

**SM JAN 26**

# **TRICKY QUESTIONS**

**INCLUDING RTP/MTP SEP 25**

**CA KISHAN KUMAR**

**CA RANKHOLDER**

**DEDICATED To**

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**My Mummy and Papa**

*who encouraged me to fly towards my dream.*



**Thank You!**

*who encouraged me to fly towards my dream.*

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*I taught, they Learnt, I told them to Aspire,  
they Performed. You too have a look & try  
to make Your Parents & Me Proud.*

*Blessing!!*

**WE CRACKED IT!**

AIR

**6**

TAX

**90**



KUSHAGRA VAISH

AIR

**16**

TAX

**85**



ADITYA KUMAR

AIR

**33**

TAX

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SAHIL AHMAD

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CA Kishan Kumar  
Taxation & SM

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# CHAPTER I

## INTRODUCTION TO SM

### Concept Problem 1

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? [MTP May 24]

#### Answer

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.

Their primary responsibilities include **implementing corporate strategies and policies within their area of expertise** and ensuring that daily operations are conducted efficiently and effectively.

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. 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.

Functional managers like Swati play a **critical role in the organization by bridging the gap between corporate strategy and daily operations**.

They are responsible for **translating high-level strategic goals into actionable plans** for their departments and ensuring that these plans are executed effectively.

Overall, Swati's role as a marketing manager exemplifies the importance of functional managers in driving the success of their organizations.

### Concept Problem 2

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 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? [MTP May 24]

#### Answer

The retail chain is employing a strategy that combines **both proactive and reactive elements**.

Monitoring consumer trends and adjusting product offerings accordingly demonstrates a proactive approach to anticipate and meet customer needs.

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.

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. 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.

A proactive approach offers several benefits:

- First, it **allows for better risk management** by identifying potential challenges in advance, enabling organizations to develop contingency plans.
- Second, proactive strategies often **result in cost savings** as preventive measures can be more efficient than addressing crises retroactively.
- Third, organizations can **maintain a competitive edge** by staying ahead of industry trends and changes.

### Concept Problem 3 [not for Jan 26]

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. They aim 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. [MTP Nov 23][RTP May 24] [MTP Sep 24]

### Answer

ABC Pharmaceuticals may have following vision and mission:

**Vision:** Vision implies the blueprint of the company's future position. It describes where the organisation wants to land.

ABC Pharmaceuticals may have vision "To be the globally recognized leader in pharmaceutical innovation and enriching the lives of people worldwide by providing high-quality, affordable, and accessible pharmaceutical products."

**Mission:** Mission delineates the firm's business, its goals and ways to reach the goals. It explains the reason for the existence of the firm in the 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.

### Concept Problem 4

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

Analyse the position of Ramesh Sharma in light of limitations of strategic management. [MTP Jan 25]

### Answer

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

- i) 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.
- ii) 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.
- iii) Although, strategic management is a time-consuming process, he should continue to manage strategically. The challenging times require more efforts on his part.
- iv) Strategic management is costly. Ramesh Sharma 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.
- v) The stores owned by Ramesh Sharma are much smaller than online stores. It is very difficult for him to visualize how online stores will be moving strategically.

#### **Concept Problem 5**

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. [MTP Nov 23] [ICAI Nov 23 modified] [RTP Jan 25]

Or

Explain the role of managers at Corporate level/ Strategic Managers in the organization. [RTP May 22] [MTP Nov 22] [MTP Sep 24 modified]

#### **Answer**

The role of Chief Executive Officer (CEO) pertains to corporate level.

The corporate level of management consists of top-level executives. These individuals occupy the apex of decision making within the organization.

The role of Chief Executive Officer is to:

- i) Oversee the development of strategies for the whole organization
- ii) Defining the mission and goals of the organization
- iii) Determining what business, it should be in
- iv) Allocating resources among the different businesses
- v) Formulating and implementing strategies that span individual businesses
- vi) Providing leadership for the organization
- vii) ensuring that the corporate and business level strategies which company pursues are consistent with maximizing shareholders wealth; and
- viii) managing the divestment and acquisition process.

#### **Concept Problem 6**



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 in practice 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 which is more beneficial in general parlance?

#### Answer

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 is helps to develop core competencies and competitive advantages to overcome competition.

This strategy was a Reactive Strategy. Wherein, the owners saw their business fall to 50% of revenue and then seeking 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.

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.

#### Concept Problem 7

Organizations sustain superior performance over a long period of time, inspite of the rapid, changes taking place continually in its competitive environment if they implement strategic management successfully. Discuss.

#### Answer

Business organizations function with dynamic environment, the environment may vary from being conducive to hostile. Whatever be the conditions, implementation of strategic management is very important for the survival and growth of business organizations. Strategy implementation helps in improving the competence with which it is executed and helps organizations to sustain superior performance in following manner:

- i) Strategic management helps organizations to be more proactive rather than reactive.
- ii) It provides better guidance to entire organizations on the crucial point-what it is trying to do
- iii) It facilitates to prepare the organizations to face the future
- iv) Organizations are able to identify the available opportunities and identify ways and means as how to reach them
- v) It serves as a corporate defense mechanism against mistakes and pitfalls
- vi) Over a period of time strategic management helps organization to evolve certain core competencies and competitive advantages

#### Concept Problem 8

Explain briefly the key areas in which the strategic planner should concentrate his mind to achieve desired results. [MTP May 22, RTP Nov 22]

#### Answer



A strategic manager defines the strategic intent of the organisation and take it on the path of achieving the organizational 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:

- i) Profitability.
- ii) Productivity.
- iii) Competitive Position.
- iv) Employee Development.
- v) Employee Relations.
- vi) Technological Leadership.
- vii) Public Responsibility.

#### Concept Problem 9

*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 in? [RTP Nov 23]*

#### Answer

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.

- a) **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.
- b) **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.

#### Concept Problem 10

*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. [ICAI May 24]*

#### 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:

- i) 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**.
- ii) 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.
- iii) 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.
- iv) 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.
- v) 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**.
- vi) 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.
- vii) 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.

### Concept Problem II

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

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

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

### Answer

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

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

- a) **Strengthening Brand Identity:** Proactively building a strong eco- friendly image to appeal to environmentally conscious consumers.
- b) **Innovative Marketing Campaigns:** Crafting impactful and creative campaigns to enhance market visibility and differentiate its products.
- c) **Product Innovation:** Consistently introducing new and innovative eco-friendly products to meet evolving customer demands and maintain a competitive edge.

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

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

- a) **Adapting to Market Changes:** Responding to the entry of large retailers in the eco-friendly segment by quickly adjusting strategies.
- b) **Competitor Analysis:** Studying competitors' strategies to counteract their actions effectively.
- c) **Dynamic Marketing:** Implementing varied marketing techniques to respond to competitors' campaigns.
- d) **Pricing Adjustments:** Adopting counter-pricing strategies to remain competitive without compromising profitability.

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

*Future Strategy for Competitive Advantage*

To remain competitive and gain a sustainable edge, Ecro Ltd. should adopt a **blended approach** of proactive and reactive strategies:

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

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

### Concept Problem 12

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

### Answer

#### Main Levels of Management in an Organization

In a typical large organization, there are three main levels of management:

- i) **Corporate Level:** This includes the Chief Executive Officer (CEO), senior executives, and the board of directors. Their primary responsibility is to oversee the organization as a whole, make strategic decisions, define the mission and goals, allocate resources, and manage the corporate portfolio of businesses.
- ii) **Business Level:** This level consists of general managers responsible for specific Strategic Business Units (SBUs). They translate corporate- level strategies into concrete plans for their respective divisions,



focusing on creating competitive advantages and achieving profitability.

- iii) **Functional Level:** This level encompasses managers responsible for specific functions such as finance, marketing, and human resources. They develop functional strategies aligned with the objectives set by the corporate and business-level managers and are crucial for implementing strategies effectively.

Types of Networks of Relationship Between Management Levels:

- i) **Functional and Divisional Relationship:** This independent relationship operates where each function or division is managed independently, with business-level managers reporting to corporate-level managers. For example, finance and marketing functions operate under their respective heads, who report to the division head.
- ii) **Horizontal Relationship:** This flat structure promotes equality among all employees, facilitating openness and transparency. All positions, from top management to staff-level employees, share the same hierarchical status, enhancing idea-sharing and innovation, particularly in startups.
- iii) **Matrix Relationship:** This complex structure combines various departments into project-based teams. It features multiple business-level managers for each functional team, making it suitable for large organizations with diverse operations, enabling efficient management of projects across different functions.

These levels and their relationships help streamline decision-making and strategy implementation within an organization, fostering a cohesive approach to achieving business goals.

### Concept Problem 13

Vireon Foods started as a small dairy business but is still thriving after 25 years even as many competitors shut down or merged. Its leadership holds regular planning retreats, studies changing consumer habits and adapts its operations every few years. They recently invested in plant-based products before market demand spiked. What advantage is their strategic intelligence offering them? What are the other benefits of strategic management? [RTP Sep 25]

### Answer

Vireon Foods' continued success over 25 years despite the exit or merger of several competitors reflects the **importance and advantages of strategic management** particularly its contribution to the **longevity of a business**.

The strategic intelligence demonstrated by Vireon—through regular planning retreats, environmental scanning, understanding consumer behavior and timely investment in plant-based products—has provided it with a **competitive advantage** and the ability to **successfully navigate environmental changes**. This aligns with the dual objectives of strategic management:

- i) Creating competitive advantage by delivering something unique and valued by customers.
- ii) Guiding the company through all changes in the environment by reacting appropriately.

Other benefits of strategic management evident from Vireon's case include: Refer CP 7

### Concept Problem 14

ABC Corporation, a global technology company, is known for its innovative products and solutions. The company's strategic vision emphasizes being at the forefront of technological advancements and providing cutting-edge solutions to improve people's lives with a strong commitment to integrity and accountability in all its operations. Their mission is to create products that are user-friendly, sustainable and contribute positively to society. Values can be derived by analysing the vision and mission statements. Based on the scenario, what are the values of ABC Corporation? [MTP Sep 25]

### Answer



Values can be derived by analysing the vision and mission statements of an organisation, as they reflect the core beliefs that guide behaviour and decision-making.

Based on the given scenario, the values of ABC Corporation can be inferred by aligning its strategic vision and mission with the concept of organizational values.

ABC Corporation's emphasis on being at the forefront of technological advancements highlights innovation as a core value.

