with the long-term success of the organisation

6.) Strategic planning is a senior management responsibility.

### **Operational planning**

- 1.) Operational planning deals with current deployment of resources.
- 2.) Operational planning develops tactics rather than strategy.
- 3.) Operational planning projects current operations into the future.
- 4.) Operational planning is concerned with the short term success of the organisation.
- 5.) Operational planning is the responsibility of functional managers.

**Q47. Strategic planning is an important constituent of strategic management. In the light of the same explain the meaning of strategic planning. Also outline the characteristics of strategic planning.**  
(PYQ, May 2023)

**Answer:**

- 1.) Yes, strategic planning is an important constituent of strategic management.
- 2.) It is a process of determining organizational strategy. It gives directions to the organization and involves making decisions and allocating resources to pursue the strategy. It is the formal blueprint of future course of an organization.
- 3.) Strategic plans are made by the senior management for the entire organization after taking into account the organization strength and weaknesses in the light of opportunities and threats in the external environment.
- 4.) They involve acquisition and allocation of resources for the attainment of organizational objectives.

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

- 1.) What are we doing?
- 2.) For whom do we do it?
- 3.) How to improve and excel?

**Following are the characteristics of strategic planning:**

- 1.) Strategic planning shapes the organisation and its resources.
- 2.) Strategic planning assesses the impact of environmental variables.
- 3.) Strategic planning takes a holistic view of the organisation.
- 4.) Strategic planning develops overall objectives and strategies.
- 5.) Strategic planning is concerned with the long-term success of the organisation.
- 6.) Strategic planning is a senior management responsibility.

**Q48. Explain how organizations can effectively manage strategic uncertainties in a rapidly changing business environment.** (PYQ May 2024)

**Answer :**

- 1.) In managing strategic uncertainties in a rapidly changing business environment, organizations need to adopt proactive strategies to navigate unpredictability effectively. Here are several key approaches:
- 2.) **Flexibility:** Organizations should build flexibility into their strategies to enable quick adaptation to change in the environment.
- 3.) **Diversification:** Diversifying the organization's product portfolio, markets, and customer base can help reduce the impact of strategic uncertainty.
- 4.) **Monitoring and Scenario Planning:** Regularly monitoring key indicators of change and conducting scenario planning exercises can help organizations anticipate and prepare for different future scenarios.
- 5.) **Building Resilience:** Investing in building internal resilience is essential for weathering uncertainty. This includes strengthening operational processes, increasing financial flexibility, and improving risk management capabilities.
- 6.) **Collaboration and Partnerships:** Collaborating with other organizations, suppliers, customers, and partners can provide access to additional resources, expertise, and market opportunities. Strategic partnerships enable organizations to pool resources, share risk, and leverage each other's strengths to navigate uncertainty more effectively.



## Topic of Questions: Strategic Performance Measures

**Q49.** State the reasons for the importance of strategic performance measures for an organisation. (PYQ Jan 2025)

OR

**Why Strategic Performance Measures are Essential for organizations?**

(MTP1, May 2024) (RTP Sep 2024)

**Answer:**

**Strategic performance measures are essential for organizations for several reasons:**

- 1.) **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.
- 2.) **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.
- 3.) **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.
- 4.) **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.

**Q50.** Define Strategic Performance Measures (SPM). Explain various types of strategic performance measures. (MTP2, May 2024) (PYQ Jan 2025)

OR

**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. (PYQ Sep 2024)**

OR

**Green Edge 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 Green Edge Solutions effectively use them to evaluate and enhance the success of their strategic plan? (MTP1 Jan 2025)**

**Answer:**

- 1.) Strategic Performance Measures (SPM) are metrics used by organizations to evaluate and track the effectiveness of their strategies in achieving strategic goals and objectives. SPM provides a framework for measuring the performance of key areas critical to the success of the organization's strategy.
- 2.) These measures help in assessing whether the organization is progressing towards its desired outcomes and allow for adjustments to be made to improve performance.

### **Types of Strategic Performance Measures**

**There are various types of strategic performance measures, including:**

- (i) **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.
- (ii) **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.
- (iii) **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.

- (iv) **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.
- (v) **Innovation Measures:** Innovation measures, such as research and development (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.
- (vi) **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.

Using these measures, Green Edge Solutions can systematically assess its strategy and make informed decisions to drive sustainable growth and success.

## Part 2 : Multiple Choice Questions

**Q1. An organizational structure with constricted middle level is:**

- (a) Divisional structure
- (b) Network structure
- (c) Hourglass structure
- (d) Matrix structure

(ICAI Study Material)

Correct answer: (c) Hourglass structure

**Q2. You are the head of operations of a company. When you focus on total or aggregate management functions in the sense of embracing the integrated activities of a complete departmental, you are practicing:**

- (a) Strategic control
- (b) Management control
- (c) Administrative control
- (d) Operations control

(ICAI Study Material)

Correct answer: (b) Management control

**Q3. Compliance, Identification and Internalization are the three processes involved in:**

- (a) Refreezing
- (b) Defreezing
- (c) Changing behaviour patterns
- (d) Breaking down old attitudes

(ICAI Study Material)

Correct answer: (c) Changing behaviour patterns

**Q4. Change in company's \_\_\_\_\_ gives rise to problems necessitating a new \_\_\_\_\_ to be made.**

- (a) Structure, Strategy
- (b) Strategy, Structure
- (c) Structure, Structure
- (d) Strategy, Strategy

(Sample MCQs)

Correct answer: (b) Strategy, Structure

**Q5. During what stage of strategic management are a firm's specific internal strengths and weaknesses determined?**

- (a) Formulation
- (b) Implementation
- (c) Evaluation
- (d) Feedback

(MTP1, May 2019)

Correct answer: (a) Formulation

**Q6. Which of the following is not true for SBUS**

- (a) It is relevant for multi-product, multi-business enterprises.
- (b) It provides for more control at enterprise level with centralised strategic planning.
- (c) A SBU has its own set of competitors.
- (d) SBUs can be created for units at distant geographical locations.

(RTP, Nov 2019)

Correct answer: (b) It provides for more control at enterprise level with centralised strategic planning

**Q7. After an earnest attempt to bring in a strategic change in your organization, you the operational head of XYZ Ltd, succeeded but still your organization couldn't achieve the desired competitive position in the market. Out of the following what could be the reason?**

- (a) Strategy Formulation
- (b) Strategy Model
- (c) Strategy Implementation
- (d) Strategy Decision

(RTP, May 2020) (MTP2, Nov 2022) (MTP1, May 2023)

Correct answer: (c) Strategy Implementation



**Q8.** You being the core strategist of your company, entrusted with bringing about strategic change in your company, how will you initiate “unfreezing of the situation”?