Its commitment to developing user-friendly products reflects a strong customer-centric approach and user focus.

The focus on sustainability demonstrates the company's concern for environmental responsibility and long-term societal impact.

Additionally, its aim to contribute positively to society shows a commitment to social responsibility and ethical conduct.

The fact that ABC is a global technology company also implies that values like integrity and accountability are essential to maintain stakeholder trust and global compliance.

These values are central to how the company functions internally and how it presents itself externally to consumers and stakeholders. These values help shape employee behaviour, build consumer trust and provide a strong foundation for long-term success.

Thus, the key values of ABC Corporation are innovation, customer-centricity, sustainability, social responsibility, integrity and accountability which collectively reflect the shared purpose and guiding principles of the organisation.

#### **Concept Problem 15 [not for Jan 26]**

*SemiCon Pvt. Ltd. (SPL) is engaged in manufacturing of semiconductors from the year 2024. Company wants to start a strategic path to be followed in future so as to build best quality semiconductor and display design with innovative ecosystem to enable India's emergence as a global hub for electronics manufacturing in a more structured manner. Placing core values as its priority, it would like to clearly articulate its aspirations to the stakeholders with a guiding beacon to keep inspiring its workforce.*

*Identify and explain one of the components of strategic intent which will help indicate towards above stated intentions. Why such component is important for a successful organization? Also state the essentials of such component. [ICAI May 25]*

#### **Answer**

The component of strategic intent that best indicates the company's future aspirations is the Vision.

A Vision implies the blue print of the company's future position that outlines what an organization aspires to become in the long term. It reflects management's aspirations and serves as a guiding beacon for strategic decision-making by shaping the product-market-customer- technology focus of the business.

**A strategic vision is important because -**

- i) it provides a clear sense of direction, helping the organization focus its resources and efforts toward defined long-term goals.
- ii) it serves as a source of alignment and inspiration for stakeholders— including employees, customers and investors—by communicating the overarching purpose and aspirations of the business.
- iii) it shapes the organization's identity and culture, encouraging unity and collective motivation to achieve shared objectives.

**Essentials of a Strategic Vision:**

- i) It involves creative foresight to prepare the company for future challenges and opportunities.
- ii) It is an exercise in intelligent entrepreneurship not merely operational planning.
- iii) It creates enthusiasm and emotional engagement among organizational members.
- iv) It is clearly worded to illuminate the organization's strategic direction.

**Concept Problem 16**

*Explain the importance of values, as one of the components of strategic intent for a company. What are the common examples of values? How values are different from intent? [ICAI May 25]*

**Answer**

Values are fundamental principles or standards that guide the behaviour and decision-making of individuals and organizations. They are at the core of strategic intent and help define a company's culture and ethical posture.

A company's values set the tone for how people think and behave, especially in situations involving dilemmas. They create a sense of shared purpose, enabling all stakeholders to align and focus on the long-term success of the company.

Values have both internal and external implications:

- a) **Internally**, they influence employee behaviour, build trust, boost morale and help in creating a consistent workplace culture.
- b) **Externally**, they impact how customers, investors and society at large perceive the company. A majority of consumers prefer companies whose values reflect their own belief systems.

Some common organizational values include Integrity, Trust, Accountability, Humility, Innovation and Diversity.

Values and Intent are two distinct concepts:

- i) Intent refers to the purpose of doing business – the long-term direction the company aims to pursue.
- ii) Values are the principles and ethical standards that guide how decisions are made and how the business is conducted.

While they go hand-in-hand, values often drive intent. Therefore, values are broader and more foundational than intent.

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## CHAPTER 2

# Strategic Analysis: External Environment

### Concept Problem 1

ABC Corp, a multinational consumer electronics company, is planning to expand its operations into a new country. The company's senior management is evaluating the potential risks and opportunities of entering this new market. As part of their analysis, they decide to use the PESTLE framework to assess the external factors that could impact their decision. How can the PESTLE framework help ABC Corp assess the external factors affecting its decision to expand into a new country? [MTP May 24]

### 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:

- i) **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.
- ii) **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.
- iii) **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.
- iv) **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.
- v) **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.
- vi) **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.

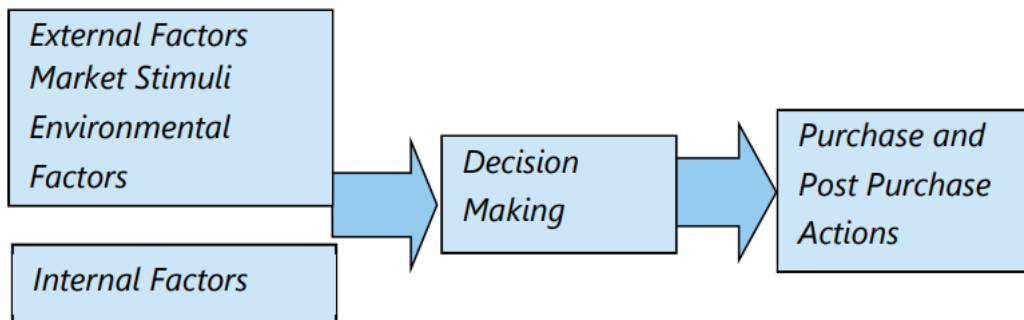
### Concept Problem 2

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 concept of customer behaviour, develop a marketing strategy to promote the new smartphone. [MTP May 24] [MTP Jan 25]

### 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:

- i) **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.
- ii) **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.
- iii) **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.
- iv) **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.



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.

### Concept Problem 3

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

A major concern for GreenThrift 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? [MTP May 24]

### Answer

Competition from new sustainable fashion brands falls under the "Threat of New Entrants" category of Porter's Five Forces Model for Competitive Analysis.

These new entrants pose a threat to existing sustainable clothing retailers like GreenThrift Inc. by increasing competition and potentially eroding market share. 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.

### Concept Problem 4

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. [MTP May 24] [MTP Jan 25]*

**Answer**

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

- i) **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.
- ii) **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.
- iii) **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.
- iv) **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.
- v) **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.

**Concept Problem 5**

*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. [RTP Nov 22][RTP Sep 24]*

**Answer**

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. 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. Further, as there are a large number of small suppliers the power that suppliers can exert will also be low.

There is no information relating to substitutes and bargaining power of customers in the information given in scenario. 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.

Further, as the products are similar customers can easily shift from one company to another. This will only enhance competitive rivalry.

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. 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. Finally, there is no information relating to substitutes and bargaining power of customers in the information

given in scenario.

### Concept Problem 6

*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 Shark has an advantage in some way to fight off this pressure?*

### 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. It might affect operations in short term but will help to fight off the pressure created by existing supplier.

### Concept Problem 7

*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? [MTP May 23]*

### Answer

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 businesses must adapt their strategies to each stage to remain profitable.

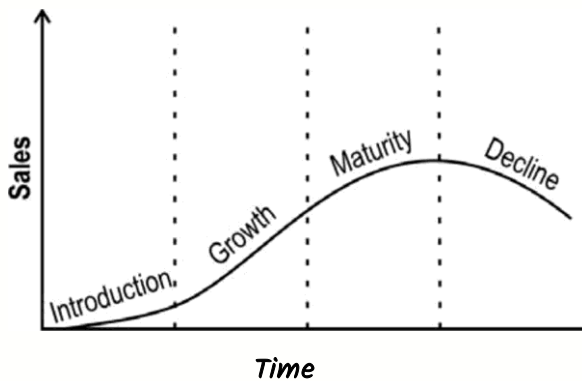
PLC is a useful concept for guiding strategic choice. Essentially, PLC is S-shaped curve which exhibits the relationship of sales with respect of time for a product that passes through the four successive stages of introduction (slow sales growth), growth (rapid market acceptance) maturity (slowdown in growth rate) and decline (sharp downward drift). If businesses are substituted for product, the concept of PLC could work just as well.

**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.

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

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

The fourth stage of PLC is declining stage 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.



### Concept Problem 8

Analyse the following cases in the context of Michael Porter's Five Forces Model:

- A supplier has a large base of customers.
- A manufacturer of sports goods has the advantage of economies of large-scale production
- Products offered by competitors are almost similar.

### Answer

- Large base of customers of an organization (supplier) may increase its bargaining power in comparison to the bargaining power of the customer.
- The manufacturer of sports goods would be in better position amongst existing competitors since it has advantage of economies of scale. Even the threat of new entrants gets reduced.
- Similar products will reduce the bargaining power of the rivals, i.e., competitors, in other words the bargaining power of the customers will be more.

### Concept Problem 9

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 23][MTP Jan 25]

### Answer

Yes, Easy Access and its rivals get advantage by this move. 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.

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.

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. 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.

### **Concept Problem 10**

*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 22]*

### **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:

- i) 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.
- ii) 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.
- iii) 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.
- iv) 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.
- v) 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.
- vi) 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.
- vii) They need to have a team of experts and dedicated management professionals who can implement strategies formulated by top management.

### **Concept Problem 11**

*Pulkit was very confident about 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 is Pulkit currently faced as a result of this situation? [MTP May 23]*

### **Answer**

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. In this case, Pulkit's investment in the real estate spaces may make it difficult for him to exit the cloud kitchen industry or switch to a different business model. 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. 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.



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. Sunk costs refer to costs that have already been incurred and cannot be recovered. 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.

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.

### Concept Problem 12 [Not for Jan 26]

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. [ICAI May 24]

### Answer

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

#### Benefits of Interaction with the Business Environment

- Determine Opportunities and Threats:** Interaction with the environment helps Yash **identify new consumer needs, emerging trends, and potential market opportunities**. This insight can guide the development of innovative products and services that meet market demands. Understanding changes in laws, social behaviors, and competitor actions enables Yash to anticipate and mitigate potential threats, ensuring the start-up remains resilient and adaptive.
- Give Direction for Growth:** By analyzing the external environment, Yash can pinpoint areas for expansion and growth. Recognizing market trends and technological advancements allows him to **strategize effectively, ensuring the start-up scales successfully**. Awareness of the changes around the business environment facilitates better planning and strategic decisions, aligning the start-up's goals with the market dynamics.
- Continuous Learning:** Continuous interaction with the environment motivates Yash and his team to update their knowledge, understanding, and skills. Staying **informed about industry trends and advancements ensures the start-up remains competitive**. This ongoing learning process enhances the start-up's ability to adapt to changes, promoting innovation and responsiveness to market shifts.
- Image Building:** Understanding and responding to environmental needs help the start-up build a positive image. For instance, adopting sustainable practices or **contributing to local initiatives can enhance the company's reputation**. Demonstrating sensitivity to the business environment shows that the start-up is responsible and community-focused, attracting customers and partners who value corporate social responsibility.
- Meeting Competition:** Interaction with the environment allows Yash to analyze competitors' strategies and adapt accordingly. **Understanding competitors' strengths and weaknesses helps in crafting strategies that provide a competitive edge**. By leveraging insights from the environment, the start-up can position itself uniquely in the market, differentiating its offerings from those of competitors.