- (a) Promoting new ideas throughout the organization
- (b) Promoting compliance throughout the organization
- (c) Promoting change in process throughout the organization
- (d) None of the above

(RTP, May 2020) (MTP2, Nov 2022)

Correct answer: (a) Promoting new ideas throughout the organization

**Q9.** Which of the following would be chosen by the core strategist to implement operational control?

- (a) Premise Control
- (b) Special Alert Control
- (c) Implementation Control
- (d) Budgetary Control

(MTP1, Nov 2020) (ICAI Study Material)

Correct answer: (d) Budgetary Control

**Q10.** A corporation organized in network structure is often called

- (a) Virtual organization
- (b) Hierarchical organization
- (c) Structured organization
- (d) Simple organization

(MTP1, May 2021)

Correct answer: (a) Virtual organization

**Q11.** Which one is NOT a type of strategic control?

- (a) Operational control
- (b) Strategic surveillance
- (c) Special alert control
- (d) Premise control

(MTP2, May 2021) (MTP 2, May 2022) (ICAI Study Material)

Correct answer: (a) Operational control

**Q12.** When there is impact of strategy implementation on strategy formulation it can be referred as?

- (a) Backward Linkages
- (b) Forward Linkages
- (c) Vertical Linkages
- (d) Horizontal Linkages

(MTP2, Nov 2021) (MTP2, Nov 2022)

Correct answer: (a) Backward Linkages

**Q13.** J&P, a western wear brand has contracted Pee Kaw marketing firm from Singapore, product design team working as an outsource company from Mexico and Humans branding company taking care of its people's operations. What kind of structure is this?

- (a) Hourglass Structure
- (b) Outsourcing
- (c) Network Structure
- (d) Tree Branch Structure

(MTP1, May 2022)

Correct answer: (c) Network Structure

**Q14.** Greg was heading the Global Biscuits SBU for Jonky's Ltd. and he got an email congratulating him for being promoted as the head of entire business of Jonky's in India. Which of the following statements is true about Greg's position?

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

(MTP 1, May 2022)

Correct answer: (a) Greg was a business level manager but now he is a corporate level manager

**Q15.** Which of the following is more radical organisation design and is also called as non structure which virtually eliminates in house business functions and outsources many of them?

- (a) Network Structure
- (b) Strategic Business Unit
- (c) Hourglass Structure
- (d) Divisional Structure

(RTP, Nov 2022)

Correct answer: (a) Network Structure

**Q16.** Shreya, the owner of Kalakaari Boutiques, delegated tasks as per competencies of her team. What is she covering here?

- (a) Risk
- (b) Work culture
- (c) Employee friendly vision
- (d) Proper use of mission statement

(MTP1, Nov 2022)

Correct answer: (b) Work culture

**Q17.** Technique to cope up with sudden change in Government, natural calamities, terrorist attacks, industrial disasters etc. is called

- (a) Special Alert Control
- (b) Strategic Surveillance
- (c) Premise Control
- (d) Implementation Control

(MTP1, May 2023)

Correct answer: (a) Special Alert Control

**Q18.** Abhishek a freelancer writes promotional materials. He decided to collaborate without requiring physical presence of employee, and hired virtual assistants to transcribe voice mail, update his website, and design PowerPoint graphics. What kind of structure is he using for his business?

- (a) Functional structure
- (b) Divisional structure
- (c) Network structure
- (d) Multi-divisional structure

(MTP2, May 2023)

Correct answer: (c) Network structure

**Q19.** In which type of organization are Strategic Business Units (SBUs) commonly found?

- (a) Sole proprietorships
- (b) One-business organizations
- (c) Non-profit organizations
- (d) Multi-business organizations

(RTP, Nov 2023)

Correct answer: (d) Multi-business organizations

**Q20.** BlueSky Enterprises, a multinational corporation specializing in renewable energy solutions, is undergoing a strategic transformation to enhance its competitive position in the market. As part of this initiative, the company is reevaluating its organizational structure, processes, and culture. Which aspect of the McKinsey 7S Model is most relevant for BlueSky Enterprises during this strategic transformation?

- (a) Strategy
- (b) Structure
- (c) Systems
- (d) Skills

(MTP1, May 2024)

Correct answer: (b) Structure

**Q21.** Shamita joined GlobalX Consulting firm as an Analyst in financial fraud mitigation. In her

very first assignment she faced an integrity dilemma where her subordinates had missed calling out a potential financial risk which could impact the overall fraud rating of the organisation. She quickly reached out to her seniors who appreciated her diligence and immediately reported the same to senior management. In this scenario which element, soft or hard, is acting in favor of GlobalX?

- (a) Strategy
- (b) Systems
- (c) Shared Value
- (d) Staff

(MTP2, May 2024)

Correct answer: (c) Shared Value

**Q22.** What organizational structure is best suited for House of Jani's strategic need for dynamic allocation of resources, ensuring each project and department is mentored, monitored, and maximized via multiple leaders?

- (a) Functional Structure
- (b) Matrix Structure
- (c) Hourglass Structure
- (d) Network Structure

(RTP, May 2024)

Correct answer: (b) Matrix Structure

**Q23.** Which one is NOT a type of strategic control?

- (a) Operational control
- (b) Strategic surveillance
- (c) Special alert control
- (d) Premise control

Correct answer: (a) Operational control

**Q24.** Streamline Co is examining its internal capabilities to ensure that employees possess advanced knowledge of emerging technologies crucial for the company's future success. This involves investing in specialized training programs and updating job roles to match the latest industry standards. Which aspect of Streamline Co is being enhanced through specialized training and updated job roles?

- (a) Structure
- (b) Systems
- (c) Skills
- (d) Style

Correct answer: (c) Skills

**Q25.** For over a hundred years, the KDH business has thrived by leveraging strategic control as a cornerstone of its strategic approach.

Regular evaluations of goals and performance ensured they stayed responsive to shifting market trends and evolving customer needs. Which type of strategic control is highlighted here?