### Concept Problem 13

*"International development is expensive and challenging". In the context of the statement, explain the internationalization of business and the steps involved in such strategic planning. [ICAI Jan 25]*

**Answer**

Internationalization has become a pivotal trend for businesses aiming to enhance profitability and access cheaper resources. **It allows companies to explore new markets, achieve economies of scale, and prolong product lifecycles.** However, the process of internationalization is complex due to additional variables and linkages that differ from domestic operations.

To navigate this complexity, businesses should adopt a structured approach to international strategic planning. The steps involved include:

- i) **Evaluate Global Opportunities and Threats:** Businesses must assess potential global markets, identifying opportunities and threats while aligning them with their internal capabilities.
- ii) **Describe the Scope of Operations:** Clearly defining the extent of the firm's international commercial activities is crucial for focused strategy development.
- iii) **Create Global Business Objectives:** Establishing clear objectives helps guide the organization's international efforts and aligns with its overall mission.
- iv) **Develop Distinct Corporate Strategies:** Formulating specific strategies tailored for global operations ensures that the organization can effectively compete in diverse markets.

These steps facilitate the identification of market opportunities and the formulation of effective global strategies, enabling businesses to thrive in the international arena despite the inherent challenges and costs associated with such expansion.

**Concept Problem 14**

*ABC Tech, a leading smartphone manufacturer, is navigating a highly competitive market where innovation and cost efficiency are key. Customers prioritize battery life, camera quality, and seamless software integration when choosing a brand. To stay ahead, ABC Tech invests heavily in research and development, optimizes its supply chain for cost-effective production, and enhances customer service. Identify the Key Success Factors (KSFs) for ABC Tech based on the industry conditions described. How can the company achieve a sustainable competitive advantage by leveraging these factors? [MTP May 25]*

**Answer**

The **Key Success Factors (KSFs)** for ABC Tech include:

- i) **Product Innovation:** Superior battery life, camera quality, and seamless software integration are crucial attributes influencing customer choice.
- ii) **Cost Efficiency:** Optimizing the supply chain ensures competitive pricing and higher profit margins.
- iii) **Customer Experience:** High-quality customer service builds brand loyalty and differentiation.

To gain a sustainable competitive advantage, ABC Tech should:

- i) **Focus on continuous R&D** to introduce advanced features that set its products apart.
- ii) **Streamline its supply chain** to maintain cost leadership while ensuring product quality.
- iii) **Enhance customer engagement** through superior after-sales service and ecosystem integration.

By excelling in these KSFs, ABC Tech can establish a distinct market position and outperform competitors in the long run.

**Concept Problem 15**

Nuvanta Healthcare is planning to launch a nutrition supplement targeted at urban consumers in Tier-2 Indian cities. The product team analyzed local population data age groups, income levels, lifestyle patterns and health concerns before finalizing the formulation and pricing. They are also reviewing how changes in government policy and tech adoption may affect the rollout. What kind of external factor has Nuvanta considered for pricing the product? Briefly explain the major categories of such external influences that shape business strategy. [RTP Sep 25]

#### Answer

Nuvanta Healthcare has considered the **Demographic Environment** as an external factor for pricing its nutrition supplement. The analysis of local population data such as **age groups, income levels, lifestyle patterns, and health concerns** reflects the company's effort to understand its target consumers and formulate a suitable pricing strategy.

**External environmental factors** significantly influence an organization's strategy and operations. These factors may be external to the firm or introduced by managers to adapt to change. The major categories of such external influences that shape business strategy include:

- i) **Demographic Environment** – It includes factors such as population size, age distribution, income levels, education, and occupation, which affect consumer preferences and demand.
- ii) **Economic Environment** – Includes elements like purchasing power, inflation rates, and overall economic conditions that influence pricing and market potential.
- iii) **Political-Legal Environment** – Consists of government policies, regulations, and legal aspects that can impact product rollout and compliance requirements.
- iv) **Technological Environment** – Rapid technological changes affect production, product design, marketing, and distribution, influencing how companies deliver value.
- v) **Socio-Cultural Environment** – Involves lifestyle patterns, health consciousness, social values, and consumer attitudes that influence buying behaviour.

#### Concept Problem 16

ZymaTech Pvt. Ltd., a growing player in the smart home devices industry, seeks to increase its market share amidst strong competition from HomeEdge, AutoNest and IntelliSpace. Each competitor holds a distinct edge—brand loyalty, pricing & distribution reach and AI driven product innovation respectively. However, IntelliSpace faces criticism regarding post-sales service. ZymaTech, while offering decent product quality, struggles with brand visibility and customer service. As a strategist at ZymaTech, how would Mr. Anoj Dass apply the steps involved in understanding the competitive landscape to help the company build a sustainable competitive advantage? [MTP Sep 25]

#### Answer

To improve ZymaTech's competitive advantage, Mr. Anoj Dass would apply the five steps of understanding the x as follows:

1. **Identify the competitors:** ZymaTech has already identified its three major competitors—HomeEdge, AutoNest and IntelliSpace. Data on their market share confirms they are significant players in the smart home industry.
2. **Understand the competitors:** Through market reports, online reviews, and competitor websites, Mr. Anoj Dass would assess each competitor's product portfolio, pricing, market presence and customer feedback. This helps understand what they offer and how they position themselves.
3. **Determine the strengths of the competitors:** HomeEdge has strong brand loyalty—this makes it a premium and trusted choice. AutoNest's strength lies in affordability and an extensive distribution network. IntelliSpace leads in premium AI-driven innovations but faces service issues.

4. **Determine the weaknesses of the competitors:** IntelliSpace's weak post-sales service is a gap ZymaTech can exploit. AutoNest's lower product quality (not mentioned but inferred from low price) and HomeEdge's premium pricing could be other opportunities.
5. **Put all of the information together:** ZymaTech should improve its customer service, enhance brand visibility through digital campaigns and offer mid-range AI-integrated products to position itself between AutoNest's affordability and IntelliSpace's premium features. It should target the segment looking for quality and innovation at a reasonable price—thereby exploiting competitor gaps and strengthening its own capabilities.

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## CHAPTER 3

# Strategic Analysis: Internal Environment

### Concept Problem 1

A beverage company is launching a new line of energy drinks targeted at health-conscious consumers. The strategic manager wants to study the market position of rival companies in the energy drink segment. Which tool can be used for this analysis, and what is the procedure to implement it effectively? [MTP May 24]

### Answer

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

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

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

By following these steps, the strategic manager can gain valuable insights into the competitive landscape of the energy drink segment and identify potential positioning strategies for the new line of energy drinks targeted at health-conscious consumers.

### Concept Problem 2 [Not for Jan 26]

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 May 24] [RTP Jan 25]

### Answer

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

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Strong brand reputation in consumer electronics.</li> <li>Established distribution network.</li> <li>Access to technological expertise for product development.</li> <li>Financial resources to support product launch and marketing.</li> </ul>	<ul style="list-style-type: none"> <li>Limited experience in the smart home devices market.</li> <li>May require additional investments in research and development.</li> <li>Potential challenges in integrating a new product line with existing offerings.</li> <li>Lack of established customer base for smart</li> </ul>

	home devices.
<b>Opportunities</b> <ul style="list-style-type: none"> <li>▪ Growing market for smart home devices due to increasing consumer interest in home automation.</li> <li>▪ Possibility of partnering with existing smart home platform providers.</li> <li>▪ Potential to leverage brand loyalty from existing customers.</li> <li>▪ Ability to differentiate through innovative features and design.</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>▪ Intense competition from established players in the smart home devices market.</li> <li>▪ Rapid technological advancements lead to short product life cycles.</li> <li>▪ Potential for cybersecurity threats in connected devices.</li> <li>▪ Economic factors impacting consumer spending on discretionary items.</li> </ul>

The SWOT analysis highlights that while EasyLife Corporation has several strengths that can support the launch of a new smart home devices line, there are also significant weaknesses and threats to consider. To maximize the chances of success, EasyLife Corporation should focus on leveraging its brand reputation and distribution network while carefully addressing the weaknesses and threats identified.

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

### Concept Problem 3

In spite of high commodity inflation, shortage of components and the threat of a third wave COVID-19 pandemic in India, manufactures 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, manufactures 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 grew up for the festive season, which usually accounts for 25 to 35 percent of their yearly basis.

The home appliances sector could be an example. After a dismal April – June quarter in the year 2021; producers of air conditioners, refrigerator 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 company to remain profitable? [ICAI Dec 21][RTP Sep 24]

### Answer

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

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

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

### Advantages of Differentiation Strategy

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

1. **Rivalry** – Brand loyalty acts as a safeguard against competitors. It means that customers will be less sensitive to price increases, as long as the firm can satisfy the needs of its customers.
2. **Buyers** – They do not negotiate for price as they get special features, and 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.

### Concept Problem 4 [Not for Jan 26]

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.

### Answer

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. For example, league matches in magnificent manner now take place in Football, Kabaddi and Hockey in India.

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.

A number of entities and processes are involved in these events from various industries offering opportunities and threats to them. An opportunity is a favourable condition in the organization's environment which enables it to strengthen its position.

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. 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

- Stadium.
- 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.

### Concept Problem 5

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. [ICAI Sep 24]

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. [ICAI May 23]

### 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:

- 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.
- 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.
- 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.
- 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.

### Concept Problem 6

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 personalized use. With customized tourism packages their aircrafts are also often hired by foreigners.

Identify and explain the Michael Porter’s Generic Strategy followed by Luxury Jet. [RTP Nov 22]

**Answer**

The Airlines industry faces stiff competition. However, Luxury Jet has attempted to create a niche market by adopting focused differentiation strategy. A focused differentiation strategy requires offering unique features that fulfil the demands of a narrow market.

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. 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. Travelling by private jet is the most comfortable, safe and secure way of flying your company's senior business personnel.

Chartered services in airlines can have both business and private use. Personalized tourism packages can be provided to those who can afford it.

**Concept Problem 7**

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.

**Answer**

Infant care is opting for differentiation strategy. A one-stop shop is a benefit for this type of customers, seeking convenience in a time. 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.

**Concept Problem 8**

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 Jan 25]

**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.

**Concept Problem 9**

'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.

**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.*

**Answer**

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

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

**Concept Problem 10**

*There are four specific criteria of sustainable competitive advantage that firms can use to determine those capabilities that are known as core competencies. Explain. [ICAI May 22][RTP May 24]*

**Answer**

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

- Valuable:** Valuable capabilities are the ones that allow the firm to exploit opportunities or avert the threats in its external environment. A firm created value for customers by effectively using capabilities to exploit opportunities. Finance companies build a valuable competence in financial services. In addition, to make such competencies as financial services highly successful require placing the right people in the right jobs. Human capital is important in creating value for customers.
- Rare:** Core competencies are very rare capabilities and very few of the competitors possess this. Capabilities possessed by many rivals are unlikely to be sources of competitive advantage for any one of them. Competitive advantage results only when firms develop and exploit valuable capabilities that differ from those shared with competitors.
- Costly to imitate:** Costly to imitate means such capabilities that competing firms are unable to develop easily.
- Non-substitutable:** Capabilities that do not have strategic equivalents are called non-substitutable capabilities. This final criterion for a capability to be a source of competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

**Concept Problem 11 [Not for Jan 26]**

*Domolo is a premium cycle and cycling equipments brand which targets high spending customer with a liking for quality and brand name. Their cycles range from rupees fifteen thousand to rupees one lac. The recent trend of fitness through cycling has created humongous demand for cycles and peripherals like helmets, lights, braking systems, fitness applications, etc. The customer base has grown 150% in the last three months. Mr. Vijay, who is an investor wants to tap in this industry and bring about cheaper options to people who cannot spend so much. Which business level strategy would best suit for Mr. Vijay's idea and what are the major sub-strategies that can be implemented to capture maximum market? [RTP May 23]*

**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.

### Concept Problem 12

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?

### Answer

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

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. 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 and never-ending price wars.

### Concept Problem 13

What are the various alternative strategies which the managers need to identify that will create and sustain a competitive advantage in the business? Discuss. [MTP Nov 22]

### 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:

- a) **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.
- b) **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.
- c) **Focus** means producing products and services that fulfil the specific needs of small groups of consumers. It involves selecting or focusing a market or customer segment in which to operate.

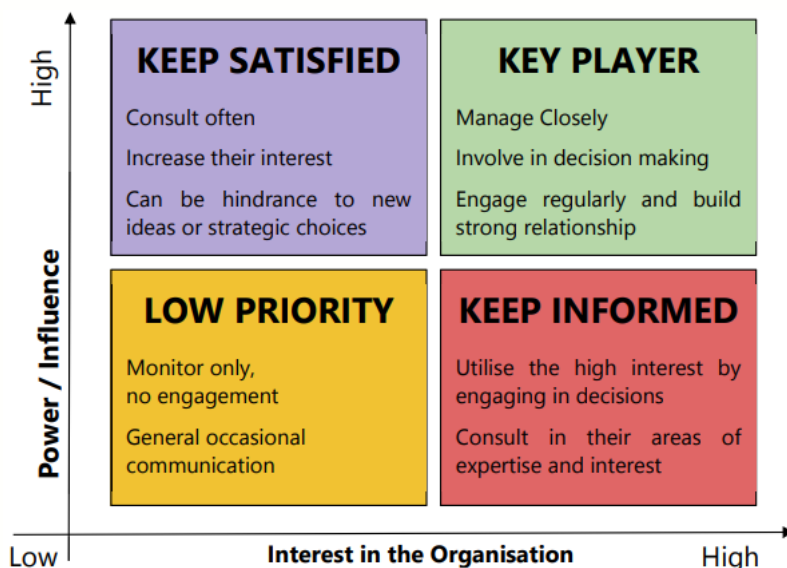
### Concept Problem 14

How can Mendelow's Matrix be used to analyze and manage the stakeholders effectively? [MTP May 24]  
[RTP Sep 24]

### 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:
  - a) **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.
  - b) **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.
  - c) **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.
  - d) **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.

### Concept Problem 15

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.

### 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.

### Concept Problem 16

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.

#### Answer

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

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

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

#### Concept Problem 17

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

#### 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.

#### Concept Problem 18

EcoTrend, a growing e-commerce company, competes with industry giants by offering premium, eco-friendly products at high prices, targeting environmentally conscious consumers. Meanwhile, its competitor, BudgetBazaar, focuses on providing the lowest prices by optimizing costs and streamlining operations. Another player, VogueVista, differentiates itself through exclusive, fashion-forward designs that attract trend-savvy customers. Identify the generic strategies used by EcoTrend, BudgetBazaar, and VogueVista based

on Michael Porter's Generic Strategies framework. Explain how each company gains a competitive advantage. [RTP May 25]

#### Answer

Michael Porter's Generic Strategies framework includes **Cost Leadership, Differentiation, and Focus Strategies**. Based on the case:

i) **EcoTrend – Differentiation Focus Strategy**

- Targets a niche market (environmentally conscious consumers) with premium, eco-friendly products.
- Gains a competitive advantage through product uniqueness and sustainability.

ii) **BudgetBazaar – Cost Leadership Strategy**

- Focuses on offering the lowest prices by optimizing costs and streamlining operations.
- Gains a competitive advantage through operational efficiency and economies of scale.

iii) **VogueVista – Differentiation Strategy**

- Differentiates itself with exclusive, fashion-forward designs that appeal to style-conscious customers.
- Gains a competitive advantage through unique product offerings and strong brand image.

Each company applies a distinct **generic strategy** to establish a strong position in the market.

#### Concept Problem 19

Soltex Green Energy is rolling out a major wind project in a coastal town. A local business coalition with strong political ties and deep interest in the project has started influencing policy discussions. The company's strategy team is closely engaging with them while managing other stakeholders differently. What might be the reason Soltex is prioritizing engagement with this specific group? Identify and briefly explain the four types of stakeholder categories businesses typically deal with in such situations. [RTP Sep 25]

#### Answer

Soltex Green Energy is prioritizing engagement with the **local business coalition** because they fall under the category of **Key Players** in **Mendelow's Stakeholder Matrix**. This group possesses **high power** (due to strong political ties and ability to influence policy) and **high interest** (due to deep involvement in the wind project).

As per Mendelow's Matrix, such stakeholders must be **fully engaged**, informed regularly, and their advice and expectations carefully considered, as they can significantly impact the success of the project.

Refer Tricky Question 14

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## CHAPTER 4

# STRATEGIC CHOICES

### Concept Problem I

Pizza Galleria was India's first pizza delivery chain enjoying monopoly for several years. However, after the entry of Modino and Uncle Jack it is struggling to compete. Both Modino and Uncle Jack have opened several eateries and priced the product aggressively. In the last four years the chain has suffered significant losses. The chain wishes to know whether they should go for a turnaround strategy. List out components of action plan for turnaround strategy. [RTP Sep 24]

Or

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.

### Answer

Pizza Chain may choose to have turnaround strategy if there are:

- a) Persistent negative cash flow from business.
- b) Uncompetitive products or services.
- c) Declining market share.
- d) Deterioration in physical facilities.
- e) Over-staffing, high turnover of employees, and low morale.
- f) Mismanagement.

For turnaround strategies to be successful, it is imperative to focus on the short and long-term financing needs as well as on strategic issues. The chain may attempt to leverage the potential Indian market by engaging a new logistics partner. It may bring innovation in food items, as well as quality and improvements in the overall dine-in and delivery experience. During the turnaround, the "product mix" may be changed, requiring the organization to do some repositioning.

A workable action plan for turnaround would involve:

**Stage One – Assessment of current problems:** The first step is to assess the current problems and get to the root causes and the extent of damage the problem has caused.

**Stage Two – Analyze the situation and develop a strategic plan:** Before making any major changes; determine the chances of the business's survival. Identify appropriate strategies and develop a preliminary action plan.

**Stage Three – Implementing an emergency action plan:** If the organization is in a critical stage, an appropriate action plan must be developed to stop the bleeding and enable the organization to survive. A positive operating cash flow must be established as quickly as possible and enough funds to implement the turnaround strategies must be raised.



**Stage Four – Restructuring the business:** The financial state of the organization's core business is particularly important. If the core business is irreparably damaged, then the outlook for the entire organization may be bleak. Efforts to be made to position the organization for rapid improvement.

**Stage Five – Returning to normal:** In the final stage of turnaround strategy process, the organization should begin to show signs of profitability, return on investments and enhancing economic value-added. Emphasis is placed on a number of strategic efforts such as carefully adding new products and improving customer service, creating alliances with other organizations, increasing the market share, etc.

### Concept Problem 2

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.

### Answer

Gautam wishes to diversify in a business that is not related to their existing line of product and can be termed as **conglomerate diversification**. 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.

In conglomerate diversification, the new businesses/ products are disjointed from the existing businesses/ products in every way; it is an unrelated diversification. In process/ technology/ function, there is no connection between the new products and the existing ones. Conglomerate diversification has no common thread at all with the firm's present position.

On the other hand, Siddhartha seeks to move forward in the chain of existing product by adopting **vertically integrated diversification/ forward integration**. The cloth being manufactured by the existing processes can be used as raw material of garments manufacturing business. 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. 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.

**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.

### Concept Problem 3

With the global economic recession, Soft Cloth Ltd. incurred significant losses in all its previous five financial years. Currently, they are into manufacturing of cloth made of cotton, silk, polyester, rayon, lycra and blends. Competition is also intense on account of cheap imports. 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.

### Answer

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 retrenchment / turnaround strategy. The strategy is suitable in case of issues such as:

- i) Persistent negative cash flow.
- ii) Uncompetitive products or services
- iii) Declining market share
- iv) Deterioration in physical facilities
- v) Overstaffing, high turnover of employees, and low morale
- vi) Mismanagement

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.

These steps result in different kinds of retrenchment strategies.

- i) If the organization chooses to focus on ways and means to reverse the process of decline, it adopts a turnaround strategy.
- ii) 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.
- iii) If none of these actions work, then it may choose to abandon the activities totally, resulting in a liquidation strategy.

#### **Concept Problem 4**

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.