- (a) Premise Control
- (b) Special Alert Control
- (c) Implementation Control - Milestone Reviews
- (d) Implementation Control - Monitoring Strategic Thrusts

Correct answer: (c) Implementation Control - Milestone Reviews

Q26. "Suman, the marketing head of Jalwa Music Co., was doing research on the online music streaming business in India for her new age music for youngsters. She analyzed that though the players in the market were innovating rapidly, it was difficult to maintain a sustainable competitive advantage. Which aspect of strategic management best reflects this challenge? (MTP 2 Jan 2025)

- (a) The need for continuous innovation.
- (b) The importance of understanding the competitive landscape.
- (c) The dynamic and unpredictable nature of the industry.
- (d) The difficulty in estimating competitors' responses.

Correct answer: (c) The dynamic and unpredictable nature of the industry. "

Q27. "The CEO of GoFly High Airlines has built a high performance team over five years by closely monitoring performance metrics, setting clear expectations, and motivating employees through rewards and structured improvement plans. Her disciplined and results-focused approach has driven organizational success by fostering accountability and maintaining high standards. This leadership style emphasizes achieving defined goals through a structured framework, balancing performance recognition with corrective measures for sustained excellence. What strategic leadership style does the CEO exhibit? (MTP1 Jan 2025)

- (a) Entrepreneur Leadership
- (b) Transformational Leadership
- (c) Transactional Leadership
- (d) Intrapreneur Leadership

Correct answer: (a) Transactional Leadership"

Q28. "Harish, a middle manager, is confused about the difference between flexibility and resilience while working around an uncertain situation in the organization. Can you help find the right difference between the two? (MTP2 Jan 2025)

- (a) Flexibility is about adapting to new things quickly, while resilience is about holding on to the current position of the things for the short-term as the organisation is confident of its efficiencies.
- (b) Flexibility is a subset of resilience, and to be flexible means to be resilient.
- (c) Flexibility is the opposite of resilience, where, if the organisation is flexible, it changes and if it is resilient it doesn't change at all.
- (d) Both are the same.

Correct answer: (a)"



# CHAPTER 6: *Scenario Based MCQs (For all Chapters)*

Q1. Kriti Pvt. Ltd. has been importing French gourmet cheeses under the brand name of 'Fromage' since 2017. The company was amongst the first in India to introduce innovative unbreakable cheese packaging. Their affiliate, a French company owning Fromage, had entered into a progressive deal, wherein products would be sourced to India via their logistics, and all marketing expenditures would be covered by them. However, customer management and nationwide distribution would be taken care of by Kriti Pvt. Ltd. This required an English-speaking skilled workforce, which has been a constant challenge for the company in India.

The owners of Kriti Pvt. Ltd. have been regular attendees at industry- relevant conclaves, both national and international. Leaders of the company are passionate readers of business magazines. Following that, it was observed that the recent sentiment of the country towards 'Vocal for Local' could disrupt their French brand's marketability. An extraordinary meeting was set up, and the steps ahead were planned.

The outcome of the meeting was to partner with local producers of traditional Indian cheeses in phase one of the change strategy. For this, seven state governments were approached. The team was successful in taking contracts from all the government departments of these seven states and could position themselves fairly in the market. To fund this new investment, they have planned to slowly sell off their French business assets as well as the brand, to probable buyers.

This timely shift is proving to be a game-changer for the company, and the leadership is quite happy with better than before earnings and a much greater response from the customers. They find it easier to operate with domestic producers and vendors, and a sense of patriotism is instilled in the consumers' minds. (MTP 1 Sep 2024)

Based on the above Case Scenario, answer the Multiple-Choice Questions.

(i) Which of the following actions taken by Kriti Pvt. Ltd. is an example of a proactive strategy?

- (a) Selling off their French business assets.
- (b) Responding to the 'Vocal for Local' sentiment by partnering with local cheese producers.
- (c) Managing customer relations and nationwide distribution.
- (d) Covering all marketing expenditures for 'Fromage' in India.

Correct answer: (b)

(ii) Which of the following types of strategic control did the owners and leadership of Kriti Pvt. Ltd. deploy that eventually turned out to be one of the most effective strategic decisions for the company?

- (a) Premise control
- (b) Special alert control
- (c) Implementation control
- (d) Strategic surveillance

Correct answer: (d)

(iii) 'Vocal for Local' is a market sentiment that changed customers' preferences for the

majority of products across all industries. Based on that, Kriti Pvt. Ltd. gauged the competition it might face in the coming months and agreed to change its own product. Which of the following forces, as per Michael Porter's five forces of competitive analysis, is most relevant in this case?

- (a) Threat of new entrants
- (b) Nature of rivalry in the industry
- (c) Threat of substitutes
- (d) Bargaining power of the buyer

Correct answer: (c)

(iv) Which of the following aspects of value chain analysis was the most challenging for Kriti Pvt. Ltd. at the time of selling the Fromage brand?

- (a) Manufacturing
- (b) Outsourcing
- (c) Customer service
- (d) Procurement

Correct answer: (c)

(v) To strategically revamp their business, partnerships were done with Indian local producers from seven states, and to fund it, the existing arm of the business was to be

sold off. Which of the following strategies has Kriti Pvt. Ltd. opted for?

- (a) Turnaround strategy
- (b) Divestment strategy

- (c) Liquidation strategy
- (d) Intensification strategy

Correct answer: (b)

**Q2.** Sneha Rao, founder and CEO of DEF Technologies, is renowned for her technological insight and visionary leadership style. She cultivates a culture of collaboration, continuous learning, and innovative problem-solving, encouraging her employees to think outside the box and embrace new challenges. Her exceptional ability to foresee technological trends and navigate complex market dynamics has propelled DEF Technologies to impressive growth over the past decade. Sneha started DEF Technologies in 2010 as a small software development firm. With a vision to transform DEF Technologies into a leading tech company, she initially focused on developing custom software solutions for local businesses. However, intense competition and limited market demand led to financial difficulties. Undeterred, Sneha pivoted the business towards developing cloud-based solutions, leveraging the growing trend of digital transformation. This strategic shift, along with aggressive marketing, helped DEF Technologies capture a significant market share and become a leader in cloud services, setting new industry standards.

In 2015, Sneha's brother, Raj, joined the company, and together they crafted an ambitious expansion strategy. DEF Technologies entered the global market, partnering with international tech firms to launch a new line of AI-driven cybersecurity solutions. This venture was highly successful, establishing DEF Technologies as a global brand and a key player in the cybersecurity industry. Raj then led the company's diversification into the healthcare sector with a new brand, MedTech Solutions. Recognizing the potential for technology to revolutionize healthcare, Sneha and Raj focused on developing affordable telemedicine platforms and AI-driven diagnostic tools. Their approach disrupted the market, providing high-quality healthcare solutions at lower costs and gaining widespread trust from healthcare providers and patients alike. MedTech Solutions experienced rapid growth, especially during the COVID-19 pandemic, as demand for remote healthcare services surged.

At the beginning of 2023, DEF Technologies launched another new business, GreenTech Innovations, to address environmental challenges through technology. DEF Technologies continues to explore new opportunities and ventures to stay at the forefront of the tech industry. (MTP2 Sep 2024)

Based on the above Case Scenario, answer the Multiple-Choice Questions.

(i) Sneha Rao's vision to transform DEF Technologies into a leading tech company illustrates which type of strategic intent?

- (a) Goal
- (b) Mission
- (c) Vision
- (d) Objective

most likely mitigated by forming partnerships with international tech firms?

- (a) Threat of Substitute Products or Services
- (b) Bargaining Power of Suppliers
- (c) Threat of New Entrants
- (d) Intense Rivalry Among Existing Competitors

Correct answer: (c)

(ii) Sneha's leadership style, which promotes collaboration, continuous learning, and innovative problem-solving, can best be described as:

- (a) Transactional leadership
- (b) Transformational leadership
- (c) Autocratic leadership
- (d) Laissez-faire leadership

Correct answer: (b)

(iii) When DEF Technologies expanded into the global market with AI-driven cybersecurity solutions, which of Porter's Five Forces was

Correct answer: (c)

(iv) By entering the global market and launching AI-driven cybersecurity solutions, DEF Technologies pursued which expansion strategy from Ansoff's Product-Market Growth Matrix?

- (a) Diversification
- (b) Market Penetration
- (c) Product Development
- (d) Market Development

Correct answer: (a)



- (v) MedTech Solutions' focus on developing affordable telemedicine platforms and AI-driven diagnostic tools reflects which of the following competitive strategies?
- (a) Differentiation strategy
- (b) Cost leadership strategy
- (c) Best-cost provider strategy
- (d) Focus Strategy
- Correct answer: (c)

Q3. Swasthya, a rising star in India's dynamic healthcare sector, stands out as a prime example of smart strategic management.

At Swasthya, the compass guiding their endeavors is a compelling thought: to emerge as the finest healthcare provider renowned for delivering accessible, top-notch healthcare services. This overarching goal is not an isolated vision, but a thread woven into the very fabric of the organization, driving every facet of their operations. The people of the organization play a pivotal role in this journey. They are entrusted with translating this vision into tangible outcomes at the grassroots level, ensuring that local operations are aligned with the grand aspiration of becoming a healthcare leader.

Swasthya works meticulously towards optimizing each link of the patient experience. From streamlining appointment scheduling to expediting test result delivery, every facet of the healthcare journey is scrutinized. Swasthya's strategy is not merely about being a player in the market but about strategically positioning themselves as leaders. They proactively recognize the constant innovations that could disrupt their areas of expertise. To counter this, they introduced value-added offerings such as telemedicine and wellness programs. This addition not only mitigates the risk but also fortifies their long-term viability.

Beyond competition, ensuring the quality and safety of patient care is paramount at Swasthya. Stringent hygiene protocols, equipment maintenance regimens, and adherence to healthcare regulations form the cornerstone of their business. In parallel, the organization meticulously undertakes regular assessment as a central element of its decision-making apparatus. This forward-looking exercise encompasses identifying and assessing potential risks such as regulatory changes, medical malpractice vulnerabilities, or shifts in market dynamics, all of which could have far-reaching consequences for their long-term objectives.

The implementation of Swasthya's strategy is steered by the McKinsey 7S model, which ensures a harmonious alignment of seven critical elements: strategy, structure, systems, shared values, skills, style, and staff. It emphasizes that the success of a long-term objective is contingent on the synchronization of these seven elements, reinforcing the idea that strategic management is not a compartmentalized process but a comprehensive activity.

Swasthya's strategic journey through India's healthcare landscape is a testament to the seamless integration of core management concepts, guiding its actions and strategies, while keeping the vision and intent at the core. (RTP May 2024)

Based on the above Case Scenario, answer the Multiple Choice Questions.

- (i) How does Swasthya's approach to premise control, including stringent hygiene protocols and equipment maintenance, contribute to their long-term objectives and which concept does it align with?
- (a) It reduces immediate costs and aligns with strategic risk assessment.
- (b) It safeguards quality and aligns with strategic risk assessment.
- (c) It enhances immediate profitability and aligns with shared values.
- (d) It streamlines administrative processes and aligns with value chain analysis.
- (ii) How does Swasthya counter the risk posed by constant innovations and disruptions in their areas of expertise?
- (a) By aggressively acquiring innovative startups.
- (b) By introducing value-added services like telemedicine and wellness programs.
- (c) By downsizing their operations.
- (d) By focusing exclusively on urban healthcare markets.
- Correct answer: (b)
- (iii) Why is the McKinsey 7S model significant in

Correct answer: (b)

Swasthya's strategic management approach, and which elements of the model ensure a holistic alignment of their strategy?

- (a) It facilitates short-term profit maximization, with a focus on structure and style.
- (b) It emphasizes a compartmentalized approach to strategy, focusing on shared values and skills.
- (c) It ensures a comprehensive alignment of strategy, structure, systems, shared values, skills, style, and staff.
- (d) It prioritizes immediate cost reduction by aligning systems and strategy.

Correct answer: (c)

(iv) Why is the focus on local operations essential for Swasthya in the context of their long-term objective, and how does it contribute to their overall strategy?

- (a) It reduces strategic risk by minimizing the need for strategic risk assessment.
- (b) It aligns with their commitment to immediate profitability.
- (c) It translates the organization's vision into tangible outcomes and aligns with their long-term objective.

(d) It diversifies their portfolio and aligns with competitive landscape analysis.

Correct answer: (c)

(v) The case talks about scrutiny of every facet of the healthcare journey and also emphasizes the fact that people of the organization play a pivotal role in this journey. Based on your reading, which level of management has the most crucial part to play here to ensure the sense of customer-first is imbibed in the organization?

- (a) Top Management (C-Suite) which sets the tone and strategy of the organization
- (b) Middle Management (Divisional Managers) who have the responsibility of translating strategy to real-time objectives
- (c) Functional Managers who actually do the work on the field
- (d) Board of Directors who are responsible for wealth creation of the shareholders.

Correct answer: (b)

Q4. Once upon a time in the land of sun, sand, and vibrant cultures, there existed a company named "MuseoGoa" - a company that managed museums in the beautiful state of Goa. MuseoGoa had a vision to celebrate the rich history and culture of Goa, but their journey was not without its fair share of challenges.