#### **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.

#### **Concept Problem 5**

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 Rs.)	Percent Revenues	Profits (in Rs)	Percent profits	% Market share	% Industry Growth rate
A	6 crores	48	120 lakhs	48	80	+ 15
B	4 crores	32	50 lakhs	20	40	+ 10
C	2 crores	16	75 lakhs	30	60	- 20
D	50 Lakhs	4	5 lakhs	2	5	- 10
Total	12.5 crores	100	250 lakhs	100	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:

### Retain Market Share

		High	Low
Market Growth Rate	High	Product A [80% Market Share + 15% Growth Rate] <b>Stars</b>	Product B [40% Market Share + 10% Growth Rate] <b>Question Marks</b>
	Low	Product C [60% Market Share - 20% Growth Rate] <b>Cash Cows</b>	Product D [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.

**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.

### Concept Problem 6

Aurobindo, the pharmaceutical company wants to grow its business. Draw Ansoff's Product Market Growth Matrix to advise them of the available options.

Or

Sky chemical industry intends to grow its business. Advise the company on the available options using Ansoff's product market growth matrix. [MTP May 22] [MTP Nov 22] [MTP May 23]

### 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. 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.

The Ansoff's product market growth matrix is as follows:

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

### Ansoff's Product Market Growth Matrix

Based on the matrix, Aurobindo may segregate its different products. Being in pharmaceuticals, development of new products is result of extensive research and involves huge costs. There are also social dimensions that may influence the decision of the company. It can adopt penetration, product development, market development or diversification simultaneously for its different products.

**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.

**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.

**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.

**Diversification** refers to a growth strategy where a business markets new product in new markets. It is a strategy by starting up or acquiring businesses outside the company's current products and markets.

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.

### Concept Problem 7

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

- A leading producer of tooth paste, advises its customers to brush teeth twice a day to keep breath fresh.
- A business giant in hotel industry decides to enter into dairy business.
- One of India's premier utility vehicles manufacturing company ventures to foray into foreign markets.
- A renowned auto manufacturing company launches ungeared scooters in the market.

### 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.

### **Concept Problem 8**

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

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

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

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

### **Answer**

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

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

### **Concept Problem 9**

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.

### **Answer**

Overall Swift Insurance is following growth or expansion strategy as it is redefining the business and enlarging its scope. 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. The new business falls within the scope of general insurance.

In the process of expansion, the company will be able to exploit:

- i) Its brand name.

- ii) The marketing skills available.
- iii) The existing sales and distribution infrastructure.
- iv) Research and development.
- v) Economies of scale

### **Concept Problem 10**

XYZ Co. was formed by the merger between a number of chemical companies. Since it aimed at expanding its presence in a large number of value-added specialty chemical operations; within a few years the company involved in activities like bulk chemicals, explosives, fertilizers, paints and commodity plastics. But expanding the scope of business to so many businesses; little it did for the bottom line.

On analyzing, the top management found that although many of the businesses were linked in some way to the chemical industry, but there were far fewer synergies among the operations that it had initially thought. The top management explored and concluded that there was little commonality between bulk chemicals and fertilizers, between plastics and paints, between explosives and advanced materials. In other words, the value created by the diversification was questionable. After reading this scenario, what do think has gone wrong in this case? How do you think this problem can be rectified?

### **Answer**

In the present scenario, the problem is related to diversification strategy to expand and mark its presence. Diversification can be either related or unrelated. Related diversification is when the new business is linked to the existing businesses through process, technology or marketing. The new product is a spin-off from the existing facilities and products/processes. This means that in related diversification there are benefits of synergy with the current operations as the new product is only connected in a loop-like manner at one or more points in the firm's existing process/technology/ product chain.

Whereas, in unrelated diversification, no such linkages exist; the new businesses/ products are disjointed from the existing businesses/products in every way. 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.

In the present case, the company tried to diversify in products like bulk chemicals, explosives, fertilizers, paints and commodity plastics thinking that the diversification is linked in some way to the chemical industry. But when the bottom line did not improve with this diversification; the top management explored and found that there were far fewer synergies among the company's operations that it had initially thought. There was little commonality between bulk chemicals and fertilizers, between plastics and paints, between explosives and advanced materials which means that the company made a dire mistake in understanding whether the diversification was related or unrelated.

The probable solution for this would be

- a) breaking up the company into constituent parts; may be two or three and put the related businesses into the relevant SBUs and
- b) consider selling off the businesses that are totally unrelated or
- c) totally get into unrelated diversification and form a structure accordingly.

### **Concept Problem 11**

What strategic option is available to the management of a sick company dealing in an electric home appliance? Give reasons for your answer.

Or



"XYZ Ltd., a multi-product company, has been experiencing consistent losses in recent years, leading to a significant erosion of its net worth. What strategic options should the management consider addressing the company's current situation? Provide recommendations along with supporting reasons." [MTP Nov 23]

### Answer

A sick company has huge accumulated losses that have eroded its net worth. The electric home appliance company may analyse its various products to take decisions on the viability of each.

The company may consider a retrenchment strategy. Retrenchment becomes necessary for coping with hostile and adverse situations in the environment and when any other strategy is likely to be suicidal. The nature, extent and timing of retrenchment are matters to be carefully decided by management, depending upon each contingency.

Retrenchment strategy is adopted because:

- The management no longer wishes to remain in business either partly or wholly due to continuous losses and unviability.
- The environment faced is threatening.
- Stability can be ensured by reallocation of resources from unprofitable to profitable businesses.

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. Next, steps are taken to solve the problems. These steps result in different kinds of retrenchment strategies.

- 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. It may also involve changes in top management and reorienting leadership.
- Divestment Strategy:** Divestment strategy involves the sale or liquidation of a portion of business, or a major division, profit center 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.
- 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. Many small-scale units, proprietorship firms, and partnership ventures liquidate frequently but medium-and large-sized companies rarely liquidate in India. The company management, government, banks and financial institutions, trade unions, suppliers and creditors, and other agencies are extremely reluctant to take a decision, or ask, for liquidation.

Liquidation strategy may be unpleasant as a strategic alternative but when a "dead business is worth more than alive", it is a good proposition.

The management of a Sick company manufacturing various electrical home appliances be explained about the each of the above three options of retrenchment strategy with their pros and cons. The decision will depend on the specific circumstances of each electrical home appliances and management goals of the company.

### Concept Problem 12

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. [MTP Jan 25]*

**Answer**

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. 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. 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.

In concentric diversification, the new business is linked to the existing businesses through process, technology or marketing. 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.

**Concept Problem 13**

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 22]*

**Answer**

Racers Ltd. has adopted Turnaround strategy. This involves Racers Ltd. Repositioning itself in the market in an attempt to once again gain competitive advantage.

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. It is a highly - targeted effort to return an organization to profitability and increase positive cash flows to a sufficient level. It is used when both threats and weaknesses adversely affect the health of an organization so much that its basic survival is difficult.

The overall goal of turnaround strategy is to transform an underperforming or distressed company to normalcy in terms of acceptable levels of profitability, solvency, liquidity and cash flow. 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.

**Concept Problem 14**

*What strategic alternative should be followed during recession?*

**Answer**

Stability strategy is an advisable option for the organizations facing recession.

During recession businesses face reduced demand for their products even at low prices. Funds become scarce, expenditure on expansion is stopped, profits decline and businesses try to minimize the costs. They work hard to maintain the existing market share, so that company survives the recessionary period.

**Concept Problem 15**

GWA, a leading Japan based automobile company decided to make India a hub for the company's 250cc motor cycle to be manufactured in collaboration with the TPR Group, a leading Indian 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. [ICAI Dec 21][MTP May 23]

#### Answer

GWA of Japan and TRP group of India opted for strategic alliance as their growth strategy. A strategic alliance is a relationship between two or more businesses that enables each to achieve certain strategic objectives which neither would be able to achieve on its own. Strategic alliances are often formed in the global marketplace between businesses that are based in different regions of the world.

Advantages of Strategic Alliance [Refer Q 25]

#### Concept Problem 16

Jynklo Ltd. is an established online children gaming company in Japan. They are performing good in the gaming industry. The management of Jynklo Ltd. has decided to expand its business. They decided to start a premium sports drink named JynX for athletes. Identify and explain the growth strategy adopted by Jynklo Ltd.? [MTP Nov 22] [RTP Nov 23]

#### Answer

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

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

#### Concept Problem 17

Redefinition of business is involved in both "Expansion" and "Retrenchment" strategy, however, method involved in their execution is completely different. Explain. [MTP May 23] [MTP Nov 23]

#### Answer

Expansion strategy is implemented by redefining the business by adding the scope of business substantially increasing the efforts of the current business. On the other hand, Retrenchment strategy involves redefinition of business by divesting a major product line or market.

Expansion is a promising and popular strategy that tends to be equated with dynamism, vigour, promise and success. 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.

Expansion may take the enterprise along relatively unknown and risky paths, full of promises and pitfalls. Retrenchment involves regrouping and recouping of the resources.

#### Concept Problem 18 (Not for Jan 26)

Health Pharma Pvt. Ltd. (HPPL), a one-person company with limited liability, is manufacturing generic and medicinal drugs in India.



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

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

Considering benefits of synergies, both the companies are considering to join hands for better growth opportunities. Earlier, they tried to go for joint venture or strategic 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 & 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? [ICAI May 23]

#### Answer

- i) If HPPL and HLP join hands and form a new entity named Health N Hygiene Pharma Ltd., this strategic development would be considered a Merger growth strategy. A merger is a combination of two or more companies to form a new entity with shared ownership and control.
- ii) If HLP is sold out to HPPL and HLP ceases to exist, this strategic deal would be categorized as an Acquisition growth strategy. An acquisition occurs when one company purchases another, resulting in the acquiring company gaining control over the acquired company's assets, operations, and intellectual property.
- iii) Many organizations in order to achieve quick growth, expand or diversify with the use of mergers and acquisitions strategies. Merger and acquisition in simple words are defined as a process of combining two or more organizations together. There is a thin line of difference between the two terms, but the impact of combination is completely different in both the cases.

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

While, when one organization takes over the other organization and controls all its business operations, it is known as acquisition. In the process of acquisition, one financially strong organization overpowers the weaker one. Acquisitions often happen during economic recession or during declining profit margins. In this process, one that is financially stronger and bigger establishes 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.

#### Concept Problem 19

FreshDelight, renowned for its organic fruit juices, aims to expand its market presence by identifying emerging markets in countries where organic products are gaining popularity. To achieve this, FreshDelight launches targeted marketing campaigns and partners with local distributors to introduce its juices to these new regions. This strategy involves adapting product packaging and marketing messages to align with local preferences and regulations. By entering these new markets, FreshDelight hopes to increase its customer base and drive sales growth. What strategy is FreshDelight using to expand its market presence?