MuseoGoa had chosen a picturesque location in a quaint village to build their first museum. However, this initial enthusiasm was met with an uproar from the local communities. The villagers were concerned about the impact on their way of life and traditions. They worried that the influx of tourists might disrupt their peaceful existence.

To address this challenge, MuseoGoa applied Mendelow's matrix, identifying the local communities as key stakeholders. They decided to engage in open dialogues, understanding and respecting the villagers' concerns. MuseoGoa initiated community-building activities, such as involving locals in museum operations, supporting local artisans, and organizing cultural events that showcased the village's heritage. Slowly but steadily, the company transformed from being perceived as a threat to a valued partner within the community. While MuseoGoa had successfully resolved their initial issues with the local community, they faced another challenge. Their location, although idyllic, was a bit off the beaten path. Tourists typically preferred the bustling beaches closer to the city, and this posed a real challenge. MuseoGoa decided to employ a pricing strategy. They priced their tickets affordably, significantly cheaper than the city's attractions. This strategy attracted budget-conscious tourists who were looking for unique experiences in Goa without burning a hole in their pockets.

As word spread about the cultural gem tucked away in the village, visitors started flocking in, drawn not just by the museum's charm but also the economical ticket prices.

In the age of social media, MuseoGoa knew that word-of-mouth was no longer limited to whispers. They tapped into the power of social media to promote their unique museum experience. MuseoGoa ran interactive campaigns, encouraging visitors to share their experiences on various



platforms. One particular Instagram post featuring a vibrant Goan mural in the museum went viral. This was the turning point. The picture-perfect aesthetics of the museum attracted influencers, bloggers, and travel enthusiasts, making MuseoGoa a social media sensation. Visitors came pouring in, not just from India but from across the globe, eager to capture their own moments at the “Instagrammable Museum of Goa.”

With success came ambition. MuseoGoa decided to expand its footprint beyond Goa. To guide this expansion, they conducted a strategy audit and trend analysis. They identified emerging cultural and tourism trends and found potential markets in Pune and Trivandrum.

In Pune, MuseoGoa curated a special exhibition that celebrated the fusion of Goan and Maharashtrian cultures. They strategically partnered with local influencers and travel agencies to market the new experience. The expansion into Pune was met with resounding success.

For Trivandrum, MuseoGoa recognized the importance of local traditions and the distinct flavor of Kerala. They tailored their offerings to harmonize with the regional culture. MuseoGoa became the gateway for tourists to explore Kerala’s rich heritage, with the museum acting as a bridge between Goa and Kerala’s cultural tapestry.

MuseoGoa’s journey from initial uproar to expansion was a testament to their commitment to community building, strategic pricing, social media savvy, and a keen eye for trends. The company continued to flourish, celebrating the diverse cultural tapestry of India and making history come alive in every location they touched. (RTP Sep 2024)

Based on the above Case Scenario, answer the Multiple Choice Questions.

(i) Which strategic management concept did MuseoGoa use to address the initial concerns of the local community?

- (a) SWOT analysis
- (b) Mendelow’s matrix
- (c) Cost leadership strategy
- (d) Porter’s Five Forces model

Correct answer: (b)

(ii) MuseoGoa’s idyllic location in a quaint village posed a challenge as tourists preferred beaches closer to the city. To attract visitors, MuseoGoa priced their tickets affordably, cheaper than city attractions, drawing budget-conscious tourists looking for unique experiences. What business strategy did MuseoGoa employ to attract more tourists?

- (a) Cost leadership strategy
- (b) Differentiation strategy
- (c) Focus strategy
- (d) Diversification strategy

Correct answer: (a)

(iii) How did MuseoGoa approach its expansion into new markets such as Pune and

Trivandrum?

- (a) Outsourcing strategy
- (b) Franchising strategy
- (c) Product diversification strategy
- (d) Market development strategy

Correct answer: (d)

(iv) Which element of the 7S McKinsey model is demonstrated by MuseoGoa’s strategic use of social media and pricing strategies to attract visitors?

- (a) Style
- (b) Strategy
- (c) Shared Values
- (d) Skills

Correct answer: (b)

(v) What played a crucial role in MuseoGoa’s success in Pune and Trivandrum?

- (a) Strategic partnerships
- (b) Aggressive advertising
- (c) Product differentiation
- (d) Vertical integration

Correct answer: (a)

Q5. In the fiercely competitive automotive industry, Zing, a promising newcomer, set out on a strategic journey with ambitions of making a substantial impact. Recognizing the significance of a robust distribution network early on, Zing forged partnerships with established dealerships, offering them attractive margins. This strategic move significantly enhanced Zing’s reach, with a presence in 80% of the nation’s dealerships by 2022, expanding its coverage significantly.

To differentiate themselves from competitors, Zing adopted two key strategies. Firstly, they prioritized product design, investing heavily in aesthetics and incorporating innovative features



and environmentally friendly technologies. This focus on design led to their vehicles receiving excellent reviews and achieving an impressive 15% year-on-year growth in sales.

Secondly, Zing implemented switching costs to discourage customers from switching to other brands. Their vehicles featured branded software, making it both expensive and cumbersome for customers to transition to alternative brands. This strategic move effectively protected Zing's market share.

Zing's overarching goal was to position itself as a premium automotive brand, blending luxury with sustainability. However, their execution fell down as they struggled with maintaining consistent quality and service levels, resulting in mixed customer reviews.

Despite their best efforts, Zing's differentiation strategy fell short due to issues with inconsistent quality and service. Negative word-of-mouth and declining customer satisfaction scores tarnished their brand image, leading to stagnating sales. This failure to deliver on their brand promise proved to be a significant setback.

As Zing's reputation suffered from execution failures, securing additional funds for international expansion became challenging. Consequently, they made the difficult decision to postpone their global ambitions for the next five years, focusing instead on stabilizing their finances and rebuilding their brand image.

In summary, Zing's strategic journey illustrates the importance of not only crafting a compelling differentiation strategy but also executing it flawlessly. In the competitive automotive landscape, maintaining consistent quality and service is paramount to sustaining brand loyalty and achieving long-term success. (MTP1 May 2024)

Based on the above Case Scenario, answer the Multiple Choice Questions.

(i) What key strategic approach did Zing use to expand its market presence in the automotive industry?

- (a) Product innovation and design
- (b) Cost leadership strategy
- (c) Entering new international markets
- (d) Vertical integration

Correct answer: (a)

(ii) How did Zing protect its market share from potential competitors?

- (a) Price-cutting strategy
- (b) Branded software and switching costs
- (c) Aggressive marketing campaigns
- (d) International expansion

Correct answer: (b)

(iii) Why did Zing's differentiation strategy fall short in the market?

- (e) Intense price competition
- (f) Poor marketing strategy

(g) Inconsistent quality and service

(h) Lack of international expansion

Correct answer: (c)

(iv) Forging partnerships with established dealerships to enhance its distribution network falls under which level of strategy?

- (i) Corporate level strategy
- (j) Business level strategy
- (k) Functional level strategy
- (l) Competitive level strategy

Correct answer: (b)

(v) How did Zing initially expand its market presence across the nation?

- (m) Aggressive marketing campaigns
- (n) Developing low-cost vehicles
- (o) Partnering with established dealerships
- (p) Launching a luxury brand

Correct answer: (c)

Q6. Café Delight, a thriving restaurant chain known for its unique blend of Australian and Indian culinary experiences, embarked on a remarkable journey from its humble beginnings as a small café in Australia to becoming a renowned player in the Indian restaurant industry. This case study digs into the strategic decisions and market dynamics that fueled Café Delight's growth, highlighting its transition from a single café in Powai, Mumbai, to a flourishing chain with a presence in five cities and over 25 stores. It explores how Café Delight effectively leveraged social media and adapted its pricing strategy to compete with global brands while maintaining a healthy profit margin.



In 2005, Café Delight was founded in Melbourne, Australia, by a passionate entrepreneur with a vision to bring the flavors of Australia and India together. The first café established in Powai, Mumbai, received accolades for its unique menu, blending Australian coffee culture with Indian culinary traditions. Over the course of five years, Café Delight expanded to three stores in Mumbai, driven by exceptional word-of-mouth publicity, customer loyalty, and consistent quality.

As the social media landscape evolved, Café Delight recognized the power of online platforms in reaching a wider audience. By effectively utilizing social media and online marketing, Café Delight expanded its presence to five cities across India and established over 25 stores. Customer engagement through social media platforms enabled the brand to create a strong and vibrant community, driving organic growth.

Café Delight's customer-centric approach involved continuously evolving its menu to cater to the changing tastes and dietary preferences of its patrons. By understanding the evolving needs of its customers, Café Delight could offer personalized menu items, seasonal specials, and dietary alternatives. This approach created a sense of loyalty and engagement among customers, strengthening the brand's appeal. Not just customers but High-power, low-interest stakeholders, including regulatory authorities, were addressed with careful compliance and adherence to industry standards. Low-power, high-interest stakeholders, like potential customers and local communities, were engaged through targeted marketing campaigns and community involvement initiatives. This meticulous stakeholder analysis allowed Café Delight to build and maintain strong relationships with each group, effectively managing their influence and impact on the brand.

With its expanding presence and increasing popularity, Café Delight underwent a shift in its pricing strategy. It transitioned from a pocket-friendly pricing model to a skimming strategy, capitalizing on its unique blend of Australian and Indian flavors to position itself as a premium restaurant. Café Delight faced stiff competition from global brands entering the Indian market but maintained a profit margin of approximately 30% through menu engineering and targeted pricing.

In one of its kind, using strategic tools enabled Café Delight to identify and act on opportunities while mitigating threats, contributing to its long-term success in the highly competitive restaurant industry. (MTP2 May 2024)

Based on the above Case Scenario, answer the Multiple-Choice Questions.

- (i) Café Delight effectively leveraged social media and adapted its pricing strategy as it stepped into which phase of business life cycle of operations?

- (a) Introduction Stage
- (b) Growth Stage
- (c) Maturity Stage
- (d) Decline Stage

Correct answer: (b)

- (ii) What stakeholder group did Café Delight engage through targeted marketing campaigns and community involvement initiatives?

- (a) High-power, high-interest stakeholders
- (b) Low-power, low-interest stakeholders
- (c) Low-power, high-interest stakeholders
- (d) High-power, low-interest stakeholders

Correct answer: (c)

- (iii) What best describes Café Delight's initial expansion strategy when it expanded from

one café to three in Mumbai?

- (a) Aggressive price reduction
- (b) Leveraging customer loyalty and word-of-mouth publicity
- (c) Extensive online marketing
- (d) Embracing global branding strategies

Correct answer: (b)

- (iv) At which level of strategic management does Café Delight's transition from a pocket-friendly pricing model to a skimming strategy fit?

- (a) Corporate level
- (b) Business level
- (c) Functional level
- (d) Operational level

Correct answer: (b)

- (v) What type of strategy did Café Delight use to differentiate itself from competitors in the Indian restaurant industry?

- (a) Cost leadership strategy

- (b) Focused differentiation strategy  
(c) Cost focus strategy

(d) Hybrid strategy

Correct answer: (b)

**Q7.** In the ever-growing consumer electronics industry, Horizon Technologies found itself at a crossroads in 2018. The company, founded a decade earlier, had established itself as a key player in the global market for smartphones and other electronics. However, the pressure to stay relevant, meet customer demands, and fend off competitors was mounting. This is the story of how Horizon Technologies navigated its challenges, leveraging key business strategies and analyses to achieve remarkable success.

Horizon Technologies recognized the need to divide its operations to find areas for improvement. They conducted a comprehensive value chain analysis, identifying both primary and support activities. By streamlining processes and eliminating redundancies, the company reduced production costs and enhanced product quality. This allowed them to offer more competitive prices, thus gaining a strategic edge in the market.

The company's CEO, Mr. Jonathan Mercer, was known for his authoritative management style. His challenge was to transform his leadership approach to one that encouraged creativity and teamwork within the SBUs. Mr. Mercer invested in leadership development programs for middle and senior managers to enhance their interpersonal and communication skills. The transition wasn't easy, but it fostered a more collaborative and dynamic work environment.

They did not stop there, Horizon Technologies adopted a Strategic Business Unit (SBU) structure, dividing the company into smaller, more manageable units. Each SBU was tasked with focusing on specific product lines. This decentralization empowered individual units to make strategic decisions autonomously, leading to quicker market response and a deeper understanding of customer needs. It was the catalyst for innovation and improved customer satisfaction.

Post organizational changes, Horizon Technologies strategized to embrace a cost leadership strategy, positioning itself as the go-to brand for affordable yet high-quality electronics. By optimizing production processes and supply chain management, the company achieved cost efficiencies that competitors struggled to match. This not only attracted cost-conscious consumers but also enabled the company to maintain healthy profit margins.