#### Answer

FreshDelight is employing a market development strategy to expand its market presence.

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

### Concept Problem 20

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 & ElectroWave have decided to join forces to design innovative laptops and smartphones, aiming to tap into new markets and broaden their business horizons. What kind of external growth strategy is being considered by TechNova and ElectroWave? [MTP Sep 24]

### Answer

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

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

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

### Concept Problem 21

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.

### Answer

Agree with the given statement. Start-ups rarely aim for a stability strategy because they are in the early stages of ideation and development, where speed and agility are critical. Stability strategy is more relevant for businesses that have reached maturity, where maintaining current operations and market share becomes a priority. Start-ups, however, focus on rapid growth and market penetration, and stability is usually considered when a business has expanded to full capacity.

A stability strategy is meaningful in the following scenarios:

- i) When a firm continues serving the same markets with the same products and services.
- ii) Firms whose products are in the maturity stage of the product life cycle or who have a substantial market share may opt for stability to retain their position.
- iii) Stability helps consolidate gains after rapid expansion, optimize returns on committed resources, and enhance functional efficiencies.
- iv) Major reasons for choosing a stability strategy include:

- v) Maturity of products in the life cycle.
- vi) Comfort of staff with fewer changes and risks.
- vii) Stable external environment.
- viii) A need to consolidate after rapid growth or expansion.
- ix) Where it is not advisable to expand as it may be perceived as threatening.

### Concept Problem 22

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

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

### Answer

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

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

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

### Limitations of BCG Matrix:

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

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



### Concept Problem 23

ABC Fashion, a prominent brand in the domestic market, is now venturing into the international arena. As part of its global expansion strategy, the company is introducing a variety of products tailored to meet the unique tastes and preferences of customers in different regions. By customizing its offerings for each market, ABC Fashion aims to capture a broader audience and establish a strong international presence. Which expansion strategy from Ansoff's Product-Market Growth Matrix best aligns with ABC Fashion's approach? [MTP May 25]

#### Answer

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

By entering international markets, ABC Fashion is stepping into unfamiliar territories where it must navigate different cultural preferences, market dynamics, and consumer behaviours. The decision to offer a variety of products that cater to the specific needs and tastes of each region demonstrates the company's commitment to localizing its offerings, which is a hallmark of diversification.

This strategy is particularly beneficial for companies like ABC Fashion that seek to maximize their growth potential by not only expanding their geographical footprint but also by innovating and adapting their product lines. It allows the company to tap into new revenue streams and diversify its business risk by not relying solely on its domestic market. However, it also requires significant market research, investment, and adaptation to different regulatory environments.

In summary, ABC Fashion's approach reflects a strategic diversification, enabling the brand to establish a strong international presence while meeting the diverse needs of global customers.

### Concept Problem 24

NovaTech Pvt. Ltd. is a well-established educational technology (EdTech) company in India. The company has been performing well in the online learning industry. The management of NovaTech Pvt. Ltd. has now decided to expand its business by launching a luxury skincare brand named "GlowNova." Identify and explain the growth strategy adopted by NovaTech Pvt. Ltd. [MTP May 25]

#### Answer

Currently, NovaTech Pvt. Ltd. operates in the **educational technology industry**, offering digital learning solutions. However, its management has decided to expand into an entirely different sector by launching **GlowNova, a luxury skincare brand**. Since there is no connection between their existing EdTech business and the new skincare venture in terms of **customer groups, customer needs, or technologies used**, NovaTech Pvt. Ltd. has opted for **conglomerate diversification**.

In **conglomerate diversification**, a company expands into a completely unrelated industry where its new products or services have no direct link to its existing business. There is no overlap in technology, market, or product functions. This type of diversification helps companies **spread risk, enter new markets, and explore new revenue streams**.

NovaTech Pvt. Ltd.'s decision to launch a skincare brand while operating in the EdTech sector demonstrates a strategic move toward unrelated diversification, allowing the company to tap into an entirely different consumer market.

### Concept Problem 25

Zeon Beverages, known for its fruit juices, recently acquired a nationwide cold-storage logistics company to control the quality and speed of its product delivery. Earlier, it had set up its own fruit-processing unit to reduce dependence on third-party suppliers. The company believes this strategy strengthens its supply chain

and market control. What type of strategic move is Zeon making through these acquisitions? How does this approach differ from horizontal and conglomerate diversification? [RTP Sep 25]

**Answer**

Zeon Beverages is pursuing a strategy of **vertically integrated diversification**, a form of **concentric diversification**, where the company expands into businesses that are related to its existing operations along the value chain. By **setting up its own fruit- processing unit** (backward integration) and **acquiring a cold-storage logistics company** (forward integration), Zeon is strengthening its supply chain, improving quality control and enhancing speed of delivery.

This move falls under **concentric diversification**, where the new businesses are linked to existing ones through process, technology or marketing, providing synergistic benefits. This approach differs from:

1. **Horizontal Integrated Diversification** – where a firm expands by acquiring similar or complementary businesses operating at the same stage of production. For example, if Zeon had acquired another fruit juice brand, it would be horizontal diversification.
2. **Conglomerate Diversification** – which involves expansion into **unrelated businesses** with no connection in terms of product, market, or technology. For instance, if Zeon ventured into unrelated sectors like real estate or electronics, it would be conglomerate diversification.

Hence, Zeon's strategy is a **vertically integrated concentric diversification**, aimed at enhancing operational efficiency and gaining better control over its value chain.

**Concept Problem 26 [Not for Jan 26]**

MaAi is a prominent group of companies. Currently it has businesses named Alpha, Bravo, Charlie and Delta. In year 2020, the company had acquired a business dealing in product 'Nota'. In evaluating the contribution to its portfolio, it was observed that product 'Nota', is not contributing as it was expected rather causing a financial duress. After identifying apparent problem area, in the year 2023, an emphasis was placed on change in management and improvement in internal efficiency. However, on further evaluation in the year 2024, it was observed that even after due emphasis, positive outcome is not there and in-turn the company decided to get rid-of the business related to product 'Nota'.

Identify the retrenchment strategies followed by the company for product 'Nota' (i) in the year 2023 (ii) in the year 2024. Also state various reasons to adopt the strategy by any organization, as followed in the year 2024 for product 'Nota'. [ICAI May 25]

**Answer**

In 2023, MaAi adopted a Turnaround Strategy. This is evident from their emphasis on change in management and improvement in internal efficiency which are key features of a turnaround strategy.

In 2024, MaAi decided to get rid of the business related to product 'Nota', which clearly indicates a Divestment Strategy. Divestment is adopted when "A turnaround has been attempted but has proved to be unsuccessful." This exactly matches the situation – despite a turnaround attempt in 2023, the business continued to underperform, leading to divestment in 2024.

Reasons for adopting a Divestment Strategy in 2024:

- i) **Mismatch with core business:** The business acquired in 2020 dealing in 'Nota' may have proved to be a mismatch and could not be integrated well within the MaAi group structure.
- ii) **Persistent negative cash flows:** Continued financial duress indicates persistent negative cash flows, which create a burden on the entire group.
- iii) **Failure of turnaround efforts:** Despite changes in management and efforts for internal efficiency, no positive outcome was achieved, fulfilling the condition where turnaround attempts prove unsuccessful.

- iv) **Better alternative for investment:** The company may have better options for redeploying resources, prompting the divestment of this underperforming business.
- v) **Inability to cope with competition or technological upgrade:** If 'Nota' required significant technological upgrades or faced intense competition and MaAi was unable or unwilling to invest further, divestment would be a prudent strategic exit.

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## CHAPTER 5

# STRATEGY IMPLEMENTATION & EVALUATION

### Concept Problem 1

A Mumbai-based conglomerate, PQR Ltd., has announced a major restructuring of its business operations. The company has decided to split its business into four separate units: Manufacturing, Retail, Services, and Technology. Each unit will operate as a separate business, with delegated responsibility for day-to-day operations and strategy to the respective unit managers.

Identify the organization structure that PQR Ltd. has planned to implement. Discuss any four attributes and the benefits the firm may derive by using this organization structure. [MTP May 24][RTP Sep 24][ICAI Dec 21]

### Answer

PQR Ltd. has planned to implement the 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:

- i) A scientific method of grouping the businesses of a multi – business corporation which helps the firm in strategic planning.
- ii) An improvement over the territorial grouping of businesses and strategic planning based on territorial units.
- iii) Strategic planning for SBU is distinct from rest of businesses. Products/ businesses within an SBU receive same strategic planning treatment and priorities.
- iv) Each SBU will have its own distinct set of competitors and its own distinct strategy.
- v) The CEO of SBU will be responsible for strategic planning for SBU and its profit performance.
- vi) Products/businesses that are related from the standpoint of function are assembled together as a distinct SBU.
- vii) Unrelated products/ businesses in any group are separated into separate SBUs.
- viii) Grouping the businesses on SBU lines helps in strategic planning by removing the vagueness and confusion.
- ix) Each SBU is a separate business and will be distinct from one another on the basis of mission, objectives etc.

### Concept Problem 2

Leadership Role vs Leadership Responsibility

### Concept Problem 3

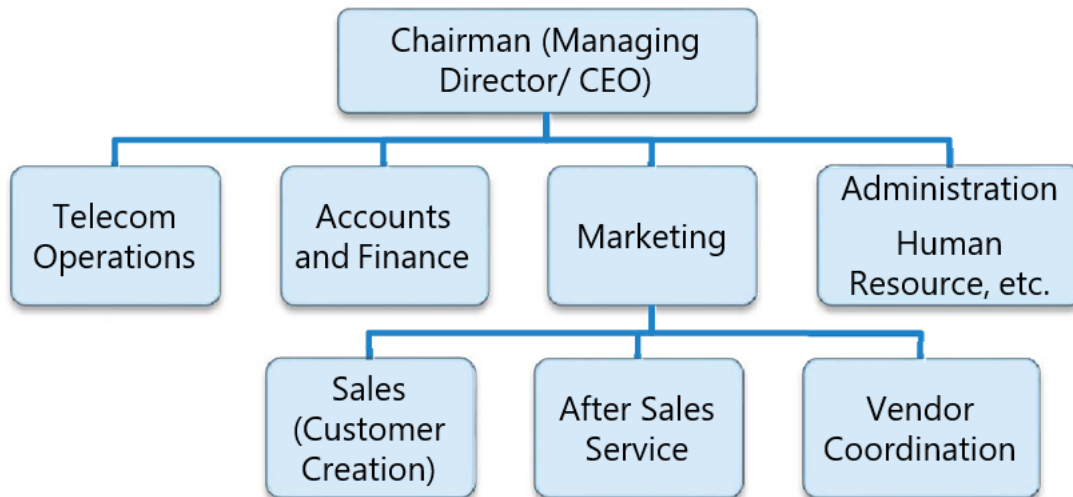
Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors.