As Horizon Technologies expanded into new international markets, the management recognized the importance of adapting to the local environment. Conducting a thorough PESTLE analysis (Political, Economic, Social, Technological, Legal, and Environmental) proved pivotal for navigating complex market dynamics. This analysis highlighted specific challenges, especially in understanding socio-cultural trends and regulatory differences across regions. By leveraging these insights, Horizon Technologies was able to overcome these obstacles, customizing its products, marketing strategies, and operations to align more effectively with local preferences and regulations, ultimately contributing to their success.

Through these strategic moves, Horizon Technologies experienced a remarkable transformation. Within two years, their market share had significantly grown in local markets, whereas the cost leadership strategy resonated strongly. Their annual revenue skyrocketed by 35%, and the company saw a 20% increase in its stock price. The business case for Horizon Technologies serves as an inspiration for companies navigating competitive and dynamic industries. (RTP Jan 2025)

Based on the above Case Scenario, answer the Multiple Choice Questions.

- (i) In Horizon Technologies' journey towards globalization, PESTLE analysis played a pivotal role in navigating diverse international markets. Which aspect of PESTLE analysis proved to be the most challenging for Horizon Technologies?
- (a) Socio-cultural factors, as they struggled to keep up with changing trends and cultural preferences.
- (b) Legal factors, given the complex regulatory landscape in foreign markets.
- (c) Environmental factors, with the need to adhere to varying sustainability standards.
- (d) Technological factors, due to rapid changes in local technology preferences.
- Correct ans: (a)



(ii) Horizon Technologies implemented a Strategic Business Unit (SBU) structure to improve its responsiveness and innovation. How did the SBU structure differ from the company's previous organizational model, and what benefits did this new structure bring?

- (a) The SBU structure replaced a functional structure and empowered units to make strategic decisions. It led to quicker market response and enhanced customer satisfaction.
- (b) The SBU structure replaced a matrix structure, improving vertical communication and reducing operational silos.
- (c) The SBU structure maintained the existing functional structure but focused solely on cost-cutting measures.
- (d) The SBU structure introduced a more centralized approach, ensuring consistent decision-making across units.

Correct ans: (a)

(iii) Horizon Technologies faced internal challenges, including leadership struggles with an authoritative CEO. How did Mr. Jonathan Mercer transform his leadership style to foster a more collaborative work environment, and what were the key outcomes of this transformation?

- (a) Mr. Mercer increased his authoritative approach to drive quicker decision-making and efficiency.
- (b) He introduced a strict top-down hierarchy to enhance discipline and order within the organization.
- (c) Mr. Mercer invested in leadership development programs, enhancing interpersonal and communication skills, which resulted in a more collaborative and dynamic work environment.
- (d) He delegated most of his responsibilities to middle managers, reducing his

involvement in the company's daily operations.

Correct ans: (c)

(iv) While implementing a cost leadership strategy, Horizon Technologies went beyond just streamlining their production processes. What other factors did they consider achieving cost efficiencies, and how did this contribute to their success?

- (a) They solely focused on reducing labor costs, resulting in job cuts and employee dissatisfaction.
- (b) Horizon Technologies invested heavily in extravagant marketing campaigns to attract a premium customer base.
- (c) They optimized supply chain management and invested in research and development, leading to enhanced product quality and reduced production costs.
- (d) The company acquired competitors to eliminate competition and establish a monopoly in the market.

Correct ans: (c)

(v) The primary factor contributing to Horizon Technologies' remarkable transformation was their commitment to systematic analysis. What role did value chain analysis play in this transformation, and how did it drive their success in both local and global markets?

- (a) Value chain analysis revealed opportunities for diversification, enabling them to cater to various market segments.
- (b) It allowed the company to identify and eliminate inefficiencies in their operations, resulting in cost reductions and improved product quality.
- (c) Value chain analysis highlighted the need for excessive vertical integration, helping them control the entire supply chain.
- (d) Horizon Technologies used value chain analysis primarily for financial forecasting and budgeting.

Correct ans: (b)

Q8. Eco Forge, a startup specializing in eco-friendly building materials crafted from agricultural waste, entered the highly competitive manufacturing industry with a vision of promoting sustainability. Despite its innovative approach, the company faced significant challenges as a new entrant, including high production costs, limited market visibility, regulatory hurdles, and fierce competition from established players. However, through strategic planning and effective execution, EcoForge successfully navigated these obstacles and positioned itself for sustainable growth.

The company's leadership recognized the importance of understanding its internal strengths and weaknesses, along with external opportunities and threats. This analysis revealed EcoForge's core



advantage in sustainability and innovation, contrasted with scalability issues and market pressure from cheaper alternatives. Additionally, market analysis uncovered the potential of urban housing projects as an opportunity, while intense competition posed a significant threat.

EcoForge's leadership focused on creating unique value propositions by emphasizing its eco-friendly materials. This differentiation helped the company appeal to environmentally conscious builders and developers. To expand its market reach, EcoForge adopted strategies to deepen its presence in existing markets and explore new ones. Concurrently, it analyzed the industry landscape and identified the critical influence of regulatory policies and socio-cultural factors shaping consumer preferences.

Internally, EcoForge implemented structural and cultural changes to enhance its operational efficiency and responsiveness. By adopting a Strategic Business Unit (SBU) model, the company streamlined its decision-making process, allowing each product line to adapt quickly to market demands.

Recognizing the need for collaborative leadership, EcoForge's CEO, Ms. Aarti Mehra, invested in leadership training programs for senior managers. This shifted the company's culture from hierarchical to team-driven, encouraging innovation and cross-functional collaboration.

To enhance its competitiveness, EcoForge optimized its production and supply chain processes by addressing inefficiencies and partnering with technology providers. These efforts significantly reduced costs and improved product quality. Simultaneously, the company pursued green certifications and localized marketing efforts to build brand recognition, attracting environmentally conscious clients. Over three years, these initiatives enabled EcoForge to expand into new markets, secure partnerships with leading developers, and increase its revenue by 40%.

By integrating market analysis, operational improvements, and a focus on cost efficiency, EcoForge transitioned from a struggling startup to a leader in sustainable building materials, setting a benchmark for innovation and environmental stewardship in the industry. (MTP 1 Jan 2025)

Based on the above Case Scenario, answer the Multiple-Choice Questions.