Draw the organization structure Manoj should implement in his organization and name it.

**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 organizational 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:



**Concept Problem 4**

What is implementation control? Discuss its basic forms. [RTP Nov 23]

**Answer**

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

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

- i) **Monitoring strategic thrusts:** Monitoring strategic thrusts help managers to determine whether the overall strategy is progressing as desired or whether there is need for readjustments.
- ii) **Milestone Reviews:** All key activities necessary to implement strategy are segregated in terms of time, events or major resource allocation. It normally involves a complete reassessment of the strategy. It also assesses the need to continue or refocus the direction of an organization.

**Concept Problem 5**

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. [ICAI Dec 21] [MTP Nov 22] [MTP Nov 23] [MTP Sep 24]

**Answer**

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

In most situations, strategy-execution process includes the following principal aspects:

- i) **Developing budgets** that steer ample resources into those activities critical to strategic success.
- ii) **Staffing the organization with the needed skills and expertise**, consciously building and strengthening strategy-supportive competencies and competitive capabilities, and organizing the work effort.
- iii) **Ensuring that policies and operating procedures facilitate** rather than impede effective execution.
- iv) **Using best-known practices** to perform core business activities & pushing for continuous improvement.
- v) **Installing information and operating systems** that enable company personnel to better carry out their strategic roles day in and day out.
- vi) **Motivating people** to pursue the target objectives energetically.
- vii) **Creating a company culture and work climate conducive** to successful strategy implementation and execution.
- viii) **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.

#### Concept Problem 6

Jupiter Electronics Ltd. is known for its ability to come out with path-breaking products. Though the work environment at Jupiter's 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. [MTP Sep 24 modified] [MTP Jan 25]

#### Answer

The scenario being referred to is culture in Jupiter Electronics. A strong culture encourages effective strategy execution when there is alignment and drives performance even when there is minimal alignment. A culture rooted in values, practices, and behavioural norms that align with the requirements for successful strategy execution energizes employees across the organization to perform their roles in a manner that supports the strategy. Orion's culture, built around principles such as listening to customers, encouraging employees to take pride in their work, and providing a high degree of decision-making autonomy, is highly conducive to successfully executing a strategy focused on delivering superior software solutions.

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. Employees are stimulated to take on the challenge of realizing the organizational vision, do their jobs competently and with enthusiasm, and collaborate with others.

#### Concept Problem 7

'To coordinate more complex organizational functions, companies should abandon the simple structure in favour of the functional structure' Discuss.

#### Answer

Simple organizational structure is most appropriate usually in those small organizations that follow single business strategy and offer a line of products in a single geographic market. When a small organization grows, its complexities also tend to grow which necessitates the companies to abandon the simple organization structure which it has been adopting hitherto and move towards structures like functional



organizational structure. A typical simple organization structure is often owner driven with small number of employees.

Functional structure groups tasks and activities by business function, such as production, marketing, finance, research and development and is generally headed by Chief Executive Officer or Managing Director. Besides being simple and inexpensive, a functional structure also promotes specialization, encourages efficiency, minimizes the need for an elaborate control system, and allows rapid decision making. At the same time with the passage of time and overall growth much more complex organizational structures exist in business world. However, dividing organization according to functional lines is invariably found at some level or the other.

### **Concept Problem 8**

*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?*

#### **Answer**

Corporate culture refers to company's values, beliefs, business principles, traditions, ways of operating and internal work environment. Changing problem cultures is very difficult because of deeply held values and habits. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy-supportive.

- The first step is to diagnose which facets of the present culture are strategy supportive and which are not.
- Then, managers have to talk openly and forthrightly to all concerned about those aspects of the culture that have to be changed.
- The talk has to be followed swiftly by visible, aggressive actions to modify the culture -actions that everyone will understand are intended to establish a new culture more in tune with the strategy.

Management through communication has to create a shared vision to manage changes. The menu of culture-changing actions includes revising policies and procedures, 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.

### **Concept Problem 9**

*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? [MTP May 23]*

#### **Answer**

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

Multidivisional or M-form structure was developed in the 1920s, in response to coordination and control-related problems in large firms. Functional departments often had difficulty dealing with distinct product lines and markets, especially in coordinating conflicting priorities among the products. Costs were not allocated to individual products, so it was not possible to assess an individual product's profit contribution.

Loss of control meant that optimal allocation of firm resources between products was difficult (if not impossible). Top managers became over-involved in solving short-run problems (such as coordination, communications, conflict resolution) and neglected long-term strategic issues.

### Concept Problem 10

"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 channels, 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 organizational structure is the company transitioning into? List the basic features of this new structure and the merits and demerits that the company may face in future in this new structural arrangement. [RTP Nov 22]

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. Identify the organization structure LMN Ltd, is shifting to. Under what circumstances this structure becomes useful? [ICAI May 22]

### Answer

Samar Electronics Limited transitioning into **network structure**. It is a newer and somewhat more radical organisational design. Its essential features are as follows:

- It is termed as "non-structure" as it eliminates in house functions and outsources many of them.
- 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 non- hierarchical, cob-web like structures.
- 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.
- 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 company could provide for itself.

### Merits of the Network Structure:

- Flexibility and Adaptability:** The structure allows for rapid technological changes and shifting competition patterns. This enables the company to adapt quickly to the unstable environment and changing customer preferences.
- Focus on Core Competencies:** The company can concentrate on its distinctive competencies while outsourcing non-core functions to specialized firms, which can perform them more efficiently.
- Cost Efficiency:** Through subcontracting and outsourcing, Samar Electronics can reduce the costs associated with maintaining in-house teams.
- Decentralized Operations:** The network structure scatters business functions across various geographical locations, reducing the need for a large central headquarters and ensuring responsiveness in different regions.

### Demerits of the Network Structure:

- Loss of Synergies:** Contracting out functions may prevent Samar Electronics from discovering synergies that could emerge from combining internal activities.

- ii) **Over-Specialization Risk:** By focusing on only a few functions, the company may risk choosing the wrong functions, leading to a loss of competitiveness.
- iii) **Stress and Learning Challenges:** The flatter structure and increased need for personal interactions may create stress for employees, especially those who lack the confidence for active participation in organization-sponsored learning programs.

### **Concept Problem 11**

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 of the company, it finds that many of the suggestions are not even fully considered.

Which part of strategic management process is missing in HQ?

#### **Answer**

Strategy implementation is missing in HQ. Implementation is the managerial exercise of putting a chosen strategy into action. It deals with the managerial exercise of supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results.

Strategic implementation is concerned with translating a strategic decision into action, which presupposes that the decision itself (i.e., the strategic choice) was made with some thought being given to feasibility and acceptability. The allocation of resources to new courses of action will need to be undertaken, and there may be a need for adapting the organization's structure to handle new activities as well as training personnel and devising appropriate systems.

It is crucial to realize the difference between the formulation and implementation because they both require very different skills. Also, a company will be successful only when the strategy formulation is sound and implementation is excellent.

### **Concept Problem 12 [Not for Jan 26]**

Elaborate the interrelationship between strategy formulation and implementation.

#### **Answer**

Strategy implementation is the managerial exercise of putting a chosen strategy into place. Strategy execution deals with supervising the ongoing pursuit of strategy, making it work, improving the competence with which it is executed and showing measurable progress in achieving the targeted results. Strategic implementation is concerned with translating a decision into action.

It involves allocation of resources to new courses of action that need to be undertaken. There may be a need of adapting the organization's structure to handle new activities as well as training personnel and devising appropriate system

It is crucial to realize the difference between the formulation and implementation because both require very different skills. A business organization will be successfully only when the strategy formulation is sound and implementation is excellent

### **Concept Problem 13**

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?

#### Answer

Kurt Lewin's Model of Change proposes three phases of change process to make the change lasting. They are Compliance, Identification and Internalization.

For Dr. Radhika, Compliance and Identification will not a big challenge, as her father has been one of the most sought-after personalities serving the ill in their district. 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.

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.

#### Concept Problem 14

"Strategy formulation and strategy implementation are intertwined and linked with each other". Elucidate this statement with suitable arguments. [ICAI May 22]

#### 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:** The different elements in strategy formulation starting with objective setting through environmental and organizational appraisal, strategic alternatives and choice to the strategic plan determine the course that an organization adopts for itself. With the formulation of new strategies, or reformulation of existing strategies, many changes have to be affected within the organization. For instance, the organizational structure has to undergo a change in the light of the requirements of the modified or new strategy. The style of leadership has to be adapted to the needs of the modified or new strategies. In this way, the formulation of strategies has forward linkages with their implementation.

**Backward Linkages:** Just as implementation is determined by the formulation of strategies, the formulation process is also affected by factors related with implementation. While dealing with strategic choice, remember that past strategic actions also determine the choice of strategy. Organizations tend to adopt those strategies which can be implemented with the help of the present structure of resources combined with some additional efforts. Such incremental changes, over a period of time, take the organization from where it is to where it wishes to be.

It is to be noted that while strategy formulation is primarily an entrepreneurial activity, based on strategic decision-making, the implementation of strategy is mainly an administrative task based on strategic as well as operational decision-making.

#### Concept Problem 15

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 company, what stages will you follow for developing & executing the new strategy? [ICAI May 22]

#### Answer

Today, India has become the outsourcing hub for many of the global automobile manufacturers. The auto

industry comprises of four segments which are passenger vehicles, commercial vehicles, three wheelers and two wheelers. XYZ Ltd. is an automobile company that offers diversified products for all customer segments. The company has already in existence, so it has its own vision, mission and a strategy to execute for achieving its vision. While developing and executing the strategy, XYZ Ltd. might have followed the five-stage managerial process as given below:

1. Developing a strategic vision.
2. Environmental and organisational analysis.
3. Formulation of strategy.
4. Implementing and executing the strategy.
5. Strategic evaluation and control.

But due to COVID-19, the automobile industry has faced the lockdown situation. Changes in the economy forced the XYZ Ltd. to change its existing strategy and prepare the new strategy. 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.

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.

#### Concept Problem 16

ABC Ltd. is a shoe manufacturing company. The strategic manager of ABC Ltd. is Ms. Suman. Ms. Suman hired the best designers she could find online for her ethnic shoe brand but later she found that the designers were better at leather designs. Identify and explain linkage in the given situation as she had to change her strategy basis the actual resources she had? [MTP Nov 22] [RTP Nov 23]

#### Answer

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

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

#### Concept Problem 17

Why is change management crucial during digital transformation, and what are some key strategies for navigating change effectively? [RTP May 24]

Or

Explain the pointers for navigating change during digital transformation. [ICAI Sep 24]

### Answer

Change management is essential during digital transformation to ensure the success of the process. Here are some key strategies to navigate change effectively:

- 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.
- 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.
- 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.
- 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.
- 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.

### Concept Problem 18

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? [RTP Sep 24]

### Answer

The Matrix Relationship is the most effective structure for Tech Innovators Inc. to achieve its vision of leadership in AI technologies. This structure promotes cross-functional collaboration, essential for managing complex AI projects and fostering innovation. 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 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.



Relationship	Benefits	Drawbacks	Suitability for AI Leadership
<b>Matrix</b>	Facilitates cross- functional collaboration, flexible resource management for complex projects.	Complex reporting structures, potential conflicts.	Ideal for managing diverse, innovative AI projects.

### Concept Problem 19

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. [ICAI May 24]

### 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 analyze 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.

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

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

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

While the McKinsey 7-S Model provides a structured approach to analyzing organizational effectiveness, it has certain limitations:

- i) **Limited Focus on External Environment:** The model focuses only on internal elements, potentially overlooking external factors impacting the organization.
- ii) **Undefined Organizational Effectiveness:** It does not clearly explain how to measure or achieve organizational effectiveness.
- iii) **Static Nature:** The model is considered more static and may lack flexibility in dynamic decision-making situations.
- iv) **Potential Gaps in Strategy Execution:** It may not fully capture gaps between strategy development and execution.

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.

### Concept Problem 20

EcoTec, a company specializing in sustainable technology solutions, is facing challenges due to shifts in environmental regulations and market preferences. To manage these uncertainties, they regularly review and update their business assumptions and strategic plans based on changing regulatory environments and consumer trends. This proactive approach helps them stay aligned with evolving market conditions and maintain a competitive edge. Explain which approach is EcoTech to adapt to changes in regulations and market conditions?

### Answer

EcoTech is using Premise Control to adapt to changes in regulations and market conditions. Premise Control is a strategic management approach focused on continuously monitoring and reviewing the underlying assumptions that form the basis of an organization's strategy. By regularly assessing these assumptions—such as environmental regulations and consumer preferences, EcoTech ensures that its strategic plans remain relevant and responsive to external changes.

This proactive process helps the company make timely adjustments to its strategies, allowing it to stay competitive and aligned with the evolving market environment.

### Concept Problem 21

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

### Answer

Strategic Performance Measures (SPM) are metrics organizations use to evaluate and track the effectiveness of their strategies in achieving their goals and objectives. SPM provides a framework for monitoring key areas critical to the organization's success, ensuring progress toward desired outcomes and enabling timely adjustments to improve performance. For GreenEdge Solutions, various types of SPM can be utilized:

- i) **Financial Measures:** Metrics like revenue growth, return on investment (ROI), and profit margins help evaluate the company's financial health and profitability.
- ii) **Customer Satisfaction Measures:** Assessments of customer satisfaction, retention, and loyalty indicate how well the company meets customer needs.
- iii) **Market Measures:** Market share, customer acquisition, and referral rates reflect competitiveness and market position.

- iv) **Employee Measures:** Employee satisfaction, engagement, and turnover rate help track workplace culture and talent retention.
- v) **Innovation Measures:** R&D spending, patent filings, and new product launches gauge the company's innovation capabilities.
- vi) **Environmental Measures:** Monitoring energy consumption, waste reduction, and carbon emissions ensures the company aligns with sustainability goals.

Using these measures, GreenEdge Solutions can systematically assess its strategy and make informed decisions to drive sustainable growth and success.

### Concept Problem 22

ABC group of companies has five projects at different geographical locations. Each project is managed by a dedicated project manager. A Chief Executive Officer (CEO) is supported by a team of subject matter experts (SMEs) in each function at corporate level of the company. As an accepted practice, the authority and communication flow vertically and horizontally in the company. There are five common functions i.e. finance, human resource, operations, marketing and information technology facilitating each project. Each functional manager is having administrative relationship with respective project manager and functional relationship with related SME with a clear mutual understanding of his or her roles and responsibilities.

Identify and explain the organizational structure best suited in the above scenario. State the advantages and disadvantages of the above structure. [ICAI Jan 25]

### Answer

The organizational structure best suited for the ABC group of companies is the Matrix Structure.

The Matrix Structure integrates functional and project-based frameworks, enabling vertical communication between functional managers and teams, and horizontal communication with project managers.

Functional managers oversee domains and report to SMEs, while project managers handle project execution. This structure ensures resource sharing, role clarity, collaboration, and alignment with organizational objectives.

#### Advantages of the Matrix Structure:

1. **Resource Optimization:** Efficient utilization of resources across multiple projects.
2. **Flexibility:** Shutting down a project is accomplished relatively easily because it quickly adapts to changes in project needs or external environments.
3. **Enhanced Communication:** Encourages collaboration and knowledge sharing across projects and functions through many channels of communication.
4. **Clear Goals:** Project objectives are clear. Project managers focus on achieving specific project objectives.

#### Disadvantages of the Matrix Structure:

1. **Complexity:** Dual reporting relationships can lead to confusion and conflict between project and functional managers.
2. **High Coordination Costs:** It results in higher overhead cost and requires significant planning and communication efforts.
3. **Power Struggles:** Potential for conflicts over resource allocation and priorities.

### Concept Problem 23

XYZ Enterprises operates in multiple industries. Its automobile division functions independently, with separate teams for electric and fuel-based vehicles. The IT division follows a structure where employees report to both



project heads and department managers for various software projects. Meanwhile, its startup incubator encourages open collaboration among employees at all levels. Identify the network relationships used in XYZ Enterprises' divisions and explain why they are appropriate. [MTP May 25]

#### Answer

XYZ Enterprises employs different network relationships across its divisions to optimize efficiency and innovation.

- i) **Automobile Division – Functional and Divisional Relationship:** The automobile division operates independently, with distinct teams handling electric and fuel-based vehicles. Each division is managed by a business-level head who directly reports to the corporate-level management. This structure ensures clear accountability, specialization, and focused decision-making. By maintaining independent divisions, XYZ Enterprises can cater to different market segments effectively.
- ii) **IT Division – Matrix Relationship:** The IT division follows a matrix structure where employees report to both project heads and functional managers. This setup allows for efficient resource utilization, as employees contribute to multiple projects while maintaining alignment with their respective departments. The matrix relationship helps manage complex software development projects that require cross-functional expertise, ensuring seamless collaboration among teams like development, marketing, and finance.
- iii) **Startup Incubator – Horizontal Relationship:** The startup incubator promotes a horizontal structure where all employees, regardless of hierarchy, collaborate and share ideas openly. This nurtures transparency, quick decision-making, and innovation, which are essential for startups. Since speed and adaptability are crucial in early-stage ventures, this relationship structure ensures that creative solutions are implemented without bureaucratic delays.

By adopting these network relationships, XYZ Enterprises maximizes efficiency, agility, and innovation across its diverse operations.

#### Concept Problem 24

Merako Appliances recently automated its assembly line to produce kitchen gadgets faster and at lower cost, improving operational efficiency. However, customer feedback shows that the new products don't meet market needs, leading to declining sales. This has sparked an internal debate on balancing efficiency (doing things right) with effectiveness (doing the right things). How should Merako balance efficiency and effectiveness to achieve sustainable success? Also, describe the four possible situations a business can face when comparing levels of efficiency and effectiveness. [RTP Sep 25]

#### Answer

Merako Appliances has improved operational **efficiency** by automating its assembly line. However, declining sales due to products not meeting customer needs indicate a lack of **effectiveness**. This highlights the importance of balancing doing things right (efficiency) with doing the right things (effectiveness).

To achieve **sustainable success**, Merako must align its operations with customer preferences through sound **strategy formulation** (effectiveness), followed by efficient **strategy implementation**.

Four Possible Situations Based on Efficiency and Effectiveness:

1. **Efficient and Effective (Thrive):** Ideal scenario. The firm does the right things and does them well. Merako should aim for this by aligning products with customer needs while maintaining efficiency.
2. **Efficient but Ineffective (Die Slowly):** Merako's current state. Operations are streamlined, but customer needs are unmet, risking decline without strategic correction.
3. **Inefficient but Effective (Survive):** Right strategy but poor execution. The firm may survive but must improve efficiency to sustain.

4. **Inefficient and Ineffective (Die Quickly):** Neither aligned with customer needs nor operationally sound. Leads to rapid failure unless overhauled.

**Strategic Formulation**

<b>Operational Management</b>		<b>Effective</b>	<b>Ineffective</b>
	<b>Efficient</b>	1. Thrive	2. Die Slowly
	<b>Inefficient</b>	3. Survive	4. Die Quickly

**Principal combinations of efficiency and effectiveness**

Merako must integrate **customer feedback** into strategic planning and ensure both efficient execution and effective direction to gain long-term competitiveness.

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they Performed. You too have a look & try  
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**82**



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AIR

**31**

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**85**



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TAX

**82**



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Blessings !! *Kishan Kumar*



### About CA Kishan Kumar

- ★ Kishan Kumar is an **Fellow Member** of The Institute of Chartered Accountants of India.
- ★ He is a **throughout Rankholder** in CA examinations.
- ★ He himself scored **Exemption in Taxation [76]** in his CA Inter Exam..
- ★ He has been **awarded by Nitish Kumar, Hon'ble Chief Minister** of Bihar for his excellence in the field of education.
- ★ Internationally renowned **University of South Wales** has also felicitated him for his aptitude and achievements during his academic life.
- ★ Kishan has worked with **Ernst & Young and PwC (Big 4 Firms)** and uses his practical corporate experience to make the subject more interesting and engaging.
- ★ More than 50 of his students have scored AIRs including AIR 6, 11, 16 and many more with hundreds of Exemptions, highest being 90 in Tax.
- ★ He is committed to make meaningful contribution to the life of promising CA aspirants.

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