- (i) The SBU model adopted by Eco Forge is an example of strategic decision-making at which level?

(a) Corporate Level  
(b) Business Level  
(c) Functional Level  
(d) Operational Level

Correct ans: (a)

- (ii) EcoForge's strategy of appealing to environmentally conscious builders and developers by emphasizing its eco-friendly materials is an example of which type of generic strategy by Michael Porter?

(a) Cost Leadership  
(b) Differentiation  
(c) Focussed Cost Leadership  
(d) Focussed Differentiation

Correct ans: (b)

- (iii) The case mentions EcoForge identifying "critical influence of regulatory policies and socio-cultural factors shaping consumer preferences." Which strategic analysis framework is most relevant here?

(a) SWOT Analysis

- (b) Value Chain Analysis  
(c) PESTLE Analysis  
(d) Ansoff's Matrix

Correct ans: (c)

- (iv) EcoForge's strategy to deepen its presence in existing markets and explore new ones corresponds to which growth strategy in Ansoff's Matrix?

(a) Market Penetration  
(b) Market Development  
(c) Product Development  
(d) Diversification

Correct ans: (b)

- (v) Which key industry force, as per Porter's Five Forces, is reflected in EcoForge's challenges from cheaper alternatives and intense competition?

(a) Threat of New Entrants  
(b) Bargaining Power of Suppliers  
(c) Bargaining Power of Buyers  
(d) Threat of Substitutes

Correct ans: (d)





**Q9.** Galaxy Enterprises Limited (GEL) operates as a diversified conglomerate with a significant presence in various industries, including electronics, packaged foods, textiles, heavy machinery, and renewable energy. Leveraging its substantial free reserves of ₹85,000 crores, GEL has built a strong brand reputation, largely driven by its market leadership across multiple sectors.

In the renewable energy sector, GEL has been the industry leader for over 15 years. The division's recent performance has been exceptional. A significant market development occurred when two competitors, Nova Green Energy Limited and Zenith Solar Limited – previously ranked second and third in market share, respectively – merged to create a new entity, Synergy Renewables Ltd (SRL). Following the merger, SRL has claimed the top spot in market share, intensifying competition.

Against this backdrop, the Chairman of GEL convened a strategic meeting with the Board of Directors, divisional heads, marketing executives, and the Group CFO. The meeting focused on formulating growth strategies for the renewable energy division, identifying opportunities for diversification, and announcing an interim dividend in honour of GEL's platinum jubilee celebrations. Mr. Arvind Malhotra, CEO of the renewable energy division, emphasized the industry's slow pace of modernization compared to global standards. He highlighted the potential in emerging product categories, such as next-generation solar panels, energy storage systems, and advanced wind turbines. He proposed a modernization initiative requiring an investment of ₹7,000 crores. This transformation is projected to reduce operational costs by 20% and minimize wastage by 12%.

The CFO presented an analysis revealing that competitors are unlikely to invest in significant upgrades or expansions for the next 6–8 years due to financial constraints. In response, the Board approved the modernization initiative and allocated an additional ₹1,500 crores to strengthen the division's supply chain.

Another proposal discussed was GEL's entry into the electric vehicle (EV) segment. The Board approved this diversification strategy, allocating ₹8,000 crores to establish a foothold in this rapidly growing market. Additionally, the Board authorized the distribution of an interim dividend of ₹75 per share to commemorate GEL's platinum jubilee.

In preparing for these strategic initiatives, the Board also evaluated key stakeholders to determine their influence and interest. Shareholders and the Board of Directors emerged as primary stakeholders with both high influence and interest, necessitating active engagement to secure their support. Regulatory authorities were recognized as influential but less interested in the immediate plans, requiring regular updates to ensure compliance. Customers and employees, while not as powerful, were identified as highly interested stakeholders, particularly concerning the renewable energy division's modernization and the entry into the EV market.

Based on the above Case Scenario, answer the Multiple-Choice Questions.

(i) GEL has approved significant investments in modernizing its renewable energy division and entering the electric vehicle segment. Analyze the level of strategy these decisions represent and identify the correct justification for your answer.

- (a) Functional level, as these are related to operational improvements within the renewable energy division.
- (b) Business level, as these initiatives align with the goals of a single division to gain a competitive edge.
- (c) Corporate level, as they involve decisions impacting the overall portfolio and diversification of GEL.
- (d) Operational level, as these focus on day-to-day activities within the divisions.

Correct ans: (c)

(ii) With the merger of Nova Green Energy Limited and Zenith Solar Limited into Synergy Renewables Ltd (SRL), how does this development influence GEL's strategic priorities in the renewable energy sector under Porter's Five Forces framework?

- (a) The merger reduces the threat of substitutes by consolidating competing technologies.
- (b) It increases the bargaining power of buyers by providing them with a stronger alternative supplier.
- (c) It heightens the intensity of industry rivalry by creating a stronger competitor with greater market share.

- (d) The merger strengthens the bargaining power of suppliers due to greater reliance on key inputs.

Correct ans: (c)

- (iii) GEL's decision to enter the EV market represents a diversification strategy. Evaluate which type of diversification strategy is being pursued and the reasoning behind this classification.

- (a) Concentric diversification, as the EV market shares synergies with renewable energy technologies.
- (b) Vertical integration, as GEL seeks to integrate upstream or downstream activities in the automotive value chain.
- (c) Horizontal diversification, as GEL expands into a market unrelated to its existing renewable energy operations.
- (d) Conglomerate diversification, as GEL enters an entirely unrelated and independent business segment.

Correct ans: (d)

- (iv) GEL identified shareholders and the Board of Directors as key stakeholders. Analyze the rationale for classifying them as both high influence and high interest and how this influences strategic communication.

- (a) They directly impact compliance with regulatory standards, necessitating regular updates.
- (b) Their vested interest in dividends and long-term value creation makes their engagement essential for approval of key initiatives.
- (c) They represent the end consumers whose perceptions directly influence GEL's market reputation.
- (d) Their role in operational execution requires constant communication and support for strategy implementation.

Correct ans: (b)









- (v) By approving modernization in renewable energy and diversification into EVs, what corporate strategy is GEL pursuing, and how does it position the company as per Ansoff's product market growth matrix?

- (a) Cost leadership, to lower operational expenses and offer competitive pricing.

- (b) Product differentiation, by leveraging innovation in both existing and new markets.
- (c) Market penetration, through deeper investments in existing product lines.
- (d) Market expansion and diversification, to capture growth opportunities across unrelated industries.

Correct ans: (d)

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